The Home of Homes:
Unlocking our full potential

Dunelm Group plc
Annual Report and Accounts 2024




The Home of Homes

Our market
Learn more about our plans to further grow market share

Our people
Discover how we engage with our colleagues on page 22

Strong leadership team
Scan the QR code to watch our CEO, Nick, give a summary of our FY24 results and future plans

Read our Sustainability Report 2024 to understand how we are being good and circular as a business
corporate.dunelm.com/sustainability

Visit our website for further information about our business

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Where you see QR codes, scan to watch videos online

Links to other content within this report

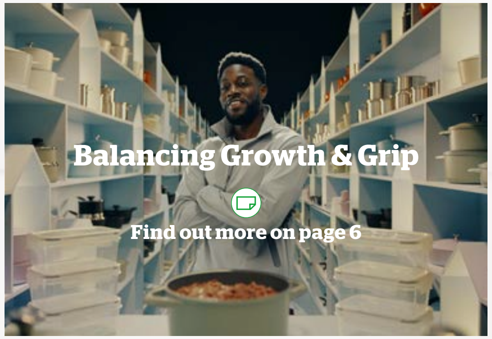
SR Link to content within the Sustainability Report 2024

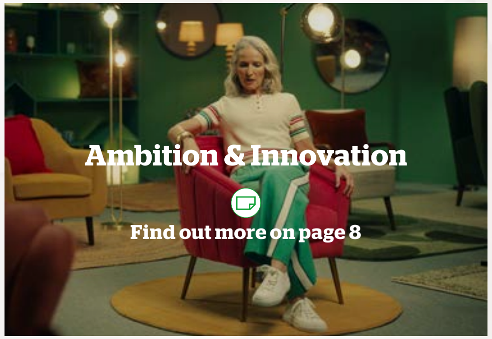
Link to content online

Unlocking our full potential as The Home of Homes

We have delivered another good performance despite a challenging consumer environment, demonstrating the strength and resilience of our business model. Whilst remaining focused on delivery, we are constantly looking to learn and adapt, to take advantage of the exciting opportunities ahead of us. We are extremely confident in our plans to unlock our full potential and achieve our clear vision to be the most trusted and valuable brand in homewares and furniture for UK consumers.

Read more about how we are the home of:



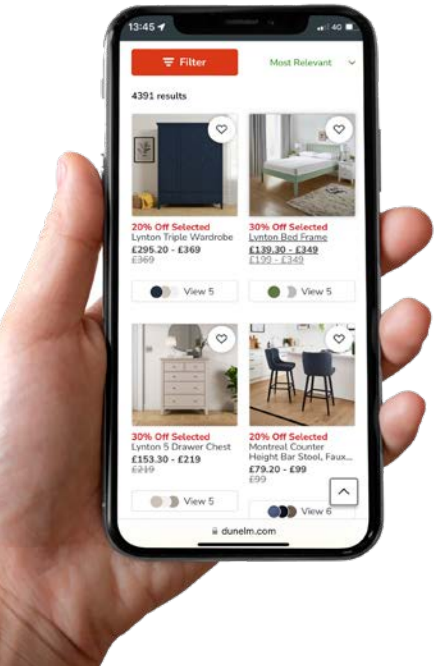


At a glance

We are The Home of Homes, always seeking to create beautiful products and getting to know our customers better, to help them create homes they love.

We are a specialist retailer of homewares and furniture, with a broad offer for all tastes and budgets, with thousands of quality products at fantastic prices sold across our 184 stores and on dunelm.com.

37%
digital sales



40yrs
of Dunelm stores

For reflections from some of our longest-serving colleagues, see pages 69 and 70

184
stores

11,500+
colleagues

c.85,000
SKUs to suit every style and budget across our broad range of homewares and furniture categories

No.1
market leader in UK homewares

About us

Our vision:

To build the UK's most trusted and valuable brand for homewares and furniture

Our purpose:

To help create the joy of truly feeling at home, now and for generations to come

Our shared values:

Our four key values remain at the heart of our business and will help unlock our full potential

Our values evolved from the key business principles developed 20 years ago, and reflect the attitudes and behaviours we encourage at Dunelm.

- **Stronger together**
- **Keep listening & learning**
- **Act like owners**
- **Long-term thinking**

Being Good & Circular:

We are committed to sustainable growth by being good and circular, as we seek to look after all of our homes

Our **home** the **Planet**
Our **home** in **Communities**
A **home** for our **People**

On this journey we are embracing change and recognise that we must learn, invest and be both creative and collaborative.

Read how we embed and monitor our culture and values in our Governance report from page 68

Learn more about our good and circular approach to sustainability on pages 32 and 33

Chair's statement

Delivering for our planet, our communities and our people

> "I'm delighted to report another strong performance, with Dunelm again delivering growth and demonstrating resilience in what has been a challenging homewares market.

During the last financial year, both the political and economic environment have been turbulent and consumer confidence has been subdued. Despite this backdrop, Dunelm has continued to attract new customers and increase its market share through its broad and attractive product range and focus on outstanding quality and value.

Over many years, our business has performed well in both stronger and weaker economic cycles. This is credit to the unique, specialist offer which has been developed for our customers, and the attractiveness of our business model. This success is also delivered by the thousands of amazing people who work in the business; in my second year as Chair, I'm seeing more and more of the magic and energy which Dunelm colleagues demonstrate every day, and which drives the Company forward.

Over the past year, a focus on being The Home of Homes has led to a further broadening of our range of relevant homewares and furniture products, at outstanding value across all price points. At the same time, we have been opening more stores, improving the digital customer journey, developing our marketing activity, and using technology and data to improve both our offer and our infrastructure.

This culture of continuous improvement, led by a strong and experienced team, has again seen us grow sales, volumes, customer numbers and market share.

Performance

Sales of £1,706m were up 4% on last year, driven by increased volumes. Strong operational grip has become a characteristic of Dunelm in recent years and it was demonstrated again this year to increase gross margin, and support a profit before tax increase of 7% to £205m. Diluted earnings per share fell 0.8% to 74.4p, as a result of an increase in the effective tax rate, largely due to the rise in corporation tax in April 2023.

Our cash conversion and returns are key strengths of the business, and during the year we paid a special dividend of 35p per share. Our ordinary dividend for the year was up 3.6% to 43.5p per share, continuing our track record of impressive cash returns to shareholders, as well as demonstrating our ongoing confidence in the business.

Being Good and Circular

Sustainable growth is ingrained in the day-to-day operations of the Group. Being good and circular is how we characterise our approach, considering our impact on the planet, in our communities and in looking after our people.

Read more about our approach on pages 32 and 33 and in our Sustainability Report 2024

Planet

Central to reducing our impact on the planet is giving close consideration to the design, materials and manufacturing processes involved in our products. In FY24 we have increased the number of products that qualify for our 'Conscious Choice' range, predominantly by finding more responsibly sourced materials that have a proven, reduced environmental impact compared to their conventional alternatives.

We're also learning more about the lifecycle of our products and have developed a circularity strategy and circular design principles to push ourselves forward. To increase awareness, during the year our commercial teams were tasked with a 'Circular Product Design Competition', the results of which have already led to a number of products being created, including our Full Circle sofas, which feature modular design and can be taken apart for recycling at end of life.

Communities

I am hugely proud of the way in which Dunelm interacts with our local communities, from both our stores and support sites.

This year our colleagues selected Age UK as our new national charity partner, and I'm delighted that we have committed to work with them for the next three years to raise at least £2m, with a mission of creating communities that feel like home for older people. We have also continued to build on the success of our 'Delivering Joy' campaign. This was first launched in 2019 and has strengthened each year. Last Christmas our customers and colleagues donated a remarkable 125,000 gifts across our stores, distribution centres and offices, which were then distributed to local communities and causes.

Chair's statement continued

People
During the year we celebrated the 40-year anniversary of our first store opening in Leicester Churchgate, as the Adderley family built on the success of their Leicester market stall. We celebrated the milestone throughout the summer, including an extra 'double discount' day for colleagues, a pop-up museum at our Head Office, and a video celebrating the recollections of some of our longest-serving colleagues.

We now have c.11,500 colleagues across distribution, manufacturing, customer contact, store support centres and 184 stores, and I thank them all for their ongoing enthusiasm, commitment and dedication to our success.

We continue to strive to be an inclusive employer where all our team members can thrive. Whilst we still have much to do on diversity, I am pleased that we have increased the proportion of our ethnic minority 'role-model leaders', which comprises c.300 senior leaders or those managing large teams, by 2ppts to 5.8%.

During the year we also launched 'Reach', a programme aimed at helping colleagues within underrepresented ethnic groups achieve their full potential. The programme focuses on advancing skills, connections and ultimately careers, and the first cohort of more than 60 participants graduated in August 2024.

Board
We announced a number of Board changes during the year. We have welcomed two new Non-Executive Directors in Ajay Kavan and Dan Taylor, who bring a wealth of relevant and complementary experience to the Board.

Both William Reeve and Peter Ruis reached their nine-year terms as Board directors. Peter left us earlier in the year and William will be with us until the AGM, but will not stand for re-election. I would like to thank both Peter and William for the very significant contributions that they have made over their many years of service to Dunelm.

After the year end Kelly Devine stepped down from the Board, having agreed to join Dunelm's Executive Team as Customer Director. I am pleased to continue to work with Kelly in her new Executive capacity.

I share further detail on these changes in my introduction to the Governance section of this report, and look forward to continue working with our strong and experienced Board, who collectively have a fantastic range of skills.

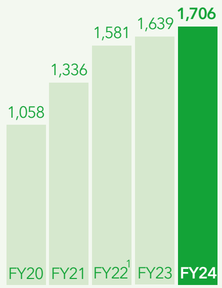
Unlocking our full potential
Looking forward, whilst some of the lead consumer indicators are beginning to look more favourable, the sector is yet to show signs of recovery. Notwithstanding this uncertainty, we are very confident in the business and our future plans. We have developed our strategic thinking to focus on three key pillars: elevating our product offer; connecting with more customers; and harnessing our operational capabilities. Further detail is shared in the Chief Executive's review, and we are excited about the opportunities these bring. We will continue to invest in these priorities, and are confident in further delivering on our track record of driving profitable growth and strong cash returns.

Alison Brittain
Chair
11 September 2024

Performance highlights 2024

Financial

Total sales (£m)



£1,706m
FY23 £1,639m

Profit before tax
£205m
FY23 £193m

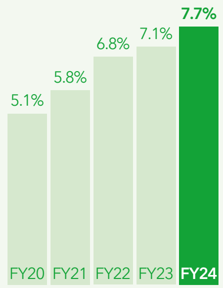
Free cash flow
£132m
FY23 £160m

Diluted earnings per share
74.4p
FY23 75.0p

Ordinary dividend per share
43.5p
FY23 42.0p

Non-financial

Market share[2]



7.7%
FY23 7.1%

Active customer growth[3]
+5.1%
FY23 +2.8%

Colleague retention[4]
89%
FY23 87%

Ethnic diversity of our role-model leaders
5.8%
FY23 3.8%

Scope 1 carbon intensity vs FY19
-53%
FY23 -32%

1. FY22 included a 53rd week for statutory reporting purposes. On a comparable 52-week basis sales were £1,553.1m.
2. GlobalData UK combined homewares and furniture markets, excluding kitchen cabinetry and bathroom furniture, for the period July 2023 to June 2024. Prior year comparatives restated.
3. Growth in unique active customers who have transacted at least once in the 12 months to June 2024. Management estimates using Barclays data.
4. Retention is the percentage of colleagues from the start of the financial year (July 2023) who remained employed until the end of the financial year (June 2024), excluding any planned leavers.

Read more in the Alternative Performance Measures table on page 157

The home of Balancing Growth & Grip

In the last year, we have continued to grow in what has remained a tough consumer environment, demonstrating the strength and resilience of our business model. We take a balanced approach, regardless of market conditions, continuing to plan and invest for long-term, sustainable growth, whilst maintaining our commitment to strong operational grip.

Use the QR Code to see our Spring 2024 TV campaign

YoY volume growth	PBT margin
+6.2%	**12.0%**
	FY23 11.8%

Read more on page 28

Read more on page 29

The home of Balancing Growth & Grip continued

Throughout our history we have consistently delivered profitable growth alongside strong cash returns, driven by an enduring commitment to 'act like owners'. In a challenging consumer environment, we continue to balance growth and grip: staying customer-focused and making every pound count.

Staying customer-focused

Growth is driven by our focus on offering outstanding value, relevance and choice for our customers across our proposition, which encompasses our broad range of homewares and furniture products and the convenience of our total retail system.

We continue to focus on product development to meet evolving customer tastes. We have carefully managed our curated range extension, increasing the number of available products for our customers, whilst maintaining a focus on outstanding product quality and value. Alongside this, we constantly seek to be better and bolder with our product, increasing differentiation and cross-category coordination across our collections, whilst growing the use of more sustainable materials.

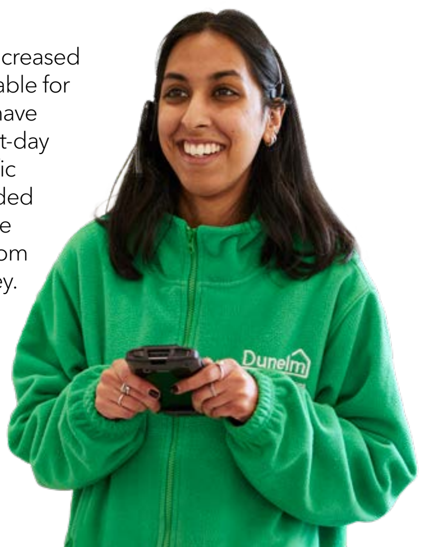
Across our total retail system, we have increased the proportion of our online range available for Click & Collect to c.50%. Our goal is to have nearly all UK-held stock available for next-day collection, with a small number of specific exceptions. We have also further expanded our store footprint whilst making multiple incremental improvements to dunelm.com to reduce friction in the customer journey.

Making every pound count

Our strong performance over FY24 reflects the inherent resilience and strength of our business model against the backdrop of a subdued market. In a year where we grew pre-tax profit ahead of sales, our commitment to tight operational grip and control was fundamental.

We take a balanced approach to managing profitability throughout the business. We maintained pricing discipline across our value tiers to deliver outstanding value, whilst closely managing our input costs through good planning and optimising our product specifications and sourcing.

Within our operating costs, whilst inflation continues to be a headwind, we manage this tightly and take a continuous improvement approach to productivity to drive savings, without compromising customer or colleague experience. Alongside this, we maintain a long-term view of our priorities and carefully invest for future growth across our stores and online offer.



Staying agile

In FY24 we continued to grow sales in a tougher environment, demonstrating the relevance and choice on offer for our customers. At the same time, we expanded our gross margin without any significant impact from price increases or reductions, as we closely managed our input costs including freight, raw materials and foreign exchange.

Achieving this required an agile approach. In particular, we faced disruption in the Red Sea, causing delays to our main shipping route and additional freight surcharges. This demanded strong operational management from our commercial team.

Whilst we saw some small challenges to the availability of furniture in particular, we carefully worked through these to minimise the impact on our customers and ensure that they were able to get the products they wanted, when they wanted them.

The home of Ambition & Innovation

We are a restless business, always keen to grow by learning and adapting. This brings big ambitions and a recognition that to achieve them we cannot stand still. We continue to test and learn with new ideas and innovations to our offer so that we remain as relevant as possible for our broad customer base. As we look to the future, it is this approach that will help us unlock our full potential.

FY24 capex

£40m

FY23 £22m

Read more on page 30

Own-brand products now Conscious Choice

c.26%

FY23 c.15%

Read more on page 33

Use the QR Code to see our Spring 2024 TV campaign

The home of Ambition & Innovation continued

As market leader, we currently have a 7.7% share of the combined c.£24bn homewares and furniture market. Through continued innovation in our customer proposition and outstanding execution, we now see a clear pathway to 10% market share in the medium term. Whilst this is a medium-term milestone, our ambition does not stop there, with significant growth opportunities across all our categories.

Unlocking our full potential

In order to fulfil our ambitions we have evolved our strategic approach, ensuring we are developing and investing in the right areas to unlock our full potential as The Home of Homes. This is reflected in three strategic pillars:

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

We are benefitting from the improvements we have made to our technology and data capabilities over recent years, and our growing confidence and ability to innovate using new technology across our operations. Our strategic pillars, in combination with our skilled colleagues, can transform the way we amplify our advantaged business model and best meet the needs of our customers.

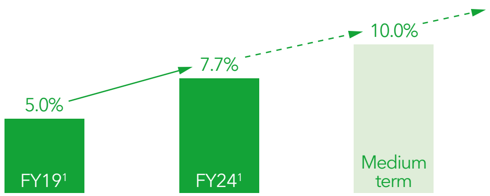
Read more on the evolution of our strategy in the CEO's review on page 14

Long-term thinking

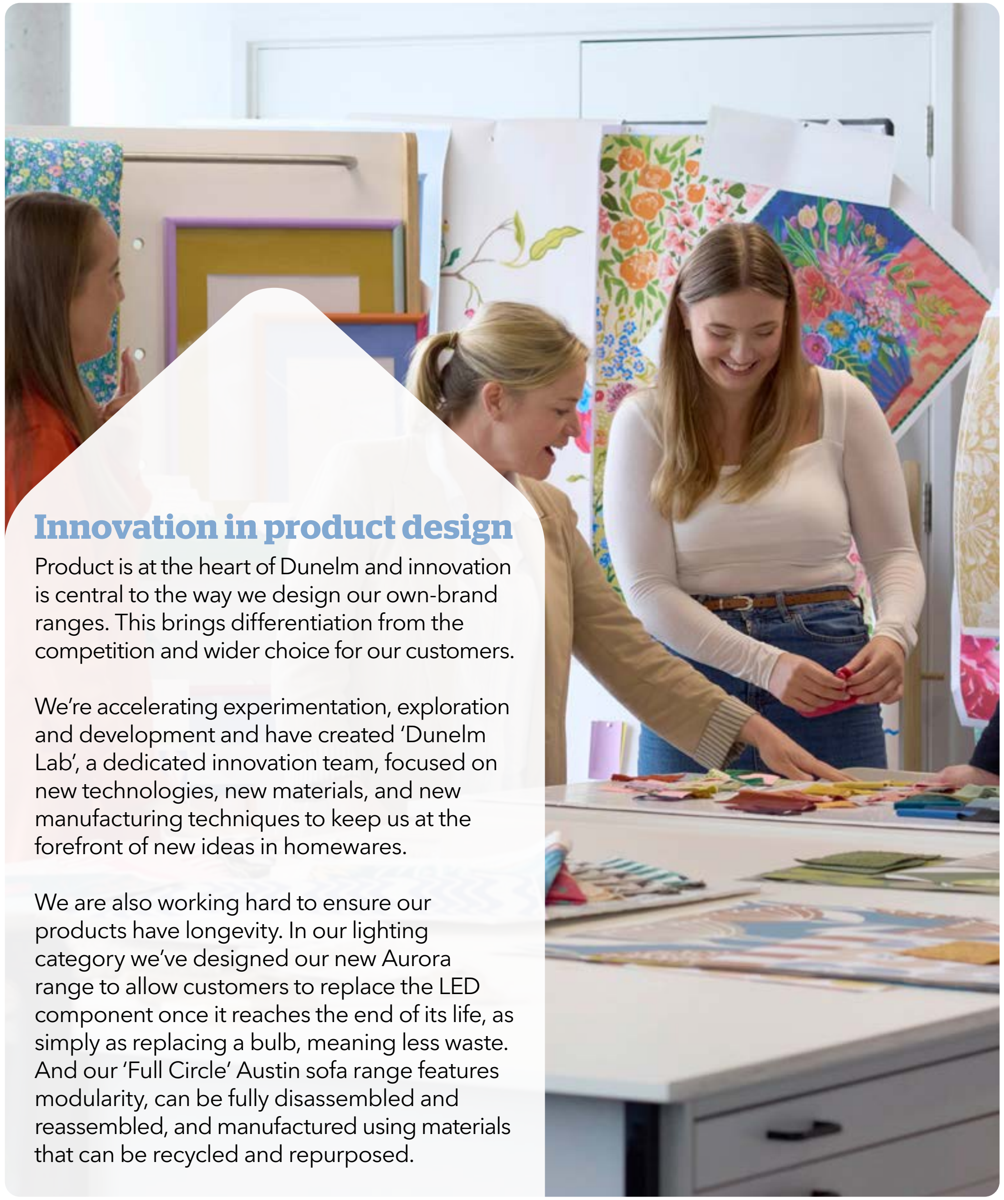
Ambition and innovation thrives at Dunelm because we take decisions for the long term, a principle which has been in the business since its beginnings and remains one of our core values. This means we take multi-year investment decisions, develop our future leaders and make meaningful choices as we strive to be good and circular.

Doing the right thing for the long term is key to driving sustainable growth and value for all of our stakeholders.

A clear pathway to further market share growth



1. GlobalData UK combined homewares and furniture markets, excluding kitchen cabinetry and bathroom furniture.



Innovation in product design

Product is at the heart of Dunelm and innovation is central to the way we design our own-brand ranges. This brings differentiation from the competition and wider choice for our customers.

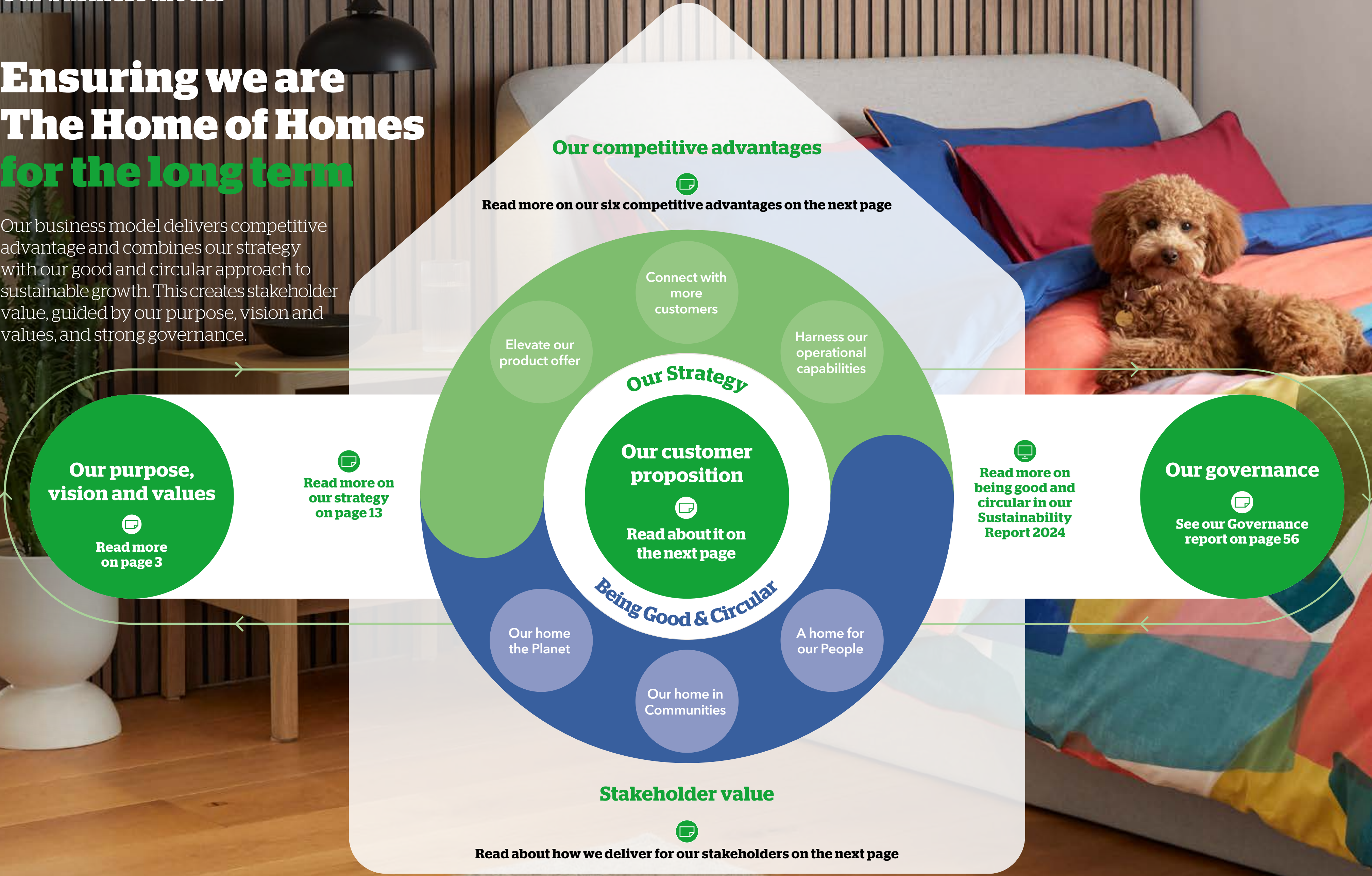
We're accelerating experimentation, exploration and development and have created 'Dunelm Lab', a dedicated innovation team, focused on new technologies, new materials, and new manufacturing techniques to keep us at the forefront of new ideas in homewares.

We are also working hard to ensure our products have longevity. In our lighting category we've designed our new Aurora range to allow customers to replace the LED component once it reaches the end of its life, as simply as replacing a bulb, meaning less waste. And our 'Full Circle' Austin sofa range features modularity, can be fully disassembled and reassembled, and manufactured using materials that can be recycled and repurposed.

Our business model

Ensuring we are The Home of Homes for the long term

Our business model delivers competitive advantage and combines our strategy with our good and circular approach to sustainable growth. This creates stakeholder value, guided by our purpose, vision and values, and strong governance.



Our business model continued

Our customer proposition

By ensuring that customers stay at the very centre of our thinking, we are confident in our plans to continue growing our sales and gaining market share.

Value & choice

Great product quality & style for every budget

We offer customers relevant products across a broad range of categories with outstanding value and choice. Our customers are savvy, so we present attractive price points for every style and budget and ensure our products are practical, beautiful, and increasingly, sustainable.

Fast & convenient

Everything easy to find, buy & use

We aim to provide an easy and seamless browsing, shopping and delivery experience, whether that's in our stores, online, or a combination of the two. We focus on being efficient throughout the customer journey.

Friendly & expert

Service that is non-judgemental & knowledgeable

Whether in store, at the end of a phone (or email) or making a delivery to your home, we train our colleagues to be friendly, knowledgeable and helpful. Our investment in technology and data gives them additional tools to advise on product choice and availability more effectively.

Good & circular

Positive choices for our planet, communities and people

We are making it easier for our customers to make thoughtful choices by using more sustainable design, materials and manufacturing techniques, whilst doing the right thing in our communities and for our people.

Our competitive advantages

Market-leading brand

We are the market leader in a large and fragmented homewares and furniture market, with a total share of 7.7%[1] and significant scope to continue growing across our categories.

Specialist product proposition

Our wide assortment of products offer quality, choice and value, appealing to a broad range of customers across different regions, ages and incomes. We offer good, better and best options across our assortment and appeal to a variety of styles, needs and budgets.

Total retail system

Our total retail system combines friendly and knowledgeable service across our 184 stores, with the convenience of browsing and shopping online. This gives customers options to shop their way and also brings services including Made-to-Measure, Home Delivery and Click & Collect.

Unique operating model

We are a homewares specialist with largely own-brand product ranges, giving us a high degree of control over specification and sourcing, through long-standing relationships with our committed supplier partners.

Well-established values

Our colleagues are the heart of our business and feel a strong sense of belonging. Driven by our shared values, we create an inclusive environment for all to thrive.

Financial strength

We have a strong balance sheet and a capital-light growth model, with a track record of delivering sustainable, profitable growth and strong shareholder returns, whilst continuing to invest for the future.

Stakeholder value creation

Customers

We offer a comprehensive range of relevant homewares and furniture products, at outstanding value, with the aim of helping our customers create the joy of truly feeling at home, now and for generations to come.

+5.1%

increase in active customers[2]

Colleagues

We strive to be a diverse and inclusive employer for our c.11,500 colleagues, with a strong focus on progression and a supportive environment.

>60

graduates of 'Reach' development programme

Communities

Our stores and sites are a key part of their local communities, providing friendly service and advice, a place to refuel and relax in our Pausa cafes, and contributing to local good causes. We are opening in new locations, creating employment and extending our positive impact on communities across the UK.

190+

local communities serviced by our stores

Suppliers

We work closely with our suppliers to create and grow long-term value through mutually beneficial partnerships, whilst maintaining the highest ethical standards.

99%

invoices paid on time

Planet

Through design and the selection of materials and manufacturing processes, we consider and influence the impact of our products on the planet. We are increasingly exploring circular business models whilst ensuring we minimise the impact of our operations.

-53%

reduction in Scope 1 carbon intensity vs base year

Shareholders

We deliver long-term sustainable growth, strong cash generation, a progressive ordinary dividend and excess cash returns to shareholders in the form of special dividends.

£158m

total dividends paid in the year

Read more on how we engage with our stakeholders on pages 20 to 24

1. GlobalData UK combined homewares and furniture markets, excluding kitchen cabinetry and bathroom furniture.
2. Growth in unique active customers who have transacted at least once in the 12 months to June 2024. Management estimates using Barclays data.

Our market

The UK's market leader in homewares

We are the market leader in a large and fragmented market, totalling c.£24bn[1] across a broad range of homewares and furniture categories.

The market
We feel we are unique in our market as a multi-channel specialist homewares retailer. The competitive landscape varies significantly by category, comprising department stores, supermarkets, retailers with a single online or physical channel, and many smaller independent operators.

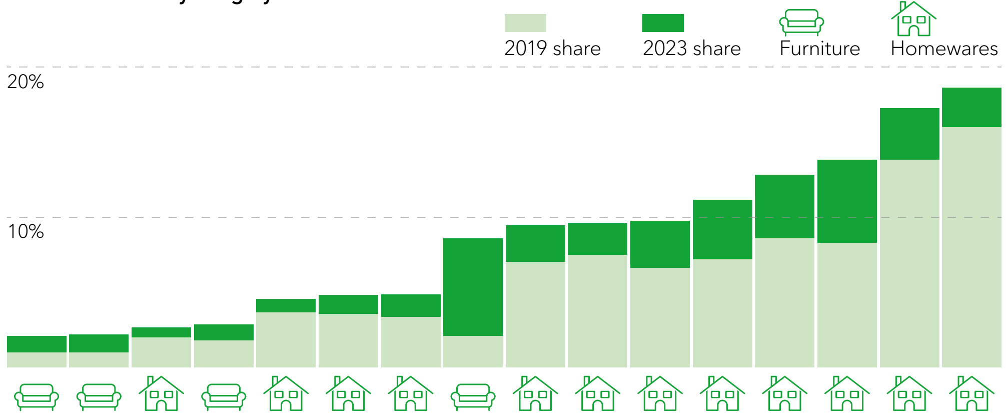
This substantial market has contracted in the last two years amidst a generally challenging macroeconomic environment, but has typically shown modest annual growth over the medium term.

Our progress
Our market share is currently 7.7%[1], offering significant headroom for further growth. Against this backdrop, we have a strong track record of share gains in our recent, medium and long-term history, and have increased our share by 270bps[1] over the last five years. Our highest category market shares are close to 20%, typically in heritage areas where we have been trading throughout our history such as curtains and bedding. We generally have lower shares in some of our relatively newer categories, although still around 10% in the likes of gallery and dining furniture. Importantly, we are making share gains regardless of our category maturity, demonstrating the strength and breadth of our offer and opportunities ahead.

Our plans
Whilst it is hard to predict customer sentiment in our market, we are confident in our plans to continue gaining market share, with an ambition to reach 10% in the medium term. Our vision is for more, and we see no ceiling at 10%, particularly as we have many categories already above this level and still growing.

We have a significant opportunity to help our customers discover and shop a wider range of our categories, given more than half of our customers only shop across three or fewer. This opportunity aligns well to our evolved strategic priorities, both to elevate our product offer across these categories, and to connect with more customers through our total retail system and increasingly personalised marketing.

Our market share by category



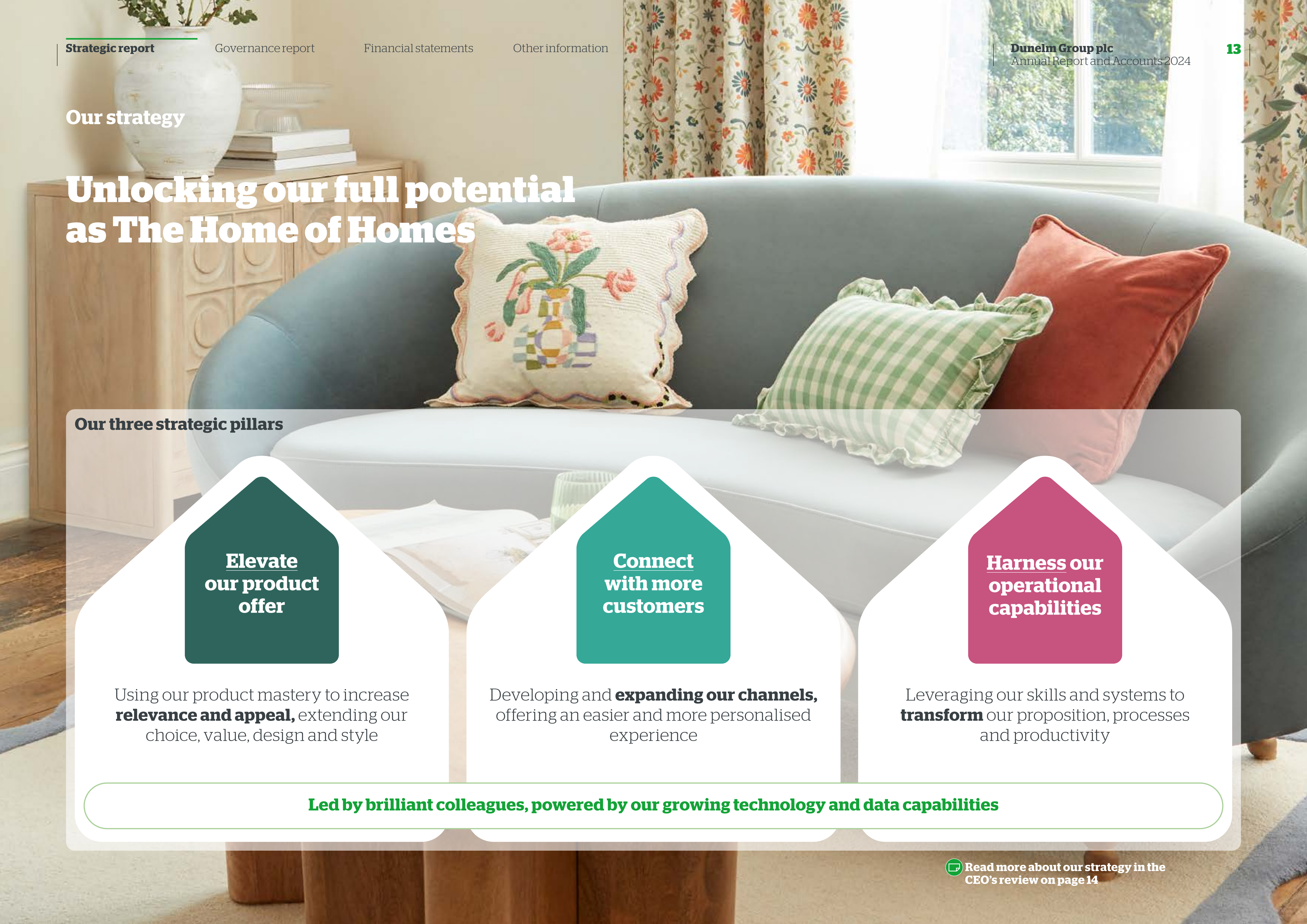
£24bn
combined market size[1]

7.7%
FY24 market share[1]

+270bps
growth in share vs FY19[1]

Each bar represents a Dunelm homewares or furniture category which in total represent c.80% of total sales, mapped to GlobalData UK market sizes for the calendar year 2023 against calendar year 2019. Excludes certain Dunelm categories which are not part of the GlobalData UK homewares and furniture markets e.g. rugs.

1. Based on GlobalData UK combined homewares and furniture markets, excluding kitchen cabinetry and bathroom furniture, including VAT.



Our strategy

Unlocking our full potential as The Home of Homes

Our three strategic pillars

Elevate our product offer

Using our product mastery to increase **relevance and appeal,** extending our choice, value, design and style

Connect with more customers

Developing and **expanding our channels,** offering an easier and more personalised experience

Harness our operational capabilities

Leveraging our skills and systems to **transform** our proposition, processes and productivity

Led by brilliant colleagues, powered by our growing technology and data capabilities

Read more about our strategy in the CEO's review on page 14

CEO's review

A clear pathway to further market share gains

> "We have clear focus areas which are framing our plans, and are extremely confident in our ability to deliver long-term sustainable growth.

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 10% 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%[1] share of a total addressable market (combining homewares and furniture) valued at c.£24bn[1], 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% being 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 broadly stable. The strong volume growth was supported by an increase in the number of active customers, up 5.1%[2]. 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 39.3%, driven by inflation and the investments we are making to drive future growth.

1. GlobalData UK combined homewares and furniture markets, excluding kitchen cabinetry and bathroom furniture, including VAT. Prior year comparative restated.
2. Growth in unique active customers who have transacted at least once in the 12 months to June 2024. Management estimates using Barclays data.

CEO's review continued

Cost increases were partly offset by productivity improvements across the Group. Overall, PBT grew ahead of sales, up 6.6% to £205m (FY23: £193m), representing a strong PBT margin of 12.0% (FY23: 11.8%). Diluted EPS fell by 0.8% to 74.4p (FY23: 75.0p), with our pre-tax profit growth offset by a higher effective tax rate, largely the result of increased corporation tax.

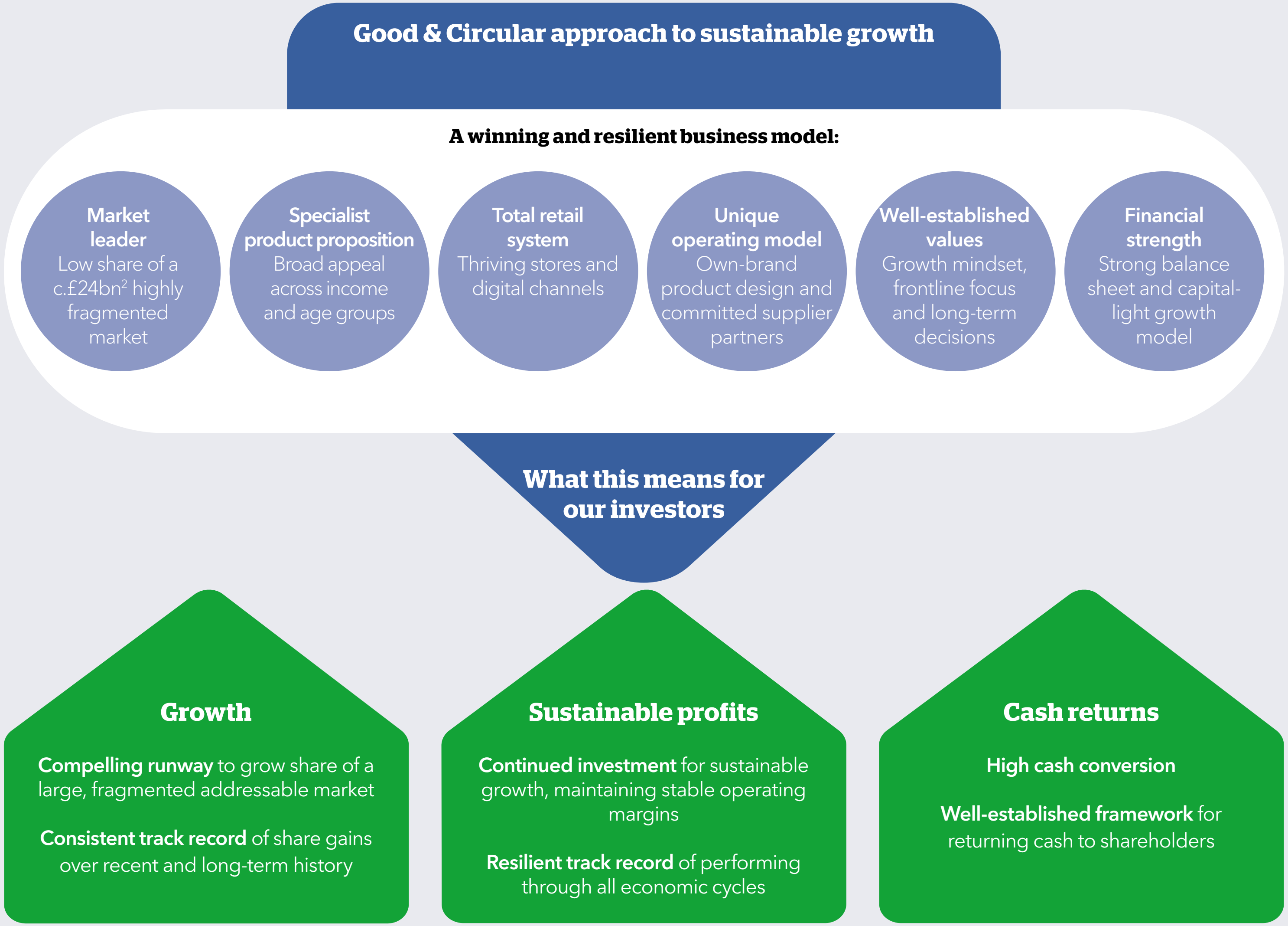
Our financial strength, including a healthy balance sheet and a capital-light growth model, is one of our core business advantages. This was reflected in another good year of cash generation, with free cash flow of £132m (FY23: £160m) representing 62% of operating profit. This enabled us to increase our ordinary dividend once again, and we are proposing a final dividend of 27.5p per share, bringing the full year ordinary dividend to 43.5p per share, up 3.6% year-on-year. In total, we returned £158m to shareholders during the year, including a special dividend of 35p announced at the interim results. This reflects our confidence in the business and ongoing commitment to our capital allocation policy and wider principle of delivering strong cash returns for our shareholders. Since our IPO in 2006, we have now returned c£1.5bn[1] to shareholders.

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.

1. Ordinary dividends plus special distributions.

A unique, specialist proposition driving strong returns



2. Based on GlobalData UK combined homewares and furniture markets, excluding kitchen cabinetry and bathroom furniture, including VAT.

CEO's review continued

Elevate our product offer

Increasing our relevance and appeal: a better and bolder lighting offer

The scope for product elevation is very exciting, and we know that only the strongest product offer and relevance hits the mark with our customers.

In FY24 we were proud to become the first homewares specialist to have validated SBTi targets across Scope 1, 2 and 3 carbon emissions[1], 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. Last 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%[2] during the year (FY23: 87%). Whilst our colleague engagement score fell in FY24[3], although high by industry standards, we are actively listening to our colleagues. We see very strong response rates to our colleague engagement surveys throughout the year, which give us detailed and extensive feedback, from which we are building positive action plans across the business.

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 ethnically diverse colleagues in senior positions.

1. Our targets approved by the SBTi are as follows. Overall Net-Zero Target: Dunelm Group PLC commits to reach net-zero greenhouse gas emissions across the value chain by FY40 from a FY19 base year. Near-Term Targets: Dunelm Group PLC commits to reduce absolute Scopes 1 and 2 GHG emissions by 50% by FY30 from a FY19 base year. Dunelm Group PLC also commits to reduce absolute Scope 3 GHG emissions by 50% within the same timeframe. Long-Term Targets: Dunelm commits to reduce absolute Scope 1, 2 and 3 GHG emissions by 90% by FY40 from a FY19 base year.
2. Retention is the percentage of colleagues from the start of the financial year (July 2023) who remained employed until the end of the financial year (June 2024), excluding any planned leavers.
3. Colleague engagement score (eNPS) is based on responses to the question 'How likely are you to recommend Dunelm as a place to work' from our May colleague survey. Our eNPS score fell 10%pts year-on-year.

CEO's review continued

We have much more to do in this area but are encouraged that the proportion of our 'role model' leaders[1] 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 Homes, 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 redouble our focus on product development, 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.

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 most when it comes to homewares and furniture, so joining up our channels as much as possible is a priority.

1. Regional and store coaches plus all colleagues at 'Head of' level and above, of which we currently have around 300 across the organisation.

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 10% market share.

There are various examples which bring to life the initiatives which sit under each of our focus areas:

1. Elevate our product offer

Product has always been at the heart of Dunelm, and we have well-established capabilities across a broad range of categories, particularly in textiles and soft furnishings where our specialism dates back 45 years.

"We are taking our existing product strengths and elevating them further through design and innovation across all price and quality tiers.

Connect with more customers

Developing and expanding our channels

We know that the combination of stores and digital is the winning formula for our existing and target customers.

More personalised cross-channel experiences

CLICK & COLLECT
BUY ONLINE, COLLECT IN-STORE

CEO's review continued

Harness our operational capabilities

Leveraging our skills and systems: scaling and optimising commercial operations

Increasing our focus on harnessing our scale, capabilities and technology to realise process improvements and productivity.

Our goal
To scale and upgrade our commercial operations and ways of working while retaining our advantaged commercial model.

- Product master data management
- Supplier portal
- Demand forecasting
- Automated replenishment

Scaling our commercial operations
From a traditional product life cycle journey to an automated, efficient operation that powers product mastery.

"We are continuing to optimise our offer across stores and digital, making the customer experience both easier and more personalised.

The scope for product elevation is very exciting, not just through broadening our ranges, but also by increasing relevance with more coordination and style. We are taking our existing product strengths and elevating them further through design and innovation across all price and quality tiers.

Lighting is a good example of the level of further opportunity we see ahead. We have consistently grown market share in the last five years and see headroom for more growth and innovation. Our in-house design capability allows us to coordinate across the wider Dunelm range, including our core textiles collections and cross-category labels such as Elements and our National History Museum collaboration. We are also working to accelerate our product development cycles to allow us to respond faster to trends and increase the choice we offer at all price and quality tiers. Our growing knowledge of more sustainable materials will also allow us to offer better choice to customers, as well as introduce more circular product design that uses more sustainable materials and facilitates repair and recycling.

The made-to-measure window treatments category is another example of our product elevation opportunity, where taking greater end-to-end control of the supply chain will enable accelerated growth and returns. Alongside our well-established manufacturing centre for made-to-measure curtains and Roman blinds, we have chosen to invest in more vertical integration. In FY24 we brought the manufacture of custom hard blinds in-house and started manufacturing roller blinds and Venetian blinds in the Sunflex business we acquired two years ago. Looking ahead, we are bringing shutters into our own manufacturing facility, with a plan to launch our new offer to customers in FY25. This will give us differentiated and advantaged product, the ability to specify materials and design, shorten UK lead times relative to competitors, and improve factory utilisation by aligning demand and supply capacity.

2. Connect with more customers
As we elevate our product offer, we will further improve how we connect our products to more customers through our total retail system. We have known for many years that the combination of stores and digital is the winning formula for our existing and target customers, and we are continuing to optimise our cross-channel offer, making the customer experience both easier and more personalised.

We have continued to open new superstores, with six new openings (including one relocation) in FY24, split evenly between our traditional c.30,000 sq ft size and newer smaller stores of c.15,000 sq ft. We are pleased with the returns of our new stores, typically paying back within three years, giving us confidence to open more stores in a range of sizes and locations.

We will continue to open 30,000 sq ft superstores in large catchments given their very strong returns, however supply of appropriate sites has become more limited, so we are being agile in our approach. In the early part of the new financial year, we completed the freehold purchase of a tenanted retail site, which we will look to convert to a Dunelm format in the future.

CEO's review continued

We will also open more smaller superstores, in smaller catchments and in the white space between stores in densely populated areas. Although this footprint is less developed for us, we are excited by what we have seen in our new smaller stores and by the opportunity to optimise sales densities and productivity as we continue to learn. Overall, having previously guided on 5–10 new openings in FY24 and FY25, we now see a runway for this rate of growth continuing into the medium term (expected to be evenly split between larger and smaller sizes).

In addition, and to better serve our target customers in inner London boroughs, we are testing some smaller stores in London. Our first inner London store, at c.5,000 sq ft, will open in the first half of FY25, and we are exploring other locations to unlock the opportunity with this significant segment of the UK population where we know we are under-represented.

Complementing our stores, we have made continued progress in our digital channels, building strong foundations in our front-end architecture and customer data platform. As we move forward, we are advancing through optimisation and experimentation, with meaningful opportunities for improving our proposition. Offering a more personalised experience to our customers takes many forms, and using our improved data and technology will be key to improving our proposition.

One example of this is a change to product discovery on dunelm.com, where we are implementing new AI search functionality in the first half of this year, having carried out testing in FY24. This will improve the quality, relevance and presentation of results when searching on our website, with test results showing fewer 'zero results' searches and more personalised results.

“We recognise an increased opportunity to harness our operational skills and scale, and will test and learn to adopt the most appropriate technologies for our products and business model.

This change moves us from earlier generation functionality towards an advanced AI solution. This will increase the appeal of searching on our site – a significant opportunity given customers who use search are four times more likely to complete a purchase than those who do not.

3. Harness our operational capabilities

Though operational grip has been a characteristic of the Dunelm business for some time, we recognise an increased opportunity to harness our operational skills and scale. An ongoing focus on continuous improvement will remain, driving annual productivity savings, and with elevated wage inflation, there is now more scope for attractive returns from productivity tools and automation. Here we will test and learn to ensure we adopt the most appropriate technologies for our products and business model.

We are making good progress in scaling our commercial operations, improving demand forecasting and replenishment across our stores and own distribution centres. Having carried out testing in FY24, we are in the process of rolling out new technology and ways of working in the first half of this year, introducing machine learning, automating low value tasks and reducing our reliance on manual processes and spreadsheets.

Going forward, there is more work to do in relation to our smaller store footprints, specifically developing our processes and tools for optimising space, grading and range planning. This level of commercial transformation will facilitate our expanding product ranges, the efficiency of stock management in our distribution centres and our different store locations and sizes, and the speed of product development. These are complicated developments, but we expect these new capabilities to help us grow our market share profitably, while serving more customers and increasing the advantages of our business model.

Downstream from demand forecasting, we have an ongoing programme of continuous improvement to maximise the utilisation of our network capacity and improve labour productivity in our supply chain. In FY24 we focused on a series of tactical initiatives, including the optimisation of shift patterns for our colleagues; reducing our rate of returned products; and diversifying our carrier network to improve variable costs.

In the coming years we will be working across our own distribution centres and with our supplier partners to increasingly automate our processes. Automation investment is becoming more attractive and we will find ways to optimise this for the specific product characteristics of homewares and furniture. For example, we will introduce simple automation of parcel packing and dispatch in our small-parcel home delivery operation in conjunction with our supply chain partner.

Technology is moving rapidly, but cannot provide the solution in isolation. It is the combination of technology and well-executed business change, that leads to improvement.

As we continue to test and learn, we are increasingly confident in our capabilities and capacity to do this successfully, in ways that deliver both growth and returns, in balance.

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 solid 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 our next milestone of a 10% total share in the medium term. We are very confident in our business model and clear plans that will continue to deliver sustainable growth and unlock our full potential as The Home of Homes.

Nick Wilkinson
Chief Executive Officer
11 September 2024

Stakeholder engagement

Understanding our stakeholders

By understanding what our key stakeholders care about, and considering their views, we can build more meaningful relationships and take fully informed decisions that create value for the long term.

Key stakeholders
We engage with a wide range of stakeholders at a Board level and in the day-to-day running of our business, seeking to build long-term relationships based on mutual growth and respect, consistent with our Code of Business Conduct, and our shared values and culture. Our key stakeholders are those who we know are highly likely to be affected by our actions and decisions, and vice versa.

Responsibility for engagement at an operational level sits with members of the Executive Team, and is described on the following pages 21 to 24. We also set out how the Board is kept informed about the interests of our key stakeholders, as well as how our Board members engage with them directly.

Pages 72 and 73 in the Governance report provide further detail and examples of how stakeholder feedback is presented to the Board for discussion, debate and consideration as part of its decision-making, alongside metrics such as those set out on this page.

In May 2023, we undertook a materiality assessment with a third party to understand stakeholder perceptions relating to our most material environmental, social and governance ('ESG') topics. More information about this research can be found on pages 28 to 29 of our 2023 Annual Report. Stakeholder feedback from that exercise is included in the 'what they care about' entries on the following pages.

In addition to key stakeholders, we acknowledge the importance of other stakeholder groups on page 24.

Read our s.172(1) Companies Act 2006 statement on page 25

Examples of metrics used by the Board to measure the effectiveness of our engagement

Customers
- Unique active customer growth
- Total revenue
- NPS/CSAT
- Safety scores

Colleagues
- eNPS
- RIDDOR[1] incidents
- Retention
- Whistleblowing
- Diversity

Communities
- Monies raised for good causes
- Take-back
- Community social media followers

Suppliers
- % Tier 1 factories audited
- % Products with responsibly sourced raw materials
- Whistleblowing
- CO_2 emissions

Shareholders
- Share price movements
- Profitability
- AGM voting outcomes

1. Reporting of Injuries, Diseases and Dangerous Occurrences Regulations.

Stakeholder engagement continued

Customers

What they care about

- Value, style, choice and quality
- Product safety
- A great shopping experience and responsive customer services
- Responsible use and protection of personal data
- Ethical and sustainable sourcing

Key management responsibility

Customer Director

Why we engage

Our business revolves around our customers. We remain customer-focused in everything we do, striving to improve our proposition. We seek to achieve this by delivering great products, services and experiences. Engagement improves our customer insight which, in turn, influences our strategic pillars and capital allocation. Ongoing investment in customer data and analysis allows us to respond more quickly and accurately to develop relevant product ranges and services, helps drive brand awareness and grow our customer base.

How we engage day-to-day

- During the shopping experience and at point of sale in store, with feedback being shared as appropriate within the business.
- By means of our customer service team and the channels by which it communicates with our customers.
- Social media channels.
- Customer focus groups/panels.
- Customer surveys.

How the Board engages

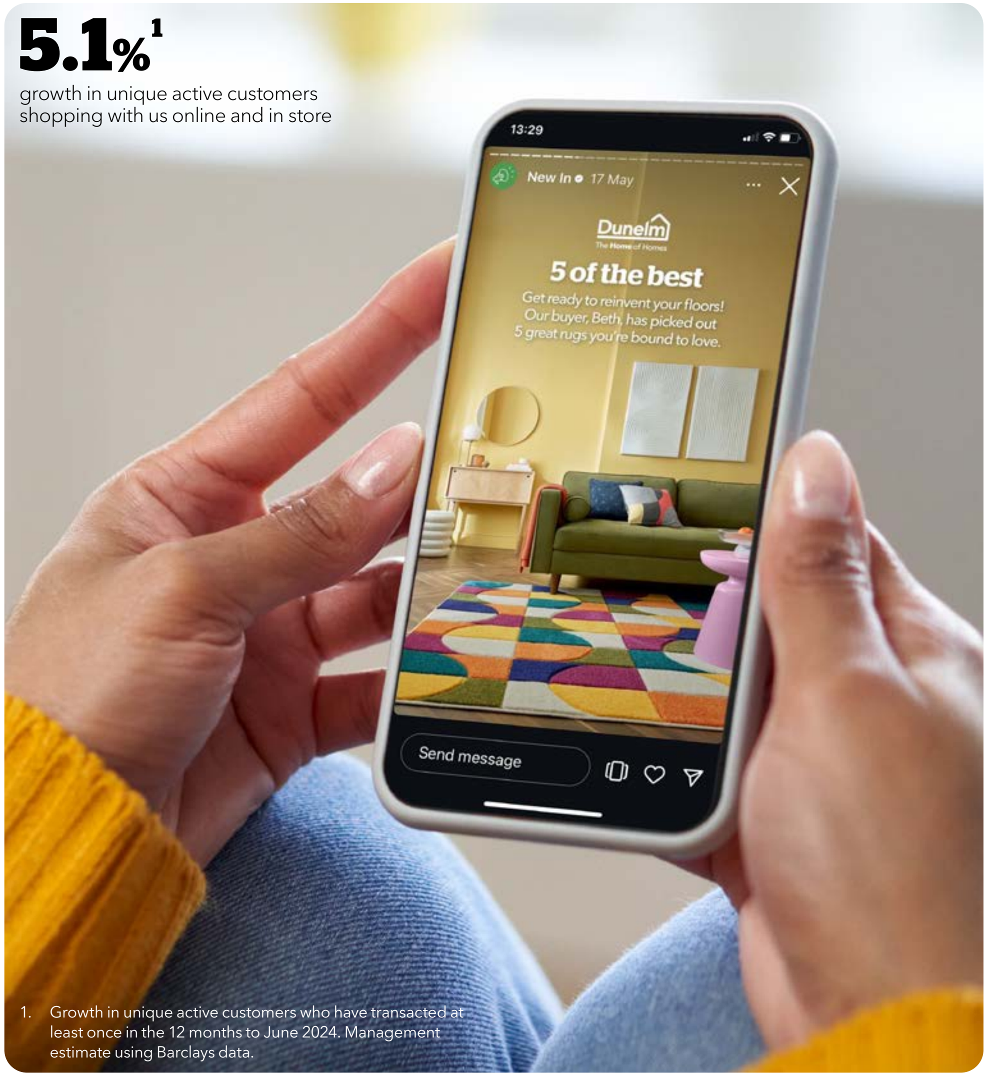
- Conducts store visits and reviews online experience.
- Receives customer insights report at every Board meeting.
- Monitors customer KPIs (including CSAT) and challenges management to ensure the customer proposition remains at the forefront of all development activities.
- Receives regular updates on health and safety, product quality and ethics, sustainability and data protection.

How we have listened and learned – highlights in FY24

- Improved ease of shopping with an interest free credit offer and improved cross-channel gift cards.
- Grew our 'Conscious Choice' range to c.26% of own-brand products.
- Continued to invest in data security.
- Expanded our Click & Collect offer.
- Launched new safety campaign messaging – 'In Our Home We Put Safety First' – and implemented improvements to reduce risk of incidents in stores.
- Opened new stores outside of our traditional size and locations and continued to explore further opportunities to do so.
- Continued to develop our ethical audit programme, which covers suppliers of own-brand products.
- Continued to optimise dunelm.com through faster website and 'back in stock' notifications.

5.1%[1]

growth in unique active customers shopping with us online and in store



1. Growth in unique active customers who have transacted at least once in the 12 months to June 2024. Management estimate using Barclays data.

Stakeholder engagement continued

Colleagues

What they care about
- Fair pay and reward
- Opportunities for progression
- A safe, inclusive and diverse workplace
- Personal data protection
- Opportunities to be listened to and make a difference

Key management responsibility
Stores and People Director

Why we engage
Committed and ambitious colleagues are at the heart of our business. We engage with them to understand how best to recruit, retain, motivate and reward them, including helping with their mental and financial wellbeing. We also use this information to make better decisions for our customers and communities and to support our strategic growth.

How we engage day-to-day
- Annual colleague engagement survey, alongside targeted pulse surveys.
- Two-way 'always on' communication via our Home Comforts intranet.
- Regular CEO updates – 'Nick's Note'.
- Colleagues represented through our National Colleague Voice (see right) and our Local and Regional Colleague Voice networks (see our Sustainability Report 2024 for more detail).
- Store colleague roadshow, seminar and monthly newsletters.
- Regular colleague 'huddles'.
- 24/7 independent, confidential whistleblowing hotline.
- End of year events to reflect on the past year and look ahead to the new financial year.

How the Board engages
- Visits stores and other sites.
- Designated NED for colleague matters and CEO attend NCV meetings and report to the Board.
- Receives People update in each CEO report to the Board.
- Receives overview of whistleblowing reports.
- Reviews key outcomes and actions from colleague engagement survey.
- Reviews detailed colleague dashboard and metrics presented by the Stores and People Director at least twice per year.
- Discusses the gender pay gap disclosure.

How we have listened and learned – highlights in FY24
- Continued to invest in learning and career development opportunities to strengthen our employer value proposition, 'grow' talent and improve succession planning. This included a new 'role-model leader' programme and a data literacy academy.
- Taken a carefully considered approach to colleague pay and reward decisions for FY24.
- Launched 'Reach' development programme for colleagues from underrepresented ethnic groups.
- Provided additional colleague discount to celebrate 40 years of Dunelm stores.
- Introduced new policy and tools to support colleagues who are also carers.
- Reviewed our approach to colleague recognition, to ensure that it continues to develop in a fair and consistent way.
- Focused further on the cadence and content of our colleague communications.

National Colleague Voice ('NCV')
Our colleague representative body, NCV, has been running for five years. Members represent a range of ages, ethnicities, genders, locations, tenures and levels of seniority across Dunelm. During FY24, we held four meetings, led by Nick Wilkinson and/or members of the People team. Marion Sears, who is our designated Non-Executive Director ('NED') for colleague matters, attended and other NEDs often joined, alongside presenters (as appropriate).

Each meeting comprises three parts: a business performance update, a 'What's on your mind?' item for members to raise concerns, and 'Big Topics' where we communicate and seek feedback on important matters. In FY24, these were health and wellbeing, sustainability, diversity and inclusion, community initiatives and reward. The aim is to stimulate discussion and debate, with representatives acting as strong advocates for their colleagues. This is achieved by encouraging reps to ask their colleagues for views both generally and on the chosen 'Big Topics' in advance of meetings. After each meeting, reps share feedback with colleagues and views and concerns raised are presented to the Board.

The NCV is a valuable forum for colleagues to engage, be listened to and see action as a result. For example, the suggestion of an additional discount to celebrate 40 years of stores came from a NCV meeting, and feedback on the launch of our 'Home of You' campaign, aimed at better understanding the diverse backgrounds of our colleagues, led to a review of our communications to ensure that its purpose more clearly resonates going forwards. We have also reviewed our approach to colleague recognition as a result of NCV discussions.

The NCV continues to be an important part of the dialogue on colleague pay and reward, as detailed further on pages 115.

Stakeholder engagement continued

Communities

What they care about
- Services that support their community and local area
- Re-use, repair and recycling services
- Local employment and volunteering opportunities
- A business they are proud to have in their neighbourhood
- Charitable initiatives

Key management responsibility
Customer Director

Why we engage
By understanding local community needs and concerns we build awareness and trust, help evolve our customer offer, strengthen our local reputation and provide another reason for people to shop with us. We have also learned how much our customers and colleagues benefit from being involved in meaningful local initiatives and by having direct means of communication with their local store.

How we engage day-to-day
- Community champions for each region facilitate the sharing of internal and external feedback, learnings and ideas.
- Daily interaction with local store communities via individual store Facebook groups (organised by locally appointed community champions).
- Feedback from local businesses and community groups who use space in stores and Pausa cafes.
- Regular meetings with our Group charity partner, Age UK.

How the Board engages
- Receives updates on charity and community initiatives.
- Reviews community-related KPIs, including level of take-back and monies raised for good causes.

How we have listened and learned – highlights in FY24
- 125,000 gifts donated to local good causes through 'Delivering Joy' campaign, doubling the number of donated gifts.
- Schools summer 'wish-list' campaign.
- Group and colleague fundraising and Group cash charity contributions of £1.1m (FY23: £820k).
- Launched new partnership with Age UK, committing to raise £2m in three years and, amongst other things, held our inaugural company-wide fundraising day.
- Undertook further trials for take-back, which included rugs.
- Hosted repair workshops, including live upcycling demonstrations.
- Partnered with 'Too Good to Go' in our Pausa cafes to reduce food waste.

Suppliers

What they care about
- Fair trading and prompt payment terms
- Collaborating to maintain high ethical standards and deliver on sustainability initiatives
- Long-term relationships
- A growth opportunity for their business

Key management responsibility
Director of Commercial and Supply Chain

Why we engage
We work closely with our suppliers and manufacturers worldwide to develop relationships and business growth opportunities through regular engagement, and to ensure that we are aligned on the importance of upholding our high quality, ethical and environmental standards.

How we engage day-to-day
- Hold annual stock supplier conference and regular webinars.
- Regular supplier meetings.
- Regular contact for our committed stock suppliers with our design and commercial teams, as well as our product quality, compliance and sustainability teams.
- Dedicated procurement function engages with non-stock suppliers.

How the Board engages
- Receives updates on ethical trading, product quality, modern slavery, supplier payment terms and whistleblowing reports.
- Receives updates on progress against sustainability metrics.
- Ad hoc supplier meetings.

How we have listened and learned – highlights in FY24
- Board held in-person meeting and Q&A session with key suppliers.
- Held webinars with our key suppliers on 'Better Manufacturing', ethical standards and packaging.
- Reviewed our protocols for non-compliance.
- Provided greater access to shared resources.
- Continued to collaborate on sustainability initiatives and supported suppliers in adopting a data monitoring standard and action planning tool to underpin better manufacturing.
- Extended whistleblowing service to all supplier sites in seven different languages.
- Launched our gold supplier programme to recognise suppliers who demonstrate effective management of the supply chain and empower them to become self-managing.
- Reviewed and updated our procurement processes.
- 99% of invoices paid on time.

Stakeholder engagement continued

Shareholders

What they care about
- Strategy, performance and outlook
- Returns
- Strong leadership
- Culture and shared values conducive to good governance and high standards of business ethics
- Executive remuneration
- ESG risks and opportunities

Key management responsibility
CEO and CFO

Why we engage
Meaningful engagement is key to building trust and driving long-term success. It enables us to better understand our investors' priorities and concerns. We help our shareholders and their representatives to have a good understanding of our business model, strategy, investment opportunities and culture, and we aim to be transparent and comply with shareholder governance requirements.

How we engage day-to-day
- Executive Directors meet with investors during the year.
- Arrange store visits.
- Discuss ESG-related matters on request.
- Via our corporate website.

How the Board engages
- Chair seeks regular engagement with major shareholders on governance and performance against strategy.
- Consults as appropriate.
- Attends results presentations and the AGM.
- Non-Executive Directors are available to discuss any matter with shareholders on request.
- Reviews AGM voting, shareholder comments and proxy reports. Reviews investor roadshow feedback.
- Governance and other meetings arranged as appropriate.

How we have listened and learned – highlights in FY24
- Held 69 meetings with shareholders (excluding our largest shareholder) during the year. In addition, our Chair met with institutional investors to discuss a broad range of topics including governance, strategy and management.
- Hosted 'At Home with Dunelm', an event for institutional investors and analysts to showcase our product mastery and technology development, which was held alongside our Spring/Summer product show.
- 89.14% of issued share capital voted at FY23 Annual General Meeting.
- Continued strong cash returns, with £158m paid in dividends.
- Integrated our 'Good & Circular' ESG ambitions into our strategy and ways of working.
- Continued to develop Board capabilities for next phase of growth.

1,870+
shareholders including the Adderley family

'At Home with Dunelm' investor event: Spring/Summer 2024 product show.

Other stakeholders

We work with a number of other stakeholders whose relationships are important to the day-to-day running of our business. These stakeholders tend to impact our business more than we impact theirs and, in some cases, engagement may be one-way. We monitor and evaluate these relationships regularly and the Board is informed as required. In all cases, our approach is to seek to build long-term trusted relationships based on fairness and respect, consistent with our Code of Business Conduct and our values.

Other stakeholders with whom we engage include:
- Local and national UK Government bodies, including HMRC.
- Industry bodies and working groups, such as Textiles 2030, Better Cotton and the British Retail Consortium.
- Regulators, including Leicestershire County Council and Charnwood Borough Council with whom we have a Primary Authority relationship, and other bodies such as the Health and Safety Executive, Trading Standards and Environmental Health Officers.
- Banks and other financial institutions.
- A trusted team of professional advisors (for example, brokers, financial PR, accountancy and recruitment firms, environment and sustainability advisors).
- Shareholder representative bodies, ESG investment and credit ratings agencies and potential investors.
- Other business support providers e.g. logistics, landlords (as the majority of our stores are leased), technology and construction/store development companies.

Section 172

Section 172 statement

Board decisions must balance the occasional conflicting needs and priorities of our key stakeholders, whilst also considering the likely consequences of such decisions in the long term.

Section 172 of the Companies Act 2006 ('s.172') requires a director of a company to act in good faith and promote the success of the company for the benefit of its members as a whole. In doing so, they must also have regard (amongst other things) to a range of factors set out in section 172(1) of the Companies Act, including the interests of stakeholders.

Engagement with stakeholders plays a hugely important role in ensuring that our Directors fully understand their needs and make well-informed decisions that consider different priorities. We recognise that not every decision will benefit all stakeholders, and we inevitably have to make trade-offs between stakeholder groups from time to time.

By taking account of the Company's purpose and values together with its strategic aims, and closely following our decision-making process, we aim to make sure that our decisions are fair and consistent.

The preceding pages on stakeholder engagement and pages 71 to 73 of the Governance report provide examples of how the Directors performed their s.172 duties during the year.

The Board confirms that during the year under review, it has acted to promote the long-term success of the Company for the benefit of its shareholders whilst having due regard to the factors set out in section 172(1) (a) to (f) of the Companies Act 2006.

Signed for and on behalf of the Board

Nick Wilkinson
CEO

The table below outlines other areas of this report that set out how the Board has had regard to s.172(1) factors when making decisions:

s.172(1) factor	Where to find more information	
(a) likely consequences of any decisions in the long term	Chair's statement	4
	Business model	10
	CEO's review	14
	Stakeholder engagement	20
	Board activities	71
(b) interests of the company's employees	Stakeholder engagement	20
	Non-financial and sustainability information	34
	Board activities	71
	Remuneration Committee report	89
(c) need to foster the company's business relationships with suppliers, customers and others	Business model	10
	Stakeholder engagement	20
(d) impact of the company's operations on the community and environment	CEO's review	14
	Sustainability	32
	TCFD report	46
	Board activities	71
(e) desirability of the company maintaining a reputation for high standards of business conduct	Sustainability	32
	TCFD report	46
	Our approach to risk management	38
	Governance report	57
(f) need to act fairly as between members of the company	Business model	10
	Stakeholder engagement	20
	Directors' report	116

Key performance indicators

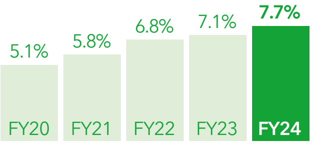
Measuring our progress

The Board uses a range of financial and non-financial key performance indicators ('KPIs') to measure overall Group performance and the success of our strategic direction in relation to our priorities.

Non-financial

Market share
Absolute % market share

7.7%



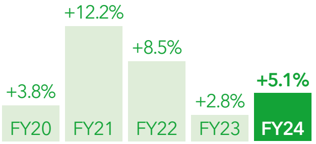
Basis of measurement
Dunelm sales as a proportion of the GlobalData UK combined homewares and furniture markets, excluding kitchen cabinetry and bathroom furniture. Certain Dunelm categories which are not part of the GlobalData UK homewares and furniture markets are also excluded, such as rugs and Pausa.

Why this measure is important
Demonstrates our performance relative to the wider homewares and furniture markets.

FY24 progress
We grew market share by 60bps against a challenging backdrop, owing to the strength and resilience of our proposition.

Unique active customer growth
Year-on-year % growth

+5.1%



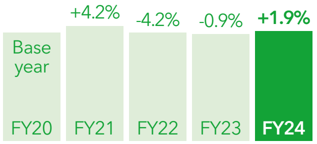
Basis of measurement
Growth in unique active customers who have shopped in the last 12 months, based on management estimates using Barclays data. This measure combines our active store and online customers.

Why this measure is important
Measures the growth in our active customer base and therefore our ability to reach new customers.

FY24 progress
Unique active customers grew by 5.1% in FY24 alongside our market share gains, demonstrating our continued and growing customer relevance and reach.

Net promoter score ('NPS')
Year-on-year improvement ppts

+1.9ppts



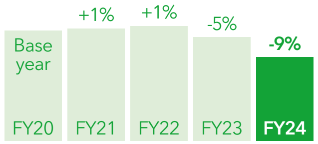
Basis of measurement
Weighted average NPS across store and online channels. FY24 NPS covers the nine months until 30 April 2024. In May 2024 we began measuring customer satisfaction ('CSAT'), which instead shows the percentage of customers who rate their experience with us as 5/5. We will report against CSAT from FY25.

Why this measure is important
NPS (and in future, CSAT) measures how customers rate their overall experience with us. Understanding this is fundamental to retaining and acquiring customers and informing how we develop our offer.

FY24 progress
NPS improved slightly in the year and going forward, in measuring CSAT we anticipate driving new insight into, and understanding of, customer experience and driving further improvements.

Employee net promoter score ('eNPS')
Year-on-year improvement ppts

-10ppts



Basis of measurement
Score based on responses to the question 'How likely are you to recommend Dunelm as a place to work' from our colleague survey which we conduct bi-annually. The above results are from May each year, apart from for FY20, where November 2019 was used due to postponement of the May 2020 survey.

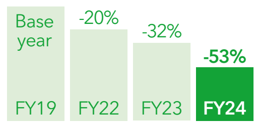
Why this measure is important
Rates our colleagues' experience with us and the survey helps us understand where we need to improve.

FY24 progress
Our eNPS is above sector average, and these scores reflect a high response rate. Noting the year-on-year decline, the feedback received gives us valuable insight which we are using to implement a number of actions business-wide.

Exec Rem

Scope 1 intensity reduction
% reduction against the base year

-53%



Basis of measurement
The reduction in Scope 1 carbon emissions in tonnes per £m of revenue, compared to our baseline of FY19. For further details on all carbon emissions, see our TCFD report on pages 46 to 54.

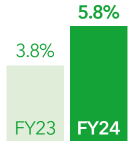
Why this measure is important
Helps us understand how successful we are in reducing our impact on the environment and progressing towards our long-term carbon reduction targets.

FY24 progress
We have continued to make progress in reducing our Scope 1 emissions. Our store decarbonisation programme continues to make headway, and carbon intensity reduced as a result of using compressed natural gas in our trunking fleet throughout the year.

Exec Rem

Diversity of our role-model leaders
% of role-model leaders from an ethnic minority background

5.8%



Basis of measurement
Proportion of our role-model leaders that come from ethnic minority backgrounds. Role-model leaders are defined as 'Heads of' and above and includes our regional and store coaches, of which we currently have around 300 across the organisation.

Why this measure is important
Ensuring our leadership and colleague base is diverse and representative of wider society will lead to a better proposition for our customers.

FY24 progress
The proportion of role-model leaders from ethnic minority backgrounds has increased by 2ppts to 5.8% by the end of FY24, however we maintain a more ambitious medium-term target.

Key performance indicators continued

Measures used in FY24 executive remuneration can be found in the Annual Report on Remuneration from page 101. Further information on the performance criteria that apply to the FY25–27 LTIP award can be found on page 113.

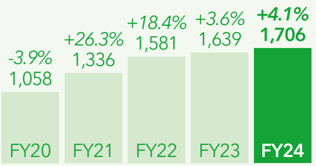
Exec Rem

Financial

Exec Rem

Total revenue
£m and growth %

£1,706m



Basis of measurement
Total reported business revenue. Note that FY22 includes a 53rd week for statutory reporting purposes.

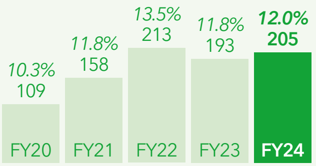
Why this measure is important
Demonstrates our customer appeal, showing how successful we are at offering relevant products through convenient and easy-to-access channels.

FY24 progress
FY24 sales growth was 4.1%, with full year revenue of £1.7bn. Both digital and store channels were in growth for the year.

Exec Rem

Profit before tax
£m and % of sales

£205m



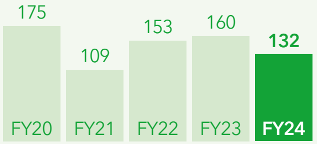
Basis of measurement
Profit before tax reported in £m and as a % of total sales. Note that FY22 includes a 53rd week for statutory reporting purposes.

Why this measure is important
Reflects our underlying financial performance and the balance of growth and grip exercised throughout the year.

FY24 progress
FY24 PBT of £205m was 6.6% ahead of the prior year, with PBT margin improving to 12.0% from 11.8%.

Free cash flow
£m

£132m



Basis of measurement
Free cash flow is net cash generated from operating activities less capex (net of disposals), net interest paid (including leases) and loan transaction costs, and repayment of lease liabilities. Note that FY22 includes a 53rd week for statutory reporting purposes.

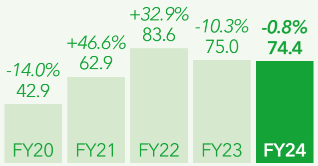
Why this measure is important
Allows the Board to monitor cash flows to support investment decisions for long-term profitability, or to return surplus cash to shareholders.

FY24 progress
Free cash flow of £132m represents 62% of operating profit. This is lower than in FY23 due to increased capex, higher interest and tax rates, and a working capital outflow, due to timing on payables and the impact on inventory of delayed shipping routes.

Exec Rem

Diluted earnings per share
Pence and growth %

74.4p



Basis of measurement
Profit after tax attributable to shareholders divided by the average number of dilutive outstanding shares (as per note 8 on page 140). Not that FY22 includes a 53rd week for statutory reporting purposes.

Why this measure is important
Reflects overall profit after tax for each share in the Company.

FY24 progress
FY24 dEPS was 74.4p, and -0.8% on FY23. The slight year-on-year reduction reflects the growth in profit before tax offset by an increase in the effective tax rate, largely driven by the higher rate of corporation tax introduced in April 2023.

We have long-term remuneration targets for Executive Directors including a range of financial and non-financial targets. Where relevant, we have highlighted where Group KPIs are also remuneration metrics.

Annually, we review our Group KPIs to ensure that they remain the most relevant indicators of the overall effectiveness of the Company, whilst maintaining consistency. The following metrics which were previously reported as Group KPIs can be found in our Sustainability Report 2024:

- Reduction in virgin plastic packaging of own-brand products.
- Percentage of own-brand products where we offer a take-back service.
- Percentage of own-brand products which meet our 'More Responsibly Sourced Cotton' standard.

CFO's review

Continued profitable growth and cash returns

"We remain confident and committed to investing in the business for the long term, to drive sustainable and profitable growth.

FY 2024

Total Group sales

£1,706.5m

+4.1% YoY

Digital % total sales

37%

+1ppt YoY

Market share[1]

£7.7%

+60bps YoY

Active customer growth[2]

+5.1% YoY

1. GlobalData UK combined homewares and furniture markets, excluding kitchen cabinetry and bathroom furniture, for the period July 2023 to June 2024. Prior year comparative restated.
2. Growth in unique active customers who have transacted at least once in the 12 months to June 2024. Management estimates using Barclays data.

Total sales for the period to 29 June 2024 grew by 4.1% to £1,706m (FY23: £1,639m), 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. The impact of pricing was broadly stable, and we saw an overall reduction in average item values driven by the product mix of sales. Both store and digital channels grew year-on-year, and digital participation increased again, up 1ppt to 37%.

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%[1]. 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%[2], 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, we saw particularly strong growth rates in London and in younger (16–24 years) demographics. 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.

CFO's review continued

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 ongoing, we currently expect FY25 gross margins to be within a range of 51%–52%.

Operating costs

Total operating costs were £670m (FY23: £622m) representing an operating costs:sales ratio of 39.3% (FY23: 38.0%). 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. Therefore, we expect inflation in our operating cost base to continue at 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 and earnings per share

Operating profit of £213m was £14m higher than the prior year (FY23: £199m), 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 £8m (FY23: £6m) included interest on IFRS 16 lease liabilities of £6m (FY23: £5m). 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 £205m (FY23: £193m) with PBT margin of 12.0% (FY23: 11.8%). 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 £151m (FY23: £152m) reflected an effective tax rate of 26.4% (FY23: 21.2%), the 5.2ppt 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%.

Basic earnings per share (EPS) for the period was 74.7 pence (FY23: 75.2 pence). Diluted earnings per share was 74.4 pence (FY23: 75.0 pence).

Cash generation and net debt

In the period, the Group generated £132m of free cash flow (FY23: £160m), with conversion of operating profit to free cash flow of 62% (FY23: 81%). The lower conversion year-on-year is driven by higher capex, increased tax paid and a working capital outflow.

Cash generation and net debt

	FY24 £m	FY23 £m
Operating profit	**213.3**	198.8
Depreciation and amortisation[1]	**82.0**	79.4
Net movement in working capital	**(17.7)**	(4.2)
Share-based payments	**4.3**	4.8
Tax paid	**(49.6)**	(38.2)
Net cash generated from operating activities	**232.3**	240.6
Capex and business combinations	**(39.9)**	(21.8)
Net interest and loan transaction costs[2]	**(3.3)**	(1.1)
Interest paid on lease liabilities	**(6.1)**	(5.3)
Repayment of principal element of lease liabilities	**(50.8)**	(52.0)
Free cash flow	**132.2**	160.4

1. Including impairment and loss on disposal
2. Excluding interest on lease liabilities

CFO's review continued

The working capital outflow in the period was £18m (FY23: £4m outflow). The main contributing factors driving the outflow were the timing of a VAT payment and the impact on inventory of delays in our main shipping route, which we continue to manage well operationally. We expect working capital to be broadly neutral for FY25.

Total capital investment was £40m (FY23: £22m), 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 £8m, 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[1]), 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 £50m (FY23: £38m), reflecting the higher effective tax rate.

In the period, the Group did not purchase any shares to be held in treasury (FY23: £7m). The Group held 1.2m shares in treasury as at 29 June 2024, sufficient to satisfy future obligations under its employee share schemes.

After total dividend payments in the period of £158m (FY23: £163m), the Group ended the year with net debt[2] of £56m (FY23: £31m).

Banking agreements

At the year end, 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[3] to be no greater than 2.5× adjusted EBITDA[4]) and fixed charge cover (EBITDAR[5] to be no less than 1.75× fixed charges[6]), 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 Group also maintains £10m of uncommitted overdraft facilities.

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 operation and as such can continue to adopt the 'going concern' basis of accounting. To support this assessment, the Board is required to consider the Group's current financial position, its strategy, the market outlook and its principal risks.

1. Larger superstores c.30,000 sq ft, smaller superstores c.15,000 sq ft.
2. Excluding lease liabilities. Full definition provided in the table of alternative performance measures.
3. Excluding lease liabilities. Full definition provided in the table of alternative performance measures.
4. Adjusted EBITDA defined as EBITDA less depreciation on right-of-use assets.
5. EBITDAR defined as EBITDA plus rent.
6. Fixed charges are defined as net interest costs plus right-of-use asset depreciation plus rent.

Our tax strategy

	FY24 £m	FY23 £m
Net VAT collected	**173.0**	164.7
Payroll taxes including National Insurance[7]	**60.8**	56.2
Corporation tax	**49.5**	38.2
Plastic packaging tax	**0.0**	0.1
Total tax contributions	**283.3**	259.2

7. All Dunelm colleagues are based in the United Kingdom, except for 50 colleagues who work in our store in Jersey. Payroll taxes for FY22 have been restated.

Dunelm is committed to full compliance with all statutory obligations and full disclosure to tax authorities. The Group's tax affairs are managed in a way that is consistent with the Group's commitment to high standards of governance. The Board has established a set of principles that form the basis of the management philosophy and the tax policy of the Group. These principles can be found in full in our Group Tax Strategy which is published on our corporate website and reviewed each year. Our Group Tax Strategy sets out one shared vision within the Group of tax compliance and one view of performance.

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 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 has sufficient liquidity to continue trading, including maintaining the payment of dividends in line with the business' dividend policy, and to comfortably meet financial covenants.

The Directors continue to assess the risks that climate change poses to the business. Currently, climate change is not expected to have a significant impact on the Group's going concern assessment or on the viability of the Group over the next three years.

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 42% sales reduction in each year is required to breach the RCF 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 COVID-19 pandemic. Such actions could include reductions in discretionary spend and delaying investments.

CFO's review continued

As a result, the Board believes that the Group is well placed to manage its financing and other significant risks satisfactorily and that the Group 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 Group to adopt the going concern basis in preparing its financial statements.

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[1]. The Group expects to maintain or steadily increase the absolute amount of each dividend payment in line with the growth of the business.

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 may allow a temporary fall in dividend cover requirements in order to maintain the dividend.

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[1], 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

Dividends

The Board has proposed a final ordinary dividend of 27.5 pence per share, recognising our performance in the year and ongoing confidence in the business. This takes the full year ordinary dividend to 43.5 pence per share, 3.6% ahead of the 42.0 pence per share paid in FY23, with dividend cover[2] of 1.71×. Whilst dividend cover is slightly below the range set out in the Group's policy, the Board considers the level of cover appropriate in light of the 6.6% year-on-year increase in PBT, with earnings impacted by the increase in effective tax rate, including a non-recurring impact. The final dividend will be paid on 26 November 2024 subject to approval by shareholders at the AGM on 21 November 2024. The ex-dividend date is 31 October 2024 and the record date is 1 November 2024.

We paid total dividends of £158m in the year, including a special dividend of £71m.

Karen Witts
Chief Financial Officer
11 September 2024

Dividend history (pence per share)

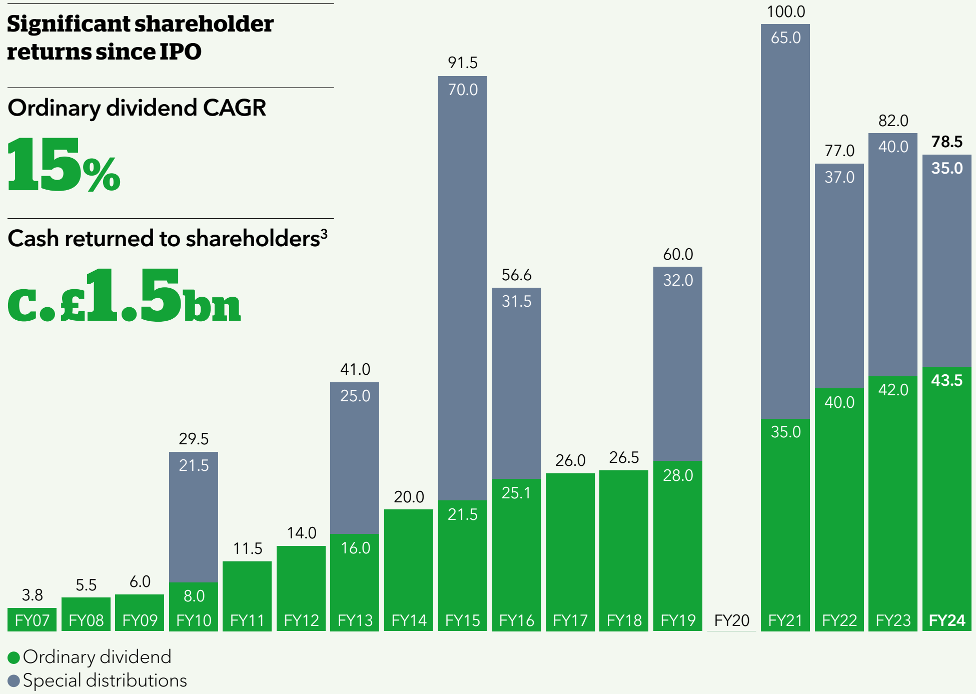
Significant shareholder returns since IPO

Ordinary dividend CAGR

15%

Cash returned to shareholders[3]

c.£1.5bn



Capital and dividend policies

- Target average net debt between 0.2× and 0.6× the last 12 months' EBITDA.[1]
- Ordinary dividend cover of between 1.75× and 2.25× earnings per share during the financial year to which the dividend relates.
- Return surplus cash if net debt consistently falls below the minimum target of 0.2×EBITDA.[1]

1. 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.
2. Dividend cover is calculated as earnings per share divided by the total ordinary dividend relating to the financial year.
3. Ordinary dividends plus special distributions.

Sustainability

Our approach to sustainability: Being Good & Circular

As the UK's leading homewares retailer, we have both a passion and an obligation to do the right thing. This means remaining ambitious about being a company that focuses on growing sustainably. It means long-term thinking combined with shorter-term, achievable goals. It means being good and circular, a core part of our customer proposition. Our approach is outlined below, recognising that we want to look after all our homes:

SR
Read more on our commitment to being good and circular in our Sustainability Report 2024

Our home the Planet

We recognise the Planet provides the resources we use to create our products.

Our home in Communities

We have a role in the Communities where our stores and sites operate.

A home for our People

We create a home for People working in both our business and our wider supply chain.

Protecting all of our Homes

Our strong corporate and ESG governance frameworks, holistic approach to risk management and well-established codes of conduct and policies protect our stakeholders and preserve value in our business.

Sustainability continued

Being Good & Circular in FY24: key highlights

Our home the Planet

- Reduced our overall Scope 1 carbon emissions by 27% from our FY19 baseline despite strong sales growth of 53% over the same period.
- Increased the number of own-brand products in our Conscious Choice range to c.26% from c.15% last year. Conscious Choice products are made from at least 50% 'More Responsibly Sourced' materials (by weight) when compared to conventional alternatives available from Dunelm.
- Developed our circularity strategy and worked with product teams to implement circular design principles into product development.
- Launched the Higg Facility Environmental Module ('FEM') for our Tier 1 suppliers as part of our Better Manufacturing programme. At the end of FY24, over 80% of our Tier 1 suppliers completed and disclosed data to the Higg FEM.

Our home in Communities

- Doubled the number of gifts donated to over 125,000 during our 'Delivering Joy' campaign in December 2023, our biggest year yet.
- Raised £1.8m over three successful years of working with Mind. In January we launched our new charity partnership with Age UK, with a commitment to raise £2m over the next three years.
- Expanded our Home to Home scheme, where customers can donate pre-loved and good quality homewares such as crockery and glasses in our stores, to 39 stores, with support from Age UK.
- Continued to run in-store repair pilots with workshops, drop-in repair cafes and live demonstrations to engage local customers and communities on extending product lifetimes.
- Grew the popularity of our in-store textile takeback service, with customers now, on average, bringing c.98 tonnes of textiles to stores each month.

A home for our People

- Colleague retention increased to 89% from 87% in FY23.
- Further developed our colleague benefits package by introducing a new £10,000 Life Assurance benefit.
- Built on our Role Model Leadership programme with 86 enrolments to a year-long development scheme.
- Continued to listen and respond to colleagues through an expanded programme of engagement surveys.
- Launched our 'Reach' development programme for colleagues from underrepresented ethnic groups, providing skills training, connection and career advancement opportunities.
- Introduced a data literacy campaign for colleagues to build knowledge and capabilities within the business.

Non-financial and sustainability information

Non-financial and sustainability information statement FY24

In the following pages, we present information relating to the non-financial reporting requirements as contained in sections 414CA and 414CB of the Companies Act 2006. These include our commitment to and management of environmental and social matters (as listed in the requirements) and how these impact our business and key stakeholders (including, for these purposes, the Planet). We include links to some of our relevant policies and references to where additional information can be found both within and outside this report. In addition, our business model can be found on pages 10 to 11 and our principal risks, which are linked to each stakeholder group (as appropriate), are set out on pages 40 to 45.

Customers

Some of our relevant policies (see website: corporate.dunelm.com)
- Data Security and Privacy Policy
- Health and Safety Policy

Where to find more information and outcomes in this report	Page/s
Customer proposition in the business model	11
Stakeholder engagement and s.172 statement	20–25
Net promoter score	26
Principal risks and uncertainties	40–45

Additional information outside this report
- Sustainability Report 2024

Our approach
Our vision is to build the UK's most trusted and valuable brand for homewares and furniture. We have a legal and moral obligation to develop and sell products that are safe to use (and safe to eat from our Pausa cafes) and that are accurately and fairly labelled, marketed and sold to our customers. We must also provide a safe environment for our customers to shop – whether in store, online or receiving home deliveries. As we increase our customer engagement, we have a responsibility to look after and treat our customers' personal data and information with respect and integrity. Increasingly, we are giving our customers the option to choose from a range of products that are sourced 'more responsibly' (with strict qualifying criteria set).

Our outcomes
Alongside measuring customer numbers and shopping frequency, we predominantly measure the outcomes relevant to our approach through our customer Net Promoter Score ('NPS'). We will report using a Customer Satisfaction Score ('CSAT') from FY25.

Non-financial and sustainability information continued

Colleagues

Some of our relevant policies (see website: corporate.dunelm.com)

- Data Security and Privacy Policy
- Health and Safety Policy
- Equality and Diversity Policy
- Whistleblowing Policy
- Anti-corruption and Anti-bribery Policy
- Domestic Abuse Policy
- Colleague Code of Conduct
- Code of Business Conduct

Additional information outside this report

- Sustainability Report 2024
- Gender Pay Report 2024
- Slavery and Human Trafficking Statement

Our approach

We are committed to treating our colleagues fairly, to reward them appropriately for the work they do and to give them opportunities to develop and learn. We want them to be heard and feel connected to our business and to feel 'at home' in a safe and inclusive working environment. We continue to support their mental and financial wellbeing – particularly given the pressures on our colleagues in the current UK economic environment.

Our commitment to protecting colleagues can be found in our Code of Business Conduct and Colleague Code of Conduct. All colleagues are obliged to comply with our Anti-corruption and Anti-bribery Policy and are trained upon induction.

We continue to focus on achieving diversity and gender balance across all levels of the business. Our median gender pay gap of 5.5% and our mean gender pay gap of 16.9% reflect that 70% of our colleagues are women, 90% of whom are in hourly-paid, predominantly store roles.

We work with our colleague network groups to understand possible barriers and challenges to progression and have adapted policies as a result. We have expanded our apprenticeship programme to improve social mobility.

Our outcomes

Alongside a number of colleague and culture metrics (including colleague retention and promotion from within) we predominantly measure the outcomes of the above through our employee net promoter score (eNPS).

Gender breakdown, year-end FY24 versus year-end FY23

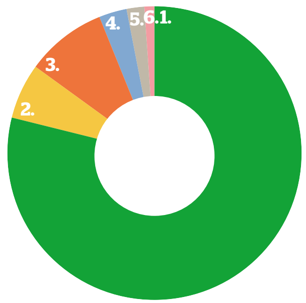
	Female			Male			Total
	FY24	FY23	Change	**FY24**	FY23	Change	**FY24**
Group Board	**5**	5	0	**7**	6	+1	**12**
	42%	45%	-3%	**58%**	55%	+3%	
Senior leadership[1]	**12**	17	-5	**18**	17	+1	**30**
	40%	50%	-10%	**60%**	50%	+10%	
Store colleagues	**6,376**	6,499	-123	**2,433**	2,351	+82	**8,809**
	72%	73%	-1%	**28%**	27%	+1%	
All colleagues	**7,582**	7,669	-87	**3,990**	3,828	+162	**11,572**
	66%	67%	-1%	**34%**	33%	+1%	

1. Senior leadership for these purposes means our Executive Team (excluding Executive Directors who sit on the Group Board) and members of our Dunelm leadership team.

Ethnicity data

- 1. White – British **79%**
- 2. White – Other **6%**
- 3. Asian British **9%**
- 4. Black **3%**
- 5. Multi-ethnic **2%**
- 6. Other **1%**

Note: This data covers 92% of all colleagues.



Colleague network groups

Non-financial and sustainability information continued

Communities

Some of our relevant policies (see website: corporate.dunelm.com)
- Tax Strategy
- Responsible Cotton Policy
- Responsible Timber Policy

Where to find more information and outcomes in this report	Page/s
Chair's statement	4–5
CEO's review	14–19
Stakeholder engagement and s.172 statement	20–25
Sustainability	32–33
Principal risks and uncertainties	40–45

Additional information outside this report
- Sustainability Report 2024

Our approach
We are increasingly making more meaningful connections to support thriving, purpose-driven communities in and around our stores and other sites. We want to be known as the brand that puts community at the heart of its business to help people feel more at home by expanding community initiatives and services (including our take-back services which are highly popular and valued by our store communities). Alongside promoting Group-wide fundraising activities we encourage colleagues to support local charities, businesses and community groups. We are also committed to full compliance with all statutory tax obligations and full disclosure to tax authorities.

Our outcomes
At a Group level we track the amount of Group and colleague fundraising and Group cash charity contributions. Informally, we monitor the number of store Facebook group followers and the number of small businesses and community groups that we support at the store level.

Suppliers

Some of our relevant policies (see website: corporate.dunelm.com)
- Whistleblowing Policy
- Anti-corruption and
- Anti-bribery Policy
- Ethical Code of Conduct for Suppliers and Partners
- Responsible Animal Welfare Policy
- Responsible Cotton Policy
- Responsible Palm Oil Sourcing Policy
- Responsible Timber Policy
- Competition Law Policy

Where to find more information and outcomes in this report	Page/s
Stakeholder engagement and s.172 statement	20–25
Sustainability	32–33
Principal risks and uncertainties	40–45

Additional information outside this report
- Sustainability Report 2024
- Slavery and Human Trafficking Statement

Our approach
We have a responsibility to protect and respect human rights and to uphold high ethical standards in our supply chains. We set out our minimum expectations in our Ethical Code of Conduct for Suppliers and Partners that applies to all businesses involved in the production of goods for Dunelm and we use a risk-based approach in our ethical auditing programme to monitor supply chain practices against our standards. We aim to work collaboratively with suppliers to achieve continuous improvement through increased engagement and education – including environmental and product quality standards, alongside ethical considerations. We are committed to treating our suppliers properly in accordance with agreed terms and conditions and to paying them promptly.

Our outcomes
We have set a Group target to increase the roll out of our Conscious Choice range which promotes more sustainable practices. We have also set sustainability metrics for other sourced materials such as timber and palm oil.

Non-financial and sustainability information continued

Planet

Some of our relevant policies (see website: corporate.dunelm.com)

- Environmental Policy
- Plastic and Packaging Policy

Additional information outside this report

- Sustainability Report 2024

Our approach

Our investment in resources to focus on being good and circular (a central part of our business model and overall approach to sustainability) has increased the level of awareness across the business for the need to take urgent action to reduce our impacts on the planet. Our goal is to reduce our absolute greenhouse gas ('GHG') emissions by 50% by FY30 against a FY19 baseline. We have had our near-term and net zero targets validated by the SBTi, which sees us align to the latest climate science from the Intergovernmental Panel on Climate Change (IPCC). We support the British Retail Consortium's Climate Action Roadmap to achieve net zero by 2040, and we are a partner member of Textiles 2030, with a commitment to meet their carbon and water footprint reduction targets. We remain focused on reducing operational waste, including plastics and other packaging, and exploring product circularity solutions.

Our outcomes

We have made considerable progress in better understanding the most significant sources of GHG emissions along our supply chains, using our "improve-innovate-advocate" approach. Metrics relating to Scope 1 carbon emissions intensity are set as Group KPIs to maintain our focus. Although we are still at an early stage, we are making headway in our product circularity plans.

Greenhouse gas emissions and Streamlined Energy and Carbon Reporting information can be found on page 53.

Shareholders

Some of our relevant policies (see website: corporate.dunelm.com)

- Capital and Dividend Policy
- Employment of Former Employees of the External Auditor Policy
- Tax Strategy
- Anti-corruption and Anti-bribery Policy

Additional information outside this report

- Sustainability Report 2024

Our approach

We strive to provide our shareholders with as clear a picture as possible of our business and our prospects – both financial and non-financial – in order to enable them to make informed investment decisions. We give various opportunities for shareholders to meet our Board and management through scheduled meetings and on request. We provide regular overviews of our governance arrangements and our progress in non-financial reporting.

Our outcomes

Our focus on sustainable returns has led to progressive ordinary and special dividends. We have returned c.£1.5bn since IPO to shareholders through dividends and special distributions.

Risks and risk management

Our approach to risk management

The Board as a whole is responsible for the management of risk throughout the Group and ensures that our strategic objectives are in line with our risk appetite.

Risk governance
The Board is supported by the Audit and Risk Committee, which monitors the ongoing effectiveness of our risk management framework and receives independent assurance on the effectiveness of our approach to risk management and internal control systems through the activities of internal audit.

For more information on the management of our internal controls see page 86

There is a formal process for setting the risk appetite and for identifying, assessing, and reviewing risks, as described further on the following pages. Risks inevitably evolve and change over time and the Board acknowledges that the risk management framework, and our system of internal controls, are designed to manage such risks appropriately, rather than eliminate them.

Risk management
We have an established Risk and Resilience Committee ('R&R Committee') which is chaired by the CFO and meets monthly. It comprises risk owners from various business areas and senior representatives from our compliance functions. A representative from internal audit also attends the meetings to provide additional insight and challenge.

The R&R Committee's key purpose is to develop and review the risk management framework to ensure that it is effective and assist the Board and Audit and Risk Committee in their oversight of risk management. At each meeting there is a review of the leading and lagging key risk indicators ('KRIs') associated with Dunelm's principal risks, enabling management to discuss and take proactive steps to further mitigate as may be appropriate. In addition, on an ad hoc basis, the R&R Committee conducts deep dives into specific risks that may be trending upwards or retaining a high residual risk impact.

Individual members of the Executive Team and senior leadership have responsibility for managing the risks and mitigating controls for their respective business areas, as well as considering any new and emerging risks specific to their own areas of the business and on a wider enterprise basis. They do this by maintaining their own operational risk registers and having responsibility for ensuring that any material issues, trends or emerging risks are escalated to the R&R Committee as appropriate. They are also responsible for ensuring that there has been appropriate consideration of all relevant risks when defining strategy, proposing business cases and implementing decisions.

R&R Committee meetings also consider regular reports from key compliance areas (such as data protection and information security, regulated credit, health and safety, ethical sourcing, store security and business conduct) as well as status updates on any outstanding internal audit actions. A summary of the R&R Committee's activities and findings is reported on a regular basis to the Audit and Risk Committee.

A review of the structure and role of the R&R Committee during the year, and its attendees, provided assurance that there is a strong and sound foundation of risk management practices within the business, supported by a regular cadence of updates and reporting activity.

Risk identification and prioritisation
We adopt a top-down and bottom-up approach to ensure that there is an overarching view of Group risks. This is considered monthly by way of the KRIs presented to the R&R Committee, and also more formally by way of a biannual review of the key operational risks (presented by each respective operational risk register owner), and the Group's principal risks (presented by each respective principal risk owner). As part of the assessment, the key operational risks are mapped to the principal risks to enable appropriate challenge to those previously identified as most material to the Group.

"Key operational risks are mapped to the principal risks to enable appropriate challenge to those previously identified as most material to the Group.

The assessment considers both the inherent risk (before mitigation) and residual risk (after mitigation is applied). The output of the assessment is reported to the Audit and Risk Committee for challenge and consideration ahead of being presented to the Board for review and approval.

Risk appetite
The Board sets the risk appetite for the Group, taking into consideration the expectations of our shareholders and other stakeholders and our internal culture. The clear articulation of our risk appetite provides an effective mechanism to inform investment decisions, facilitate the discussion of risk, set parameters within which objectives must be delivered, and support the awareness of risk by our colleagues and partners. The Board reviewed the Group risk appetite in the year and confirmed that it remains appropriate.

Risks and risk management continued

Risk management framework

Top-down review of risks

Risk governance

Group Board
- Overall responsibility for the risk management framework.
- Sets the risk appetite for the Group.
- Responsible for ensuring that effective internal control and risk management systems are embedded within the business.
- Conducts assessment of principal risks.

Audit and Risk Committee
- Responsible for assessing the ongoing effectiveness of the Group's risk management framework, controls and processes.
- Approves the internal audit programme and undertakes an independent review of action plans to mitigate and manage material risks.
- Reviews principal risks for presentation to the Board.

Bottom-up review of risks

Risk and Resilience Committee
- Responsible for developing and reviewing the risk management framework and processes.
- Supports the Board and Audit and Risk Committee in their oversight of risk management.
- Conducts reviews of the principal risks.
- Identifies and manages risks as they arise.
- Monitors Key Risk Indicators.
- Provides a forum to assess progress under action plans to mitigate and manage risks.
- Conducts deep dives into areas of operational risk.
- Reviews reports on key compliance areas: health and safety; data protection and information security; regulated credit; ethical sourcing; store security and business conduct.

Risk and control owners

Individual members of Executive Team or senior leadership
- Primary responsibility for identifying, assessing and managing risk in area of responsibility within risk appetite.
- Maintains operational risk register in area of responsibility.
- Escalates key risks and concerns as appropriate.

Independent assurance

Internal audit
- Provides independent assurance to the Board, Audit and Risk Committee and management on the effectiveness of risk management and internal control systems.
- Conducts independent audits of risks to the business in accordance with risk-based internal audit programme.

Risk-based reviews
- Conducts specialist third-party reviews as required.

Principal risks and uncertainties

Principal risks at a glance

Principal risks	Risk trend
Customer offer	Stable
Product reputation and trust	Stable
Business change	Increasing
People and culture	Stable
IT systems, data and cyber security	Stable
Regulatory and compliance	Stable
Supply chain resilience	Increasing
Finance and treasury	Stable
Climate change and environment	Stable

Risk trend

Stable Increasing Decreasing

Principal risks and uncertainties

The Board confirms that a robust assessment of the principal risks facing the Group has been carried out, including emerging risks and those that would threaten its business model, future performance, solvency, or liquidity. In conducting such a review, we identified two principal risks where the potential impact is deemed to be increasing.

'Business change' risk reflects our ongoing investment in change programmes that are key to our strategy and the delivery of further growth and efficiencies. We consider this an increasing risk in the short term as we continue to take on larger and more complex projects. However, it is anticipated that the risk will stabilise as we continue to deliver.

'Supply chain resilience' risk is considered to be increasing due to ongoing geopolitical pressure and tensions around key trade routes. Whilst we adopt a proactive approach to supply chain management, the situation remains volatile and events continue to be challenging to predict and plan for.

The Board's assessment of the principal risks and uncertainties facing the Group as at the date of this report and how we mitigate them is set out on pages 41 to 45. The principal risks are not set out in any order of priority and do not represent all risks associated with the Group's activities. Additional risks that are not currently deemed principal risks are nevertheless monitored for their impact on the Group.

Emerging risks and opportunities

Risks continue to evolve and change, and an awareness of emerging risks is important in driving effective strategic planning. Understanding the potential implications of emerging risks and monitoring them enables us to consider them appropriately within our decision-making processes.

We identify emerging risks by reviewing customer and market metrics and insights, relevant publications and consultation papers, with the assistance of both internal and external subject matter experts.

While no significant emerging principal risks were identified in the year, we recognise that there continues to be a heightened level of socio-economic risk and geopolitical uncertainty beyond our control, in relation to which we continue to closely monitor the potential impact so far as it relates to Dunelm. We also continue to consider the impact of technological change and monitor the pace of regulatory change and stakeholder sentiment in relation to environmental and other sustainability-related matters.

Task Force on Climate-related Financial Disclosures ('TCFD')

Climate change has been considered a principal risk for the Group since FY19, and continues to be so. The process of reviewing this risk and how we mitigate, alongside preparation of this year's TCFD report, has enabled us to take stock of our approach to data collection and reporting, our achievements so far and where further work is required.

We are proud of our progress during the year, notably strengthening our governance framework, improving the effectiveness of our controls and the ongoing integration of climate change considerations into day-to-day business activities. However, in reflecting on what we have achieved, we are also reminded of the challenges in this area and the need to maintain focus in order to achieve our sustainability goals.

For more information on how we manage our climate-related risks see our TCFD report on pages 46 to 54

Principal risks and uncertainties continued

Strategic pillars

Elevate our product offer

Connect with more customers

Harness our operational capabilities

Stakeholder groups

Customers

Colleagues

Communities

Suppliers

Planet

Shareholders

Customer offer

Description of risk

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.

Stakeholder groups

Risk trend

Link to strategy

Risk owner

Customer Director

How we mitigate

- Increased utilisation of customer and market insights enabling us to understand more about our existing and potential new customers and adapt as appropriate to their changing needs.
- Continued review and development of our strategy to become a more trusted and valuable brand (see pages 10 and 11 for business model).
- Continued investment in digitalising our business to improve our customer offer.
- Focus on new product development, particularly own brand, in both existing and new categories, as well as continued product innovation in existing categories with 'sustainability' being a key element to strengthen our customer offer.
- Ongoing review of supply chain capacity and capability, investing as needed.
- Continued expansion of our range of products to appeal to every budget and style and regular review of price points.
- Strong focus on engagement through social media and community involvement.

Principal risks and uncertainties continued

Product reputation and trust

Description of risk

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.

Failure by our suppliers to uphold our approach to business ethics, regulatory compliance, human rights (including safety and modern slavery) and the environment may undermine or damage our reputation as a responsible retailer, and result in a loss of confidence in Dunelm.

Stakeholder groups

Risk trend

Link to strategy

Risk owner

Director of Commercial and Supply Chain

How we mitigate

- Mandatory training, a range of policies and our Ethical Code of Conduct for Suppliers and Partners govern, amongst other things, the quality of products and production processes, and our expectations in relation to responsible sourcing, anti-corruption and anti-bribery and modern slavery.
- A dedicated and experienced team, supported by third-party specialists, monitors compliance with our policies, codes and applicable regulations.
- Ongoing expansion of our ethical audit programme.
- Provision of enhanced training to commercial teams and suppliers on identifying and utilising sustainable materials in our products and packaging.
- Annual supplier webinar and awareness training at which compliance with policies and the Ethical Code of Conduct for Suppliers and Partners are a key topic.
- Focus on collation of data from suppliers in connection with sustainability targets for products and packaging.
- Regular review by senior colleagues of product recalls and product safety-related issues, with clear procedures in place to enable swift action to be taken as appropriate.
- Whistleblowing procedure and independently administered hotline enables concerns to be raised in confidence.
- Third-party mapping and risk assessment of our cotton and timber supply chains.

Business change

Description of risk

Dunelm recognises that there is significant 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, deliver and leverage new technology and systems, along with the associated process and organisational changes across the business 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 delivery of the planned business benefits.

Stakeholder groups

Risk trend

Link to strategy

Risk owner

Chief Technology and Information Officer

How we mitigate

- Continued investment in digitalisation aligned to strategic priorities.
- Structured and disciplined delivery methodology applied to business change programmes, led by experienced project managers.
- Executive Team transformation forum to ensure that we deliver on strategic business priorities (both customer and efficiency driven) that will drive longer-term growth.
- Refreshed ways of working and allocation of resource to key change programmes (supported by external expertise as needed) to ensure clear ownership of projects and enable ongoing knowledge-build, supporting rapid and agile system development.
- Regular review of roadmaps and workstream prioritisation by cross-functional leaders to ensure ongoing alignment with delivery of strategy.
- Focus on building and developing strong third-party relationships to enable effective collaboration, communication and ongoing delivery.
- Ongoing simplification and rationalisation of processes and systems.
- Regular reviews of progress using appropriate KPIs with all stakeholders, including identification and management of risks to delivery.

Principal risks and uncertainties continued

People and culture

Description of risk
Our business could be adversely impacted if we fail to attract, retain, and develop colleagues with the appropriate skills, capabilities, and diverse backgrounds. Failing to embed and live our values could impact business performance, the delivery of our purpose and the long-term sustainability of our business.

Stakeholder groups

Risk trend

Link to strategy

Risk owner
Stores and People Director

How we mitigate
- Regular review by the Executive Team and the Group Board of colleague 'dashboard' and KPIs, including attrition and recruitment rates. Such reviews also include an assessment of capabilities to ensure that we continue to have the right skillsets in the business to deliver our strategy.
- Continued focus on training, development and mentoring opportunities, with emphasis on 'growing our own' talent, driven by the Talent Committee.
- Ongoing review of succession planning for Executive Team and senior leadership roles.
- Ongoing review and development of our employee value and reward proposition, assisted by benchmarking exercises as appropriate.
- Commitment to increasing diversity across the Group by way of focused initiatives and training.
- Enhanced mental and financial wellbeing programmes and initiatives to support colleagues, including targeted support relating to parenthood, pregnancy loss, and menopause.
- Regular communication with colleagues through engagement surveys, National, Regional and Local Colleague Voice meetings, D&I networks and huddles. Utilising feedback to understand colleague perception of culture and implementing actions based on the output.
- Continuing to 'bring our shared values to life' under our behavioural framework project.
- Dedicated Group Board and Executive Team discussions on culture and the vision for the business in the short, medium and longer-term.

IT systems, data and cyber security

Description of risk
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.

Stakeholder groups

Risk trend

Link to strategy

Risk owner
Chief Technology and Information Officer

How we mitigate
- Continued investment and roadmap for further investment in systems development and security.
- Ongoing programme of works to decommission outdated applications, platforms, and infrastructure.
- Assessment of the robustness of security and data protection controls required when onboarding new suppliers or undertaking contract renewal.
- Data protection and information security policies and procedures in place and governed by subject matter experts, including a dedicated specialist information security team, data protection officer and head of data management.
- Mandatory training and ongoing awareness programmes keep colleagues informed and aware of data protection and information security risks.
- Restricted access to sensitive data.
- Security Operations Centre and vulnerability management service tools provide increased visibility of security events and enable vulnerabilities to be monitored and quickly addressed. In addition, periodic systems vulnerability and penetration testing carried out along with internal audit reviews of security related policies and processes.
- Regular review and testing of incident and crisis management plans, and business continuity plans, which includes reviewing the resilience of and disaster recovery for IT systems.
- Data and reporting used to track system performance, utilisation, and vulnerability across our IT estate, with regular reviews undertaken and delivery of resulting actions monitored.

Principal risks and uncertainties continued

Regulatory and compliance

Description of risk
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.

Stakeholder groups

Risk trend

Link to strategy

Risk owner
Group General Counsel and Company Secretary

How we mitigate
- Suite of compliance policies in place which are reviewed regularly and governed by subject matter experts.
- Group-wide mandatory training provided for high-risk compliance areas such as health and safety, regulated credit, anti-corruption and anti-bribery, data protection and cyber security, with additional training undertaken as required or as may be appropriate to a specific role.
- Data trends for high-risk compliance areas and KPIs monitored and reviewed by the Risk and Resilience Committee, as well as cross-functional steering groups (such as Good and Circular).
- Dedicated teams for product quality and ethics, sustainability and health and safety, supported by in-house legal team.
- Whistleblowing procedure and independently administered hotline enables concerns to be raised in confidence.
- Compliance with policies and Ethical Code of Conduct for Suppliers and Partners monitored via our ethical audit programme.
- Regular health and safety meetings for each of the retail and distribution centres. Health and safety reports, including audit outcomes, reviewed by the Risk and Resilience Committee and the Board on a regular basis, with in-depth presentation made by the Head of Health and Safety to the Board at least annually.
- Continued focus on food hygiene and allergen awareness in our Pausa cafes by way of regularly reviewed operating guidelines, compulsory colleague training and regular audits.
- Active monitoring of the financial reporting and legislative landscape for new regulations and reporting requirements. Appropriate plans and roadmaps developed to ensure timely compliance.

Supply chain resilience

Description of risk
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.

Stakeholder groups

Risk trend

Link to strategy

Risk owner
Director of Commercial and Supply Chain

How we mitigate
- Ongoing review of supply chain strategy to ensure capacity is in line with longer-term financial plans.
- Continuous monitoring of the macroeconomic environment for emerging risks that may lead to disruption in our supply chain. Scenario planning conducted, so as to enable a swift response and adjustment to strategic and operational plans as appropriate.
- Detailed budgeting and forecasting processes match capacity to demand, and are reviewed weekly by a cross-functional team.
- Continuous monitoring of demand and stock visibility.
- Active management and monitoring of key supplier relationships to enable early warnings of disruption and agree mitigating actions.
- Dedicated procurement team oversees process for tendering and negotiating with supply chain suppliers and ensures that appropriate due diligence is carried out on existing and prospective third-party partners.
- Active engagement with suppliers and partners on the collation of data required to assess delivery against carbon reduction targets.
- Active engagement with suppliers and partners on our ethical and compliance requirements.
- Ongoing focus on initiatives to improve efficiencies in our customer delivery processes.
- Regular review and testing of incident and crisis management plans, and business continuity plans.

Principal risks and uncertainties continued

Finance and treasury

Description of risk
Progress against business objectives may be constrained by a lack of short-term funding or access to long-term capital.

Stakeholder groups

Risk trend

Link to strategy

Risk owner
Chief Financial Officer

How we mitigate
- Maintain relationships with a syndicate of committed partner banks to ensure appropriate funding is available.
- Revolving credit facility of £250m in place, extended until September 2027.
- Group treasury policy governs levels of debt, cash management strategies and foreign exchange exposures.
- Hedging for foreign exchange and freight and energy prices agreed in advance, to help mitigate volatility and aid margin management.
- Continued focus on cost discipline through capital investment approval process and ongoing scrutiny of discretionary expenditure.
- Treasury and Capital Committee ensures appropriate governance around matters such as funding, dividends, foreign exchange, and energy hedging.
- Ongoing focus on actions to improve controls around stock and cash management, stock purchasing and forecasting.

Climate change and environment

Description of risk
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 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.

Stakeholder groups

Risk trend

Link to strategy

Risk owner
Chief Executive Officer

How we mitigate
- Annualised targets (for Scope 1 and 2) in place to reduce emissions, energy usage and waste to landfill, and increase recycling in our operations. Longer-term targets in place for Scope 3 carbon emissions.
- Good and Circular Steering Group oversees progress against environmental targets and climate change work.
- Updates on progress towards targets, including emerging risks, challenges and opportunities under our climate change roadmap, which is shared with the Board for discussion and challenge.
- Active engagement with suppliers and partners to support the reduction of their carbon emissions through setting aligned carbon reduction targets and sourcing better quality data.
- Regular review of standards and policies that govern our approach to high-risk raw material types and routes.
- Increased use of lower-impact raw materials in products and ongoing work with our suppliers to move towards a more circular design and business model.
- Sustainability targets built into Executive Director variable pay.
- Dedicated internal resource to support delivery and measure progress against our targets.
- Regular horizon scanning conducted to keep abreast of regulatory change and stakeholder sentiment.
- Membership and involvement with industry working groups.

The following pages 46 to 54 present the full TCFD report for FY24.

TCFD report

Task Force on Climate-related Financial Disclosures ('TCFD')

The Board recognises the risks and opportunities posed by climate change to the Group's business model and strategy.

Introduction
Climate change has been managed as a principal risk for the Group since FY19; the current view of this risk is described in detail on page 45. Following release of our first full TCFD report in FY22 and progress made in FY23, we have developed our approach to assessing risks and opportunities and remain committed to improving disclosures in line with evolving requirements and practice. This year, we brought in-house the assessment of financial impact for climate related risks and opportunities enabling more tailored data and assumptions to be used. Additionally, new internal processes have helped improve focus on potential impacts across the business.

Our report continues to be compliant with TCFD disclosures and UK Listing Rules. We continue to consider the potential financial impacts of climate change in the cash flow scenario modelling within our viability statement on page 55 and in our accounting policies note on page 137 of the financial statements.

Governance

Governance a) Board's oversight of climate-related risks and opportunities
The Board takes overall responsibility for our climate change roadmap. It considers our approach, strategy, risk management and performance, receiving regular updates on progress against our climate-related KPIs, as well as other related topics such as water reduction and product circularity. It continues to listen and learn about the implications of climate change on the Group's business model.

This year the Board received an update on our emerging Scope 3 emissions reduction roadmap, as well as our broader 'Good & Circular' strategy, looking at circularity, carbon and responsible sourcing, as well as our overall approach to governance and reporting (which is explained in more detail on the following page).

The Board is supported by the Audit and Risk Committee, Remuneration Committee and Nomination Committee.

TCFD report continued

The Audit and Risk Committee formally reviews principal risks twice a year, and ESG processes and reporting (including TCFD), to verify non-financial KPIs, annually. It receives updates on upcoming sustainability reporting requirements and Dunelm's planned approach. In FY24, it also received an internal audit report on the assessment of Dunelm's processes, controls, and governance arrangements over methodology, data collection, and reporting in relation to Scope 3 emissions. The report did not identify any significant gaps or high-risk findings; it highlighted several areas of good practice and confirmed the effective design and operation of key controls. The Committee noted the need to continue to focus on this area to remain adequately equipped to operate controls over Scope 3 emissions and reporting readiness.

The Remuneration Committee reviews and approves Executive Director and Executive Team remuneration, including climate-related targets in performance-related pay.

The Nomination Committee sets specifications for new Board roles and has oversight of the Talent Committee to ensure necessary talent and skills are available to deliver our sustainability strategy.

Governance b) Management's role in assessing and managing climate related risks and opportunities

Our CEO leads on the Group's climate-related activities and chairs the Good and Circular Steering Group. This was re-named (from Pathway to Zero Steering Group) and re-constituted in FY24 following completion of our FY23 materiality assessment, to reflect a wider remit across sustainability, community and customer initiatives. Meetings are held six times a year and include the CFO, Commercial and Supply Chain Director, Customer Director, Group General Counsel and Company Secretary and the Head of Sustainability and Climate Change.

The Executive Team receives regular updates on our climate-related KPIs and reviews the principal risks prior to the Group Board review. The Risk and Resilience Committee is chaired by our CFO, Karen Witts. It is responsible for reviewing our risk management framework and processes and monitors existing and emerging risks, including climate change and environment risk. The Talent Committee is chaired by our Stores and People Director and ensures that we have the correct capability in place to meet our ambitions in this area.

Climate change considerations are increasingly integrated into day-to-day business activities: an assessment of energy efficiency and carbon impact is included in all new store and store refit proposals; our product design team is focused on increasing the use of less carbon intensive materials such as recycled cotton and polyester; and we continue to reduce packaging or use more sustainable packaging. In FY24, we increased our use of Better Cotton and FSC timber.

We are proud of our continued progress this year towards embedding our sustainability strategy, including climate-related considerations, within the business. Examples of how we have done so include (i) ensuring that our Executive Team business performance meetings regularly discuss our sustainability KPIs, including climate change, (ii) refreshing how we communicate our strategy and initiatives to colleagues and externally and (iii) continuing work with our suppliers to ensure that everyone with whom we partner is clear on the importance to Dunelm of delivering on our sustainability goals.

Strategy

Strategy a) Climate-related risks and opportunities identified over the short, medium and long term

Our purpose – To help create the joy of truly feeling at home, now and for generations to come – is deliberately forward-looking, and when combined with our business model (see pages 10 and 11), is designed to encapsulate our desire to have a positive impact on the planet, now and in the future. It is underpinned by our commitment to building sustainability into all that we do. A key component of our business model and customer proposition is 'being good and circular' which we describe as being 'positive choices for our planet, communities and people'.

During FY24 we have reviewed our identified climate-related risks and opportunities, and considered any further risks and opportunities presented in our risk registers or based on systematic peer comparison and sector review. Each risk and opportunity was assessed based on potential impact, likelihood and velocity to determine its relative materiality. The top-ranked risks and opportunities were selected for climate scenario analysis and financial impact modelling. Climate-related risks and opportunities were assessed using internal and external data.

To further understand and explore how specific climate-related risks and opportunities could evolve and impact our business over the short, medium and long term, we have carried out climate scenario analysis and financial impact modelling on six risks and opportunities.

We worked closely with internal stakeholders to update baseline data, in addition to leveraging external data sources, including the Network for Greening the Financial System (NGFS) v3.2 and the International Energy Agency (IEA) World Economic Outlook 2023. By exploring the latest developments and insights, several assumptions were improved and applied, improving specificity of predicted financial impact. For example, we utilised the latest report from the Waste and Resources Action Programme (WRAP) to appropriately calculate the financial impact of introducing packaging-style Extended Producer Responsibility obligations to textile products. This approach has ensured that our assessments are based on the most current and relevant data available. Although such modelling still generates a high level of uncertainty, improvements have and will continue to be made. This modelling uses medium and long-term internal forecasts, market research and climate forecasts to explore the potential impacts of climate change on the Group's financial position and performance.

TCFD report continued

Financial impact ranges

We have used financial impact ranges, which are the same as we use for our corporate risk management process.

Impact	Financial range (Annual Profit before tax)
Low	Less than £5m
Medium	Between £5m and £50m
High	Greater than £50m

Time horizons

We have used the three time horizons described below:

Time period	Years	Reason
Short	2024–2030	Aligned to our 50% carbon reduction target and strategic plan
Medium	2030–2040	Aligned to our net zero target and to capture transition risks and opportunities
Long	2040–2050	Longer term to capture physical risks and opportunities

Climate Scenarios: We undertook climate risk and opportunity analysis under three climate scenarios outlined below:

	Global Net Zero 2050	Delayed Transition	Business as usual (BAU)
Scenario	Limits global warming to 1.5°C by 2100, with stringent and immediately introduced climate policies and emissions reductions to achieve net zero emissions by 2050.	Action taken to limit emissions growth, but 2015 Paris Agreement targets missed resulting in greater than 2°C warming by 2050.	World takes no/limited action, equivalent to a 3.5–4.5°C warming.
Transition Risk	Transition risks are extreme under this scenario in the short to medium terms, unless mitigated.	This scenario presents a significant transition risk in the medium to long term, given the speed and severity of the response required when implemented.	Limited transition risks expected due to lack of policy changes and regulation.
Physical Risk	Physical risks will be the least extreme under this scenario.	Physical risks will be higher than the Global Net Zero 2050 scenario due to warming greater than 2°C instead of well below.	The most extreme physical risk impacts in this scenario.

TCFD report continued

Strategy b) Impact of climate-related risks and opportunities on business, strategy and financial planning

In preparing the financial statements, the Directors have considered the cash flow impacts of climate change. This includes:

- The impact of climate change on the going concern basis of preparation and the viability of the Group over the next three years.
- The impact on potential impairment triggers, and where a trigger is identified, the impact on the value-in-use of the related non-current assets.

Given the majority of our long-term assets are based in the UK, there is not likely to be any material impact as a result of climate change on financial reporting judgements or estimates applied in the preparation of the FY24 financial statements.

We are committed to transitioning to a net zero future, and this is reflected within our strategic pillars and planning both in our direct operations and in our value chain, which accounts for c.99% of our carbon emissions (see the table on page 53 for the breakdown of our emissions). Our product categories have plans in place to reduce the impact and carbon intensity of the products we sell, in support of our carbon reduction goals. We work in partnership with our suppliers to support them in various ways to help reduce supply chain emissions. We have developed and launched our Better Manufacturing programme which focuses on lowering carbon emissions during the product manufacturing stage, and in FY23 we held our first 'Introduction to Net Zero' workshops which was attended by key suppliers.

In FY24 we invested in a supplier data capture platform. Over 80% of our Tier 1 stock suppliers have completed the environmental questionnaire on the platform in FY24 and we have started to analyse the data. These insights will inform the type of support and work we do with our suppliers to help them achieve the carbon reduction required to hit our targets. We have sustainability action plan meetings with our key stock suppliers at least every six months and we continue to advocate at an industry level through organisations such as the British Retail Consortium, Better Cotton and WRAP Textiles 2030 and the Sustainable Logistics Forum to accelerate the reduction of carbon emissions in our supply chains.

Additionally, we have invested in a tool to assess scalable options for product carbon footprinting via product life-cycle assessments, which will help focus our attention on reducing carbon in the most impactful areas and improve the robustness of data to enhance the accuracy of our emissions reporting.

Strategy c) Resilience of strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

Our commitment to building sustainability into all that we do ensures that climate change considerations are integrated into our business activities. As we better understand the impact of climate change on the Group, we commit to continuing to assess and prioritise material risks and explore opportunities.

The analysis carried out has considered 3 climate scenarios, including a '2°C or lower scenario', aligned with the 2015 Paris Agreement. This has been examined across various timeframes, bringing confidence in the long-term resilience of the business.

The table on the following page summarises the material climate change risks and opportunities that we have considered and the actions we are taking to mitigate or manage risks and enhance opportunities. It confirms that we should continue to identify and explore mitigating actions in alignment with each risk identified. We will continue to work with relevant internal and external stakeholders to address these risks, and identify any new risks or opportunities upon horizon scanning.

TCFD report continued

Transition risks and opportunities – FY24

Risks and opportunities summary description	Potential impact (pre-mitigation)	Potential impact (post-mitigation)	Specific mitigants in place	Related metrics and targets
Policy & Legal Global Net Zero scenario – most significant impact in long term				
Impact of carbon taxes on Dunelm suppliers				
Introduction of a carbon price could lead to an increase in the cost of products with high greenhouse gas emissions; this could negatively impact profits due to taxation on Dunelm or taxation on suppliers passed on to Dunelm in product cost.	High in Global Net Zero scenario across all timeframes, low in BAU scenario across all timeframes.	Low in all timeframes.	• Actively engaging with our suppliers to support the reduction of their carbon emissions through setting aligned carbon reduction targets and sourcing better quality data. • Designing products to use lower carbon materials, such as recycled polyester. • In FY24 we launched the Higg Facility Environmental Module and started collecting data from Tier 1 stock suppliers. We will use this to inform the support we will give Tier 1 suppliers to move to lower carbon production. • Actively monitoring the development of the UK Carbon Border Adjustment Mechanism in preparation to assess and mitigate potential impact on both direct and pass-through cost.	Carbon emissions metrics and targets
Extension of producer responsibility: increased cost of existing packaging regime and extension to additional product categories such as textiles				
Extended Producer Responsibility 'EPR' fees are being implemented in the UK from October 2025. It is also predicted that an EPR type scheme for textiles will be introduced before 2030.	Medium across all timeframes.	Not yet fully modelled for textiles as scheme not currently proposed (but no exemptions assumed).	• Engaging with industry groups and specialists and closely monitoring development of the Packaging EPR charging mechanism and rates. Well-informed estimated costs are included in our financial plans. • Increasing recycled content in packaging (both plastic and cardboard). • Working collaboratively with BRC and WRAP Textiles 2030 to be prepared for EPR extension to textiles. • Through designing our textile products to become more circular we are aiming to reduce the impact that an EPR extension would have. • Monitoring extension to other categories beyond textiles.	Nature and packaging metrics and targets
Market BAU scenario is most impactful for this risk as fuel prices increase the most in the outer year				
Changes to fuel prices caused by climate-related market disruption or increased taxation				
Changing market dynamics and decarbonisation trends impact both fuel prices and the transition to non-fossil fuel alternatives, leading to increased fuel costs across the delivery network.	Medium or low across all timeframes.	Low across all timeframes as we assume a degree of offset through a range of operational actions.	• Movement of trunking vehicles from diesel to CNG, which produce significantly fewer emissions than the diesel equivalent • Further assess the viability of electric vehicles in our fitter van fleet and implementing a low-carbon transition strategy in our stores and Home Delivery Network 'HDN' fleet for 2030. • Increasing the share of electric and hybrid vehicles within our company car fleet. Currently 40% of the cars in-use are electric within our car fleet. • Working with our key logistics suppliers to support their transition from diesel to non-fossil fuel alternatives.	Carbon emissions metrics and targets

TCFD report continued

Transition risks and opportunities – FY24 continued

Risk and opportunities summary description	Potential impact (pre-mitigation)	Potential impact (post-mitigation)	Specific mitigants in place	Related metrics and targets
Reputation Global Net Zero scenario most significant impact in medium to long term				
Reputational damage due to failure to act on sustainability trends				
If Dunelm fails to continue to move towards using more sustainable raw materials and reduce carbon emissions then we might lose customers who switch to retailers who they consider to be more sustainable; we could also struggle to retain and attract colleagues and to secure funding.	No impact in the short term in all scenarios, reflecting Dunelm's current position versus the market. High in the medium to long term in both the Global Net Zero and Delayed Transition scenarios if other retailers outpace Dunelm in sustainability.	See opportunity below in relation to increasing market share by demonstrating leadership in addressing climate change and sustainability.	• We have set ambitious climate change reduction targets. • Our 'Conscious Choice' product label helps customers to identify products made from more sustainable materials. • We follow the CMA's Green Claims Code, seeking to ensure that our green claims are genuine and not misleading.	Carbon, nature, water stress, packaging and circular metrics and targets
Increased market share by demonstrating leadership in addressing climate change and sustainability				
If Dunelm demonstrates leadership in addressing climate change and delivering its climate change reduction targets, whilst other retailers do not, we might gain market share from customers actively moving towards shopping at Dunelm.	Medium in the short term in all scenarios. Medium in the medium and long term in the BAU scenario, but not a differentiator in the medium or long term in the Global Net Zero or Delayed Transition scenarios as it is assumed that other retailers also take similar action.	n/a	• Working in collaboration with our suppliers to reduce their carbon emissions and create a more circular sourcing model. • Followed the LEAP process to review and set internal nature-based targets related to our cotton and timber sourcing. These targets are aligned to our internal net zero roadmap actions. • Starting to use lower-impact materials in our products and moving towards a more circular sourcing model to enhance our competitive advantage.	Carbon, nature, water stress, packaging and circular metrics and targets

Physical risk – FY24

Risk and opportunities summary description	Potential impact (pre-mitigation)	Potential impact (post-mitigation)	Specific mitigants in place	Related metrics and targets
Physical Risks BAU scenario most impactful				
Physical risks (drought, flooding, wildfires, etc.) impact the availability of raw materials such as cotton or timber, or impact manufacturing sites and logistics in countries from which we source our products				
Physical risks mainly manifest themselves in our supply chain as none of our UK store or depot footprints are in areas at high risk of flooding.	Medium across all timeframes (dependent on extreme weather).	Not modelled as changes in sourcing strategy are not currently defined.	• We have followed the LEAP process to review and set internal nature-based targets related to our cotton and timber sourcing. These targets are aligned to our internal net zero roadmap actions. • Working with the Textiles 2030 group of retailers to support actions to mitigate these risks and to move towards a more circular sourcing model, which is being built into our product design process. • Overall our sourcing strategy is across multiple locations, to reduce the risk any in-country disruption may cause.	Nature and water stress metrics and targets

TCFD report continued

Risk management

Risk management a) Processes for identifying and assessing climate-related risks

Climate-change and environment is considered a principal risk within our risk register. In FY21, we implemented a comprehensive climate change risk register with the support of the Carbon Trust. During FY22 and FY23, we refined this risk register with external TCFD consultants, and quantified the most significant risks by likelihood and potential impact on our business. We also conducted an external materiality assessment in FY23 using both quantitative and qualitative information via surveys and interviews. It was concluded that there were no material risks or opportunities omitted. Throughout FY24, we reviewed and updated these previously identified risks to ensure that we continue to understand the potential financial impacts and have effective mitigations in place now and for the future.

Risk management b) Processes for managing climate-related risks

Climate-change and environmental risk is a principal risk owned by our CEO. The detailed climate-related risks identified fall under this principal risk. Senior leadership within our Good and Circular Steering Group assess and recognise these risks, enabling performance management and planning of mitigating actions. Our CEO, Head of Sustainability and Climate Change and other senior colleagues within the Group continue to engage with external advisors such as British Retail Consortium (BRC), WRAP, Textiles 2030, the Aldersgate Group and others, improving business resilience through best practice.

Risk management c) Processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management

As an identified principal risk, climate change and the environment is formally assessed twice a year with the Risk and Resilience Committee. This approach supports both the Audit and Risk Committee and Group Board in assessing and reviewing climate change and environmental risk bi-annually. Our overall risk management framework and supporting processes can be found on pages 38 and 39.

The principal risks are considered by management in connection with the assessment of the viability of the business over the longer term, with these considerations informing the viability statement on page 55 of this Annual Report. Further details on the assessment of our climate change and environment risk can be found on page 45.

Metrics and targets

Metrics and targets a) Metrics used to assess climate-related risks and opportunities in line with strategy and risk management process

The metrics we use as part of managing climate-related risks and opportunities are set out in the table on page 54. We have chosen these metrics because they relate directly to our material climate risks and opportunities, and because they are where we can make the biggest potential impact. In setting our GHG metrics and targets, we have ensured that they are in line with the 2015 Paris Agreement and aligned to a 1.5°C pathway, the UK's commitment in the Climate Change Act 2008 (2050 Target Amendment) Order 2019 and other relevant legislation, as well as the British Retail Consortium's Climate Action Roadmap, which we support.

The carbon, cotton and water metrics are aligned to the Textiles 2030 voluntary agreement, which we have signed up to as a partner. These topics are also important to our colleagues, customers and society more broadly.

Metrics and targets b) Scope 1, Scope 2 and Scope 3 greenhouse gas 'GHG' emissions and the related risks

In FY24, we reduced our overall Scope 1 carbon emissions by 27% from our FY19 baseline despite strong sales growth of 53% over the same period. We achieved this through our gas boiler replacement programme in stores (which is on track to be completed by FY30), the ongoing transition of our company car fleet to lower carbon, and moving our trunking vehicles from diesel to compressed natural gas. We actively look for more opportunities to reduce emissions within our vehicle fleet in line with the innovation of the fleet industry.

We continue to purchase 100% renewable electricity and to install solar PVs across our sites where viable. This means that we report zero Scope 2 emissions using the market-based approach, and that on a location-based basis, our FY24 Scope 2 emissions were 21% lower than in FY19.

We report the majority of our Scope 3 emissions using a spend-based methodology as set out in the GHG Protocol Scope 3 Standard. Consistent with this approach, the Scope 3 emissions within our target boundary have increased by 59% since FY19, driven mostly by the 53% increase in sales over the same period.

In FY24, as part of our ongoing data management plans for Scope 3, we again reviewed and improved our data and methods for reporting. This will continue in FY25 as explained below.

In line with our Base Year Emissions Recalculation and Prior Year Restatement Policy we are now reporting updated emissions for both FY19 and FY23. The changes to emissions are most materially affected by improvements in our approaches to measurement for Purchased Goods & Services, and Use of Sold Products.

In FY24 we used a hybrid of activity and spend-based calculation methodologies and applying a continuous improvement approach to develop the accuracy and specificity of reporting methodologies. For example, for our most material category of purchased goods and services, we have improved the granularity of our spend-based methodology to a product-level, enabling more accurate emissions calculations through better country of origin and emissions factor matching.

We will continue to transition away from a spend-based approach in FY25. This will include increasing the amount of supplier-specific data that we are gathering and completing life-cycle assessments across a broad range of our products. We intend to incorporate this more accurate data into our reporting from FY25 onwards.

TCFD report continued

Greenhouse Gas Emissions and energy use data for Streamlined Energy and Carbon Reporting

Greenhouse Gas Emissions (tCO_2e)	FY19	FY20	FY21	FY22	FY23	**FY24**
Scope 1	7,059	7,108	8,633	7,902	7,044	**5,139**
Scope 2 (location-based)	10,861	8,757	7,854	8,015	8,782	**8,568**
Scope 2 (market-based)	10,861	8,757	268	21	27	**–**
Scope 3[1]						
Purchased goods and services	536,177	n/a	n/a	n/a	776,292	**850,919**
Use of sold products (direct use phase only)	236,920	n/a	n/a	n/a	366,195	**408,681**
Upstream transportation and distribution	29,439	n/a	n/a	n/a	47,255	**32,019**
End-of-life treatment of sold products	26,873	n/a	n/a	n/a	33,986	**32,016**
All other categories combined[2]	14,339	n/a	n/a	n/a	18,836	**20,998**
Total Scope 3 within target boundary[3]	**843,748**	**n/a**	**n/a**	**n/a**	**1,242,564**	**1,344,633**

Streamlined Energy and Carbon Reporting (energy by source)	FY19 MWh	FY20 MWh	FY21 MWh	FY22 MWh	FY23 MWh	**FY24 MWh**
Purchase of energy (electricity)	42,491	37,560	36,988	41,446	42,410	**41,383**
Purchase of energy (stationary combustion)	14,676	12,987	16,170	10,534	9,004	**6,018**
Use of fuel for vehicles (mobile combustion)	13,528	15,918	20,341	19,752	19,123	**19,325**

1. Includes updated numbers due to continuous improvements made throughout FY24 in line with our Base Year Emissions Recalculation & Prior Year Restatement Policy.
2. All other categories includes capital goods, fuel and energy-related activities, employee commuting, and downstream transportation & distribution.
3. Target boundary for Scope 3 excludes indirect use of sold products, waste generated in operations and business travel (both previously measured but removed based on de minimis materiality), upstream leased assets, processing of sold products, downstream leased assets, franchises and investments (assessed and deemed as not relevant).

TCFD report continued

Metrics and Targets c) Targets used to manage climate-related risks and opportunities and performance against targets
In response to the Net-Zero Standard set by SBTi, we submitted our net zero 1.5°C aligned targets across all Scopes to be validated by SBTi, and received confirmation of approval in October 2023. As members of the BRC and Textiles 2030, our Net Zero carbon target is aligned to the BRC's Climate Action Roadmap and our cotton and water usage targets are aligned to the Textiles 2030 voluntary agreement. Executive Director variable pay includes sustainability metrics which vary from year to year. Further information can be found in this year's Remuneration Committee report found on page 89.

UK Listing Rule 6.6.6R(8) Compliance Statement
Dunelm Group plc has complied with all of the requirements of UK LR 6.6.6R(8) by including climate-related financial disclosures in this section (and in the information available at the locations referenced in it) consistent with the TCFD Recommendations and Recommended Disclosures.

Climate-related risk	Metric and target	Baseline	Progress
Carbon emissions	Reduce absolute Scope 1 carbon emissions by 50% against an FY19 baseline by FY30	7,059 tCO_2e in FY19	5,139 tCO_2e in FY24, which is a 27% reduction on the FY19 baseline reflecting the progress made (see Scope 1 commentary on page 52).
	Reduce Scope 1 carbon emission intensity against FY19 baseline	6.4 tCO_2e/£1m Group revenue in FY19	53% reduction in FY24 to 3 tCO_2e/£1m Group revenue (32% reduction on the FY19 baseline in FY23).
	Purchase 100% renewable electricity every year	n/a	We continue to purchase 100% renewable electricity.
	Reduce absolute Scope 3 carbon emissions in our target boundary by 50% against an FY19 baseline by FY30	843,748 tCO_2e in FY19	1,344,633 tCO_2e in FY24. Increased by 59% due to increased sales and spend. We continue to invest in data, measurement and reporting capabilities and have re-baselined and restated emissions in line with our base-year restatement policy.
Water stress	Reduce aggregate water footprint in own brand textile products by 30% by 2030	116.5m M^3 in calendar year (CY)19	195.0m M^3 in CY23. Increased by 67% compared to base year. This is due to selling more products containing cotton. The majority of cotton sourced is Better Cotton and we continue to work with industry via WRAP's Textiles 2030 collaboration towards the collective 30% reduction target.
Nature	100% of own-brand cotton more responsibly sourced by 2025	n/a	71% in FY24 (FY23: 26%). Increase due to improved process of mapping cotton supply chain and suppliers transitioning more cotton to Better Cotton. We intend to continue this trajectory into FY25.
	50% more responsibly sourced timber by FY25	n/a	37% in FY24. Good progress made toward sourcing more FSC timber in products. We intend to continue this trajectory into FY25.
Packaging	30% less virgin packaging in own-brand range by 2025 measured by weight per £1 sales packaging	2.2g per £1 sales in FY20	42% reduction in FY24 to 1.3g per £1 of sales (FY23: 36% reduction). Reduction due to improvements such as reducing the thickness of our curtain bags, and compliance checks resulting in more accurate data.
Circular economy	Easy to use take-back service in place for 50% of our own-brand products	n/a	62% in FY24 (FY23: 61%). Our take-back service has continued to prove popular with customers in stores and the volume of textile take-back has increased. We have focused on testing and trialing new circular business models and scaling up the 'Home to Home' offering across our estate.

Going concern and viability statement

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 can therefore continue to adopt the 'going concern' basis of accounting. The Board is also required to state that it 'has a reasonable expectation that the Group will continue in operation and meet its longer-term liabilities as they fall due' (the 'viability statement'). To support this statement, the Board has considered the Group's current financial position, its strategy, the market outlook and its principal risks. Note that the Board reviews viability over a three-year period. Historically, this has been a five-year period, however a three-year horizon aligns with the wider business strategic plans, as well as the timeframe for performance targets. The base case for this review is the three-year plan that was presented to and approved by the Directors in May 2024.

The Group is operationally and financially strong and has a long track record of consistently generating profits and cash, which is expected to continue throughout the plan period.

Modelling potential downside scenarios
In their consideration of going concern and the future viability of the Group, the Directors have reviewed future profit forecasts and cash projections, reflecting their experience in managing the business. Both scenarios modelled assume that variable costs would reduce as sales reduce.

The 'market downturn' scenario assumes consumer spending moves away from homewares due to the impact of ongoing economic uncertainty and geopolitical instability. In this scenario, FY25 shows no sales growth on FY24 and a 4% lower growth rate in FY26 than in the base case scenario. In addition, higher costs than base case are assumed throughout the three-year period. This 'market downturn' scenario does not include any mitigating cost reduction actions, which would be taken if such a downturn occurred, and assumes the continuation of dividend payments in line with our current dividend policy. In this 'market downturn' scenario, the Group would not breach any of its financial covenants and would have sufficient funds to meet obligations as they fall due.

The 'deeper market downturn' scenario assumes a 5% sales decline in FY25 compared to FY24 and 4% lower growth in FY26 than in the base case. More severe cost increases are assumed in this scenario compared to the 'market downturn' scenario, and costs are not assumed to revert or recover to the levels assumed in the base plan throughout the three-year period. Similar to the 'market downturn' scenario, we have assumed no cost mitigation and the continuation of dividend payments in line with our current dividend policy. As with the 'market downturn' scenario, the Group would not breach any of its financial covenants and would have sufficient funds to meet obligations as they fall due.

The Directors continue to assess the risks that climate change poses to the business via modelling and disclosures in line with the Task Force on Climate-related Financial Disclosures. The Group will actively manage and mitigate these risks as required within the existing enterprise risk management processes (as outlined on page 52). Currently, climate change is not expected to have a significant impact on the Group's going concern assessment or on the viability of the Group over the next three years.

Reverse stress testing
To provide additional assurance around the Group's viability, two reverse stress tests have been modelled. In both of these reverse stress tests we have assumed that variable costs would reduce in line with sales, that we would be able to save £20m per annum of fixed costs, that we would reduce the level of capital investment to reduce uncommitted spend in FY25 to £5m and to £10m in FY26 and suspend the payment of dividends. In the first reverse stress test, we have modelled the sales decline required to breach either of the current covenants in the Revolving Credit Facility ('RCF'). A sales reduction of 26% in both FY25 and FY26 from the base case would be required for covenants to be breached by the end of FY26. In the second reverse stress test scenario, we have modelled the level of sales reduction required to breach the RCF limit of £250m. This would require a reduction in sales of 42% in both FY25 and FY26 from the base case to effectively run out of funding by the end of FY26, assuming reasonable mitigating actions have been implemented.

Financing
The Group's banking agreements and associated covenants are set out in the CFO's Review 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.

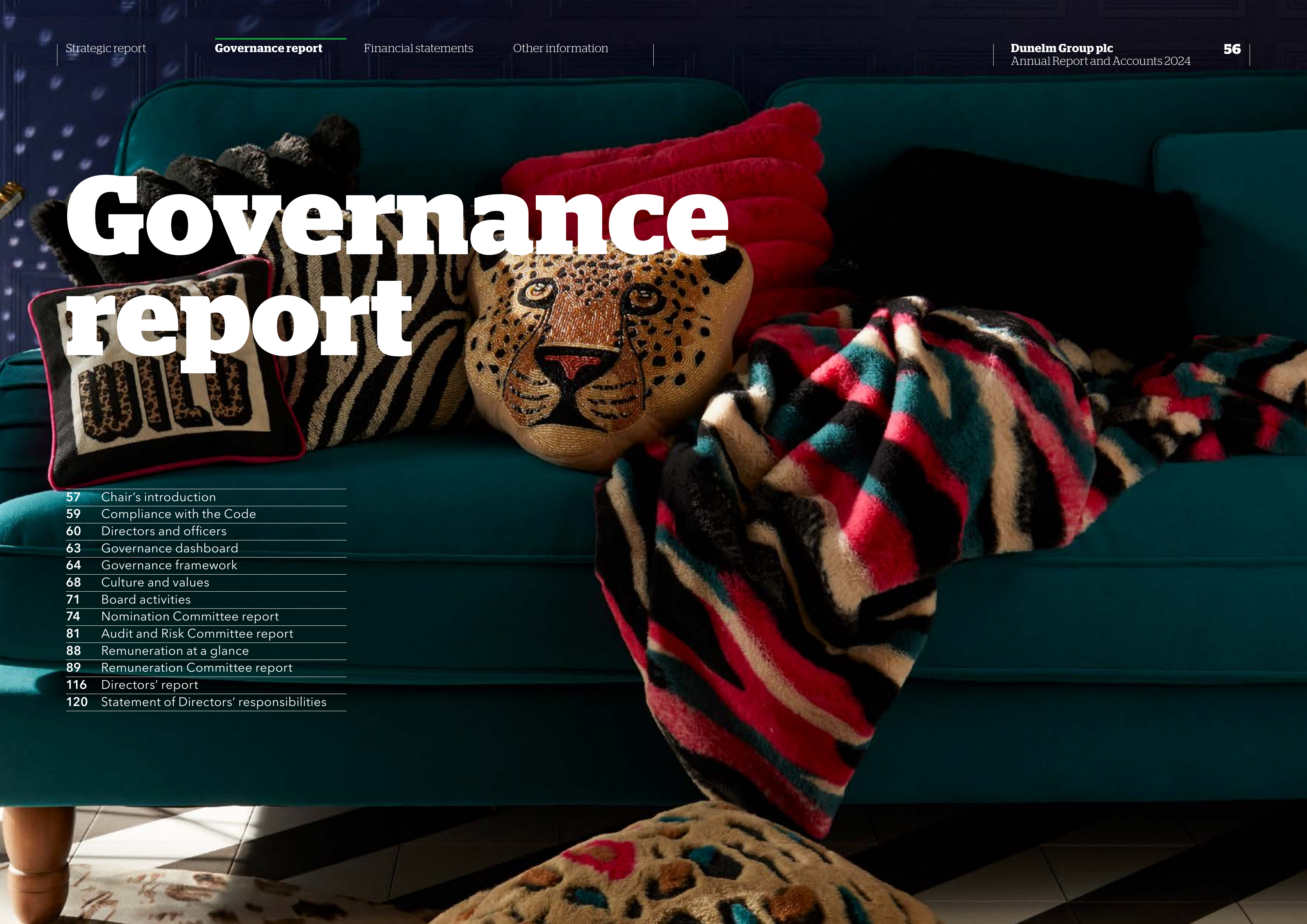
The Group ended the financial year with net debt of £56m. The financial covenants are tested in line with our December interim reporting and June year-end reporting. These covenants are met with significant headroom. In both downside scenarios, the Group continues to forecast compliance with all financial covenants throughout the going concern and viability period.

Going concern and viability conclusion
In both downside scenarios Dunelm has sufficient liquidity to continue trading, including maintaining the payment of dividends in line with its dividend policy and comfortably meeting its financial covenants. The reverse stress modelling has demonstrated that a significant, prolonged sales reduction of 26% in each year is required to breach covenants by the end of FY26 and a 42% sales reduction in each year is required to breach the RCF 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 COVID-19 pandemic. Such actions could include reductions in discretionary spend (e.g. marketing and travel), headcount and capital investment in new stores and refits.

The Board believes that the Group is well placed to manage its financing and other significant risks satisfactorily and that the Group 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 also considers it appropriate for the Group to adopt the going concern basis in preparing its financial statements.

Strategic report
This report was reviewed and signed by order of the Board on 11 September 2024.

Nick Wilkinson
Chief Executive Officer
11 September 2024



Governance report

Chair's introduction to corporate governance

How our governance helps to unlock our full potential

On behalf of the Board, I am pleased to present our Governance report for the year ended 29 June 2024.

Alison Brittain
Chair

Our FY24 performance has been strong amidst a challenging market, in which the Group has demonstrated its resilience by means of its continued focus on growth and operational grip. These remain important attributes as we continue to unlock our full potential and work towards achieving our ambitions. As the business continues to evolve, innovate and grow, we are mindful that our approach to governance will need to mature with it and we are committed to ensuring that we maintain a clear and robust framework within which decisions are made for the benefit of all our stakeholders.

Culture and values

Our strong culture and shared values remain fundamental to the continued success of the business, and it is important to the Board that our purpose, values and strategy are aligned. We recognise our role in monitoring, assessing and promoting a healthy culture throughout Dunelm and fulfil this by means of regular reports from the Stores & People Director, site visits, attending National Colleague Voice meetings, reviewing the outputs and progress against actions arising from colleague surveys and Good & Circular Steering Group updates. The Board also regularly considers a variety of metrics in relation to colleagues, customers, sustainability and risk allowing it to assess culture within the Group, and ensure that it is aligned with our purpose and strategy.

See page 68 for more information on culture and values

Stakeholder engagement

We recognise the ongoing focus given to all aspects of governance by our stakeholders, including audit and risk, regulatory compliance and sustainability, and the need to ensure that our approach remains appropriate for Dunelm. I am confident in our ability to effectively engage with our key stakeholders, utilise the insights gained, incorporate their views in our decision-making and meet their expectations.

A good example of this was our Board away day in November 2023, which included a deepdive into our supply chain. The agenda included a focus on responsible and ethical sourcing and an in-person Q&A session with some of our key suppliers, which provided increased insight and understanding for all.

Strong and engaged leadership that supports long-term performance

A robust review of strategy

The Board met in May 2024 for its annual strategy review. The structure of the day enabled detailed understanding and debate of our strategy and growth plans, with challenge to management on the potential for further acceleration and efficiencies.

Read more on page 72

Implementing effective succession plans

Refreshing and implementing succession plans was an important priority for the Board this year, with changes implemented during FY24 and further to come in FY25.

Read more on pages 76 and 77

Understanding our suppliers and delving into the supply chain

On-site visits are essential to understanding how our operations work and are evolving. In-person conversations are equally important and the Board appreciated hearing directly from key suppliers what matters most to them.

Read more on page 73

Delivering improvements in infrastructure

With the increase in our Home Delivery sales, and taking account of feedback from colleagues, we relocated our Barnsley depot to a new location with increased space and improved facilities.

Read more on page 73

Chair's introduction to corporate governance continued

Our Non-Executive Directors also enjoyed a number of site visits during the year, some undertaken independently and others planned around Board meetings. These visits enabled engagement with colleagues, in addition to Non-Executive Director attendance at National Colleague Voice meetings and our review of the outputs from colleague surveys.

We also appreciated conversations during the year with investors on remuneration and sustainability, and I enjoyed meeting with a number of our larger institutional shareholders at the beginning of the year to better understand their latest views on strategy and governance.

See pages 20 to 25 and 72 to 73 for more information on stakeholder engagement

Board changes and succession planning
An important priority for the Board in relation to governance in the past year has been establishing and implementing effective succession planning. We have already made changes to the Board, with further to come later this year. Peter Ruis stepped down in January 2024 and Arja Taaveniku will be stepping down at the end of the calendar year, in both cases having accepted roles with other retailers. In July, we announced that William Reeve will not be standing for re-election at the AGM in November 2024, having completed his nine-year term as a Board Director. I thank each of William, Peter and Arja for their significant contributions to Dunelm.

"Our Non-Executive Directors also enjoyed a number of site visits during the year, some undertaken independently and others planned around Board meetings.

After the FY24 year end Kelly Devine also stepped down, having agreed to join Dunelm's Executive Team as Customer Director. Whilst she will be missed around the Board table, we are delighted to welcome her into her new role where she will focus on pushing forward our customer proposition and working with the rest of our Executive Team to pursue the multiple opportunities we have to grow the business and develop our brand.

In March we welcomed Ajay Kavan and Dan Taylor as independent Non-Executive Directors. Ajay's experience across a range of well-known retailers strengthens our Board as we continue to drive multi-channel growth across our total retail system. Dan's experience, particularly in the delivery of digital growth strategies in consumer-facing businesses, will add further expertise and value as we continue to evolve and improve our customer offer. We also announced in July that Ian Bull will be appointed Senior Independent Director and Ajay Kavan our Remuneration Committee Chair when William Reeve departs in November 2024.

See page 76 for more information on our process for appointing new Directors

The Board has also continued to prioritise senior leadership succession planning and the development of internal talent to support our growth ambitions. We continue to promote diversity and inclusion on the Board and across the colleague population.

See pages 79 to 80 for more information on our approach to diversity and inclusion

AGM
Our AGM this year takes place on 21 November 2024. In line with the UK Corporate Governance Code, all Directors will be seeking re-election (other than William Reeve). In addition, in accordance with the UK Listing Rules, each of the Non-Executive Directors will be subject to a vote of shareholders independent of the Adderley family. In light of the Adderley family holding, we are also required to seek a Rule 9 waiver to allow us to buy back shares to fulfil colleague share option entitlements. We hope that shareholders will support this resolution, which is limited to this purpose.

The year ahead
As we go into FY25, we remain focused on growth and unlocking the business' full potential to deliver long-term sustainable success. Alongside this, the Board is conscious of the ongoing need for good governance and I remain confident that our framework is strong and effective.

I would like to take this opportunity to say thank you, on behalf of the Board, to all our colleagues in the business for their continued hard work, dedication and focus on ensuring we are 'doing the right thing' for Dunelm and its stakeholders, and to my fellow Directors for their valuable contribution.

Alison Brittain
Chair
11 September 2024

Compliance with the UK Corporate Governance Code

How we comply with the UK Corporate Governance Code 2018

The Board is responsible for demonstrating how the governance of the Company contributes to its long-term sustainable success.

This Governance report explains how we have applied the Principles of the UK Corporate Governance Code 2018 (the 'Code') issued by the Financial Reporting Council and available at www.frc.org.uk. These Principles are applied to the Company's sole trading subsidiary through the Group's governance, risk management and internal control structure.

The Board is pleased to confirm that during the year ended 29 June 2024, the Company applied the principles and complied fully with all the provisions of the Code throughout the year.

Further information on compliance with the Code can be found throughout this Governance report, the Strategic report and Committee reports signposted as follows:

Board leadership and company purpose

An effective and entrepreneurial Board which promotes the long-term sustainable success of the Company.

Directors and officers – page 60
s.172 statement – page 25
Board evaluation – page 78

Alignment of our purpose, values, culture and strategic objectives.

Our strategy – page 13
CEO's review – page 14
Board activities – page 71
Culture and values – page 68

Our governance and risk management framework.

Governance framework – page 64
Approach to risk management – page 38

Effective engagement by the Board with stakeholders.

Stakeholder engagement – page 20
s.172 statement – page 25

Our colleagues and alignment of our policies to support long-term sustainable success.

National Colleague Voice – page 22
NFSIS – page 34
Codes of conduct, anti-bribery and other policies – page 68

Division of responsibilities

The role of the Chair.

Chair's statement – page 4
Directors and officers – page 60
Roles and responsibilities – page 65
Board evaluation – page 78

Composition of the Board and division of responsibilities.

Directors and officers – page 60
Roles and responsibilities – page 65
Director independence – page 66

Non-Executive Directors' external commitments and role.

Directors and officers – page 60
Roles and responsibilities – page 65
Board activities – page 71

Effective and efficient functioning of the Board.

Time commitment – page 66
Board evaluation – page 78

Composition, succession and evaluation

Formal, rigorous and transparent appointment procedure and effective succession plans.

NED succession – page 76
Diversity and inclusion – page 79

A combination of skills, experience and knowledge on the Board and Committees.

Directors and officers – page 60
NED succession – page 76

Annual evaluation.

Board evaluation – page 78

Remuneration

Policies and practices designed to support strategy, long-term success and aligned to culture and values.

Remuneration Committee report – page 89

Formal and transparent procedure for developing policy.

Remuneration policy – page 91

Exercise of independent judgement in respect of 2024 outcomes.

Annual Statement – page 89
Annual report on remuneration – page 101

Audit, risk and internal controls

Transparent policies and procedures to ensure independence and effectiveness of auditors and integrity of the Annual Report and Accounts.

External auditor – page 85
Internal audits – page 87
Year end review process – page 84

Fair, balanced and understandable assessment of position and prospects.

Fair, balanced and understandable – page 83

Internal controls and management of risk.

Approach to risk management – page 38
Principal risks and uncertainties – page 41
Risk management and internal controls – page 86

Directors and officers

Key
Ⓐ Audit and Risk Committee member
Ⓝ Nomination Committee member
Ⓡ Remuneration Committee member
● Committee Chair
Ⓘ Independent Director
Ⓓ Designated NED for colleague matters

Alison Brittain
Ⓝ Ⓡ Ⓘ
Chair

Independent on appointment
Appointed: September 2022 and as Chair in January 2023

Skills and contribution: Alison is an experienced business leader who brings considerable expertise to the Board as NED and former Chief Executive of a range of consumer-facing companies. Her skillset enables her to provide valuable insight on strategic matters and a strong focus on execution, which are key to our continued growth. In addition, she has successfully scaled businesses in the UK and internationally, has long-standing plc experience and a deep understanding of stakeholder perspectives. This positions her perfectly to facilitate constructive challenge and debate as our Chair.

Previous roles: Alison was CEO of Whitbread PLC from 2015 to 2023. Prior to that, she held several senior roles in the UK banking industry, serving as Group Director in the Retail Division of Lloyds Banking Group PLC (2011–2015), Board Director at Santander UK PLC (2007–2011) and Barclays PLC (1987–2007). Alison was a Non-Executive Director of Marks & Spencer Group PLC from 2014 to 2020.

Other commitments: Chair of English football's Premier League. Senior Independent Director at Experian plc. Non-executive Director at British Airways plc. Chair of the King's Trust Group of Charities (formerly The Prince's Trust).

Sir Will Adderley
Ⓝ
Deputy Chair

Non-independent
Appointed: April 2003

Skills and contribution: Will brings a unique perspective to the Board as a result of his broad and deep understanding of the business and in-depth knowledge of its corporate history. This adds significant value to Board debate and informed decision-making. Will also plays a key role in contributing to the ongoing development of our purpose and culture, which has been built from the shared values instilled by the Adderley family when the business was founded. Will retains an executive role to support the business in matters agreed with the Chief Executive, as required.

Previous roles: Will has worked for Dunelm his whole career since joining in 1992. He took over the day-to-day running of the Group from his father in 1996 and remained as Chief Executive through the Group's IPO in 2006. Will became Deputy Chair in February 2011 and was reappointed Chief Executive in September 2014 for an interim period until 31 December 2015.

Other commitments: Owner of WA Capital Limited and Trustee of Stoneygate Trust.

Nick Wilkinson
Chief Executive Officer

Non-independent
Appointed: February 2018

Skills and contribution: Nick is an experienced Chief Executive, with a proven track record in multichannel retail businesses operating across a number of consumer brands and geographies. His leadership is pivotal in developing and overseeing delivery of our strategy, driving growth and ongoing transformation, increasing market share, and continuing to strengthen our customer offer and experience. Nick chairs our Good and Circular Steering Group, steering our plans to build sustainability into all that we do.

Previous roles: Nick was Chief Executive of Evans Cycles from 2011 to 2016 and the Chief Executive of Maxeda DIY from 2007 to 2010. Prior to that, he was Group Buying Director and MD of Currys at Dixons Retail Group (1999 to 2006). Nick spent his early career at Unilever and McKinsey & Co.

Other commitments: Trustee of Rewilding Britain.

Karen Witts
Chief Financial Officer

Non-independent
Appointed: June 2022

Skills and contribution: Karen is a highly experienced Chief Financial Officer with a strong background in finance and management across global retail and consumer-facing businesses. She plays an important role in developing and overseeing delivery of our strategic initiatives, driving innovation, and ensuring that we maintain strong operational grip. In addition to leading on financial management, Karen regularly engages with our investors and corporate advisors. Karen chairs the Risk and Resilience Committee, providing oversight of risk management and ensuring that the business is operating within our risk appetite.

Past experience: Karen was Chief Financial Officer of Compass Group plc from 2019 to 2021 and CFO of Kingfisher Group plc from 2012 to 2019. Before that, she held various senior finance, strategic and operational roles with Vodafone Group plc (2010 to 2012), and at BT Group plc (1999 to 2010). Karen qualified as a Chartered Accountant with Ernst & Whinney.

Other commitments: Non-Executive Director of Ipsen Pharma, SA.

Directors and officers continued

Key
(A) Audit and Risk Committee member
(N) Nomination Committee member
(R) Remuneration Committee member
● Committee Chair
(I) Independent Director
(D) Designated NED for colleague matters

Ian Bull
A N R I

Non-Executive Director

Independent
Appointed: July 2019

Skills and contribution: Ian has over 30 years' experience as a strategy and finance specialist built from executive and non-executive roles at online and multi-site consumer-facing businesses. He has long-standing plc experience, with a deep understanding of audit practices and risk management frameworks, which enables him to promote open and frank discussions and challenge, as well as ensure strong relationships with management, auditors, and other stakeholders. Ian is a Fellow of the Chartered Institute of Management Accountants.

Ian will be appointed Senior Independent Director with effect from the end of the 2024 AGM.

Previous roles: Ian was Chief Financial Officer of Parkdean Resorts Group from 2016 to 2018 and Chief Financial Officer of Ladbrokes plc from 2011 to 2016. He was Group Finance Director of Greene King plc (2006 to 2011), having spent his early finance career at Whitbread PLC, Walt Disney Company and BT Group. Ian is a former Non-Executive Director and Audit Chair of Paypoint Limited, Senior Independent Director and Audit Committee Chair of St. Modwen Properties plc and Chair of Lookers plc.

Other commitments: Senior Independent Director at Domino's Pizza Group plc and Non-Executive Director at Croda International Plc. Member of Chapter Zero, the Directors' Climate Forum.

Ajay Kavan
A N R I

Non-Executive Director

Independent
Appointed: March 2024

Skills and contribution: Ajay is an accomplished business leader with strong digital and retail credentials and experience driving organic growth, strategic partnerships, and M&A. Ajay's expertise in delivering online and multi-channel propositions, together with his in-depth understanding of operations and relationships from his work as an advisor and mentor, strengthens the Board's skills as we continue to drive growth across our total retail system.

Ajay will be appointed as Chair of the Remuneration Committee with effect from the end of the 2024 AGM.

Previous roles: Ajay was Chief Executive of Matches Fashion from 2020 to 2021 and Vice President at Amazon from 2011 to 2020. Prior to that, he was Marketing and Strategy Director, Homebase at Home Retail Group (2004–2011) and Multi-Channel Director, B&Q at Kingfisher (2000–2004).

Other commitments: Senior Advisor at KKR, member of advisory panel to Piper Private Equity, Non-Executive at Rohlik Group, mentor to CEOs of high growth US/EU digital businesses and Vice Chair of In Kind Direct.

William Reeve
A N R I

Senior Independent Non-Executive Director

Independent
Appointed: July 2015

Skills and contribution: William is a serial entrepreneur and technology investor with extensive experience in the digital sector and of M&A. He has served as a Non-Executive Director of listed companies, P/E backed businesses and startups, placing him in an ideal position to be our Senior Independent Director and chair our Remuneration Committee, ensuring that our approach to remuneration is aligned with our strategic objectives and values.

William Reeve will not be standing for re-election at the Company's 2024 AGM.

Previous roles: William co-founded three internet-related businesses: Fletcher Research, LOVEFiLM.com, and Secret Escapes. He is a former Non-Executive Director of Graze.com, Paddy Power plc, Zoopla and Nutmeg among others.

Other commitments: Chief Executive of Oh Goodlord Limited.

Marion Sears
N D

Non-Executive Director

Non-Independent
Appointed: July 2004

Skills and contribution: A long-standing Board Director, Marion brings a wealth of expertise from her extensive City, investment and banking career which included navigating complex mergers and acquisitions. Utilising her significant plc experience and stakeholder understanding, enhanced by her role as the Designated Colleague NED for colleague matters, Marion plays an important role in facilitating informed Board decision-making.

Previous roles: Marion was Dunelm's Senior Independent Director and Chair of the Remuneration Committee from 2006 to 2015 and was Chair of the Nomination Committee until 2016. She had an executive career in the City in investment banking at Flemings, Chase and JP Morgan, prior to which she worked in corporate finance, as an investment analyst and in industry. Marion's previous Non-Executive Director experience includes WH Smith and Persimmon where she chaired the remuneration and ESG committees.

Other commitments: Non-Executive Director and Chair of Remuneration Committee at Keywords Studios plc, Non-Executive Director at Schroder Asian Total Return Investment Company plc and Director of WA Capital Limited. Member of Chapter Zero, the Directors' Climate Forum.

Directors and officers continued

Key
Ⓐ Audit and Risk Committee member
Ⓝ Nomination Committee member
Ⓡ Remuneration Committee member
● Committee Chair
Ⓘ Independent Director
Ⓓ Designated NED for colleague matters

Arja Taaveniku
A N R I
Non-Executive Director

Independent
Appointed: February 2021

Skills and contribution: Arja is an experienced business leader, with a wealth of knowledge from her executive roles at international home retail businesses. She has particular expertise in the strategic and operational development of customer propositions and product value chains, as well as environmental, social and governance ('ESG') initiatives, driving Board debate in these important areas.

Arja Taaveniku will step down from the Board at the end of the calendar year.

Past experience: Arja was a member of the Group Executive at Kingfisher plc and Chief Executive of its subsidiary, Kingfisher International Products Limited from 2015 to 2018. Before that, she was Chief Executive of Ikano Group S.A. (2012 to 2015), having previously held various leadership roles at IKEA Group from 1989 to 2012 including Global Business Area Director. Arja is a former Chair of Polarn O. Pyret and Svenska Handelsfastigheter AB and Non-Executive Director at Handelsbanken Group.

Other commitments: CEO of HomeCentre (Landmark Group).

Vijay Talwar
A N R I
Non-Executive Director

Independent
Appointed: October 2021

Skills and contribution: Vijay is a proven business leader in driving significant digital and operational transformations. He has broad international executive experience developed at consumer-facing, omni-channel businesses, bringing a different dimension to Board discussions. Further, as a former Certified Public Accountant and CFO, he provides depth to the Audit and Risk Committee's oversight.

Previous roles: Vijay was Chief Executive Officer of ContextLogic Inc from February to September 2022. Prior to that, he was Chief Executive Officer of Footlocker EMEA from 2019 to 2022 and President of Digital at Foot Locker from 2016 to 2019. Previously, he was President of Gifts/Special Occasions at Sears Holdings (2014 to 2016), held C-suite positions at Blue Nile from 2010 to 2014 and was Chief Executive Officer at William J Clinton Foundation India (2008 to 2010). Vijay was COO for EMEA at Nike from 2002 to 2008.

Other commitments: Chief Commercial Officer and Chief Digital Officer at Avolta AG (formerly Dufry AG).

Dan Taylor
A N R I
Non-Executive Director

Independent
Appointed: March 2024

Skills and contribution: Dan is an experienced CEO, with a recognised track record of delivering strategic plans to drive growth in digital and consumer-facing brands and leading on M&A and integration programmes, both in the UK and internationally. His experience adds further depth and understanding to Board debate as we continue to evolve our customer proposition.

Previous roles: Dan held senior Executive roles at PaddyPowerBetfair from 2015 to 2020; he was Chief Executive (2018–2020), MD, UK & Ireland (2017–2018) and MD, Retail (2015–2017). Before that, he was Managing Director of Teletext Holidays (2013–2014), Director of Strategy and Commercial Development at DMG Media (2009–2013) and Associate Partner at OC&C Strategy Consultants (2001–2009).

Other commitments: CEO of Flutter International at Flutter Entertainment plc.

Luisa Wright
Group General Counsel & Company Secretary

Appointed: November 2022

Skills and contribution: Luisa is an accomplished general counsel, company secretary and regulatory advisor, with extensive plc experience built at consumer-facing digital, retail and technology companies. She attends Board and Board Committee meetings, ensures that legal and governance matters are not only anticipated but also considered and addressed, and offers invaluable support to the Board.

Previous roles: Luisa was Group General Counsel & Company Secretary of The Rank Group Plc from 2018 to 2022 and Group General Counsel & Company Secretary of Sportech Plc from 2011 to 2017. Prior to that, Luisa was a private practice lawyer at Olswang LLP (now CMS Cameron McKenna Nabarro Olswang LLP) from 2000 to 2011. Luisa qualified as a lawyer with Olswang LLP.

Other commitments: None.

Bill Adderley
Founder and Life President

Bill together with his wife Jean founded the business in 1979. Although no longer on the Board or actively involved in management, Jean remains a major shareholder.

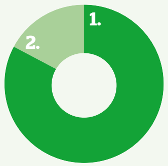
Governance dashboard

A leadership team with good balance and relevant experience

Board overview as at 29 June 2024

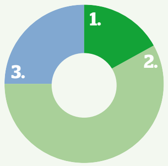
Ethnicity

- 1. White 83%
- 2. Asian 17%



Age diversity

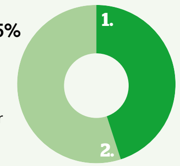
- 1. 40–50 **17%**
- 2. 50–60 **58%**
- 3. 60+ **25%**



Independence*

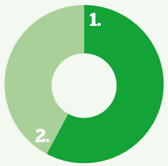
- 1. Non independent **45%**
- 2. Independent **55%**

* Number excludes the Chair who was independent on appointment.



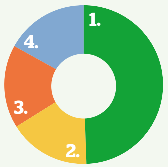
Gender

- 1. Male **58%**
- 2. Female **42%**



Length of tenure

- 1. 0–3 years **50%**
- 2. 3–6 years **17%**
- 3. 6–9 years **17%**
- 4. 9+ years **17%**



Senior Board positions

Chair	Senior Independent Director
Chief Executive Officer	Chief Financial Officer

- Female
- Male

FY24 Board and Committee attendance

The table below sets out Board and Committee meeting attendance during the year to 29 June 2024. The number of meetings attended is shown next to the maximum number of meetings that each Director was entitled to attend.

Director	Committee memberships	Board	Audit and Risk Committee	Remuneration Committee	Nomination Committee
Will Adderley	Ⓝ	8/8	n/a	n/a	3/3
Alison Brittain	Ⓡ Ⓝ	8/8	n/a	3/3	3/3
Ian Bull	Ⓐ Ⓡ Ⓝ	8/8	4/4	3/3	3/3
Kelly Devine[1]	Ⓐ Ⓡ Ⓝ	8/8	3/3	2/2	2/2
Ajay Kavan[2]	Ⓐ Ⓡ Ⓝ	3/3	1/1	2/2	1/1
William Reeve	Ⓐ Ⓡ Ⓝ	8/8	4/4	3/3	3/3
Peter Ruis[3]	Ⓐ Ⓡ Ⓝ	3/3	2/2	2/2	2/2
Marion Sears	Ⓝ	8/8	n/a	n/a	3/3
Arja Taaveniku	Ⓐ Ⓡ Ⓝ	8/8	4/4	3/3	3/3
Vijay Talwar	Ⓐ Ⓡ Ⓝ	8/8	4/4	3/3	3/3
Dan Taylor[2]	Ⓐ Ⓡ Ⓝ	3/3	1/1	2/2	1/1
Nick Wilkinson	n/a	8/8	n/a	n/a	n/a
Karen Witts	n/a	8/8	n/a	n/a	n/a

1. Kelly Devine was not considered independent with effect from 11 March 2024 due to her accepting a role in-house with the Company. She was not a member of any Board Committee after such date. Kelly stepped down from the Board on 5 July 2024, ahead of commencing her new role later in the month.
2. Ajay Kavan and Dan Taylor joined the Board on 1 March 2024.
3. Peter Ruis stepped down from the Board on 10 January 2024.

For more information on our Board appointment process see page 76

For our annual statement on Board diversity targets see page 80

Governance framework

We have always believed that good governance – in our words 'doing the right thing' – helps companies make better decisions for the benefit of all stakeholders. Our governance framework enables informed decision-making, effective oversight and clear accountability. It also allows for delegation of specific matters to the appropriate committees. A high-level summary of our approach, illustrating where responsibilities fall, is set out on the right.

The Board believes that good governance supports Dunelm's purpose, shared values and strategy, and is satisfied that these elements and Dunelm's culture are aligned.

Group Board reviews/challenges/approves →

← Executive Team informs/recommends/reports

Group Board

The Board as a whole is responsible for the overall direction, performance and long-term success of the Group. It is responsible for setting and role modelling our purpose and shared values. It provides effective challenge to management on the execution of the strategy and is responsible for ensuring that the Group maintains effective risk management and internal control systems.

Board Committees

The Board is supported by three Committees to which it has delegated certain matters in order to ensure that they receive the appropriate level of consideration. These Committees support the Board in discharging its duties. Each of the Committees operates under terms of reference approved by the Board, which are reviewed annually and can be found on the corporate website: corporate.dunelm.com.

Nomination Committee

Recommends appointments to the Board, keeps the composition of the Board under review, oversees the succession plans for the Board, Executive Team and senior leadership and promotes diversity on the Board and across the Group.

See page 74 for Nomination Committee report

Audit and Risk Committee

Maintains oversight of the Group's financial and narrative reporting, assesses the effectiveness of internal control and risk management systems, monitors the independence of internal and external audits and manages the relationship with the external auditor.

See page 81 for Audit and Risk Committee report

Remuneration Committee

Establishes the Remuneration Policy, determines the remuneration of the Executive Directors and Chair, oversees implementation of the Remuneration Policy and remuneration policies and practices across the Group.

See page 89 for Remuneration Committee report

Executive Team

The Board delegates responsibility for the day-to-day operational management of the Company to the CEO.

The CEO is supported by a team of executives each of whom head a key function area of the Group and form the Executive Team, which operates under the CEO's direction and leadership.

Executive Team Committees

The Executive Team is supported by three executive-led committees, which provide updates to the Board, Audit and Risk Committee, Remuneration Committee and Executive Team as appropriate.

Risk and Resilience Committee

Oversees and reviews principal and operational risks, tracks key risk indicators, receives updates on key compliance areas such as data protection, regulated credit, ethical sourcing, store security and business conduct and monitors trends. Chaired by the CFO.

See pages 39 and 86 for more information

Good and Circular Steering Group

Oversees initiatives focused on achieving our Good and Circular goals, tracks progress against targets and reviews new proposals such as new circular business models and further improvements to data collection and monitoring. Chaired by the CEO.

SR **See our Sustainability Report 2024**

Talent Committee

Oversees and develops succession planning at all levels of the business and monitors progress against our 'Know-Grow-Flow' talent management initiative. Chaired by the Stores and People Director.

SR **See our Sustainability Report 2024 for more information on our 'Know-Grow-Flow' initiative**

Governance framework continued

Roles and Responsibilities

The Chair and Chief Executive have clearly defined roles which are separate and distinct. The specific duties and division of responsibilities between them have been agreed by the Board and are summarised here, together with an overview of the roles of the Senior Independent Director, the Executive Directors, the Non-Executive Directors, the Group General Counsel and Company Secretary and the Designated NED for colleague matters.

Written statements setting out the full responsibilities for each role are available to download from the corporate website: corporate.dunelm.com

Executive

Chief Executive Officer

- Proposing the strategic objectives of the Group for approval by the Board and delivering the strategic and financial objectives in line with the agreed purpose and strategy.
- Leading the Executive Team and senior leadership in managing the operational requirements of the business.
- Leading on climate change and sustainability objectives of the Group.
- Providing clear and visible leadership of our shared values.
- Effective and ongoing communication with colleagues and shareholders.

Chief Financial Officer

- Working with the CEO to develop and implement the Group's purpose and strategic objectives.
- Focusing on the financial delivery and performance of the Group.
- Ensuring that the Group remains appropriately funded to pursue our strategic objectives.
- Ensuring proper financial controls and risk management of the Group and compliance with associated regulations.
- Leading on investor relations activities and communications with shareholders.

Deputy Chair

- Maintaining a close dialogue with the Chair and the CEO.
- Contributing to the development of the Group's purpose, culture and values by promoting and visibly demonstrating the Company's long-established shared values.
- Assisting the CEO in strategic and operational activities as requested.
- Supporting and deputising for the Chair as required.

Non-Executive

Chair

- Leading the Board and responsible for its effectiveness. Leading on governance.
- Setting the agenda, style and tone of Board discussions with a particular focus on strategic matters.
- Ensuring that each Non-Executive Director makes an effective contribution to the Board.
- Ensuring that the Directors receive accurate, timely and clear information.
- Promoting a culture of openness and debate.
- Facilitating constructive Board relations.

Senior independent Non-Executive Director

- Acting as a 'sounding board' for the Chair and an intermediary for the other Directors.
- Leading the Non-Executive Directors in their annual assessment of the Chair's performance.
- Available to shareholders, particularly if they have concerns that the normal channels have failed to resolve, or for which such contact would be inappropriate.
- Leading the Chair succession process.

Non-Executive Directors

- Providing constructive contribution and challenge to the development of strategy and ensuring that decisions are taken so as to promote the success of the Company in the interests of all stakeholders.
- Monitoring operational and financial performance and scrutiny of management performance in the delivery of strategic objectives.
- Providing oversight of financial and other control processes for risk management.

Governance

Group General Counsel and Company Secretary

- Supporting the Chair and Non-Executive Directors with their responsibilities.
- Advising on corporate governance matters and regulatory compliance.
- Facilitating individual induction programmes for Directors and assisting with training needs as required.
- Assisting with communications with shareholders and organising the AGM.

Designated Non-Executive Director for colleague matters

- Engaging with colleagues (for example through the National Colleague Voice) to represent the 'Colleague Voice' at the Board.
- Monitoring the effectiveness of colleague engagement initiatives.
- Providing regular updates to the Board.

Governance framework continued

About our Board

The Board has agreed that our optimum number of Board Directors is between nine and eleven. As at the date of this report it comprises eleven[1], with an independent Chair, four Executive Directors/non-independent Non-Executive Directors, and six independent Non-Executive Directors. We consider that this structure provides a good mix of backgrounds and skills, enables the right level of independent challenge, and is one that allows for effective decision-making. We maintain a clear division o1esponsibilities between the leadership of the Board and the executive leadership of the business, as articulated on the preceding page.

Schedule of Matters Reserved

Certain key matters requiring Board approval are set out in a formal schedule of matters reserved, which the Board reviews periodically. Examples of such matters include Group strategy and budget, Group capital structure, approval of financial results and Annual Report and Accounts, significant capital or contractual commitments, ensuring maintenance of internal control and risk management systems and approval of significant Group-wide policies.

The schedule of matters reserved for the Board is available on corporate.dunelm.com

Managing conflicts of interests

Directors are required to disclose any actual or potential conflicts of interest to the Board immediately as and when they arise throughout the year. These are considered by the Board and any authorisations given are recorded in the Board minutes and reviewed annually. In addition, a formal process is undertaken each year when all Directors confirm to the Board details of any other directorships and relevant information in connection with related parties.

The Board takes action to ensure that the influence of third parties does not compromise or override the independent judgement of the Board. Should Directors have any concerns about the operation of the Board or Dunelm management that cannot be resolved, these can be recorded in the Board minutes. If, upon resignation, any Non-Executive Director has concerns of this nature, they may provide a written statement to the Chair for circulation.

The Board considers that its procedures to approve actual and potential conflicts of interest, to ensure that any related party transactions involving Directors or their connected persons are conducted on an arm's length basis and to provide a communications channel for any unresolved concerns, are in place and operating effectively.

Director independence

The Board considers that Alison Brittain was independent on her appointment to the Board and subsequently as Chair. Kelly Devine was not considered independent with effect from 11 March 2024 upon accepting a role in-house with the Company and as a result stepped down from all Board Committees. She stepped down from the Board in July 2024, ahead of commencing her new role the following month. William Reeve reached his nine-year tenure in July 2024. The Nomination Committee confirmed that it is comfortable that he continues to demonstrate independent judgement and leadership skills – further information can be found in the Nomination Committee Report on page 74. William will be stepping down from the Board at the close of the AGM. All other Non-Executive Directors with the exception of Marion Sears, are considered to be independent.

The Board has treated Marion Sears as non-independent since September 2015 in view of her tenure of more than nine years on the Board, and her subsequent appointment as a Director of WA Capital Limited in March 2016. WA Capital Limited is a private limited company established by Sir Will Adderley (the Deputy Chair, and major shareholder) to act as a long-term holding company for his beneficial interest in the Company and various other investments. The Board determined that this appointment does not affect her judgement as a Non-Executive Director of Dunelm, and that any potential conflict of interest has been cleared on the basis that WA Capital Limited and Sir Will Adderley are parties to a Relationship Agreement, details of which can be found in the Directors' Report on page 117.

Re-election

In accordance with the UK Corporate Governance Code, all Directors, with the exception of William Reeve, will stand for re-election at the 2024 AGM.

Non-Executive Directors will be subject to a separate vote by shareholders independent of the Adderley family as required by the UK Listing Rules. Marion Sears will put herself forward for reappointment at the AGM by shareholders, independent of the Adderley family, as well as under a full shareholder vote.

Time commitment

The Board recognises the importance of individual members having sufficient time to discharge their duties. On behalf of the Board, the Nomination Committee reviews the time commitment of the Chair and each Non-Executive Director. The Board is satisfied that they each commit sufficient time to their duties to discharge their responsibilities effectively.

None of the Executive Directors hold any non-executive board positions at a FTSE 100 company.

Please see pages 60 to 62 for each Director's biography, which includes details of their other key commitments

1. There were twelve Directors at FY24 year end. Kelly Devine stepped down from the Board on 5 July 2024.

Governance framework continued

Induction and training

Upon joining the Board, each new Director is offered a comprehensive and tailored induction programme with visits to key sites and meetings with the Executive Team, senior leadership and other colleagues.

See page 76 for an overview of the recently appointed NEDs' induction process

The Group General Counsel and Company Secretary reports to the Board at each meeting on new legal, regulatory and governance developments that affect the Group and actions are agreed where needed. Directors attend seminars provided by independent organisations which cover a wide range of governance topics. As part of the annual Board evaluation, any additional training or development needs are addressed by the Chair with each Director.

For details of the specific skills and contribution of each Director see the Directors' biographies on pages 60 to 62

Advice and insurance

All Directors have access to the advice and services of the Group General Counsel and Company Secretary. In addition, Directors may seek legal advice at the Group's expense if they consider it necessary in connection with their duties. The Group purchases Directors' and Officers' liability insurance cover for its Directors and officers.

Share buyback and Rule 9 waiver

Since the time of flotation of the Company, the members of the Adderley family, including Bill and Jean Adderley, Lady Nadine Adderley and Sir Will Adderley, have been considered to be acting in concert ('a Concert Party') for the purposes of Rule 9 of the City Code on Takeovers and Mergers (the 'Takeover Code'). At the date of this report, Sir Will Adderley is beneficially interested in 31.1% of the issued share capital of the Company, and the Concert Party controls 42.4%. Bill and Jean Adderley are no longer Directors of the Company or actively involved. Sir Will Adderley is a Director and Deputy Chair.

As usual we will be requesting authority to buy back up to 5 million shares (2.5%) of our share capital) at the AGM. This authority is to allow the Company to purchase shares in order to satisfy future share option entitlements for colleagues, excluding Sir Will Adderley. Given that it is expected that shares bought by Dunelm in the market will be reissued, then no dilution or change of control should occur either for the Concert Party or for other shareholders. As Sir Will Adderley has a beneficial interest of above 30% of our share capital, and the interest of the Concert Party is less than 50%, we are required to ask shareholders to approve a waiver of Rule 9 of the Takeover Code. This waiver permits the Company to exercise its authority to buy back shares without triggering an obligation on Sir Will Adderley to make an offer to buy all of the shares in the Company.

We understand that some shareholders have concerns about Rule 9 waivers in general and/or they may be bound by their voting policy to vote against the resolution. Nevertheless, we hope that shareholders will give this administrative matter full consideration and conclude that they can support the waiver in line with the Board's recommendation, notwithstanding any internal voting policy. In this regard we would like to reassure shareholders that:

- Shares bought back by the Company would be held in treasury and used only to satisfy share option entitlements, and not cancelled.
- Since 2012, Sir Will Adderley no longer participates in the Long-Term Incentive Plan or any other share-based incentive plan, and therefore his shareholding will not increase through that mechanism.
- Since flotation of the Company in 2006, the Adderley family has reduced its holding (from 67% to 42.4% currently).
- There has been a Relationship Agreement in place since flotation which provides safeguards to other shareholders – for details please see page 117.

We therefore request that shareholders take into account our specific circumstances when making their voting decision on the waiver resolution, and hope that shareholders will support the Board's recommendation.

The Board has reviewed whether our policy to purchase shares in the market to satisfy share option entitlements (as opposed to issuing shares) is still appropriate; we believe that it is in the interests of our shareholder base as a whole as it avoids dilution of shareholdings, and it is supported by the majority of our institutional shareholders. We would like to reiterate that shares bought back by the Company will be held in treasury and used only to satisfy share option entitlements, and not cancelled. The Company did not purchase any of its own shares during FY24.

Risk

The Board has overall responsibility for the management of risk and for setting the risk appetite. During the year, the Board conducted a review of the Company's principal risks and approved the Group's risk appetite.

See page 38 to 45 for the risk management framework and the Group's principal risks and uncertainties

Culture and values

Culture

Dunelm has an open and straightforward culture, with a focus on doing the right thing and taking decisions for the long term. This reflects the values instilled by the Adderley family, who founded our business 45 years ago and are still our major shareholders. The foundations of our culture and values are apparent in the reflections of some of our longest-serving colleagues who came together as part of our recent celebration of 40 years of stores; a snapshot of their comments is set out on the following pages.

The Board is careful to ensure that we protect and retain this culture as the business grows and becomes more complex.

Our shared values

Our shared values have inevitably evolved over time from the business principles formulated by Sir Will Adderley, our Deputy Chair, over a decade ago. However, that they have not changed significantly is testament to their strength and importance to the business.

We very much believe in setting the tone from the top and consider it the Board's responsibility to instil and maintain a culture of openness, integrity and transparency. We also expect our Directors and senior leadership team to role model our shared values and consider them when making decisions and communicating with stakeholders.

We believe that our shared values are an essential contributor towards driving the right behaviours and maintaining a positive culture of mutual respect, trust and constructive challenge.

> **"We very much believe in setting the tone from the top... we are committed to ensuring that the Company's actions are in keeping with our culture, values and purpose to drive long-term success.**

Our purpose is 'To help create the joy of truly feeling at home, now and for generations to come'. It informs our strategy, is underpinned by our shared values and is supported by our approach to sustainability (see our Sustainability Report 2024 for more information). We are committed to ensuring that the Company's actions are in keeping with our culture, values and purpose to drive long-term success.

Codes of Conduct, anti-bribery and other policies

Our shared values are reflected in our Group policies, which are an important expression of how we look after our colleagues and how they should expect to be treated by others. These policies include a Code of Business Conduct and a Colleague Code of Conduct, which set out specific standards of ethics and behaviour. These Codes make reference to a number of other policies and procedures that have to be followed, including Equality & Diversity, Health & Safety, Prevention of Slavery and Human Trafficking Statement, Ethical Code of Conduct for Suppliers and Partners, Tax Strategy, Whistleblowing and our privacy notices. Mandatory training is provided on all high-risk areas as part of induction and on an annual basis.

We are strongly opposed to any form of corruption or bribery and have controls in place that have been built around a clear understanding of how and where bribery risks could affect our business. This includes policies (such as our Anti-bribery & Anti-corruption policy), procedures such as conducting due diligence on suppliers, annual training for colleagues on bribery risks and an ongoing audit and assurance programme in respect of our suppliers. Bribery risk management is discussed at senior leadership meetings, including at the Risk and Resilience Committee, and also at the Audit and Risk Committee.

We encourage any colleagues and other stakeholders with concerns to speak out and have facilitated this through our Whistleblowing policy, which enables reports to be submitted on a named or anonymous basis. Reports are kept strictly confidential and concerns identified are referred to appropriate managers within the Group for investigation. An analysis of reports is provided regularly to the Audit and Risk Committee.

Monitoring our culture

We aim to provide an environment that inspires, engages and develops all of our colleagues to reach their full potential. The Board engages directly with our colleagues in a number of ways that assist it in monitoring our culture, including by means of our colleague representative body, National Colleague Voice ('NCV') (see page 22 for more information).

Our Designated NED for colleague matters (who attends NCV meetings) is Marion Sears, who has a wealth of workforce experience from her roles as chair of remuneration and ESG committees at listed companies, including Dunelm's Remuneration Committee from 2006 to 2015. She also has an in-depth understanding of Dunelm's culture, values and people, having been on the Board since 2004, placing her in an ideal position to understand colleague views and ensure that these are fed into the Board's decision-making processes.

People and culture is one of our principal risks, which are considered formally by the Executive Team and Board of Directors twice a year with relevant trends tracked and discussed as appropriate. For more information on our People and Culture risk see page 43.

Culture is also monitored by way of regular reporting to the Group Board and Executive Team, by way of specific 'People' reports (covering engagement, retention, gender pay and diversity, amongst other things) and others that are indicative of culture, such as health and safety and whistleblowing. The Nomination Committee supports the Board in reviewing culture, diversity, inclusion and talent management and the Remuneration Committee in assessing executive performance.

Finally, we encourage our Directors, Executive Team and senior leadership to ensure that they regularly interact in-person with colleagues working in all areas of our business. By engaging with, listening to, respecting and responding to our colleagues, we facilitate an open working environment, encourage a sense of belonging and develop a strategy that resonates, all of which supports our ongoing ambition to deliver continuous improvement and further growth.

Culture and values continued

40 years of stores

This year we celebrated the 40th anniversary of the first Dunelm store, which opened at Leicester Churchgate in the early 1980s. The store marked the first move by the Adderley family away from the market stall where they started the Dunelm business back in 1979.

To mark the milestone, over the summer we provided colleagues with an additional 'Double Discount' day, an opportunity to celebrate with their teams and reflect on our heritage and culture, and featured a pop-up museum of Dunelm memorabilia at our Head Office in Leicester.

We brought together 10 of our longest-serving colleagues to reminisce about their earliest memories of Dunelm stores, including Churchgate. They also discussed how far the business has come since that opening, and what makes it special to work at Dunelm.

We filmed an internal video to capture their recollections and a few snippets from their discussions can be found on the following page.

Culture and values continued

Leicester Churchgate: Dunelm's first store opened in an old foundry in the early 1980s – and the brand Dunelm Mill was established.

Barbara: [On Churchgate] "That was an absolute favourite shop of mine…I worked just down the road, so at lunchtime I used to go into Churchgate and it was just a treasure trove of really exciting products."

Will: [On Churchgate] "It was an old foundry, most people would describe it as a mill. It certainly wasn't designed to be a shop and had an awful configuration. But we set it up and in the lobby, we had all of the wall covered in curtains. Initially it just sold seconds, but over time, it really got us on the map in Leicester, and my Dad was able to close his market stall and move there. Because it had three floors above, that became the warehouse."

James: "Churchgate traded on its own for a few years before the likes of Coalville, Cannock and Hinkley, and then East Street."

Barbara: "The fabrics were always so important for us."

Lisa: "[In our early stores] customers kept coming back…some people would come every single week…they were gutted if they were going on holiday in case they missed something. You didn't know what was on our delivery from one week to the next…it was simply whatever Bill could buy. Customers might have bought something the week before and came back, hoping to find something to match it."

Barbara: "I remember driving down the road and we would look out the window thinking "that could be a good store", and we'd write it down!"

Rory: "Colleagues really knew what they were doing – but did make the odd error. I remember walking into the Thurmaston store one day and there was a huge table full of purple bedding. I asked where it all came from and the manager said his auntie quite liked it so he'd ordered loads of it."

Cheryl: "I joined when we opened our first distribution centre in Burton-on-Trent back in 2003…we thought we were never going to fill it…we filled it within the first six months."

Sarah: "We took the first order for our website in 2005, from the basement of our Radcliffe store."

Steve: "We once opened 16 stores in one year – big stores and big investments."

Rory: "It's still really exciting when we open a new store, with lots of energy. For the customers in that catchment, it's something new for them. Recently in Cwmbran we had a queue of over 400 customers waiting outside."

Will: "If you think about our history, including our first website, and the Covid period, we seem to be at our best when it's almost chaos. We move quickly when it's difficult. We have to keep taking those opportunities, to move quicker…and that's exciting. If we'd stayed the same, we wouldn't still be here, and if we don't change we'll be less relevant."

Board activities

Board meetings follow a rolling agenda of strategic, operational and governance matters, which is refreshed during the year as necessary to ensure the Board continues to focus on areas of priority.

The Board discharges its responsibilities through an annual programme of Board and Committee meetings, with additional ad hoc meetings as required to meet business needs. These are supplemented by visits to stores and other sites. Agendas are determined in advance to ensure that meetings are well-planned and time is allocated as appropriate. Papers are circulated ahead of time to ensure that Directors are able to review and arrive at meetings fully prepared.

The Chair meets with the Non-Executive Directors at the end of each Board meeting. This is a useful way of exchanging views and dealing with any concerns or questions. In addition to this, the Chair and the other Non-Executive Directors regularly have informal, individual meetings with the Executive Directors, other members of the Executive Team and other senior leaders in the business.

At each meeting in the year, the CEO reports on strategic progress and operational performance (including customers, colleagues and health and safety) and the CFO reports on financial performance. A rolling agenda of other strategic, operational, sustainability, risk and governance matters is refreshed during the year as necessary to ensure the Board continues to focus on areas of priority, whilst also continuing to meet regulatory requirements.

FY24 Board activities

The Board held eight formally scheduled meetings in FY24, as well as a full day dedicated to strategy. Its activities are broadly split between strategy, operational performance & governance.

Strategy

31%

Time spent

Operational performance

38%

Time spent

Governance

26%

Time spent

Strategy

- Annual strategy review
- Presentations on strategic plans for each of stores, digital and commercial
- Review of tech strategy and roadmap
- Overview of responsible sourcing
- Business development updates
- Review of culture and values
- Deep dive on supply chain
- Q&A with suppliers
- Reviewed sustainability strategy and received updates on Good & Circular initiatives and KRIs
- Received presentation on generative AI
- Deep dive on customer segmentation

Operational performance

- CEO and CFO reports (which include trading updates, KRIs, people and H&S updates, customer and market trends etc)
- Received feedback from the National Colleague Voice
- Reviewed colleague dashboard
- Reviewed interim and preliminary results
- Approved final, interim and special dividends
- Discussed feedback on results and investor engagement
- Reviewed principal risks
- Received cyber and data protection updates
- Approved tax strategy

Governance

- Received corporate governance and legislative updates
- Annual health and safety update
- Approved delegation of authorities
- Approved actions from Board evaluation
- Received Modern Day Slavery update and approved annual statement
- Approved share plans
- Approved Notice of Meeting, received AGM results and feedback
- Reviewed NED fees
- Reviewed conflicts of interest register
- Approved gender pay gap report
- Reviewed forward agenda planner
- Confirmed risk appetite

Board activities continued

Our approach to Section 172

Each of our Directors is mindful of their duties under section 172 of the Companies Act 2006 ('s.172') to run the Company for the long-term benefit of its shareholders and, in doing so, to consider the interests of its key stakeholders during its decision-making, and the impact of its decisions on stakeholder relationships, on the Company's reputation for high standards of business conduct, and on the environment.

The matters encompassed in s.172 touch on everything we do, at a Board level in our discussions and decision-making, and also at a business level by members of our Executive Team and the senior leadership team. Examples of the 'Board in action' are set out on this page and on page 73. On pages 20 to 24 we describe our key stakeholders and summarise how and why we engage with them more generally, what matters most to them, allocation of responsibility within the business and how we consider the effectiveness of our engagement.

A key consideration when making decisions is for the Board to balance the needs of our various stakeholders, which may not themselves always be aligned, while considering the Company's purpose, values and strategic priorities. The Board acknowledges that not all decisions that it makes will result in a positive outcome for all stakeholders, but it remains focused on ensuring that its decision-making is consistent and in the best interests of the Company.

We ensure that the requirements of s.172(1) Companies Act 2006 are met and the interests of our stakeholder groups are considered, challenged and debated through a combination of the following practical approaches (all of which were applied during FY24):

- the Board carries out an annual review of strategy which assesses the long-term sustainable success of the Group and our impact on key stakeholders. Agenda items for the following year are based on the decisions and next steps agreed at this meeting;
- the Board's risk management procedures identify the principal and emerging risks facing the Group, and the mitigation in place to manage their impact. We consider these through a stakeholder lens as set out on pages 20 to 24;
- the Group General Counsel and Company Secretary references relevant s.172 factors against each agenda item in the minutes to ensure they remain at the forefront of Directors' minds when reflecting on discussions;
- the rolling Board agenda includes standing items to ensure that stakeholders are fully considered, including investor roadshow feedback, updates on people matters, the annual health and safety presentation, modern slavery and anti-bribery reporting and sustainability updates;
- there is a formal review of many of these topics through standard Audit and Risk Committee and Remuneration Committee agenda items, as described later in this report;
- the Board considers impact on key stakeholders when it reviews Group KPIs and requests additional information as appropriate; and
- all Directors attend our AGM, which provides a valuable opportunity each year for all shareholders to hear from the Board, and for the Board to hear from our shareholders.

Board in action

Strategy review

The Board met in May 2024 for its annual strategy review. The day commenced with a store-walk accompanied by commentary from product category directors enabling engagement with senior leaders and store colleagues. Key topics then presented by the Executive Team over the course of the day included consumer trends and customers of the future, elevating product mastery, connecting with our customers digitally and instore and reviewing our technology roadmap.

The structure of the day enabled a detailed understanding and debate by the Board of our strategy and growth plans. The extent of our operational grip was both welcomed and challenged, as was the scale of our ambition and innovation. The Board also challenged management on the potential for acceleration of business change and efficiencies, whether there can be even greater focus on operational leverage and how the risks and opportunities in the three-year plan have been balanced.

The Board acknowledged the importance of continued investment in technology, insights and data as key drivers to sustainable growth, as well as the value of ongoing engagement with our key stakeholders so as to ensure we really understand their views, how our actions are likely to impact them and consider this within our decision-making.

The Board welcomed management's articulation of the growth strategy: building 'The Home of Homes'. It participated in a lively discussion on our culture and values and confirmed its support for the three-year plan. The agreed actions and takeaways for management were noted with updates to be provided by way of further presentations and deep dives by business area built into the Board agenda over the course of the next 12 months.

Board activities continued

Board in action continued

Commercial and supply chain deep dive

In November 2023, the Board met at our Stoke Distribution Centre. The Director of Logistics Operations provided an update on logistics performance, ongoing improvement projects, our carrier strategy and colleague engagement specific to this area of the business. Guided tours were conducted around our site, reminding Directors how our fulfilment operations work and enabling them to ask questions directly of colleagues at this location and see firsthand improvements articulated in previous Board updates, including those relating to health and safety.

At the same meeting, the Directors were provided with an overview of our Commercial plans by our Director of Commercial and Supply Chain and participated in detailed discussions relating to our sustainability initiatives, including our better manufacturing programme and our responsible sourcing programme (and the new tools that we are implementing to assist with the collation and monitoring of data and actions).

The Board considered the role that a trusted and transparent supply base, with strong communication and understanding, plays in maintaining our reputation for high standards of business conduct and meeting our sustainability goals. The Directors were also reminded of how our supply base has been built up and the important role that committed suppliers have played, and continue to play, in our growth story. They discussed the ways in which the role and demands on suppliers have developed over time and how our own model and approach has evolved to-date and will need to evolve further in the future in order to maintain value and competitive advantage.

To bring to life those relationships, the Board then met in-person with a number of our committed suppliers, participating in an engaging Q&A, which further demonstrated the value of direct engagement in understanding what matters most to our key stakeholders, in the short, medium and longer term.

New home delivery depot

To ensure continued growth and delivery on our strategic ambitions, it is critical that we invest appropriately in our infrastructure. With the increase in our Home Delivery sales and ongoing development of our customer proposition, together with feedback from colleagues, we considered that our existing Barnsley depot was no longer suitable to support our ambitions. We therefore made the decision to relocate the depot to another location within Barnsley with increased space, better colleague facilities and improved security and transport links. It provides for a more suitable and safer operation, improving how much stock can pass through the site and enhancing our customer service.

The site is one of five standalone hubs for our Home Delivery Network ('HDN'), which is a key part of Dunelm's customer proposition, enabling us to deliver furniture directly to a room of our customer's choice.

> **The investment has given the team a place they can be proud to work in and there's an amazing sense of togetherness. Furniture is a fast-growing category, and HDN is a core part of that. Having our own people, in our own vans, giving a fantastic service to customers is a real point of difference and one that we should celebrate.**
>
> **Faye Atkins**
> Director of Commercial and Supply Chain

Nomination Committee report

Composition, succession and evaluation

Alison Brittain

Committee membership
Alison Brittain (Committee Chair)
Sir Will Adderley
Ian Bull
Ajay Kavan
William Reeve
Marion Sears
Arja Taaveniku
Vijay Talwar
Dan Taylor

See page 63 for meeting attendance

On behalf of the Nomination Committee ('Committee'), I am pleased to present the Nomination Committee report for the year ended 29 June 2024. It was another busy year, with added emphasis on ensuring that we maintain the appropriate combination of skills, experience and knowledge on our Board in light of several changes to its membership.

FY24 highlights/key activities

- Reviewed Board composition and Director independence.
- Recommended the appointment of Ajay Kavan and Dan Taylor as NEDs.
- Recommended the appointment of Ian Bull as Senior Independent Director and Ajay Kavan as Chair of the Remuneration Committee.
- Focused on senior leadership succession planning.
- Conducted an internal Board effectiveness evaluation.

FY25 focus/priorities

- Externally facilitated Board evaluation.
- Further evolution of succession plans.
- Continued focus on diversity and inclusion.

New appointments

We were mindful that a review of the composition of the Board was required, with Peter Ruis and William Reeve both approaching nine years' tenure during the course of 2024[1]. Therefore, we commenced a search for new Non-Executive Directors in the autumn of 2023. We were delighted to welcome Ajay Kavan and Dan Taylor to the Board in March 2024. Ajay and Dan bring varied experience from different multi-channel, consumer-facing businesses, adding further expertise and skills to the Board as we continue to unlock our potential and grow our customer proposition. More information about the recruitment process and Ajay and Dan's induction can be found on pages 76 and 77 respectively.

We announced on 11 July 2024, that after nine years on the Board, William Reeve will not be standing for re-election at our 2024 AGM. In anticipation of this decision, during the year the Committee's work on succession planning included the positions of Senior Independent Director and Chair of the Remuneration Committee, and I am delighted that, with effect from 21 November 2024, Ian Bull and Ajay Kavan respectively have been appointed by the Board to undertake those roles.

Ian is our Audit and Risk Committee Chair and is a long-standing Board member with an in-depth understanding of the business and its culture, placing him in an ideal position to be appointed as our Senior Independent Director. Ajay joined the Board earlier this year, and whilst he is relatively new to the Company, will have served nearly nine months on the Remuneration Committee by the time of his appointment and have completed a full annual cycle of Remuneration Committee meetings. We are confident that his wealth of executive retail experience and role as an advisor and mentor to CEOs stand him in good stead to take on the role of Remuneration Committee Chair. A detailed handover is underway between William and Ajay. In addition, Ajay has been engaging with colleagues, including by attending National Colleague Voice meetings, participating in a series of meetings with me, our Group General Counsel and Company Secretary, Stores and People Director and other senior leaders in the people and finance teams, and meeting with our external remuneration consultants.

Independence

We apply careful consideration to ensuring that we meet all relevant independence criteria and, with a number of appointments and resignations this year, this has been a particular area of focus for the Committee.

1. Peter Ruis resigned from the Board on 10 January 2024, ahead of the ninth anniversary of his appointment.

Nomination Committee report continued

In light of other Board changes, and our wish to ensure a smooth handover of responsibilities, we asked William Reeve to continue on the Board for an additional five-month period beyond his ninth anniversary. However, in doing so, we were mindful of the need to consider his ongoing independence. The Committee reflected on William's contribution and performance as an independent Non-Executive Director and concluded that there is no reason to suggest that his length of time on the Board has or will affect his effective challenge of the status quo and of management, nor has it resulted in his being considered too close to management to fulfil his oversight roles. Although we agreed to reassess the position regularly, the Committee remains comfortable that he continues to demonstrate independent judgement and leadership skills, enhanced by his knowledge of the Company. As mentioned above, William will step down in November and will not seek re-election at our AGM.

During the year, the Committee remained informed on plans to appoint a new Customer Director to the Executive Team. Following a formal and robust recruitment process, Kelly Devine, an independent Non-Executive Director on our Board, was offered the role. Kelly's new role with us was announced on 11 March 2024, when we confirmed that she would step down from the Board on 5 July 2024. We also confirmed that she would be considered non-independent with immediate effect and would step down from all Board Committees.

Diversity and inclusion

Diversity and inclusion remain a central and vital area of focus for the Committee. We welcomed the progress that management made during the year in developing and introducing new initiatives, and in particular those focused on supporting colleagues from underrepresented groups and ethnicities. For details of our progress see page 80.

The diversity of our Board is on page 79, and I am pleased to report that we have exceeded the target set in the UK Listing Rules and Parker Review guidelines to have at least one Board member from a minority ethnic background. Similarly, we exceed the requirement to have at least one senior Board position held by a woman and, throughout FY24, met the UK Listing Rule and FTSE Women Leaders Review's target to have at least 40% female Board members. We are extremely mindful that, for the period between Kelly stepping down in July 2024 and William stepping down in November 2024, we will briefly fall below this target and we will carefully consider gender balance in the process for our next Board appointment.

Board evaluation

Finally, I am pleased to confirm that this year's Board evaluation process, which was conducted internally, found that the Board and its Committees continue to operate effectively. Further details can be found on pages 78 and 79.

I look forward to meeting shareholders at the Annual General Meeting on 21 November 2024.

Alison Brittain
Chair of the Nomination Committee
11 September 2024

Committee composition and governance

The majority of the Committee was independent throughout FY24. It remains so as at the date of this report, its members comprising six independent Non-Executive Directors, the independent Chair of the Board, one non-independent Non-Executive Director[1] and the Board's non-independent Deputy Chair[2].

See pages 63 and 66 for more information on the independence of Directors.

Only members of the Committee have the right to attend Committee meetings. Other individuals, such as the CEO and People and Stores Director, are invited to attend all or part of the meetings as appropriate. No Director attends that part of a meeting during which his or her own position is discussed. The Group General Counsel and Company Secretary acts as secretary to the Committee and attends all meetings.

In FY24, the Committee met formally on three scheduled occasions. An additional meeting was held to recommend the appointment of two new Non-Executive Directors. The agenda for each scheduled meeting is based on a standing agenda for the financial year, which is updated as appropriate.

Role and principal duties

The Nomination Committee is responsible for leading the process for Board appointments, ensuring appropriate succession plans are in place, and overseeing the development of a diverse talent pipeline. Its principal duties include:

- reviewing the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board, ensuring it remains effective and suited to the Company's strategic priorities;
- ensuring plans are in place for an orderly succession to Board, Executive Team and senior leadership positions and overseeing the development of a diverse pipeline for succession;
- keeping under review the leadership needs of the business with a view to ensuring its continued ability to compete effectively in the marketplace;
- identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise;
- leading a rigorous and transparent process for Board appointments; and
- keeping under review demands on Directors' time.

The Committee's full terms of reference can be found at: corporate.dunelm.com

1. Marion Sears is not considered independent, due to the length of her tenure and her role as a Director of WA Capital Limited.
2. Sir Will Adderley is not considered independent as he is a significant shareholder and due to the length of his tenure and his executive Deputy Chair role.

Nomination Committee report continued

NED succession – review of skills, experience and knowledge
During the year, the Committee undertook a detailed skills review, utilising the framework introduced the previous year for considering each Director's skills and experience. The process anticipated the forthcoming departure of two long-standing Non-Executive Directors in 2024, which would also lead to the roles of Senior Independent Director and Remuneration Committee Chair being vacated.

The Committee considered the impact of the expected departures from a skills perspective, alongside other areas where additional experience might be beneficial in light of the Group's strategic aims and objectives. The same framework was used to review how Directors identify from a gender and ethnicity perspective. This was then used to guide the search brief for recruiting Ajay Kavan and Dan Taylor, who were appointed in March 2024.

The work has since been updated to reflect Ajay and Dan's respective skills and diversity, as well as the impact of Kelly Devine stepping down from the Board in July 2024 and Arja Taaveniku stepping down at the end of the calendar year. It is being used to inform the search brief for the recruitment of the next independent Non-Executive Director.

Key search criteria
- Consumer-focused leader with growth mindset.
- Clear experience of driving innovation and using technology to build businesses.
- Strong understanding of digital and data-centric strategies to drive performance.

External search firm
MWM Consulting supported the search in FY24 for Non-Executive Directors. It has no further connection with the Company or its Board.

External search diversity (longlist)

29%
of profiles female

14%
of profiles ethnic minority

8
nationalities represented

FY24 independent Non-Executive Director appointment process
We generally follow a well-established process for Board appointments as set out below, adapted where necessary to account for specific skills required and circumstances.

Stage 1	Jul 2023	MWM Consulting engaged to support the process and conduct the search.
Stage 2	Sep 2023	Detailed role and person specification drawn up and approved by the Committee, with MWM Consulting asked to ensure a diverse longlist.
Stage 3	Nov 2023	Longlist of potential candidates presented and discussed by the Committee, following which a shortlist was determined.
Stage 4	Nov 2023–Jan 2024	Shortlisted candidates met with the Chair, Deputy Chair and Marion Sears, following which the two preferred candidates, Ajay Kavan and Dan Taylor, met with all other Board members.
Stage 5	Jan 2024	References taken, alongside reputational checks. Other commitments were assessed to ensure that the candidates had sufficient time to dedicate to Board member duties.
Stage 6	Feb 2024	Recommendation made to the Board for approval and announcement issued on 8 February 2024 that they would join the Board, and be appointed to the Audit and Risk, Nomination and Remuneration Committees with effect from 1 March 2024.

Nomination Committee report continued

Induction process for our new NEDs

Dan Taylor
Dan is a customer-oriented leader with strong retail credentials, fluent on customer trends within the UK market and clear understanding of how to harness insight and customer data across online platforms to drive strategic decisions.

Ajay Kavan
Ajay has strong digital expertise across multiple consumer categories, bringing strong focus on value creation. He has a proven track record of developing and refining strategic plans to drive performance and growth.

Each new Board Director receives a full and tailored induction, led by the Chair and Group General Counsel and Company Secretary. Dan and Ajay's induction when they joined the Board in FY24 included the following meetings:

Members of the Board.
- Chair provided an overview of the Board and its annual programme of meetings.
- CEO discussed the strategy and 'Plan on a Page'.
- Committee Chairs discussed how their respective Committees operate and matters of significance.
- CFO provided a summary of the Group's financial performance and future plans.

Executive Team and senior leadership team.
- Introduction to management structure, business operations, focus areas and performance.
- Introduction to key opportunities and risks in each area of the business.
- Group General Counsel and Company Secretary provided an overview of the governance framework and corporate structure.

Other colleagues and site visits.
- Attended a National Colleague Voice meeting to develop an understanding of the views of colleagues.
- Visits to stores.
- Visits to our logistics and manufacturing centres.

Key advisors
- External and internal auditors.
- Remuneration consultants.
- Brokers.

For more information about our new NEDs, see biographies on pages 61 and 62

Executive Director succession

The Committee reviewed and refreshed CEO and CFO succession plans during the year, having dissolved the working groups initially established for this purpose in favour of discussions taking place with the full Committee present. Work in this area built upon the previously conducted market mapping exercise. It also included a review of the internal pipeline for the CEO and CFO roles, with a particular focus on learning and development plans, mentoring and Board exposure.

Senior leadership succession

During the year, the Committee reviewed succession plans for the Executive Team and other senior leadership roles. It also received updates on the talent and skills of the senior leadership team within our 'Know, Grow, Flow' framework, which provides the Committee with a clear and consistent approach to understanding capabilities. The focus this year on 'role model leadership' as part of senior team career development was particularly welcomed. The Committee also discussed the interim arrangements that were put in place for the period between the previous Customer Director's departure from the business in early 2024 and Kelly Devine commencing the role in July 2024.

Nomination Committee report continued

Assessing Board effectiveness

An evaluation of the Board, its Committees and Directors is carried out each year. The review helps to identify areas for improvement, informs training plans and identifies areas of knowledge, expertise or diversity which should be considered in our succession plans. The Chair engages with each individual Director during the year on their performance and contribution and the Senior Independent Director and Deputy Chair review the performance of the Chair. The Committee reviews the time commitment of the Chair and each Non-Executive Director during the year as appropriate.

During the year, the Board and each Committee reflects on progress against the actions identified from the previous year's effectiveness review. Progress against our FY23 evaluation is set out on the right.

The FY24 evaluation was conducted internally on a consistent basis with FY23. Each Director completed a questionnaire in respect of the Board and each Committee of which they are a member or otherwise attended meetings on a regular basis. The Group General Counsel and Company Secretary collated the responses and shared them with the Chair and each respective Committee Chair. An executive summary with the key findings was then shared, alongside each report, with the Board and each Committee's members for discussion.

Progress against FY23 evaluation recommendations

Theme/Topic	Outcomes from FY23 evaluation	Actions implemented in FY24
Succession Planning	• Acknowledgement that the appointment of new NEDs to the Board, and to the roles of Senior Independent Director and Chair of the Remuneration Committee when William Reeve and Peter Ruis step down in 2024, is a priority.	Successful conclusion of recruitment process with the appointment of Ajay Kavan and Dan Taylor in March 2024. Ian Bull to be appointed as Senior Independent Director and Ajay Kavan as Chair of the Remuneration Committee with effect from 21 November 2024.
	• Continue to focus on succession plans and capability development for key senior positions.	Updates delivered on succession plans and capability development for senior leadership during the year.
Stakeholder engagement	• Undertake a more detailed review of supplier relationships and consider increased supplier engagement at Board level to further develop understanding of opportunities and risks.	Supplier deep dive included presentations on supply chain strategy, circular sourcing, and responsible sourcing. The Board also participated in a Q&A event with key suppliers.
ESG-related risks and opportunities	• Continue to support management in refining our ESG strategy and approach and ensure that it remains relevant to our strategy.	Supported evolution of governance, reporting and communication in this area, as articulated further in the TCFD report on pages 46 and 47 and in our Sustainability Report 2024.
	• Provide feedback on reporting and share wider learnings and experience.	
Testing the Company's strategy and ambitions	• Include key topics raised by the Board at the strategy day in May on the agenda for the forthcoming year.	Standing agenda items and allocation of time to topics reviewed.
	• Continue to constructively challenge the Executive Team in order to maintain our focus on driving long-term growth.	Executive presentations given at Board meetings throughout the year and May strategy day provided opportunity for in-depth review and challenge of three-year plan and strategic objectives (please see page 72 for further information).

Nomination Committee report continued

FY24 Board evaluation findings

The key themes and outcomes from the Board review were as follows:

Theme	Outcome
Board size and composition	• Acknowledgement that the Board is going through a period of change. • Gender balance is a consideration in light of recent and forthcoming changes. • Continue to focus on succession plans.
Monitoring of culture and behaviours	• Further reflect on how we assess and monitor culture, how our desired culture has been embedded and how we will continue to align behaviours with our purpose, values and strategy.
Stakeholder engagement	• Ongoing desire for deeper understanding of key stakeholders.
ESG-related risks and opportunities	• Noted to still be a maturing area, with a need to continue to develop and maintain clarity of plans and reporting.
Testing the Company's strategy	• Include key topics raised by the Board at the strategy day in May on the agenda for the forthcoming year. • Request for deeper understanding of how leveraging technology will continue to drive our growth.

Overall, the results of the FY24 evaluation were very positive, with no major concerns or issues raised. High scores continue to reflect a strong and positive culture and an effective and well-managed Board, notwithstanding the changes in its composition during the year. The comments are being used to help shape the Board agenda and its priorities in FY25. It was also confirmed that each Director, including the Chair, continues to make an effective contribution to the Board, is well-prepared and demonstrates commitment to their role. It is anticipated that an externally-facilitated evaluation will be conducted in FY25.

Committee effectiveness

The effectiveness of the Committee was considered as part of this year's Board evaluation process, details of which are set out on the previous page. The review concluded that the Committee continues to operate effectively and having considered the findings, it was agreed that the particular areas of focus for the forthcoming year should be:

1. Continuing to focus on Executive and senior leadership succession plans, both short term and longer term;
2. Maintaining the emphasis on diversity and inclusion in appointments and succession plans and oversight of the impact of initiatives; and
3. Appointing a new Non-Executive Director.

Diversity and Inclusion

Policy

Our overriding aim is to ensure that the Board, its Committees and the Company comprise outstanding people and teams who can lead the business effectively in a manner aligned to our purpose, shared values and strategy. We believe that the Group's best interests are served by ensuring that our people represent a range of skills, experiences, backgrounds and perspectives. This is encapsulated in our 'stronger together' shared value.

To achieve this aim, we remain focused on three broad principles:

- refining the way we recruit;
- identifying, supporting and mentoring existing diverse talent in the business; and
- increasing diversity amongst senior appointments as they are made, including to our Board and each of its Committees.

In line with this approach, the Committee is committed to ensuring that the Board is at least 40% female[1], that at least one of the Chair, Senior Independent Director, CEO and CFO positions is held by a woman and at least one Board Director is from an ethnically diverse background.

In addition, the Committee receives updates on our approach to recruitment at all levels of the business as part of its oversight of colleague policies and practices. It continues to require that specific effort is made to bring forward diverse candidates for senior leadership and Board appointments and monitors the Group's approach to people development to ensure that it continues to enable talented individuals, regardless of gender, marital status, sexual orientation, disability, race, religion, colour, nationality, ethnic origin, or age to enjoy career progression within Dunelm.

Board

At a Board level, the UK Listing Rules prescribe diversity targets. As at 29 June 2024, these were met as follows:

Target	Compliance
At least 40% of the Board are women.	42% of our Board were women.
At least one of the senior Board positions is held by a woman.	Alison Brittain is Chair and Karen Witts is CFO.
At least one member of the Board is from a minority ethnic background.	Vijay Talwar joined the Board in October 2021 and Ajay Kavan joined the Board in March 2024.

1. We are extremely mindful that, for the period between Kelly Devine stepping down in July 2024 and William Reeve stepping down in November 2024, we will briefly fall below this target.

Nomination Committee report continued

Group

We have strong representation of women at a senior leadership level. As at 29 June 2024, 50% of our Executive Team (FY23:62%) and 38% of our senior leadership[1] roles (FY23:47%) were held by women.

Dunelm published its seventh Gender Pay report in April 2024 and an overview is provided in our Sustainability Report 2024. Both documents are available to download at corporate.dunelm.com.

Following the recommendation of the Parker Review to set targets for ethnic minority representation across senior leadership teams, we have set an ethnic diversity target of 8% of our senior leadership[1] to achieve by FY27. This sits alongside the ethnic diversity target of 8% of role-model leaders[2] by the end of FY26 that was included in last year's LTIP grant (see page 116 of the 2023 Annual Report and Account for more details). At year-end FY24, ethnic minority representation was 2.9% (FY23: 2.6%) for senior leadership and 5.5% (FY23: 3.7%) for role-model leaders.

FY24 initiatives and progress

The Committee was updated during the year on the significant work undertaken in FY24 to link our diversity and inclusion aims to initiatives within the business and to our values, purpose and strategy. This includes raising leadership awareness through a series of training and development workshops and supporting all colleagues more generally in building their knowledge and understanding by way of a series of learning modules, collecting and sharing more data so that we can review and track from a pay gap perspective and also enable stores to consider the representation of their teams versus the local community, to further develop understanding and engagement.

Other key initiatives have included the launch of our 'Reach' ethnicity talent programme, designed to support colleagues from under-represented ethnic groups as they develop their careers at Dunelm and further focus on our approach to recruitment.

SR **More information on our diversity and inclusion initiatives can be found in our Sustainability Report 2024**

Our equality and diversity policy can be found at: corporate.dunelm.com

Annual statement on Board diversity targets

Our Board and Executive Team gender and ethnicity data is provided below in accordance with UK Listing Rule 6.6.6R(9) as at 29 June 2024. Diversity data is collected for Executive Team members via the engagement survey. At the end of the financial year the Board were asked to confirm the categories with which they identified.

Gender	Dunelm Group plc Group Board			Executive Team	
	Number of Board members	Percentage on the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in Executive Team	Percentage of Executive Team
Men	7	58%	2	4	50%
Women	5	42%	2	4	50%
Not specified/prefer not to say	–	–	–	–	–

Ethnicity	Dunelm Group plc Group Board			Executive Team	
	Number of Board members	Percentage on the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in Executive Team	Percentage of Executive Team
White British or other white (including minority-white groups)	10	83%	4	8	100%
Mixed/Multiple ethnic groups	–	–	–	–	–
Asian/Asian British	2	17%	–	–	–
Black/African/Caribbean/ Black British	–	–	–	–	–
Other ethnic group including Arab	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

1. 'Senior leadership' for these purposes means our Executive Team (including Executive Directors) and members of our Dunelm leadership team).
2. 'Role-model leaders' is a wider definition than 'senior leadership' to reflect leadership roles more broadly across our colleague base as a national retailer. It includes Heads of roles and Regional and Store Coaches.

Audit and Risk Committee report

Audit, risk and internal control

Ian Bull

Committee membership
Ian Bull (Committee Chair)
Ajay Kavan
William Reeve
Arja Taaveniku
Vijay Talwar
Dan Taylor

See page 63 for meeting attendance

On behalf of the Audit and Risk Committee ('Committee') I am pleased to present the Audit and Risk Committee report for the year ended 29 June 2024. This report provides an overview of the Committee's main activities during FY24, the highlights of which I have set out below.

FY24 highlights/key activities

- Reviewed the financial judgements made during the year.
- Conducted a review of the Annual Report and Accounts to confirm that it was fair, balanced and understandable.
- Continued to monitor the internal controls framework and its effectiveness.
- Approved the FY24 internal audit plan and provided oversight of the internal audit function.
- Continued focus on cyber security and data protection.
- Ensured a smooth and effective transition to our new external audit partner.
- Approved move to co-sourcing arrangement for internal audit.
- Monitored progress and key improvements in GHG reporting including the adoption of a Scope 3 recalculation policy.

FY25 priorities

- Support management's plans to meet the requirements of the Corporate Governance Code 2024 and continue to monitor changes in regulatory reporting requirements.
- Continue to provide oversight of integration of new controls systems across the Group.
- Ongoing focus on cyber security and data protection.
- Support the delivery of the FY25 internal audit plan in light of the transition to a co-source arrangement.

Consideration of significant issues and judgements

The Committee has reviewed and constructively challenged the accounting methodologies, judgements and disclosures set out in papers prepared by management during the year. It has determined their appropriateness and assessed for consistency, with input from PwC.

Our review of key judgements and financial reporting matters (including inventory provisions, store impairment assessments, deferred tax and going concern considerations) made during the year are described on pages 83 and 84 of this report.

Reporting and governance

On behalf of the Board, the Committee undertook a review of whether the Annual Report and Accounts 2024, taken as a whole, was fair, balanced and understandable and provides the necessary information to shareholders to assess the Group's position and performance, business model and strategy. This is described in more detail on pages 83 and 84.

Looking externally, we maintained a watching brief on regulatory and Government announcements and updates relating to audit and governance reform and discussed the impact of the revised Corporate Governance Code 2024, most notably for this Committee the requirement for an internal controls declaration. This will be considered further over the forthcoming year.

The Committee undertook a detailed review of its schedule of proposed meetings and rolling agenda items. This resulted in a new cadence this year that we felt provided an improved flow to our discussions, particularly in relation to internal control and risk reporting.

Sustainability reporting

The Committee has continued to monitor the ongoing development of management's approach to sustainability reporting, both in respect of current requirements and future disclosure obligations such as the UK Sustainability Reporting Requirements. The Company's ESG reporting team has refined and streamlined our processes in this area, providing greater efficiency and clarity of reporting for disclosure purposes.

As last year, we can confirm that we are reporting on all areas of the TCFD framework. The report can be found on pages 46 to 54.

Audit and Risk Committee report continued

Risk management, internal controls and internal audit

During the year, the Committee received regular updates on work to further improve and strengthen our risk management processes and internal control environment. We welcomed the evolution of the Executive-led Risk and Resilience Committee, which has provided clearer accountability and increased visibility and challenge on higher risk aspects of the Group's operations for both management and the Committee.

See pages 39 and 86 for more information about our Risk and Resilience Committee

Other Committee highlights have included reviewing progress to standardise key finance processes as part of our wider finance transformation programme, its objective being to support current and future business growth plans; overseeing implementation of governance and controls around our regulated credit offer which launched in October 2023; and overseeing implementation of enhancements to our fraud risk framework in response to the new corporate criminal offence for failure to prevent fraud. The Committee also oversaw the development of our programme to monitor internal controls over financial reporting and considered relevant control observations that were identified.

KPMG, who has been the Group's internal auditor since December 2019, delivered the FY24 internal audit plan (as approved) in full. This included completion of six internal audits covering areas such as store audits process, risk management and supply chain resilience. More details can be found on page 87.

An important decision for the Committee this year, which reflects the extent to which the Group's internal control framework has matured, was that we should bring the internal audit function in-house in FY25, initially by way of a co-source arrangement, with the appointment of a head of internal audit.

Engagement

The Committee has been pleased with the high level of engagement throughout the year, including with senior colleagues, KPMG (internal auditor) and PwC (external auditor), to ensure our processes and controls remain robust. In particular, I have held regular meetings with Gill Hinks, our new external audit partner at PwC, as well as with our KPMG lead internal audit partner.

It has again been a busy year, and I would like to take this opportunity to recognise the valuable input and support provided by members of the Committee, Executive Team and senior leadership and thank them for their constructive engagement. I would be happy to answer any shareholder questions on the activities of the Committee at the AGM.

Ian Bull
Chair of the Audit and Risk Committee
11 September 2024

Committee composition and governance

The Committee comprises solely independent Non-Executive Directors, and did so throughout FY24. The Board is satisfied that they demonstrate a breadth of knowledge and experience, including sector expertise, to enable the Committee to fulfil its duties. Both Ian Bull and Vijay Talwar are considered by the Board to have recent and relevant financial experience and to be competent in auditing and accounting. Ian, who has chaired the Committee since joining the Board in 2019, is a Fellow of the Chartered Institute of Management Accountants with over 30 years' business and financial experience in leading consumer-facing businesses. Vijay, who joined the Committee in October 2021, is a former Certified Public Accountant.

Only members of the Committee have the right to attend meetings. Other Board Directors, as well as the Group Finance Director, Chief Technology and Information Officer, Head of Cyber Security, PwC (external audit) and KPMG (internal audit) are invited to attend, as appropriate. The Group General Counsel and Company Secretary acts as secretary to the Committee and attends all meetings.

The Committee met four times in FY24. It has also met once since the end of the financial year prior to the signing of this Annual Report. Meetings are generally scheduled in line with key times in the Company's financial reporting calendar. The Committee maintains a rolling calendar of items for consideration at each meeting and reviews and updates it regularly.

The external auditor and the internal auditor are provided with the opportunity at each meeting to discuss matters without the presence of management and, the Committee Chair meets with the external and internal audit partners outside of meetings.

Role and principal duties

The Committee's role is to support the Board in fulfilling its corporate governance and reporting obligations as to the effectiveness of our risk management systems, internal controls, and financial reporting. Its principal duties include monitoring, reviewing and challenging:

- the integrity of the Group's financial statements and public announcements relating to financial performance;
- key accounting policies and judgements;
- the effectiveness of internal controls and the process for identifying and managing risk;
- statements concerning internal control, risk management (including the assessment of principal risks), and the viability statement and approving them for inclusion in the annual report;
- the internal audit plan and the role and effectiveness of the internal audit function and, ensuring its ability to exercise independent judgement; and
- the relationship with the external auditor, its reports, effectiveness and independence.

The Committee's full terms of reference can be found at: corporate.dunelm.com

Audit and Risk Committee report continued

Key judgements and financial reporting matters

An important aspect of the Committee's work is monitoring the integrity of the annual and interim reports, including a review of the significant financial reporting matters and judgements contained in them prior to recommending them to the Board for approval.

Key accounting judgements relating to the financial statements considered by the Committee during the year under review were:

Provisions for inventory

The Committee discussed in detail the approach taken by management to provisions for inventory. Particular attention was given to reviewing the provision for obsolete, slow-moving or discontinued inventories including the utilisation of provisions reported in prior periods. The external auditor challenged management's assumptions on what they deemed to be the 'at risk' inventory lines, and corroborated this position with the commercial team. They also challenged the completeness of such lines concluding that the relevant provision was consistent with the evidence obtained. The Committee noted the work undertaken by both management and the external auditor, and that there was a high degree of consistency in the methodology applied by management, with any updated inputs based on specific trading experience. The Committee concurred with management's conclusions that the values recorded in the financial statements are appropriate.

Other accounting matters

The Committee received regular updates on management's assessment of impairment triggers as required under IFRS and it was noted that only minor charges were appropriate in FY24. The Committee also noted that there is no material change in deferred tax assets and the Group has no uncertain tax provisions.

Going concern and viability statement

The Directors must determine that the business has adequate resources to continue in operational existence and can continue to adopt the 'going concern' basis of accounting. Furthermore, the Directors are required to make a statement in this Annual Report as to the longer-term viability of the Company.

The Committee conducted an assessment based on the Group's current financial position, its strategy, the market outlook and its principal risks. It also considered the Group's available facilities, including the revolving credit facility, which was renegotiated during the year to an extended limit of £250m and runs until September 2028, subject to a further one-year extension. The Committee reviewed financial models (including downside scenarios over a three-year period and two reverse stress tests), taking time to understand and challenge, where necessary, significant judgements and assumptions in the modelling, the reverse stress test models and covenant and liquidity headroom.

The Committee evaluated management's work in conducting a robust assessment of the Company's longer-term viability. It affirmed the reasonableness of the assumptions and considered the appropriateness of a viability period of three financial years.

It noted that historically viability has been considered over a five-year period, but determined that a three-year horizon is appropriate, aligning with wider strategic plans and the timeframe for performance targets. The Committee confirmed this as part of its recommendation to the Board.

Further to this, the Directors were able to conclude that it is appropriate to prepare the financial statements on a going concern basis.

See page 55 for going concern and viability statements

Fair, balanced and understandable

At the request of the Board, the Committee considered whether the Annual Report and Accounts 2024, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

To form its opinion, the Committee reviewed the financial statements set out in the Company's annual and interim results and reflected on the information and reporting received from management and the external auditor and the discussions that took place during the year. In carrying out its review, the Committee had regard to the following:

Fairness and balance

- Is the report open and honest with the whole story presented and difficulties/challenges presented alongside successes/opportunities?
- Is the review of business performance in the narrative reporting consistent with that used for the financial reporting in the financial statements?
- Do we provide clear explanations of our KPIs and is there strong linkage between our KPIs and our strategy? Are the KPIs disclosed at an appropriate level based on the financial reporting?
- Do we show our progress over time and is there consistency in our metrics, KPIs and measurements?
- How do the key judgements identified compare with the risks that PwC plans to include in its report?

Understandable

- Do we explain our business model, strategy and accounting policies simply, using precise and clear language?
- Do we have a consistent tone across the Annual Report & Accounts?
- Are the important messages highlighted appropriately throughout the document?
- Are we clearly 'signposting' to where additional information can be found?
- Is the layout clear with good linkage throughout in a manner that reflects the whole story?

The Board considered the recommendations of the Committee and concluded that, taken as a whole, the 2024 Annual Report and Accounts is fair, balanced and understandable. The Board further believes that the 2024 Annual Report and Accounts provides sufficient clarity for shareholders to adequately assess our business model, strategy, financial position and performance.

Audit and Risk Committee report continued

Year end review process

The Committee noted the robust year end governance processes that were performed in parallel with the formal process undertaken by the external auditor, as set out below:

Mar 2024	Apr–Aug 2024	Aug 2024	Aug 2024	Jul–Sep 2024
Discussions begin with Executive Directors on plans, developments and key messaging for the year. Work commences with external advisors on how best to present information in a clear and understandable way.	Project management undertaken by a team including the Group GC and Company Secretary, Head of FP&A and Investor Relations, Director of Communications and Group Finance Director, overseen by the CFO. Wider team reminded of 'fair, balanced and understandable' requirements.	Internal verification conducted by the finance team of non-financial factual statements, key performance indicators and descriptions used within the narrative.	Engagement with, and feedback from, external parties (including remuneration advisors and the external auditor) to enhance the quality of reporting. Engagement with the senior colleagues on proposed content and changes.	Opportunities for the Committee to challenge management and the external auditor on the process and content of the report before it is recommended to the Board for approval. Process to ensure that any unfavourable outcomes have been duly highlighted.

Sustainability reporting

The Committee's role is to gain assurance that the effects and consequences of climate change are being adequately reflected in our financial statements and valuations, that we are applying appropriate standards and rigour when reporting progress against our Greenhouse Gas ('GHG') reduction commitments and fulfilling our mandatory disclosure obligations.

Throughout FY24 our internal ESG reporting team has refined and streamlined our GHG Reporting and Task Force on Climate-related Financial Disclosures ('TCFD') processes. This dedicated team supports the various sustainability-related workstreams across the business and ensures ongoing efficiency and clarity of reporting for disclosure purposes.

We are reporting for FY24 on carbon emissions on a 'spend-based' basis that is consistent with our baseline and are in full compliance with the TCFD recommendations. All GHG measurement and reporting is in line with the GHG Protocol.

See pages 46 to 54 for more detailed information about TCFD and GHG reporting

The Committee is aware that as our understanding and processes continue to evolve, there is a need to enable ongoing data consistency and meaningful comparisons. With this in mind, during the year, it approved a baseline recalculation policy, which guides on when and how to recalculate our baseline year or update prior year disclosures for Scope 3 emissions. This was not considered necessary for the year under review.

The Committee will continue to monitor the Company's progress against forthcoming sustainability-related disclosure requirements, such as the UK Sustainability Reporting Standards, and consider further developments in best practice, seeking training/guidance when required, to ensure that it continues to effectively oversee our reporting in this area. To support the Committee in its oversight management has proposed a progressive assurance plan around our processes, governance and data over our material ESG-related measures.

Corporate and financial reporting developments

The Committee has considered the impact of key findings of the FRC's thematic reviews of corporate reporting issued during the year, as well as other matters which have come to its attention which impact corporate reporting. The Committee has also reviewed changes to accounting standards and interpretations (both those adopted during the year and future changes for FY25 and beyond). It is comfortable that these have been adopted as appropriate and that none have a material impact on the Company.

Provision 29 of the revised Corporate Governance Code 2024, which requires the Board to provide a declaration on the effectiveness of material controls, will apply to the Company in FY27. In preparation for this change, management presented a high-level roadmap to the Committee that will be discussed in more detail over the forthcoming year to ensure that the Group is well-prepared to meet the new requirement.

Audit and Risk Committee report continued

External auditor

The Committee is responsible for overseeing the relationship with the external auditor, including recommending to the Board their appointment, reappointment and removal, assessing their independence on an ongoing basis, and approving the statutory audit fees.

Tenure

PwC has been the Group's external auditor since 2014. They were reappointed at the Company's 2023 AGM in respect of the FY24 audit following a formal tender process. Gill Hinks replaced Mark Skedgel as the external audit partner following the conclusion of Mark Skedgel's fifth year in FY23 and the 2024 financial year is therefore her first year as lead audit partner.

The Committee recommended, and the Board intends to propose, the reappointment of PwC as the Company's auditor for FY25. It believes the independence and objectivity of the external auditor and the effectiveness of the audit process are safeguarded and remain strong.

The Committee considers that the Company has complied with the Competition and Markets Authority's Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 for the financial year under review. There are no contractual obligations that restrict the Committee's choice of external auditor.

The external audit

PwC is engaged to express an opinion on the financial statements. It reviews the data contained in the financial statements, discusses with management the reporting of results and the financial position of the Company and presents its findings to the Committee. Where it makes recommendations in its reports to the Committee, the Committee reviews them and agrees with management the manner and extent to which they should be implemented.

None of the Directors in office at the date of this report is aware of any relevant information that has not been made available to PwC and each Director has taken steps to be aware of all such information and to ensure it is available to PwC.

PwC did not report any significant deficiencies in controls nor did it disagree with any of the Group's accounting judgements and estimates in relation to FY24. PwC's audit report is published on pages 122 to 127.

Fees paid to PwC for its FY24 audit work were £359,000 (2023: £327,000).

Audit quality and auditor effectiveness

The Committee is responsible for ensuring audit quality is maintained, and reviews and challenges PwC's proposed external audit plan, including its scope and materiality, before approval.

It is also the Committee's responsibility to assess the effectiveness and independence of the external audit process. The assessment is conducted in accordance with a process agreed with the Committee. It involves seeking the views of the Committee, as well as those of colleagues who have regular interactions with the external auditor and considering them alongside five Audit Quality Indicators which have been developed with PwC and are measured and tracked annually and the FRC's Audit Quality Inspection and Supervision report.

The Committee was provided with a summary of the responses received in respect of the FY23 audit to assist with its considerations. Feedback was positive, consistent with previous years and no material concerns were raised. A common theme, which was discussed with the external audit partner, was continuing to find ways in which year end processes can be made even more efficient, using technology where appropriate.

Having conducted its review, and also considered the quality of interactions during the year, the Committee concluded that PwC had applied appropriately robust challenge and professional scepticism throughout the audit to demonstrate independence, that it possessed the skills and experience required to fulfil its duties effectively and efficiently, and that the audit was effective.

The Committee will formally assess PwC's performance in relation to the FY24 audit following its completion. The assessment will also include a review of the aforementioned Audit Quality Indicators to ensure that they remain appropriate in assisting the Committee in its review of the quality of the audit going forwards.

Safeguarding auditor independence and objectivity

The Committee recognises the importance of ensuring that the independence and objectivity of the external auditor is not impaired through the provision of non-audit services. We have in place robust policies on the use of auditors for non-audit work and the recruitment of former employees of the external auditor, which can be found on our website at corporate.dunelm.com. These include the following:

- fees for non-audit services provided by the statutory auditor in any year may not exceed 70% of the average fees for the Group statutory audit in the three previous years;
- the auditor is prohibited from providing certain non-audit services as set out in our policy, including almost all tax work, internal audit, corporate finance, and those that involve any part in management activities;
- the external auditor may not be engaged to provide any non-audit services without the approval of the Committee; and
- time restrictions on employees of the external auditor involved in our audit joining the Company.

During the period we paid PwC £50,000 (2023: £46,000) for their review of the interim financial statements (a non-audit service). This was 12.22% of the total audit fees, and the three-year average is 12.26%. No other non-audit services were provided by the external auditor.

The Committee can confirm that the policies referred to above were complied with throughout the year and, in its opinion, the external auditor remains independent.

Audit and Risk Committee report continued

Risk management and internal controls

Risk management

Whilst the Board has overall responsibility for risk management, it delegates to the Committee responsibility for assessing the effectiveness of systems to identify, assess, manage and monitor financial and non-financial risks.

During the year, the Committee undertook the following risk management and assurance activities, which enabled it to maintain oversight and discuss risks and challenges faced by the Company:

- reviewed principal risks and the Company's formal risk appetite statement ahead of submission to the Board for approval (for more information see pages 38 to 45);
- considered and challenged management's key risk indicators to ensure that they remain appropriate and monitored performance against them;
- received regular reports and updates from the CFO as chair of the Risk and Resilience Committee on its activities and on any specific matters that impacted internal controls (more information on our Risk and Resilience Committee can be found on the right);
- received reports from management on developments and improvements to the control environment during the year, including details of an enhanced monitoring and testing programme for internal controls over financial reporting;
- reviewed internal and external audit reports and progress on delivering management actions;
- received updates on data protection, anti-bribery, material litigation and business continuity;
- approved the annual fraud risk assessment and considered improvements to fraud monitoring and the actions taken by management to mitigate (including consideration of processes management has in place in readiness for the new corporate criminal offence of failing to prevent fraud, which comes into effect at the end of 2024);
- approved a co-source model for internal audit;
- approved a refreshed Whistleblowing policy and procedure (see page 68 for more information about our Whistleblowing policy);
- discussed the governance framework and controls established ahead of the launch of our regulated credit offer;
- considered the output from a Business Risk Review conducted by HMRC, the outcome of which aligned to our risk appetite; and
- noted that a satisfactory insurance programme is in place.

In addition, there was continued focus on IT systems and cyber security by way of presentations to the Committee from the Chief Technology and Information Officer and Head of Cyber Security. During the year a maturity review was undertaken to assess our cyber controls against ISO27001. It found that management has made significant progress in enhancing controls, with several areas of good practice identified alongside opportunities for further improvement. The Committee welcomes the ongoing work in this area, recognising that our approach to mitigation must continue to evolve at pace in line with the risk.

The Committee considers that the processes in place to manage risk by the Board and management are robust and working effectively.

Internal control framework

Management is responsible for establishing and maintaining an effective system of internal controls and the Committee has responsibility for ensuring the effectiveness of those controls.

The Group has established internal controls and risk management systems in relation to the process for preparing consolidated financial statements. Examples of the controls in operation include regular balance sheet reconciliations, monthly analysis and reviews, technical accounting papers and review and approval of externally reported financial information. A status update on the monitoring programme for internal controls over financial reporting is provided on a regular basis to the Committee. The Committee is satisfied as to the effectiveness of these controls.

We continue to invest in the modernisation of our key business systems to ensure that we have the right foundations in place to support our ambitious strategic growth plans and the Committee continues to monitor progress.

Risk and Resilience Committee

During FY24, management conducted a review of the structure and role of the Risk and Resilience Committee ('R&R Committee'), chaired by the CFO, to critically assess the effectiveness of its format and composition. As a result of this work, the R&R Committee has evolved its membership and scope to ensure balanced representation from all key functional areas, with clearer ownership and accountability across operational as well as principal risks. This has enabled greater visibility, stronger governance and increased challenge on higher risk aspects of the Group's operations, with regular updates provided on:

- data protection and information security;
- regulated credit;
- health and safety;
- ethical sourcing;
- store security;
- business conduct (including fraud); and
- outstanding internal audit actions.

The Audit and Risk Committee receives regular updates on the R&R Committee's activities and is informed of any material issues or concerns. As part of our continued focus on improving our control environment, we will assess the effectiveness of the new format after twelve months.

See pages 38 to 39 for more information about our approach to risk management

Audit and Risk Committee report continued

Internal audits

The internal audit function provides independent and objective assurance to all levels of management up to the Board. Its responsibilities include evaluating and reporting on the adequacy and effectiveness of the systems of risk management and internal controls. The function has been outsourced to KPMG since December 2019.

KPMG's purpose, scope and authority are defined within its charter which is approved by the Committee annually. The team develops an internal audit plan for the year, with input from management, that is structured to align with the Group's strategic priorities and key risks and is approved by the Committee. The plan is reviewed periodically throughout the year to confirm it remains relevant.

Each review concludes with a formal report with graded recommendations, management responses and actions. These are communicated to the Committee by KPMG, and rigorously tracked through to completion. The Committee as a whole and the Committee Chair each meet with KPMG without management present on a regular basis to allow for open discussion.

During the year, the Committee carried out a review of the effectiveness of the internal audit function. This was undertaken by way of a questionnaire, and feedback was sought from members of the Committee and the senior leadership team. The Committee concluded that overall the function continues to operate effectively, with areas noted for further consideration being greater collaboration with management around the timing of audits and ways to improve communication of progress during audits and in presenting findings.

Internal audits undertaken in FY24

KPMG conducted the following risk-based internal audits in FY24:

Internal audits	Overview of scope
Stores audit process	Evaluated the design and effectiveness of processes in place to manage the delivery of the stores audit programme.
Risk management	Assessed the maturity of our strategic/enterprise risk management processes.
Order to cash	Assessed the design and effectiveness of controls over the end-to-end order-to-cash process across our main revenue streams, including in-store and online sales. This audit also considered the new complaints process for regulated credit.
Review of ESG processes: phase 2[1]	Considered processes, controls, and governance relating to methodology, data collection, and reporting on Scope 3 emissions.
Cloud controls: phase 1 and 2	Assessed the effectiveness of controls relating to the management of our cloud services, including third-party service partners, to provide a risk-based assessment of cloud maturity capabilities.
Supply chain resilience	Assessed the risks relating to IT and operational service providers, specifically in respect of vendor resilience, dependency and data management.

1. Phase 1 was completed in FY23.

During the year, the Committee reviewed our approach to internal audit and the outsourced model, reflecting on how the business has changed since 2019, and noting in particular its growth, the increased maturity of our internal control framework and the potential future needs of the business. It concluded that a move to a co-sourced arrangement would deliver increased capacity to enable higher levels of assurance going forwards.

The internal audit function will transition to this new model from the beginning of FY25, following the appointment of a head of internal audit. This role reports to the Chair of the Audit and Risk Committee to ensure independence, with a dotted line to the CFO.

Committee effectiveness

The effectiveness of the Committee was considered as part of this year's Board evaluation process, more details of which can be found on page 78. The review concluded that the Committee continues to operate effectively and having considered the findings, the following actions were agreed for the forthcoming year:

1. continue to engage with the external lead audit partner and find ways in which year-end processes can be made even more efficient;
2. manage and support the internal audit transition to a co-sourcing arrangement; and
3. maintain focus on non-financial disclosures, key performance indicators and assurance in light of regulatory changes.

Remuneration at a glance

Remuneration principles
Our remuneration principles guide our approach to reward, ensuring that it remains aligned with our vision, values and purpose, and clearly linked to the successful delivery of our strategic plans, as we seek to unlock our full potential.

Simple and transparent

Consistently applied throughout business

Pay fairly for an individual's role and responsibilities

Aligned to shared values and ownership structure

Rewards strong performance and sustainable growth over the long term

Enshrined in Remuneration Policy

Summary of Executive Remuneration Structure under 2023 Policy

Base Pay
- Median or below

Pension
- Aligned to workforce average

Benefits
- Median

Variable pay – annual cash bonus and LTIP
- Maximum opportunity 375% for CEO and 325% for CFO

Lifetime lock-in
- Two-thirds of bonus and LTIP outcome retained in shares for the duration of employment

Shareholding requirements
- During employment retain shares worth maximum LTIP opportunity
- Two-year post-employment holding requirement

Annual cash bonus
- Median
- Up to 150% of salary*
- Linked to performance: sales, profit, strategic/ personal
- Clawback and malus apply

LTIP
- Upper quartile
- Up to 250% of salary*
- Three-year performance period
- Two-year retention period
- Mix of performance conditions
- Clawback and malus apply

* Subject to maximum variable pay opportunity.

Remuneration Committee report

Remuneration

William Reeve

Committee membership
William Reeve (Committee Chair)
Alison Brittain
Ian Bull
Ajay Kavan
Arja Taaveniku
Vijay Talwar
Dan Taylor

See page 63 for meeting attendance

On behalf of the Remuneration Committee ('Committee') I am pleased to present the Remuneration Committee report for the year ended 29 June 2024. This comprises:

- my Annual Statement as Chair of the Committee (pages 89 to 90);
- the Directors' Remuneration Policy ('Policy') approved at the 2023 AGM (pages 91 to 100); and
- the Annual Report on Remuneration (pages 101 to 115), describing how the Policy has been applied for the year ended 29 June 2024 and how we intend to implement the Policy for FY25.

The Remuneration Committee report (excluding the Policy) will be subject to an advisory shareholder vote at the 2024 AGM.

FY24 highlights/key activities

- Reviewed variable pay outcomes.
- Approved revised measures for LTIP grant and bonus.
- Approved gender pay gap report for publication.

FY25 priorities

- Ensure smooth transition to our new Remuneration Committee Chair.
- Review measures proposed for FY25 bonus and LTIP grant.
- Continue to consider the evolution of our reward structure in line with our principles.

FY24 business performance and incentive outcomes

Our Executive Team performed well throughout the year, delivering a solid performance in what remains a challenging environment for UK consumers and businesses, and resulting in sales of £1,706.5m, and profit before tax of £205.4m. The Committee's decision-making on the remuneration outcome for our Executive Directors has been shaped by this year's financial performance, as well as recognition of the opportunities and challenges for our business that lie ahead. We remain committed to ensuring that we reward sustainable, profitable growth over the longer term on a consistent basis and aligned with our shared values.

The overall formulaic vesting level for the FY24 annual bonus is 36% of maximum opportunity for Nick Wilkinson and 37% of maximum opportunity for Karen Witts. Full details of performance against FY24 measures and objectives are set out on pages 103 and 104.

Nick Wilkinson was granted an LTIP award in October 2021 with vesting subject to performance conditions assessed over the three-year period FY22 to FY24. Karen Witts was granted an award in June 2022 that was subject to the same performance conditions assessed over the same three-year period, but pro-rated to reflect her joining date. These awards have vested at 58% as set out on page 105.

The Committee considered whether to use its discretion to adjust either the bonus outcomes or the LTIP award outcome. We concluded that the outcomes of the annual bonus and LTIP were fair and well-deserved and reflect both the performance of the business and the overall stakeholder experience, including the wider workforce, and therefore no discretion should be applied.

At least two-thirds of Nick and Karen's respective cash bonuses (after payment of tax and National Insurance contributions) must be invested in shares and retained in accordance with our in- and post-employment shareholding guidelines. Two-thirds of their vesting LTIP awards (after payment of tax and National Insurance contributions) must similarly be retained, and they are, in any event, subject to a two-year hold on the full amount.

FY25 remuneration

Our review of salaries for Executive Directors in FY24 and intended operation of the new Policy for the financial year ending 28 June 2025 is as follows:

Salary
When considering salary increases, the Committee was mindful of Director performance, our remuneration principles as set out on page 88 and the wider colleague experience. We also considered feedback on

Remuneration Committee report continued

Executive pay received from our National Colleague Voice. Further to this, we reviewed the salary levels of the Executive Directors and approved a 2.75% increase in base salary for each of Nick Wilkinson and Karen Witts in line with the average percentage increase for senior colleagues. The median pay award made to the wider colleague population was 6.9%.

Variable pay/incentives

We apply a consistent pay structure throughout the business, with the remuneration of Executive Directors more heavily weighted towards variable pay and share-based incentives than other colleagues so that a greater part of their pay is linked to successful delivery of strategy and aligned with shareholders.

A significant change to our approach for FY25 has been to the measures that we will be applying to the annual bonus and the LTIP.

In prior years, performance conditions for the annual bonus have been based on financial measures (with a 75% weighting) and strategic and personal targets (with a 25% weighting), with the LTIP based on an EPS measure (with an 80% weighting) and ESG measures (with a 20% weighting). We have changed our approach for FY25.

Our use of ESG measures for the LTIP over the last three LTIP cycles has been positive for Dunelm, and we have benefitted from the resultant step change. However, we have become increasingly aware of the challenges arising from the rebasing and restating of ESG measures as understanding and capability to measure progress has evolved. The Committee has also recognised the extent to which ESG is now embedded in the business, meaning that we can continue to drive Dunelm's sustainability strategy more effectively by way of annual targets within bonus objectives, rather than over a three-year period. Therefore, for FY25, ESG measures will be moved from the LTIP to the annual bonus, with a 10% weighting allocated to specific ESG targets.

We have decided to replace the ESG measures in the LTIP with a measure based on Total Shareholder Return ('TSR'). The introduction of a TSR-based measure follows discussions with some of our investors and a detailed review by the Committee as to the appropriateness of this measure for Dunelm. The Committee recognises that a TSR-based measure will maintain the alignment of the Executive Directors' interests with those of shareholders, by providing a direct link to share price performance and dividends paid. The Committee considers that returns to shareholders as reflected by a TSR-based measure will align with Dunelm's longer-term prospects, and reward long-term thinking. The TSR-based measure will be assessed on a relative basis against the constituents of the FTSE 350 excluding financial services companies and investment trusts.

The weightings of the measures are summarised below (with a small re-weighting of the EPS measure for the LTIP which is reduced from 80% to 75%), with further information on the measures and targets set out on page 113. For the EPS measure, which accounts for three-quarters of the overall LTIP award, for delivery of threshold performance the vesting level will be 10%. In line with the Policy approved by shareholders at the 2023 AGM and in line with market practice, vesting in respect of the TSR element (accounting for one quarter of the overall award) will be 25%, and will require median performance, with maximum vesting requiring upper quartile performance.

Annual bonus

Measure	Weighting
PBT	50%
Sales	25%
Strategic and personal targets (including ESG measures)	25%

LTIP

Measure	Weighting
EPS	75%
Relative TSR	25%

The targets for the LTIP award expected to be made in October 2024 are set out on page 113.

Two-thirds of variable pay will continue to be invested in Dunelm shares, to be held for the duration of employment.

Non-Executive fees

It is the responsibility of the Board to review Non-Executive Director fees, and the responsibility of this Committee to review Chair fees. The Board considered the former at its meeting in June 2024, having conducted a detailed benchmarking exercise and reflected on the role and contribution of our Directors, as well as our remuneration principles. The Board determined that fees for the Non-Executive Directors had fallen some way behind the market and our own remuneration principles and approved increases as set out on page 114. In relation to our Chair's fee, the Committee recommended an increase of 2.75% (in line with the average percentage increase for senior colleagues and below the median pay award made to the wider colleague population of 6.9%) which was approved by the Board.

Finally, I will be stepping down on 21 November 2024 following completion of our 2024 AGM, having completed just over nine years on the Board. The Company confirmed on 11 July 2024 that Ajay Kavan will be replacing me as Chair of this Committee with effect from the end of the 2024 AGM. I wish him every success in the role and, noting that this is my final Remuneration Committee report, would like to take this opportunity to thank my fellow Directors for their support and that of the Executive Team, senior leadership and all other colleagues with whom I have had the pleasure of engaging during my tenure.

William Reeve
Chair of the Remuneration Committee
11 September 2024

Remuneration Committee report continued

Directors' Remuneration Policy 2024

Our current binding Remuneration Policy was approved by shareholders at the Annual General Meeting on 16 November 2023 with over 99% of votes in favour. We remain confident that it aligns with our strategic goals, investor sentiment and market practice, as well as our shared values, which include 'long-term thinking' and to 'act like owners', in keeping with the family origin of the business.

The Committee has ensured that the Policy and practices are consistent with the factors set out in Provision 40 of the UK Corporate Governance Code:

Clarity and Simplicity
- We operate a simple, sustainable, and transparent remuneration structure.
- Performance targets for variable pay are linked to our strategy.
- Performance requirements are clearly disclosed and transparent and we provide detailed disclosures of the relevant performance assessments and outcomes for our stakeholders to consider.
- Engagement is welcomed from stakeholders throughout the year.
- A National Colleague Voice meeting (see pages 22 and 115) is dedicated to providing clarity to colleagues and inviting discussion on our approach to executive pay.

Predictability
- The remuneration scenarios for Executive Directors on page 97 indicate the potential values that may be earned through the remuneration structure.
- Where discretion may be exercised, this is clearly stated in the Policy.

Risk
- The Committee is comfortable that the Company's incentive arrangements do not encourage inappropriate risk-taking.
- Our Policy includes (i) balanced use of short- and long-term incentives, (ii) the ability for the Committee to apply discretion and judgement to outcomes, (iii) malus and clawback provisions, and (iv) the majority of the variable remuneration of the Executive Directors is paid in shares which are subject to in-employment and post-employment shareholding requirements.
- Our variable pay arrangements include the ability on the part of the Committee to adjust formulaic vesting outturns so that vesting levels can be aligned with overall performance.
- Shareholding requirements apply both during and after employment to promote alignment with the longer-term interests of shareholders and longer-term performance.
- Variable pay arrangements include malus and clawback provisions.

Proportionality
- Our Policy is drafted with clear consideration of the need to ensure that total remuneration fairly reflects performance and enables meaningful and appropriate targets to be set with a significant proportion linked to long-term shareholder value.
- A significant proportion of the Executive Directors' remuneration is subject to performance conditions and awarded in shares to ensure alignment with shareholders' interests.

Alignment to culture
- The Committee ensures that our incentive structure drives the right behaviours and reinforces the Group's purpose and shared values.
- Alignment is reflected in the approach to performance measures used in our incentive schemes, for example (i) financial targets under the annual bonus and LTIP are the same for all management, regardless of seniority, linking everyone's contribution to a shared Group financial outcome; (ii) strategic targets require our Executive Directors and senior leadership to work together to deliver growth and value to the benefit of our stakeholders; and (iii) non-financial performance measures continue to focus on ensuring that participants 'do the right thing', including delivery of our sustainability strategy.

Remuneration Committee report continued

The policy report

The Policy sets out the structure of remuneration for Directors of the Company. It was approved by shareholders at the 2023 AGM and is set out in full on pages 92 to 100 of this Report. The illustrative performance scenarios on page 97 have been updated to reflect the proposed implementation of the Policy in FY25 as set out on pages 112 to 114 and other changes have been made to reflect elements of Karen Witts' recruitment remuneration that are no longer relevant. Sir Will Adderley has requested that he not be considered for participation in the annual bonus or LTIP.

The full Policy can also be found on our corporate website: corporate.dunelm.com.

Executive Directors

Base Salary	
Purpose and link to strategic objectives	• Fixed remuneration for the role. • To attract and retain the high calibre talent necessary to develop and deliver the business strategy. • Reflects the size and scope of the Executive Director's responsibilities.
Operation	• Normally paid monthly. • Base level set in the context of: – Pay for similar roles in companies of similar size and complexity in the relevant market. – Scale and complexity of the role. • Should comprise a minority of potential remuneration.
Maximum opportunity	• Reviewed annually, with percentage increases usually in line with or below the Group-wide review unless other circumstances apply, such as: – A significant change in the size, scale or complexity of the role or of the Group's business. – Development and performance in role (for example, on a new appointment, base salary might be initially set at a lower level with the intention of increasing over time). • The Committee does not consider it to be appropriate to set a monetary limit on the maximum base salary that may be paid to an Executive Director within the terms of this Policy.
Performance metrics	• None, although performance of the individual is considered at the annual salary review.

Retirement benefits	
Purpose and link to strategic objectives	• To provide a competitive post-retirement benefit. • To attract and retain the high calibre talent necessary to develop and deliver the business strategy.
Operation	• Contribution to a defined contribution plan or a cash allowance in respect of some or all of the contribution that would otherwise be made to a pension plan.
Maximum opportunity	• An amount as a percentage of base salary not exceeding the maximum rate available to the majority of the wider workforce (currently 3%).
Performance metrics	• None.

Benefits	
Purpose and link to strategic objectives	• To provide a competitive benefits package. • To attract and retain the high calibre talent necessary to develop and deliver the business strategy.
Operation	• A range of benefits are provided which may include car or allowance; private health insurance for the individual and their family; permanent health cover; life assurance; mobile phone; use of a car and driver in connection with the role or an appropriate travel allowance; and colleague discount. • Additional benefits, such as relocation expenses, housing allowance and school fees may also be provided in certain circumstances if considered reasonable and appropriate by the Committee. • For non-UK Executives (none at present) the Committee may consider additional allowances in accordance with standard practice.
Maximum opportunity	• The Committee reserves the right to provide such benefits as it considers necessary to support the strategy of the Group. • The Committee does not consider it to be appropriate to set a maximum cost to the Group of benefits to be paid.
Performance metrics	• None.

Remuneration Committee report continued

Executive Directors continued

Bonus	
Purpose and link to strategic objectives	• Rewards and incentivises delivery of annual financial, strategic and personal targets.
Operation	• The amount of the bonus earned is determined after the results for the financial year have been audited, subject to performance targets having been met. The Committee has discretion to adjust the bonus payout upwards or downwards if it considers that the formulaic outturn does not reflect its assessment of the overall financial or non-financial performance of the participant or the Group, or is inappropriate in the context of circumstances that were unexpected or unforeseen at the start of the relevant year, or is inappropriate for any other reason. • At least two-thirds of any bonus earned will be either subject to a requirement that the after-tax amount is invested in Dunelm shares or will be granted in the form of a share bonus award on a pre-tax basis. Any shares acquired pursuant to such a requirement are subject to retention provisions as set out in the 'Shareholding requirements' section below.
Maximum opportunity	• Maximum opportunity: 150% of base salary per annum. • The combined annual bonus and LTIP opportunities for any year may not exceed: (a) 375% of salary in the case of the Company's CEO; and (b) 325% of salary in the case of any other Executive Director. • Where bonus awards are granted as share awards, dividend accruals may be made in respect of dividends paid during the vesting period applicable to an award. Any such dividend equivalents will ordinarily be paid in shares.
Performance metrics	• Stretching performance targets are set each year. Performance targets for the Executive Directors may be based on financial objectives and/or strategic objectives and/or personal goals set by the Committee annually. • Financial objectives may include, but are not limited to, budgeted PBT for the financial year. • The strategic objectives will vary depending on the specific business priorities in a particular year. • The Committee will determine the weighting of performance measures for any year based on specific business priorities for the year. Ordinarily, at least 50% of the annual bonus for Executive Directors will be subject to financial objectives. • Subject to the Committee's discretion to override formulaic outturns, for financial measures typically up to 10% of the maximum opportunity will be earned for threshold performance, and for on-target performance up to 50% of the maximum opportunity will be earned, and for exceeding on-target performance up to 100% of the maximum opportunity will be earned. Bonuses will typically be earned between threshold and on-target and between on-target and maximum on a straight-line basis. • For strategic measures and personal goals, vesting of the bonus will be determined by the Committee between 0% and 100% based on its assessment of the extent to which the relevant metrics or objectives have been met. • Awards are subject to recovery provisions (malus and clawback) as set out below.

Remuneration Committee report continued

Executive Directors continued

Long-Term Incentive Plan	
Purpose and link to strategic objectives	• Supports delivery of strategy by requiring the achievement of appropriate targets and objectives which will normally include a measure based on EPS. • Rewards strong financial performance and sustained increase in shareholder value over the long term. • Aligns with shareholder interests through the delivery of shares, with share retention requirements as set out below.
Operation	• Awards (which can take the form of a conditional award, nil-cost option or nominal value option) are made annually, with vesting subject to performance, usually assessed following the end of a performance period of three years, followed by a 'Holding Period' of two years. The Holding Period may operate on the basis of: (i) the award vesting following assessment of performance but that, other than as regards sales of shares to cover tax liabilities, shares acquired must be retained until the end of the Holding Period; or (ii) vesting being deferred until the end of the Holding Period. • Shares acquired are then subject to retention provisions as set out in the 'Shareholding requirements' section below. • The Committee has discretion to adjust the LTIP vesting outturn upwards or downwards if it considers that the formulaic output does not reflect its assessment of the overall financial or non-financial performance of the participant or the Group, or is inappropriate in the context of circumstances that were unexpected or unforeseen at grant, or is inappropriate for any other reason.
Maximum opportunity	• The maximum award for an Executive Director in respect of any financial year is an award over shares with a value (as determined by the Committee) of 250% of salary. • The combined annual bonus and LTIP opportunities for any year may not exceed: (i) 375% of salary in the case of the Company's CEO; and (ii) 325% of salary in the case of any other Executive Director. • Dividend accruals may be made in respect of dividends paid during the performance period applicable to an award and up to the vesting date. Payment would only be made in respect of shares vesting after applying performance criteria. Any such dividend equivalents will ordinarily be paid in shares.
Performance metrics	• The Committee will determine the weighting of performance measures for any year. For at least 75% of an award, vesting will be subject to the satisfaction of one or more financial measures, which will normally include a measure based on EPS. The balance of the award vesting will be subject to one or more other financial, strategic, environmental, social or governance measures. • The Committee considers the targets annually taking into account a range of factors which will include the Group's plans, external forecasts and the overall business environment. • Subject to the Committee's discretion to override formulaic outturns, for financial measures typically up to 10% of an award will vest for threshold performance (the lowest level of performance at which awards will vest), rising to up to 50% for achieving a stretching level of 'on-target' performance and to 100% for achieving or exceeding a stretch level of performance. Vesting between threshold and on target and between on-target and maximum will typically be on a straight-line basis. • For strategic, environmental, social or governance measures, vesting will be determined by the Committee between 0% and 100% based on its assessment of the extent to which the relevant measures have been met. • Awards are subject to recovery provisions (malus and clawback) as set out below.

Remuneration Committee report continued

Executive Directors continued

All employee share plan (Sharesave)	
Purpose and link to strategic objectives	• Promotes share ownership by all eligible colleagues (including Executive Directors).
Operation	• All UK employees with a minimum service requirement are eligible to join the UK tax qualifying Dunelm Group Savings Related Share Option Plan (the Sharesave). Employees outside the UK are eligible to join an equivalent plan which is not tax qualifying. • Monthly savings are made over a period of three years (or such other period as may be permitted by the applicable UK tax legislation) linked to the grant of an option over Dunelm shares at a discount of up to 20% to the market price (or such other amount as permitted by the applicable UK tax legislation) at the date of invitation to join the plan. • Invitations are normally issued annually at the discretion of the Committee, which also has discretion to set the minimum service requirement, maximum discount, maximum monthly savings and any other limits within the terms of the plan rules.
Maximum opportunity	• Maximum participation limits reflect the limits prescribed by the applicable UK tax legislation from time to time. Currently the maximum limit is savings of £500 per month.
Performance metrics	• None.

Shareholding requirements

To align the interests of Executive Directors with those of shareholders and to promote long-term thinking, the Committee has adopted shareholding requirements which apply both during employment and for a period following employment, as set out below. The Committee retains the right to waive or relax the retention requirements in respect of shares acquired pursuant to annual bonus deferral arrangements or following the end of the Holding Period applying to any LTIP award granted after 1 July 2020 if the Executive Director meets the required level of shareholding during employment. The Committee also retains the right to waive or relax any element of the shareholding requirements in exceptional circumstances, such as death, divorce, ill health or severe financial hardship.

Shareholding requirements during employment

- Executive Directors are expected to make a personal investment in Dunelm shares on appointment as an Executive Director (subject to closed periods).
- Each Executive Director is required to build a beneficial holding of shares with a value (as a percentage of salary) equal to the higher of: (i) their normal annual LTIP grant; and (ii) 200% of salary. Executive Directors are ordinarily expected to achieve this holding within five years from appointment. Shares subject to: (i) LTIP awards which are exercisable but which have not been exercised; (ii) LTIP awards for which the performance assessment has been carried out but for which vesting is deferred until the end of the Holding Period; and (iii) share bonus awards, count towards this requirement on a net of assumed tax basis.
- Any shares acquired pursuant to required annual bonus deferral arrangements must be retained during employment, other than any shares sold to cover associated tax liabilities.
- Following the end of the Holding Period applying to any LTIP award granted after 1 July 2020, an Executive Director must retain at least two-thirds of the shares acquired, other than any shares sold to cover associated tax liabilities.

Shareholding requirements following termination of employment

Following termination of their employment for any reason, an Executive Director must retain for two years shares equal to the lower of the shareholding requirement applicable to them during employment, and their actual shareholding on departure. This is a contractual requirement set out in each Director's service contract. The Company also reserves the right to require share certificates to be lodged in its custody.

Payment of fixed remuneration in shares

The Company may deliver any element of fixed remuneration for an Executive Director in shares rather than in cash or any other form in which it is usually provided. The number of shares would be such number as have a value at the relevant time equal to the value of the fixed remuneration being delivered in shares.

Remuneration Committee report continued

Recovery provisions (malus and clawback)

The annual bonus (including any granted as a share award) and LTIP are subject to recovery provisions as set out below.

Malus provisions apply which enable the Committee to determine before the payment of an annual bonus or the vesting of an LTIP award, that the bonus opportunity or LTIP award may be cancelled or reduced.

Clawback provisions apply which enable the Committee to determine for up to three years following the payment of a cash bonus or the assessment of the performance outturn for an LTIP award, that the amount of the bonus paid may be recovered and the LTIP or share bonus award may be cancelled or reduced (if it has not been exercised) or recovery may be applied to it (if it has been exercised).

The malus and clawback provisions may be applied in the event of:

- a material misstatement of any Group company's financial results;
- a material error in assessing a performance condition applicable to the award or in the information or assumptions on which the award was granted or vests;
- a material failure of risk management in any Group company or a relevant business unit;
- serious reputational damage to any Group company or a relevant business unit;
- serious misconduct or material error on the part of the participant;
- a material corporate failure as determined by the Board;
- fraud; or
- any other circumstances which the Committee in its discretion considers to be similar in their nature or effect to those set out above.

Salary, pension, benefits and Sharesave options are not subject to recovery.

Non-Executive Directors

Fees and appropriate benefits	
Purpose and link to strategic objectives	• To attract and retain a high calibre Chair and Non-Executive Directors by offering competitive fee levels and, where relevant, appropriate benefits.
Operation	• Fees for the Chair are set by the Committee. Fees for Non-Executive Directors are set by the Board. No Director participates in any decision relating to their own remuneration. • The Chair is paid an all-inclusive fee for all Board responsibilities. The Non-Executive Directors receive a basic fee, with supplemental fees for additional Board responsibilities. • The level of fee reflects the size and complexity of the role and the time commitment. • Fees are normally reviewed annually, having regard to a range of factors, including increases in remuneration across the Group. In addition, a periodic review is undertaken against market rates and taking into account time commitment and any change in size, scale or complexity of the business. • The Group's colleague discount is available to the Chair and Non-Executive Directors. In addition, they may receive benefits such as travel, accommodation and other reasonable expenses incurred in the fulfilment of their duties, which may be 'grossed up' to reflect any tax liabilities associated with the benefits. Additional benefits may be provided where considered appropriate. The Chair and Non-Executive Directors do not participate in any incentive scheme.
Maximum opportunity	• The maximum to be paid by way of fees to the Non-Executive Directors is set out in the Company's Articles of Association as amended from time to time.
Performance metrics	• None.

The Committee may make minor changes to this Policy which do not have a material advantage to Directors, to aid its operation or implementation without seeking shareholder approval but taking into account the interests of shareholders.

Remuneration Committee report continued

Performance measures and how they are set

The Committee selects performance measures that it believes are:

- aligned with the Group's strategic goals and set, where relevant, taking into account market consensus and individual broker expectations. For the LTIP, financial measures will normally include EPS which the Committee considers to be the most appropriate measure for medium-term performance, aligned with our growth ambitions and continuing to win market share;
- unambiguous and easy to calculate; and
- transparent to Directors and shareholders.

For both the annual bonus and the LTIP, the Committee reserves the right to vary or substitute any performance measure if justified by the circumstances, for example if there was a significant transaction.

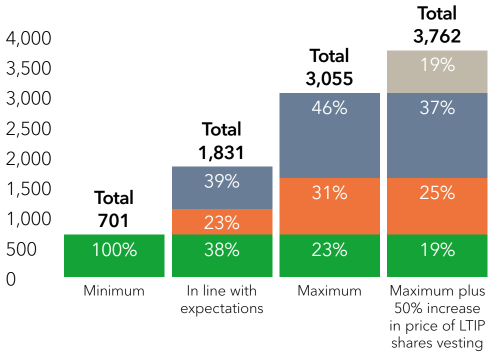
Performance measures for the annual bonus for FY25 are set out on page 113. Performance measures for the LTIP awards proposed to be granted in respect of FY25 are set out on pages 113.

Illustrative performance scenarios

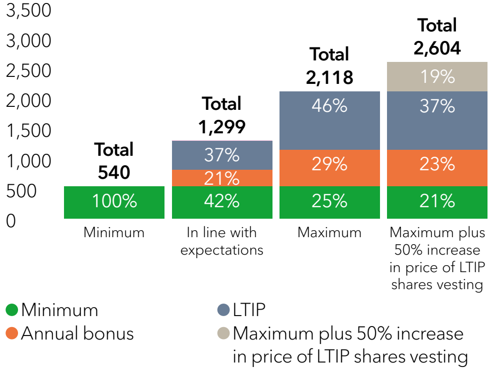
At his request, Sir Will Adderley does not receive any remuneration apart from an annual salary, car allowance and healthcare benefits. Therefore, his remuneration has not been included in the scenarios below.

The following graphs set out what Nick Wilkinson and Karen Witts, the other Executive Directors in office at the date of this report, could earn in FY25 under the following scenarios:

Nick Wilkinson
Remuneration (£'000)



Karen Witts
Remuneration (£'000)



The following assumptions have been made in respect of the scenarios set out on this page:

Fixed pay (base salary, benefits and pension only)	Base salary £'000	Benefits £'000	Pension £'000
Nick Wilkinson	628	54	19
Karen Witts	485	40	15

Performance level	Fixed pay	Annual Bonus	LTIP
Minimum (performance below threshold)	As above	Nil	Nil
In line with expectations	As above	45% of bonus opportunity earned (67.5% of salary for Nick Wilkinson, 56.25% of salary for Karen Witts).	50% of the LTIP award vests (112.5% of salary for Nick Wilkinson and 100% of salary for Karen Witts), based on face value of the award at the date of grant.
Maximum performance	As above	100% of bonus opportunity earned (150% of salary for Nick Wilkinson, 125% of salary for Karen Witts).	100% of the LTIP vests (225% of salary for Nick Wilkinson and 200% of salary for Karen Witts), based on face value of the award at the date of grant.
Maximum performance, plus share price increase	As above	100% of bonus opportunity earned (150% of salary for Nick Wilkinson, 125% of salary for Karen Witts).	100% of the LTIP vests (225% of salary for Nick Wilkinson and 200% of salary for Karen Witts), plus an increase in the value of the LTIP of 50% across the relevant performance period to reflect possible share price appreciation.

Remuneration Committee report continued

Service contracts and loss of office payments

All of the Executive Directors have service contracts. The notice period for termination for Sir Will Adderley is 12 months from either party, and for Nick Wilkinson and Karen Witts is six months from either party.

In connection with her joining Dunelm and as disclosed in the Directors' Remuneration Report for the year ended 2 July 2022, Karen Witts is entitled to an allowance of £1,500 per month to cover the cost of rent on a property close to Dunelm's offices in Leicester and/or other expenses and travel costs.

If the Company terminates the employment of an Executive Director it would honour its contractual commitments. If termination was with immediate effect, a payment in lieu of notice may be made. The Committee may apply mitigation in respect of any termination payment.

Details in relation to the service contracts for Executive Directors are set out in Table 6 on page 107 of the Annual Report on Remuneration.

Bonus

The Committee has discretion to make a payment to a 'good leaver' (as determined by the Committee) in respect of any annual bonus. Any such bonus would normally be pro-rated to the period of active service during the relevant financial year. Ordinarily, any bonus would be subject to deferral into shares in the usual way; however, the Committee retains discretion not to apply deferral in appropriate circumstances.

Share bonus awards will lapse on termination of employment before vesting other than in the event of death, serious ill health and any other reason at the discretion of the Committee. If an award does not lapse, the Committee will determine whether it vests on termination or at the ordinary vesting date.

LTIP

If a participant leaves the employment of the Group, the following provisions apply to awards granted under the LTIP:

- awards in the form of options that have vested but have not yet been exercised may be exercised within six months of cessation of employment (12 months in the case of death);
- except in the case of dismissal for gross misconduct, awards which have not yet vested, but where the performance period has elapsed, may vest at the relevant vesting date. The Committee has discretion to vest the award earlier but would only use this in exceptional circumstances (such as ill-health). In the event of death, unless the Board determines otherwise, vesting will be as soon as practicable. In the case of an option, the option must be exercised within six months of vesting (or 12 months in the case of death), to the extent that the performance conditions have been met; and
- if the participant leaves the Group before an award has vested and before the performance period has elapsed, the award will usually lapse. However, if the participant ceases employment due to ill-health, injury or disability or if the Committee exercises its discretion to treat the participant as a 'good leaver', the award will be retained and vest at the normal vesting date. The Committee has discretion to vest the award earlier, but would only use this in exceptional circumstances (such as ill-health). In the event of death, unless the Board determines otherwise, vesting will be as soon as practicable. In the case of an option, the option may be exercised within six months of the relevant vesting date (or 12 months in the case of death). Any vesting would be subject to assessment of the performance conditions (and the exercise of any discretion to vary formulaic outturns in line with the Policy) and, unless the Committee determined otherwise, a reduction to reflect the proportion of the performance period that had elapsed at cessation.

In all cases, LTIP awards would be subject to the applicable malus and clawback provisions.

Sharesave

If a participant leaves the Group, options granted under the Sharesave will normally lapse, but may be exercised within six months from the cessation of employment due to injury, disability, retirement, or redundancy (or 12 months in the case of death), or the employing company leaving the Group or, provided that the option has been held for at least three years, cessation for any other reason (apart from dismissal by the Company).

Non-Executive Directors' letters of appointment

Non-Executive Directors have letters of appointment. The term is for an initial period of three years with a provision for termination on one month's notice from either party, or three months' notice from either party in the case of the Chair. Letters are renewed for up to two additional three-year terms, and then renewed annually. The letter of appointment will terminate without compensation if the Director is not reappointed at the AGM.

Details in relation to the letters of appointment are set out in Table 6 on page 107 of the Annual Report on Remuneration.

Other payments

The Committee reserves the right to make any other payments in connection with a Director's cessation of office or employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement of any claim arising in connection with the cessation of a Director's office or employment or for any fees for outplacement assistance and/or the Director's legal and/or professional advice fees in connection with their cessation of office or employment. In appropriate circumstances, the Committee may continue the provision of certain benefits (for example health insurance) for a period following cessation.

Remuneration Committee report continued

Change of control and other corporate events

Share bonus awards

Share bonus awards will vest on a change of control or winding up of the Company before the originally anticipated vesting date.

LTIP

The following provisions apply to awards made under the Long-Term Incentive Plan in accordance with the plan rules if there is a change of control or winding up of the Company:

- any vested but unexercised options may be exercised;
- any unvested awards in respect of which the performance period has ended and to which the performance condition has been applied will vest and, in the case of options, may be exercised;
- any unvested awards in respect of which the performance period has not ended may vest and, in the case of options, be exercised at the discretion of the Committee, subject to any adjustment to take into account the amount of time that has elapsed through the performance period (unless the Committee decides not to apply a time-based reduction) and the extent to which any performance criteria have been met (and the exercise of any discretion to vary formulaic outturns in line with the Policy table); and
- the Executive Director may agree that their awards are 'rolled over' into shares of the acquiring company as an alternative.

If the Company has been, or will be, affected by any demerger, dividend in specie, special dividend or other transaction which will adversely affect the current or future value of any awards under the LTIP or any share bonus awards, the plan rules allow the Committee, acting fairly and reasonably, to determine the extent to which any awards should vest and the period within which options may be exercised.

Sharesave

Sharesave options may be exercised within six months following a change of control or winding up of the Company, using savings in the participant's account at the date of exercise. The participant may agree that their awards are 'rolled over' into shares of the acquiring company as an alternative.

Operation of share plans

All discretions available under the Company's share plan rules will be available under this Policy, except where explicitly limited under this Policy. This includes that:

- the Committee may amend the terms of awards and options under the Company's share plans in accordance with the plan rules in the event of a variation of Dunelm's share capital or a demerger, special dividend or other similar event or otherwise in accordance with the rules of those plans; and
- awards may be settled, in whole or in part, in cash, although the Committee would only settle an Executive Director's award in cash in exceptional circumstances, such as where there is a regulatory restriction on the delivery of shares, or in connection with the settlement of tax liabilities arising in respect of the award.

Executive pay and the pay of other colleagues

The remuneration principles set out on page 88 are applied consistently to pay throughout the Group.

Pay for all colleagues is set at a level that is fair for the role and responsibilities of the individual, and is designed to attract and retain high calibre talent that is needed to deliver the Group's strategy, without paying too much.

The remuneration of Executive Directors is more heavily weighted towards variable pay than for other colleagues, so that a greater part of their pay is linked to successful delivery of strategy and aligned with shareholders. They are also required to build and maintain a shareholding in the Company as set out above.

The remuneration of colleagues below the Board (including participation in the LTIP) reflects the seniority of the role, market practice and the ability of the individual to influence Group performance.

All colleagues who have met a minimum service requirement (usually three months or less) are encouraged to participate in the Sharesave plan, which enables them to become shareholders at a discounted rate. Participation is usually offered annually at the maximum price discount permitted (currently 20%), at the discretion of the Committee.

In setting the policy for the Executive Directors' remuneration, the Committee takes note of the overall approach to remuneration in the Group. Although the Committee does not formally consult with employees when setting the Policy, details of how it engages with colleagues on pay are set out on page 115.

Shareholder views

The Board is committed to ongoing engagement with shareholders in respect of all governance matters, including executive remuneration.

We consulted with shareholders in relation to the current Policy including, in particular, our approach to variable pay and shareholding requirements for Executive Directors. We were pleased with the level of engagement from shareholders and for the support shown for our proposals, which we finalised having regard to feedback received.

Remuneration Committee report continued

Approach to recruitment remuneration

The Committee will apply the principles set out below when agreeing a remuneration package for a new Executive Director (whether an external candidate or an internal promotion):

- the package must be sufficient to attract and retain the high calibre talent necessary to develop and deliver the Group's strategy;
- no more should be paid than is necessary;
- pension provision will be in line with the Policy table; and
- the Committee reserves the discretion to make appropriate remuneration decisions outside the standard policy to meet the individual needs of the recruitment provided the Committee believes the relevant decisions are in the best interests of the Group.

Circumstances in which the Committee might apply its discretion to make appropriate remuneration decisions as referenced above include:

- where an interim appointment is made on a short-term basis, including where the Chair or another Non-Executive Director has to assume an executive position;
- where employment commences at a time in the year when it is inappropriate to provide a bonus or share incentive award as there is insufficient time to assess performance, the quantum for the subsequent year might be increased proportionately instead; and
- where an executive is recruited from a business or location that offered benefits that the Committee considers it appropriate to 'buy out', or which the Committee considers it appropriate to offer.

Examples of remuneration decisions that the Committee may make are set out below:

- it may be appropriate to offer a lower salary initially, with a series of increases to reach the desired salary over a period of time, subject to performance;
- the Committee may also alter the performance criteria applicable to the initial annual bonus or LTIP award so that they are more applicable to the circumstances of the recruitment;
- an internal candidate would be able to retain any outstanding variable pay awarded in respect of their previous role that pays out in accordance with its terms of grant; and/or
- appropriate costs and support will be provided if the recruitment requires the relocation of the individual.

The maximum level of variable pay that could be awarded to a new Executive Director in the first year of employment, excluding any buyout arrangements, would be 375% of salary as set out in the Policy table. The Committee would explain the rationale for the remuneration package in the next Annual Report of the Company.

In addition, on hiring an external candidate the Committee may make arrangements to buy out remuneration that the individual has forfeited on leaving a previous employer. The Committee will generally seek to structure buyout awards and payments on a comparable basis to remuneration arrangements forfeited. These awards or payments are excluded from the maximum level of variable pay referred to in the Policy; however, the Committee's intention is that the value awarded or paid would be no higher than the expected value of the forfeited arrangements.

In order to implement the arrangements described, the Committee may rely on the exemption in UK Listing Rule 9.3.2, which allows for the grant of share or share option awards to facilitate, in unusual circumstances, the recruitment of a Director.

The Committee does not intend to use any discretion in this section to make a non-performance-related incentive payment (for example a 'golden hello').

On the appointment of a new Chair the fee will be set taking into account the experience and calibre of the individual and pay for similar roles in companies of similar size and complexity in the market. The fees for any newly appointed Non-Executive Director would be set in accordance with the Policy table on page 96. No share incentives or performance-related incentives would be offered.

Legacy remuneration arrangements

The Committee reserves the right to make remuneration payments and payments for loss of office (including exercising any discretion available to it in connection with any such payment) notwithstanding that they are not in line with the Policy set out above where the terms of payments were agreed:

- before the Policy came into effect (provided that, in the case of any payments agreed on or after 11 November 2014 they are in line with any applicable shareholder approved Directors' remuneration policy in force at the time they were agreed or were otherwise approved by shareholders); or
- at a time when the relevant individual was not a Director of the Company (or other person to whom the Policy set out above applies) and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company (or other such person).

For these purposes, 'payments' includes the satisfaction of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' no later than the time the award is granted.

Remuneration Committee report continued

Annual Report on Remuneration

This report has been prepared on behalf of the Board by the Committee, chaired by William Reeve. It sets out how the Directors' Remuneration Policy which was approved by shareholders on 16 November 2023 has been applied in FY24 and how the policy will be applied in FY25.

Together with the Chair's statement on pages 89 to 90, it will be put to shareholders for an advisory vote at the FY24 AGM.

The information contained in this report is unaudited unless expressly stated otherwise.

Committee members and meeting attendance during FY24

Member	Attendance	Notes
William Reeve	3/3	
Alison Brittain	3/3	
Ian Bull	3/3	
Kelly Devine	2/2	Kelly stepped down from the Committee on 11 March 2024 and the Board on 5 July 2024.
Ajay Kavan	1/1	Ajay joined the Board and the Committee on 1 March 2024.
Peter Ruis	2/2	Peter stepped down from the Board and Committee on 10 January 2024.
Arja Taaveniku	3/3	
Vijay Talwar	3/3	
Dan Taylor	1/1	Dan joined the Board and the Committee on 1 March 2024.

Composition of the Committee

The Committee comprises solely independent Non-Executive Directors (including the Chair, who was independent on appointment), and did so throughout FY24. William Reeve has chaired the Committee since 2018.

Only members of the Committee have the right to attend meetings. Other Directors and individuals such as the CEO and People & Stores Director are invited to attend all or part of meetings, as appropriate. No Director participates when his or her own remuneration is discussed. The Group General Counsel and Company Secretary acts as secretary to the Committee and attends all meetings.

During the year, the Committee met formally three times with an additional ad hoc meeting held in May. The Committee has held two further meetings prior to the publication of this report.

Role and principal duties

The Committee is responsible for determining the policy for Directors' remuneration and setting the remuneration for the Chair of the Board, Executive Directors and members of the Executive Team in accordance with the Principles and Provisions of the Code. Its other principal duties include:

- establishing remuneration schemes that support alignment with long-term shareholder interests;
- designing remuneration policies and practices to support strategy and promote long-term sustainable success;
- reviewing the design of all share incentive plans for approval by the Board and for any such plans determine whether awards will be made each year; and
- reviewing workforce remuneration and related policies.

The Committee's full terms of reference can be found at: corporate.dunelm.com

Remuneration Committee report continued

Single figure for total remuneration (audited)

The following table sets out total remuneration for Directors for the period ended 29 June 2024:

Table 1: Directors' remuneration – single figure table

	Salary/fees £'000[1]		Benefits £'000[2]		Pension £'000[3]		Total fixed remuneration £'000[4]		LTIP award £'000[5]		Bonus £'000[6]		Total Variable remuneration £'000[7]		Total £'000	
Director	**FY24**	FY23	**FY24**	FY23	**FY24**	FY23	**FY24**	FY23	**FY24**	FY23	**FY24**	FY23	**FY24**	FY23	**FY24**	FY23
Nick Wilkinson	**609**	582	**53**	48	**18**	17	**680**	647	**632**	964	**331**	335	**963**	1,299	**1,643**	1,946
Karen Witts	**471**	450	**40**	38	**14**	14	**525**	502	**525**	–	**218**	252	**743**	252	**1,268**	754
Sir Will Adderley	**–**	–	**21**	20	**–**	–	**21**	20	**–**	–	**–**	–	**–**	–	**21**	20
Sub-total	**1,080**	1,032	**114**	106	**32**	31	**1,226**	1,169	**1,157**	964	**549**	587	**1,706**	1,551	**2,932**	2,720
Non-Executive Director																
Alison Brittain	**337**	179	**–**	–	**–**	–	**337**	179	**–**	–	**–**	–	**–**	–	**337**	179
Ian Bull	**70**	67	**–**	–	**–**	–	**70**	67	**–**	–	**–**	–	**–**	–	**70**	67
Kelly Devine	**58**	56	**–**	–	**–**	–	**58**	56	**–**	–	**–**	–	**–**	–	**58**	56
Ajay Kavan	**20**	–	**–**	–	**–**	–	**20**	–	**–**	–	**–**	–	**–**	–	**20**	–
William Reeve	**77**	73	**–**	–	**–**	–	**77**	73	**–**	–	**–**	–	**–**	–	**77**	73
Peter Ruis	**31**	56	**–**	–	**–**	–	**31**	56	**–**	–	**–**	–	**–**	–	**31**	56
Marion Sears	**58**	56	**–**	–	**–**	–	**58**	56	**–**	–	**–**	–	**–**	–	**58**	56
Arja Taaveniku	**58**	56	**–**	–	**–**	–	**58**	56	**–**	–	**–**	–	**–**	–	**58**	56
Vijay Talwar	**58**	56	**–**	–	**–**	–	**58**	56	**–**	–	**–**	–	**–**	–	**58**	56
Dan Taylor	**20**	–	**–**	–	**–**	–	**20**	–	**–**	–	**–**	–	**–**	–	**20**	–
Total	**1,867**	1,631	**114**	106	**32**	31	**2,013**	1,768	**1,157**	964	**549**	587	**1,706**	1,551	**3,719**	3,319

1. Alison Brittain joined the Board on 7 September 2022 and was appointed Chair on 1 January 2023. Ajay Kavan and Dan Taylor were appointed on 1 March 2024 and Peter Ruis stepped down on 10 January 2024. Basic fees for Alison Brittain, Ajay Kavan, Dan Taylor and Peter Ruis have been pro-rated over the relevant year as appropriate. Sir Will Adderley's base salary was held at £1 per annum. The salary for the Executive Directors increased by 5% and the fees for the Chair and other Non-Executive Directors increased by 5% with effect from 1 August 2023.
2. Benefits include the cost of a car allowance and private health insurance for the individual and their family. Nick Wilkinson is also entitled to an allowance of 5% of his annual salary towards the cost of travel from home to Leicester. Karen Witts is entitled to an allowance of £1,500 per month to cover the cost of rent on a property close to the office in Leicester and travel costs.
3. Pension entitlement is 3% of contractual salary to a defined contribution plan or cash allowance in lieu. For Nick Wilkinson, prior to 1 August 2022 the pension entitlement was 8% of contractual salary. Sir Will Adderley waived his entitlement to a pension from 1 July 2015.
4. Total fixed remuneration includes salary/fees, benefits and pension.
5. The figure for Nick Wilkinson and Karen Witts is the value of the FY22–24 LTIP award, the three-year performance period for which ended on the last day of the financial period being reported on. The price used to calculate the value of the awards, which will vest on 20 October 2024 for Nick and 9 June 2025 for Karen, was the average of Dunelm's closing share price over the last three months of FY24, which was 1,056 pence per share. The value of a share when Nick's award was granted was 1,307p; therefore none of the value of Nick's award is attributable to an increase in the share price. The value of a share when Karen's award was granted was 946p; therefore c.10.4% of the value of Karen's award attributable to the vesting of the shares over which the award was originally granted is attributable to an increase in the share price. The value also includes a 'special dividend equivalent' of 65p per vested share in respect of the special dividend paid on 8 October 2021, 37p per vested share in respect of the special dividend paid on 18 March 2022, 40p per vested share in respect of the special dividend paid on 11 April 2023 and 35p per vested share in respect of the special dividend paid on 9 April 2024. The share price used to calculate the number of shares in Nick and Karen's 'special dividend equivalent' was 1,310p per share in respect of the October 2021 special dividend, 1,127p per share in respect of the March 2022 special dividend,1,081 per share in respect of the April 2023 special dividend and 1,095p per share in respect of the April 2024 special dividend, in each case being the closing share price the working day before the special dividend date. No discretion was applied to adjust the performance conditions or outcome of the FY22–24 LTIP for share price appreciation or depreciation or for any other reason. The prior year figures have been updated to reflect the actual closing share price of 1,089p on the day before the vesting date, compared to last year's report which was based on the average closing share price over the last three months of FY23. Sir Will Adderley asked not to be considered for an LTIP award.
6. Nick Wilkinson and Karen Witts were awarded an annual performance-related bonus for FY24 with a maximum opportunity of (i) 150% of contractual salary for Nick Wilkinson and (ii) 125% of contractual salary for Karen Witts. The performance conditions which applied to the bonus were set in September 2023 and are described on pages 103 and 104.
7. Total variable remuneration includes bonus and LTIP awards.

Remuneration Committee report continued

FY24 annual bonus (audited)

Nick Wilkinson was eligible to earn an annual bonus of up to 150% of base salary during the year and Karen Witts was eligible to earn an annual bonus of up to 125% of base salary during the year, in each case subject to meeting the performance targets set out below and on the following page. Sir Will Adderley asked not to be considered for an annual bonus.

The bonus was based on challenging targets set by the Committee at the start of the financial year, with 75% based on financial targets and 25% based on personal and strategic targets. The 'Sales ' and personal elements of the bonus would only be paid if we achieved the threshold PBT. Information on the targets set and the performance against them is set out in Table 2. Based on performance against those targets, Nick Wilkinson earned a bonus of £330,859 and Karen Witts earned a bonus of £217,591 as set out in Table 3. The full bonus is paid in cash, with two-thirds of the after-tax amount being subject to a requirement that it is invested in shares.

Table 2: annual bonus 2024 payout (audited)

Performance measures	% of bonus opportunity	Threshold performance[2]	On-target performance[3]	Maximum performance (100%)	FY24 actual performance	% outcome for each measure
Financial measures[1]						
– Profit before tax	50%	£188.6m	£206.6m	£227.3m	£205.4m	38%
– Sales	25%	£1,660m	£1,804m	£1,894m	£1,706m	23%
Non-financial personal and strategic targets	25%	(see page 104 for details)				CEO–47% CFO–50%

1. Bonus is earned between threshold and on-target and between on-target and maximum on a straight-line basis.
2. For threshold vesting is at 10% of maximum for sales and 5% of maximum for PBT.
3. For on-target, vesting is at 50% of maximum for sales and 40% for on-target for PBT.

Table 3: overall 2024 bonus earned (audited)

	Base salary £'000	Maximum bonus % of salary	2024 bonus outcomes % of maximum	Overall 2024 bonus earned £'000	2024 bonus outcome % of salary
Nick Wilkinson	609	150%	36%	331	54%
Karen Witts	471	125%	37%	218	46%

CEO and CFO Non-financial personal and strategic objectives

25% of the bonus opportunity is linked to performance against objectives, both personal and strategic. Payment of this element of the bonus is subject to meeting threshold on the PBT financial metric for the year (which has been achieved). The targets, which are specific to each of the CEO and CFO, were set by the Committee to reflect personal and strategic priorities for FY24. Assessment against them (including consideration of relevant KPIs) was considered by the Committee following the end of the financial year, and a bonus outcome determined accordingly.

It was assessed that 47% of the personal and strategic targets had been met by the CEO and 50% of the personal and strategic targets had been met by the CFO. Further details on their respective key achievements against each objective are set out on the next page.

Remuneration Committee report continued

CEO and CFO Non-financial personal and strategic objectives (continued)

CEO FY24 performance against personal and strategic objectives – outcome 47% of maximum opportunity

Objectives	Key achievements during FY24
Strategy c.25% weighting	• Navigated a complex and volatile trading environment to deliver customer growth, market share gains and meet margin targets. • Maintained focus on improving customer experience through process and technology change. • Further progress on cost reduction, balanced with prioritisation of growth drivers.
Organisation capabilities c.25% weighting	• Supported improvements to tech ways of working, roadmaps and pace of delivery. • Continued progress on improving data fluency and insights to optimise operations, increase productivity and further develop the customer proposition. • Maintained focus on delivering our sustainability goals, including in relation to circular design, manufacturing, and strengthening governance and communications.
Corporate and investor relations c.25% weighting	• Delivered clear investor communications throughout year. • Continued to develop capability and approach to business development. • Hosted successful investor and analyst event, 'At Home with Dunelm'.
People c.25% weighting	• Successfully restructured Executive Team responsibilities and continued development of ways of working. • Continued focus on capability building and succession planning for senior roles. • Oversaw increased awareness of our inclusion and diversity programme and its initiatives.

CFO FY24 performance against personal and strategic objectives – outcome 50% of maximum opportunity

Objectives	Key achievements during FY24
Driving business performance c.25% weighting	• Implemented refreshed operational KPIs to drive budgeted performance. • Adapted plans throughout the year to deliver continued growth in a volatile environment. • Further progress on cost reduction; role-modelled and delivered operating cost savings. • Maintained strong free cash flow performance, allowing continued investment and shareholder returns in line with capital allocation policy.
Financial planning and finance transformation projects c.25% weighting	• Created financial plans to support monitoring of progress against the business strategy. • Continued to develop plans for finance systems development and modernisation, whilst optimising existing functionality. • Revolving credit facility successfully refinanced in December 2023.
Corporate and investor relations c.20% weighting	• Continued to develop capability and approach around business development. • Delivered clear investor communications throughout year. • Planned and delivered successful investor and analyst event, 'At Home with Dunelm'.
Non-financial reporting c.15% weighting	• Developed understanding, capability and reportable metrics within the business in relation to non-financial reporting. • Delivered detailed review of data points published. • Oversaw implementation of 'no regrets' work ahead of the introduction of new regulatory requirements.
People c.15% weighting	• Recruited in-house Head of Internal Audit in line with decision to move to a co-sourced arrangement. • Continued to support inclusion and diversity initiatives. • Ongoing focus on structure of finance team, including development and succession plans.

Remuneration Committee report continued

LTIP awards granted in respect of performance in FY22–24 (audited)

Nick Wilkinson was granted an LTIP award on 20 October 2021 with vesting subject to performance conditions assessed over the three-year period FY22 to FY24 and Karen Witts was granted a pro-rated award on 9 June 2022 following her appointment as CFO, which was subject to the same three-year performance period. These awards were subject to performance conditions based on Diluted EPS (with an 80% weighting) and sustainability measures (with a 20% weighting in aggregate) – the sustainability measures were split into three equal elements with stretching meet/fail targets, rather than a target range, as discussed in the FY21 Directors' Remuneration Report. These awards have vested at 58% as set out in the table below.

Sir Will Adderley does not have an LTIP award vesting in respect of performance in FY22 to FY24.

Table 4: LTIP awards due to vest for performance period ended 29 June 2024 (audited)

		Performance condition and outturn											
		FY24 Diluted EPS (80% of opportunity)					Sustainability element (20% opportunity)						
Director	Options over ordinary share granted	Threshold (10% vesting)	On target (50% vesting)	Stretch (75% vesting)	Maximum (100% vesting)	FY24 outturn	Sustainability measure 1 (1/3)	Sustainability measure 2 (1/3)	Sustainability measure 3 (1/3)	Vesting percentage	Vested shares	Dividend equivalent shares[1]	Total vesting shares[2]
Nick Wilkinson	89,078	66.6p	72.2p	80.9p	88.8p	74.4p	Percentage of own brand cotton products which meet our 'More Responsibly Sourced Cotton Standard' Target: 80% Not Met	Reduction in plastic packaging of own brand products against FY20 base Target: 20% reduction Met	% of own brand products for which we offer an easy to use take back service Target: 50% Met	58%	52,013	7,873	59,886
Karen Witts	73,979									58%	43,196	6,537	49,733

1. Nick Wilkinson and Karen Witts will also receive additional shares by way of 'special dividend equivalents'. The number of additional shares to vest for Nick Wilkinson as a result is 7,873 and for Karen is 6,537 – information in relation to the calculation of the number of additional shares is provided in the footnotes to Table 1 on page 102.
2. The value of this number of shares is included in the single figure for total remuneration for FY24 as set out in Table 1 on page 102, and the basis on which it has been calculated is set out in footnote 5 of Table 1. Vested shares must be retained in accordance with the shareholding guidelines set out in the Remuneration Policy.

Remuneration Committee report continued

Awards made to Directors under share incentive schemes in FY24 (audited)

LTIP awards were made on 21 November 2023 to Nick Wilkinson and Karen Witts as set out below:

Table 5: LTIP awards made to Directors during FY24 (audited)

<table>
<tr><th>Director</th><th>Award</th><th>Shares under award[1]</th><th>Basis of award</th><th>Face value</th><th colspan="3">Performance conditions</th><th>Performance period end date</th><th>Vesting date</th></tr>
<tr><td rowspan="6">Nick Wilkinson</td><td rowspan="6">Nil-cost options under LTIP</td><td rowspan="6">126,725</td><td rowspan="6">225% of salary</td><td rowspan="6">£1,374,975</td><td colspan="3">FY26 Diluted EPS (80% of opportunity)</td><td rowspan="6">27 June 2026</td><td rowspan="6">21 November 2026</td></tr>
<tr><td>Threshold 10% vesting</td><td>On-target (50% vesting)</td><td>Maximum (100% vesting)</td></tr>
<tr><td>78p</td><td>83p</td><td>100.0p or more</td></tr>
<tr><td colspan="3">Non-financial measures[2] (20% of opportunity)</td></tr>
<tr><td>ESG metric 1 (one-third)</td><td>ESG metric 2 (one-third)</td><td>ESG metric 3 (one-third)</td></tr>
<tr></tr>
<tr><td>Karen Witts</td><td>Nil-cost options under LTIP</td><td>87,096</td><td>200% of salary</td><td>£945,000</td><td colspan="3">As above</td><td colspan="2">As above</td></tr>
</table>

1. Based on the average closing share price on 16, 17 and 20 November 2023 of 1,085p per share.
2. Three sustainability-based measures, each accounting for a third of this element of the award, on a simple pass or fail basis against target: (i) ESG metric 1 – reduction in Scope 1 greenhouse gas emissions per £m sales (FY26 target: 59.3%); (ii) percentage of own brand cotton products which meet our 'More Responsibly Sourced Cotton' standard (FY26 target: 100%); and (iii) percentage of role model leadership roles filled by ethnic minority colleagues (target FY26: 8%).

All shares vesting (after payment of tax and National Insurance) must be held for two years from the vesting date, and thereafter at least two-thirds of these must be held for the duration of employment. The Executive Directors are eligible to receive a 'special dividend equivalent' in relation to these awards, in respect of a special dividend of 35 pence per share paid on 9 April 2024 and any other special dividend paid before the awards vest.

Payments to past Directors and for loss of office (audited)

No payments were made to any former Director in the financial year or to any Director in respect of loss of office or the termination of his or her employment.

Remuneration Committee report continued

Service contracts

In accordance with the Group's policy, the service contracts of the Executive Directors have no fixed term. The notice period for termination is 12 months from either party for Sir Will Adderley, and six months for each of Nick Wilkinson and Karen Witts respectively. Service contracts for the Executive Directors include a non-compete arrangement. Payments on termination are restricted to a maximum of the value of base salary and benefits for the notice period. The Committee may apply mitigation in respect of any termination payment. Copies of the Executive Directors' service contracts are available for inspection at the Company's registered office.

The Non-Executive Directors have letters of appointment for an initial period of three years with a provision for termination on one month's notice from either party, or three months' notice from either party in the case of Alison Brittain, the Chair.

Table 6: Directors' service contracts

Executives	Start date	Expiry of current term	Notice period
Nick Wilkinson	1 February 2018	n/a	6 months
Karen Witts	9 June 2022	n/a	6 months
Sir Will Adderley	28 September 2006	n/a	12 months
Non-Executives			
Alison Brittain	7 September 2022	7 September 2025	3 months
Ian Bull	10 July 2019	10 July 2025	1 month
Ajay Kavan	1 March 2024	1 March 2027	1 month
William Reeve[1]	1 July 2015	21 November 2024	1 month
Marion Sears[2]	22 July 2004	22 July 2025	1 month
Arja Taaveniku[3]	15 February 2021	15 February 2027	1 month
Vijay Talwar	1 October 2021	1 October 2024	1 month
Dan Taylor	1 March 2024	1 March 2027	1 month

1. William Reeve is stepping down from the Board on 21 November 2024.
2. Marion Sears has served more than nine years on the Board. Her contract is renewed for a one-year term (rather than three), with the notice period referred to above.
3. Arja Taaveniku is stepping down from the Board on at the end of the 2024 calendar year.

Directors' shareholdings and share interests

Directors' share interests

The interests of the Directors and their connected persons in the Company at 1 July 2023 and at year end, or their date of cessation, if earlier are set out in Table 7. There have been no changes in the interests of each Director in the period from 30 June 2024 to the date of this report.

Table 7: Shareholdings of Directors and Persons Closely Associated with them (audited)

Executives	At 29 June 2024 1p Ordinary shares	At 1 July 2023 1p Ordinary shares
Nick Wilkinson	428,940	371,330
Karen Witts	33,449	24,918
Sir Will Adderley	76,371,779	76,371,779
Non-Executives		
Alison Brittain	37,500	37,500
Ian Bull	11,000	11,000
Kelly Devine[2]	–	–
Ajay Kavan[1]	4,921	n/a
William Reeve	22,000	22,000
Peter Ruis[2]	n/a	–
Marion Sears	105,000	105,000
Arja Taaveniku	6,000	6,000
Vijay Talwar	9,670	9,670
Dan Taylor[1]	–	n/a

1. Ajay Kavan and Dan Taylor joined the Board on 1 March 2024.
2. Peter Ruis stepped down from the Board on 10 January 2024 and Kelly Devine stepped down on 5 July 2024.

Remuneration Committee report continued

Executive shareholdings (audited)

Executive Directors are subject to a shareholding target which requires them to build a holding of Dunelm shares with a value equal to the higher of their normal LTIP grant and 200% of salary (measured by reference to share price at the financial year end). Ordinarily, Executive Directors are expected to achieve this holding requirement within five years of appointment.

Nick Wilkinson had substantially exceeded the minimum shareholding requirement within a five-year period from his appointment. At 29 June 2924, Karen Witts had acquired shares with a value of 73% of salary, such that she is on track to meet the minimum shareholding requirement within the ordinarily expected five-year period. Achievement against this requirement is set out in Table 8 below, other than in the case of Sir Will Adderley who only receives a salary of £1 per year and for whom the requirement is therefore not relevant.

Table 8: Executive Director shareholdings (audited)

Executive Director	Shareholding requirement as a % of salary	Number of shares owned outright	Value of shareholding as at 29 June 2024	Shares owned outright as a % of salary[1]
Nick Wilkinson	225%	428,940	£4,563,922	727%
Karen Witts	200%	33,449	£355,897	73%[2]

1. Based on the closing share price of 1,064p on 29 June 2024 and base salary at 1 August 2024.
2. Karen Witts is 27 months into her five-year period to meet the shareholding requirement. She is on track to meet this requirement.

Table 9: Movements in Directors' interests in share options during FY24 (audited)

All share awards and options held at the beginning of the financial year and at year end by the Executive Directors who served during the year, together with any movements, are shown below:

	Date of award	Name of award	Type of award	Share options held at 1 July 2023	Share options granted during the year[1]	Share options vested and exercised during the year	Share options lapsed/cancelled during the year	Share options at 29 June 2024	End of performance period	Option price
Nick Wilkinson	21 November 2023	FY24–26 LTIP	Nil-cost options	–	126,725	–	–	126,725	27 June 2026	–
	27 October 2022	FY23–25 LTIP[3]	Nil-cost options	139,765	–	–	–	139,765	28 June 2025	–
	20 October 2021	FY22–24 LTIP[3]	Nil-cost options	89,078	–	–	–	89,078	29 June 2024	–
	20 November 2020	FY21–23 LTIP[3]	Nil-cost options	94,846	9,439	88,477[2]	(15,808)	–	1 July 2023	–
	22 November 2022	FY23 Sharesave	Share options	2,698	–	–	–	2,698	n/a	667p
Karen Witts	21 November 2023	FY24–26 LTIP	Nil-cost options	–	87,096	–	–	87,096	27 June 2026	–
	27 October 2022	FY23–25 LTIP[3]	Nil-cost options	108,043	–	–	–	108,043	28 June 2025	–
	9 June 2022	FY22–24 LTIP[3]	Nil-cost options	73,979	–	–	–	73,979	29 June 2024	–
	22 November 2022	FY23 Sharesave	Share options	2,698	–	–	–	2,698	n/a	667p

1. LTIP awards are eligible to receive a 'special dividend equivalent' in respect of any special dividend paid during the performance period applicable to the award and up to the date of vesting. Dividend equivalent shares have been included where quantified.
2. During the year Nick Wilkinson exercised 88,477 nil-cost share options with a market value of 1,089p per share equalling a gain of £963,515.
3. Performance conditions in respect of the LTIP awards granted in FY21, FY22 and FY23 are set out in the FY21, FY22 and FY23 Annual Reports respectively.

Remuneration Committee report continued

Share options and dilution limits

The Committee considers the provisions of the Investment Association's Guidelines on Executive Remuneration when determining the number of shares over which share scheme incentive awards may be made.

As at 29 June 2024 over the last ten-year period options have been granted over 4.0% of the Company's issued share capital (adjusted for share issuance and cancellation). The Group does not hold any shares in an employee benefit trust.

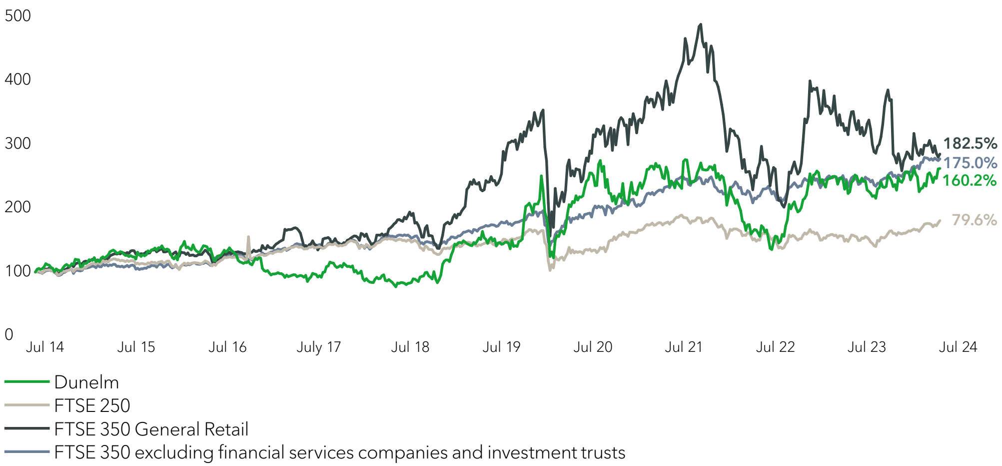
Total shareholder return performance and historic CEO remuneration

The graph below shows the Group's historic performance over ten years, measured by total shareholder return, compared with the FTSE 350 General Retail Index and the FTSE 250. The Committee has chosen these indices for comparison because they generally provide a range of comparator companies which have similar market capitalisation, which are in the same sector or face similar market and economic challenges in the long term. We have added the FTSE 350 excluding financial services companies and investment trusts in light of the inclusion of a relative TSR element for the FY25 LTIP award.

Table 10: Total shareholder return performance graph (rebased to 2 July 2014 = 100)

The shares traded in the range of 967p to 1,191p during the year and stood at 1,064p at 29 June 2024.

Total shareholder return
(Rebased to 100)



Factset as of 12 July 2024. Last ten years data on weekly frequency. FTSE 350 General Retail Index includes Dunelm.

Table 11: Historic Chief Executive Officer pay

The table below sets out the prescribed remuneration data for each of the individuals undertaking the role of Chief Executive Officer during each of the last ten financial years.

		CEO single figure of total remuneration £'000	Annual bonus payment against maximum opportunity %	Long-term incentive vesting rates against maximum opportunity %
FY24	Nick Wilkinson	1,643	36.2%	58.4%
FY23	Nick Wilkinson	1,946	46.0%	83.3%
FY22	Nick Wilkinson	2,511	90.0%	100.0%
FY21	Nick Wilkinson	3,756	81.2%	100.0%
FY20	Nick Wilkinson[1]	885	20.0%	19.8%
FY19	Nick Wilkinson	1,365	97.9%	n/a
FY18	Nick Wilkinson[2]	308	13.3%	n/a
FY18	John Browett[2,3]	429	n/a	n/a
FY17	John Browett	722	14.0%	n/a
FY16	John Browett[4]	489	57.7%	n/a
FY16	Sir Will Adderley[4]	10	n/a	n/a
FY15	Sir Will Adderley[5]	507	5.0%	n/a
FY15	Nick Wharton[5]	110	n/a	n/a

1. During the period April to June 2020 inclusive, Nick Wilkinson took a voluntary 90% reduction in base salary.
2. John Browett left the Group on 29 August 2017. He was succeeded by Nick Wilkinson on 1 February 2018. The total figure for John Browett includes £322,120 in respect of salary and benefits paid for his six-month notice period. The data for each Director for FY18 is pro-rated by time of service as Chief Executive Officer.
3. No LTIP awards vested to John Browett during his tenure.
4. Sir Will Adderley was succeeded by John Browett as Chief Executive Officer on 1 January 2016. The data for each Director for FY16 is pro-rated by time of service as Chief Executive Officer. Sir Will Adderley's base salary was reduced to £1 on 1 July 2015.
5. Sir Will Adderley was reappointed Chief Executive Officer on 11 September 2014, following the resignation of Nick Wharton on 10 September 2014. The data for each Director for FY15 is pro-rated by time of service as Chief Executive Officer.

Remuneration Committee report continued

Statement of change in pay

The table below sets out the increase or decrease in total remuneration for each Director compared with other colleagues.

Table 12: Change in Directors' pay compared with annual change in average employee's pay

	Percentage change in remuneration between FY23 and FY24[1]			Percentage change in remuneration between FY22 and FY23[1]			Percentage change in remuneration between FY21 and FY22[1]			Percentage change in remuneration between FY20 and FY21[1]			Percentage change in remuneration between FY19 and FY20[1]		
	Salary and fees[4]	**Benefits[5]**	**Short-term incentive/ Bonus[6,7]**	Salary and fees[4]	Benefits[5]	Short-term incentive/ Bonus[6,7]	Salary and fees[4]	Benefits[5]	Short-term incentive/ Bonus[6,7]	Salary and fees[4]	Benefits[5]	Short-term incentive/ Bonus[6,7]	Salary and fees[4]	Benefits[5]	Short-term incentive/ Bonus[6,7]
All colleagues[2,3]	**7.8%**	**0.7%**	**1.8%**	7.2%	1.9%	(36.6%)	4.9%	0.8%	(4.7%)	4.4%	0%	145.4%	3.5%	0%	42.7%
Executives															
Nick Wilkinson[8]	**4.6%**	**5.8%**	**(1.1%)**	0.3%	0.0%	(48.8%)	3.4%	(4.3%)	14.6%	1.8%	3.6%	313.0%	2.0%	(55.6%)	(79.2%)
Karen Witts	**4.6%**	**0.0%**	**(13.6%)**	0.0%	0.0%	(33.7%)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Sir Will Adderley	**0.0%**	**0.0%**	**–**	0.0%	0.0%	–	0.0%	0.0%	–	0%	(4.8%)	–	0.0%	0.0%	–
Non-Executives															
Alison Brittain	**4.6%**	**–**	**–**	n/a	–	–	n/a	–	–	n/a	–	–	n/a	–	–
Ian Bull	**4.9%**	**–**	**–**	3.9%	–	–	2.7%	–	–	0%	–	–	2.0%	–	–
Kelly Devine	**4.9%**	**–**	**–**	3.9%	–	–	n/a	–	–	n/a	–	–	n/a	–	–
Ajay Kavan	**n/a**	**–**	**–**	n/a	–	–	n/a	–	–	n/a	–	–	n/a	–	–
William Reeve[9]	**4.9%**	**–**	**–**	3.9%	–	–	4.5%	–	–	8.4%	–	–	2.2%	–	–
Peter Ruis[10]	**5.3%**	**–**	**–**	4.0%	–	–	3.2%	–	–	0%	–	–	2.0%	–	–
Marion Sears	**4.9%**	**–**	**–**	4.0%	–	–	3.2%	–	–	0%	–	–	2.0%	–	–
Arja Taaveniku	**4.9%**	**–**	**–**	3.7%	–	–	3.2%	–	–	n/a	–	–	n/a	–	–
Vijay Talwar	**4.9%**	**–**	**–**	3.7%	–	–	n/a	–	–	n/a	–	–	n/a	–	–
Dan Taylor	**n/a**	**–**	**–**	n/a	–	–	n/a	–	–	n/a	–	–	n/a	–	–

1. n/a refers to a nil value in the previous year or an incomplete prior year, meaning that the year-on-year change cannot be calculated.
2. All colleagues' salary increase is calculated only for colleagues employed for the whole of the financial year.
3. Comparisons have been made against colleague pay across the entire Group as the parent company employs only one person other than the Directors and, accordingly, the percentage change in respect of the remuneration of a single employee is not considered a meaningful disclosure.
4. Directors' remuneration is based on contractual salary or fees as appropriate and does not take account of the voluntary salary reductions of 90% of Nick Wilkinson between April and June 2020 inclusive, or the waiver by all other Directors of 100% of their fees for this period.
5. The percentage change in benefits does not take into account the value of medical or critical illness benefits for either the Directors or for the all colleague changes.
6. Short-term incentive percentage has been calculated in relation to only those colleagues eligible to receive a bonus in the period as this is considered a more appropriate comparator group. All colleagues' short-term incentives include a one-off £250 'thank you' payment to all colleagues not usually eligible for a bonus in respect of FY20 and the 'thank you' payment of between £250 and £350 made to colleagues not usually eligible for a bonus in respect of FY21.
7. The difference between the increase in short-term incentives of the Directors and the 'all colleagues' rate reflects the strong performance of the business, and the fact that a higher proportion of the Directors' pay is performance-related.
8. The decrease in benefits for Nick Wilkinson in FY22 is due to benefits received in lieu of holiday in FY21 which were not received in FY22.
9. The increase in William Reeve's fee in FY21 is due to the assumption of responsibilities as Senior Independent Director.
10. Peter Ruis stepped down from the Board on 10 January 2024. His FY24 fee has been annualised for the purposes of this calculation.

Remuneration Committee report continued

CEO pay ratio

There are three permissible methods available to calculate the CEO pay ratio, which are outlined below:

Option	Method
A	Determining the total full-term equivalent remuneration for all UK employees. Rank from low to high. Identify the colleagues at 25th, 50th and 75th percentiles.
B	Identify the colleagues at 25th, 50th and 75th percentiles, using the Gender Pay Gap Reporting.
C	Use a different data set, but calculate in the same way as the Gender Pay Gap Reporting.

Option A is considered the most statistically accurate method and therefore we have opted for this method. It requires the pay and benefits of all UK colleagues to be calculated to identify the three colleagues at the 25th, 50th and 75th percentiles as at 29 June 2024.

Table 13 shows the ratio of actual pay of Nick Wilkinson, CEO, to other colleagues. Full-year pay data has been used to calculate these ratios and the elements included are based on the CEO single figure remuneration in Table 1. We have used a 40-hour week in order to consistently calculate the annual salary for everyone, converting hourly rate of pay into a full-time equivalent salary, to ensure a direct comparison.

Table 13: CEO pay ratio

Financial year	Method	25th percentile pay	50th percentile pay	75th percentile pay
FY24	Option A	73:1	70:1	64:1
FY24 base salary	Option A	£22,464	£22,798	£24,960
FY24 total pay and benefits	Option A	£22,464	£23,482	£25,621
FY23	Option A	93:1	87:1	67:1
FY22	Option A	124:1	121:1	112:1
FY21	Option A	204:1	204:1	186:1
FY20 (based on actual remuneration – including Nick's 90% pay reduction during the period April to June 2020)	Option A	54:1	47:1	38:1
FY20 (based on contractual remuneration)	Option A	62:1	53:1	43:1

Commentary:

The Committee considered whether the median pay ratio for the year is consistent with the pay, reward and progression policies for the Company's UK employees taken as a whole, and concluded that it is, for the following reasons:

- the pay ratio has reduced compared to the previous year. The main difference is the CEO LTIP outcome for FY24, which is at c.58% lower than the CEO LTIP outcome for FY23;
- the colleagues at the 25th, 50th and 75th percentiles are hourly-paid colleagues. This reflects that c.80% of our colleague base are employed in hourly-paid roles;
- the median pay ratio is considered appropriate and consistent with the pay and reward policies for the Company's UK employees. Our remuneration strategy is based on paying median to market for salary, to reward strong performance and focus on long-term value creation. The CEO remuneration is reflective of this, as his pay has a larger quantum in variable pay; and
- in comparison we pay our hourly-paid colleagues median or above versus the market.

Remuneration Committee report continued

Relative spend on pay

The table below shows the all employee pay cost, returns to shareholders by way of dividends (including special dividends) and share buyback for FY24 and FY23.

Table 14: Relative spend on pay

	FY24 £'m	FY23 £'m	% change
Total spend on pay	**237.0**	214.3	10.6%
Ordinary dividend to shareholders	**86.8**	82.6	5.1%
Distributions to shareholders via treasury share purchase	**–**	7.0	(100%)
Special distributions to shareholders	**70.8**	80.7	(12.3%)
Total distributions to shareholders	**157.6**	170.3	(7.5%)

This information is based on the following:

- Total spend on pay – total employee costs excluding car and travel allowances and bonuses from note 4 on page 139.
- Dividends taken from note 7 on page 140.

Executive Director external board appointments

Nick Wilkinson is a trustee of Rewilding Britain. Karen Witts is a Non-Executive Director of Ipsen Pharma SA. Sir Will Adderley is a Director of WA Capital Limited.

Advisors

The UK Executive Compensation practice of Deloitte provides general advice on executive remuneration to the Committee and access to external information and research on market data and trends. They were appointed by the Committee following a review against other providers in the market. Deloitte are signatories to the Remuneration Consultants' Code of Conduct, which requires their advice to be impartial, and they have confirmed their compliance with the Code to the Committee.

Total fees paid to Deloitte for advice to the Committee in the year were £18,000 (FY23: £30,150) which was a mixture of fixed fees and time spent basis, depending on the work conducted. Deloitte provided other remuneration-related advice to the Company in the year, including in relation to the operation of its share plans.

Risk Advisory and Consulting teams within Deloitte (outside of its UK Executive Compensation practice) provided non-remuneration-related consultancy services in the year. In each case, the appointment of Deloitte was made based on Deloitte's expertise in the particular area, on an arm's length basis and without reference to the fact that Deloitte also provides remuneration advice. Having considered the fees paid to Deloitte for non-remuneration-related work, the Committee is satisfied that the remuneration advice that they have received from Deloitte in the year has been objective and independent.

Statement of implementation of policy in FY25

Base salary and benefits for each of the Executive Directors with effect from 1 August 2024 are set out in the table below.

Table 15: Executive Directors fixed remuneration

	Base salary	Increase in base salary YoY	Benefits	Increase to benefits YoY	Pension	Change to pension contribution YoY
Nick Wilkinson	£627,905	2.75%	£53,985	1.6%	18,837	0.0
Karen Witts	£485,493	2.75%	£40,195	0.0	14,565	0.0
Sir Will Adderley	£1	Nil	£20,000	Nil	Nil	n/a

Base salary
The Committee determined that the Executive Directors performed strongly throughout the year, and this has been reflected in the financial performance of the Group. Further to this, the Committee approved a 2.75% increase in base salary for each of the CEO and CFO in line with the increases given to senior colleagues. In making its decision, the Committee took into account the median pay award made to the wider colleague population of 6.9% and stakeholder considerations, including the general feedback on Executive pay received from the National Colleague Voice. Sir Will Adderley has asked that he not be considered for a pay increase.

Pension
The pension entitlement for both Nick Wilkinson and Karen Witts is 3% of base salary, which is in line with the current workforce average.

FY25 annual bonus
Nick Wilkinson has been awarded a bonus opportunity of up to 150% of salary and Karen Witts has been awarded a bonus opportunity of up to 125% of base salary. The performance conditions attached to their respective bonuses are:
- 50% linked to achievement of budget PBT;
- 25% linked to achievement of budget sales; and
- 25% linked to achievement of strategic and personal targets aligned to the Group strategy (15%), and environmental, social and governance measures (10%).

The budget sales and PBT are set taking into account market consensus and broker expectations. The actual financial and strategic targets have not been disclosed at this time as they are commercially sensitive. The targets and an assessment of the extent to which they have been achieved will be disclosed in next year's Remuneration Committee report.

The Policy enables bonus vesting levels at up to 10% of maximum at threshold. The FY23 Directors' Remuneration Report anticipated that for FY25 threshold vesting for each measure would be 10% of maximum. However, the Committee has decided that for FY25 and in line with the approach for FY24, threshold vesting will be at 10% of maximum for sales, but remain at 5% of maximum for PBT. For on-target performance, and as anticipated in the FY23 Directors' Remuneration Report, vesting will be at 50% of maximum for each measure.

Nick Wilkinson and Karen Witts have contractually committed that two-thirds of the bonus earned (after payment of income tax and National Insurance) will be invested in Dunelm shares, to be held for the duration of employment. This is also in line with our Policy. Shares held on termination of employment will be retained for up to a minimum of two years as required by the shareholding requirements set out in the Policy.

Sir Will Adderley has asked that he not be considered for a bonus award.

LTIP FY25–27
In line with our 2023 Remuneration Policy, an award is expected to be made in October 2024 under the LTIP over shares to the value of 225% of salary to Nick Wilkinson and 200% of salary to Karen Witts. The award will vest, subject to continued employment, on the third anniversary of the grant date, to the extent that performance conditions have been met. All of the vested shares (after sales to cover tax and National Insurance liability on exercise) must be retained for two years after vesting, after which one-third of these may be sold and the remainder must be retained for the duration of employment. Shares held on termination of employment will be retained for a minimum of two years as required by the shareholding requirements set out in the Policy. Our current intention is that the FY25–27 LTIP awards will be granted in line with our standard approach (with the number of shares to be awarded based on the average share price for the three business days preceding grant) and we will review the final outturn to ensure that there have not been any windfall gains. This is in addition to the performance underpin and review of the final outturn to ensure it is warranted based on shareholder experience over the performance period.

The performance criteria that apply to the award were set by the Committee in line with the 2023 Remuneration Policy as follows:

Performance measures

Percentage of this element of the FY25–27 award vesting[1]	Nil	Threshold (10% for Diluted EPS and 25% for Relative TSR)	On-target (50%)	Maximum (100%)
FY27 Diluted EPS (75%)	Less than 77p	77p	82p	99p
Relative Total Shareholder Return[2] (25%)	Below median	Median	n/a	Upper quartile

1. Performance between each of these percentage thresholds will be calculated on a straight-line basis.
2. Relative Total Shareholder Return versus the constituents of the FTSE 350 excluding Financial Services companies and Investment Trusts, with a three-month averaging period applied at the start and end of the performance period.

These measures represent a change to previous years, with the introduction of relative total shareholder return and transition of specific ESG targets to the annual bonus (see page 90). Relative total shareholder return has been introduced with 25% weighting to align management and investor experience by way of an external measure of shareholder value as noted in the Chair's letter. The LTIP targets themselves were chosen because they are aligned to our strategy and long-term ambitions.

Remuneration Committee report continued

Sharesave

An invitation will be issued in October 2024 to all eligible employees to apply for options to be granted under the Sharesave scheme at a 20% discount to the average closing market price of Dunelm shares on the three dealing days preceding the issue of the invitation. The maximum monthly savings will be £500 per month. Executive Directors employed at the eligibility date may apply for Sharesave options, subject to the plan rules.

Non-Executive Directors fees for FY25

Fees for the Non-Executive Directors were increased with effect from 1 August 2024 to the fee levels set out below:

Table 16: Non-Executive Directors fees

Position	Base fee £	Increase in fee YoY
Chair	347,829	2.75%
Non-Executive Director base fee	61,000	3.9%
Audit and Risk Committee Chair	15,000	32.0%
Remuneration Committee Chair[1]	15,000	32.0%
Senior Independent Director[1]	11,000	52.4%

1. As noted earlier in this report, William Reeve will step down from the Board following the 2024 AGM. He will receive his fee for chairing the Remuneration Committee and as Senior Independent Director up to the date of the AGM. Thereafter, Ajay Kavan will receive the fee for chairing the Remuneration Committee and Ian Bull will receive the fee for holding the role of Senior Independent Director (in addition to fees received for chairing the Audit and Risk Committee).

Statement of shareholder voting at AGM

At the Annual General Meeting on 16 November 2023, the total number of shares in issue with voting rights (excluding treasury shares) was 201,949,888. Details of voting on remuneration-related resolutions is set out below:

Resolution	Votes for	% of votes cast	Votes against	% of votes cast	Votes withheld	% withheld
Approve Directors' Remuneration Report	172,705,866	99.35	1,128,014	0.65	6,187,454	3.06
Approve Directors' Remuneration Policy	178,045,253	99.12	1,573,989	0.88	402,092	0.20

Gender pay disclosures

Dunelm's purpose is 'To help create the joy of truly feeling at home, now and for generations to come.' We want everyone to feel that Dunelm is a place for them, and this applies equally for our colleagues and customers. Diversity, inclusion, and more generally the wellbeing of our colleagues, are high on our agenda. We want all colleagues to feel they can grow with Dunelm and that they are welcome. Improving our gender balance remains one of our commitments.

The Committee supports gender pay reporting and the actions taken in the business to drive gender balance, supporting a culture of inclusion. Dunelm published its seventh Gender Pay Gap Report in April 2024, and an overview is provided in our Sustainability Report 2024. Both documents are available to download at corporate.dunelm.com.

Remuneration Committee report continued

Engaging with our colleagues on pay

The National Colleague Voice ('NCV') allocated a full meeting in May 2024 to a discussion on pay and reward. The meeting was well attended by representatives from across the business with a 36%:64% male/female gender split and ethnic minority representation of 29%. The meeting was led by members of our People Team who were joined by Marion Sears, our designated Non-Executive Director for colleague matters, and William Reeve, Chair of the Remuneration Committee. It was also attended by Ajay Kavan who joined the Board and the Remuneration Committee on 1 March 2024 and the Group General Counsel and Company Secretary.

The meeting was arranged in three parts. The first part provided context and background to recent decisions on pay and reward, discussed the findings from the 'pulse' reward survey conducted in April 2024 and included a presentation on our pensions offer. In the second part of the meeting attendees separated into breakout groups to discuss feedback from the recent pay review in more detail. Discussions highlighted the ongoing cost-of-living pressures faced by our hourly colleagues, particularly in stores and notwithstanding the recent salary increase in April 2024. The final part of the meeting enabled William Reeve to provide insight into the role of the Remuneration Committee and how it operates. He explained how the Committee considers strategy, performance and the external environment when setting Executive remuneration and aligns its decision-making with our remuneration principles, with a view to ensuring that these principles are applied throughout the business.

A summary of the discussions, questions and responses was shared with the Board, which welcomed the openness of the debate and noted management's desire to find ways to continue to improve communication as to the benefits that are on offer and act on the feedback received, including how to offer an even more personalised approach within our Employee Value Proposition.

For more information on the NCV and its other activities during the year see page 22.

Committee effectiveness

The effectiveness of the Committee was considered as part of this year's Board evaluation process, more details of which can be found on page 78. The review concluded that the Committee continues to operate effectively and having considered the findings, it was agreed that particular areas of focus during the forthcoming year should be:

1. Reflecting on measures used to determine performance, alignment of management incentives;
2. Enabling an effective handover to the new Committee Chair; and
3. Reviewing papers to ensure succinct presentation of information, utilising templates to ensure ongoing simplicity and consistency.

Approved by the Board on 11 September 2024.

William Reeve
Chair of the Remuneration Committee

Directors' report

The Directors present their report together with the audited financial statements for the period ended 29 June 2024.

Disclosures that are relevant to the Directors' report have been incorporated by reference and can be found elsewhere within the Annual Report and Accounts as noted below.

Strategic report
The Group's Strategic report is set out on pages 1 to 55. It contains an indication of likely future developments in the business of the Company and the Group.

Corporate governance
Our Governance report on pages 57 to 120 explains how we have applied the Principles set out in the UK Corporate Governance Code published in July 2018 (the 'Code'). Our Code compliance statement can be found on page 59.

Information to be disclosed under UK Listing Rule ('UKLR') 6.6.1R
The majority of the disclosures required under UKLR 6.6.1R are not applicable to Dunelm. The table below sets out the location of those requirements that are applicable:

Applicable sub-paragraph within UKLR 6.6.1	Disclosure provision (pages)
(3) Long-term incentive schemes	105,106,113
(13) A statement made by the Board that the Company continues to comply with the requirements in UKLR 6.2.3R	'Shareholder and voting rights' below.

Sustainability reporting
For information on the Group's approach to environmental, social and governance matters, see Sustainability on pages 32 and 33, our TCFD report on pages 46 to 54 which includes the Streamlined Energy and Carbon Reporting disclosures, and our standalone Sustainability Report 2024, available at corporate.dunelm.com.

Results and dividend
The consolidated profit of the Group for the year after taxation was £151.2m (2023: £151.9m). The results are discussed in more detail in the CFO's review on pages 28 to 31.

A final ordinary dividend of 27.5p per share (2023: 27p per share) is proposed in respect of the period ended 29 June 2024, to add to a special dividend of 35p per share paid on 9 April 2024 (2023: 40p per share) and an interim ordinary dividend of 16p per share paid on 9 April 2024 (2023: 15p per share). The final dividend will be paid on 26 November 2024 to shareholders on the register on 1 November 2024.

Treasury and risk management
The Group's approach to treasury and financial risk management, including its use of hedging instruments, is explained in the Principal Risks and Uncertainties section on page 45 and note 18 of the financial statements.

Stakeholder engagement
Details of how the Directors have engaged with employees and other stakeholders, and had regard to the interests of colleagues and 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 year, are set out in stakeholder engagement of the Strategic report on pages 20 to 24, with complementary information in the Governance report on pages 72 and 73. Our s.172(1) Companies Act 2006 statement can be found on page 25.

Employee information
Information relating to employees of the Group is set out in the Nomination Committee report, with more information in our Sustainability Report 2024.

The Company is clear in its policy that people with health conditions, both visible and non-visible, will have full and fair consideration for all vacancies. Dunelm continues to demonstrate its commitment to interviewing applicants with disabilities who fulfil the minimum criteria for the role and endeavours to retain colleagues in roles in the business if they become disabled during their employment. Dunelm will actively look to put into place reasonable adjustments that may be required by the colleague to allow them to thrive and belong at Dunelm.

Share incentive schemes in which employees participate are described in the Remuneration Committee report on page 99.

Shareholder and voting rights
All members who hold Ordinary Shares are entitled to attend and vote at the Annual General Meeting. On a show of hands at a general meeting every member present in person shall have one vote and, on a poll, every member present in person or by proxy shall have one vote for every Ordinary Share held. There are no special voting rights attached to any of the Company's shares.

Directors' report continued

In order to be passed, an ordinary resolution of the Company must be supported by at least 50% of the votes cast at a shareholders' meeting, and a special resolution by at least 75% of votes cast.

On 2 October 2006, Jean Adderley, Bill Adderley and Sir Will Adderley (all shareholders at that time) entered into a Relationship Agreement with the Company, pursuant to which each of Jean Adderley, Bill Adderley and Sir Will Adderley undertook to the Company that, for so long as, individually or together, they are entitled to exercise, or to control the exercise of, 30% or more of the rights to vote at general meetings of the Company or they are able to control the appointment of Directors who are able to exercise a majority of votes at Board meetings of the Company, they will:

- conduct all transactions and relationships with any member of the Group on arm's length terms and on a normal commercial basis;
- not take any action which precludes or inhibits any member of the Group from carrying on its business independently of Jean Adderley, Bill Adderley, Sir Will Adderley or their associates (as defined in the UK Listing Rules);
- not exercise any of their voting rights or other powers to procure any amendment to the Articles of Association of the Company which would be inconsistent with or undermine any of the provisions of the Relationship Agreement;
- only enter into, amend or terminate any transaction, agreement or relationship between themselves or any of their associates and any member of the Group with the approval of a majority of the independent Non-Executive Directors; and
- not carry on (other than through their holding of securities of the Company) or have any financial interest (other than a financial interest in securities which are held for investment purposes only) in any person who carries on a business as a homewares retailer, to the extent that it would be inconsistent with or undermine any provisions of the Relationship Agreement.

WA Capital Limited and Lady Nadine Adderley, to whom Sir Will Adderley transferred shares by way of a gift, subsequently became parties to the Relationship Agreement.

In July 2014, the Relationship Agreement was amended so as to comply with amendments to the UK Listing Rules and the following additional undertakings were given by the parties:

- no action will be taken that would have the effect of preventing the Company from complying with its obligations under the UK Listing Rules; and
- no resolution will be proposed, or procured to be proposed, which is intended to, or appears to be intended to circumvent the proper application of the UK Listing Rules.

In addition, the Articles of Association of the Company provide that the election and re-election of independent Directors must be conducted in accordance with the election provisions set out in UKLR 6.2.8R and UKLR 6.2.9R.

The Company confirms that it has complied with its obligations under the Relationship Agreement during the financial period under review, and that so far as it is aware, all other parties to that agreement have complied with it.

The Company confirms that there are no contracts of significance between any member of the Group and any of the parties to the Relationship Agreement, with the exception of Sir Will Adderley's service agreement as a Director of the Company, the terms of which are outlined in the Remuneration Committee report.

There are no restrictions on the transfer of Ordinary Shares in the Company other than certain restrictions imposed by laws and regulations (such as insider trading and marketing requirements relating to closed periods) and requirements of the UK Listing Rules whereby Directors and certain employees of the Company require Board approval to deal in the Company's securities.

Change of control

The Company is not party to any significant agreements which take effect, alter or terminate solely on a change of control of the Company following a takeover bid.

There are no agreements between the Company and its Directors or employees providing for additional compensation for loss of office or employment (whether through resignation, redundancy or otherwise) that occurs because of a takeover bid.

Details of the rights of employees to exercise options on a change of control of the Company are set out in the Remuneration Policy found on pages 91 to 100 of this report.

Share capital and treasury shares

The Company has only one class of shares, Ordinary Shares of 1p each. As at 29 June 2024, its capital comprised 203,426,835 (2023: 203,426,835) fully paid Ordinary Shares of 1p each.

At the 2023 Annual General Meeting, shareholders renewed the Directors' authority to allot shares in the Company. No shares were allotted during the year. A resolution to renew the standard authority will be proposed at the 2024 Annual General Meeting.

At 29 June 2024, the Company held 1,226,461 Ordinary Shares in treasury (2023: 1,712,790).

During the year ended 29 June 2024, the Company did not purchase shares under a buyback authority.

Since the financial year end, 2,286 Ordinary Shares have been moved out of treasury to employees who exercised options under a share incentive scheme. Details of option exercises by Directors are set out in the Remuneration Committee report on page 108.

Further details on the Company's share capital are set out in note 21 to the financial statements

Directors' report continued

Substantial shareholders

At 29 June 2024, the Company had been notified under the Disclosure and Transparency Rules (DTR 5) of the following notifiable interests in the Company's issued share capital. The information provided below was correct at the date of notification. These holdings are likely to have changed since the Company was notified; however, notification of any change is not required until the next notifiable threshold is crossed. Between 29 June 2024 and 11 September 2024 (being the date of this report) the Company has been notified that JP Morgan Asset Management Holdings Inc now holds 10,369,851 Ordinary Shares which equates to 5.13% of the issued share capital.

Notifiable interests	Ordinary shares	Percentage of share capital disclosed	Date of notification
Sir Will Adderley[1]	76,371,779	37.8	15 February 2021
Jean Adderley	9,968,500	4.92	7 July 2021
JP Morgan Asset Management Holdings Inc	10,936,894	5.43	11 December 2022
Jupiter Fund Management PLC	10,044,063	4.95	6 January 2022
Royal London Asset Management Limited	9,907,809	4.91	13 July 2018
abrdn plc	9,565,468	4.74	22 March 2018

1. This includes: (i) 1,967,250 Ordinary Shares held by the Stoneygate Trust and 172,750 Ordinary Shares held by the Paddocks Discretionary Trust, which Sir Will Adderley is deemed to hold a legal interest in by virtue of the fact that he is a trustee of those trusts; and (ii) 11,000,000 Ordinary Shares held by his wife, Lady Nadine Adderley.

Directors and officers

The Directors of the Company who served on the Board during the year, together with details of changes to the Board are set out on page 63. The biographies of the Directors on the Board at the date of this report are set out on pages 60 to 62. Details of the interests of the Directors in shares of the Company can be found in the Annual Report on Remuneration on page 107.

Power of Directors

The business of the Company is managed by the Board, which may exercise all the powers of the Company, subject to the requirements of the Companies Act, the Articles of Association of the Company and any special resolution of the Company. As stated in the Governance report on pages 64 to 66, the Board has adopted internal delegations of authority in accordance with the Code and these set out matters which are reserved to the Board or Committees and the powers and duties of the Chair, the Deputy Chair and the Chief Executive respectively.

Appointment and removal of Directors

The Articles of Association of the Company provide that a Director may be appointed by ordinary resolution of the Company's shareholders in a general meeting, or by the Board so long as the Director stands down and offers him or herself for election at the next Annual General Meeting of the Company.

The Board's policy is that all Directors are subject to annual re-election and therefore should stand down and offer themselves for re-election at each Annual General Meeting. The Articles also provide that each Director must stand down and offer him or herself for re-election by shareholders at the Annual General Meeting at least every three years.

The Nomination Committee makes recommendations to the Board on the appointment and removal of Directors.

Directors may be removed by a special resolution of shareholders, or by an ordinary resolution of which special notice has been given in accordance with the Companies Act 2006. The Articles also provide that the office of a Director shall be vacated if they are prohibited by law from being a Director or are declared bankrupt, and that the Board may resolve that his or her office be vacated if he or she is of unsound mind or is absent from Board meetings without consent for six months or more. A Director may also resign from the Board.

Directors' report continued

Indemnities and insurance

The Company has granted indemnities to each of its Directors and the Company Secretary to the extent permitted by law in respect of costs of defending claims against them and third-party liabilities. A deed of indemnity in favour of each of Ajay Kavan and Dan Taylor was entered into during the year following their appointment as Non-Executive Directors.

All indemnities, the provisions of which are deemed to be qualifying third-party indemnity provisions pursuant to section 234 of the Act, were in force throughout FY24 (or, in the case of Ajay Kavan and Dan Taylor from the date of their respective appointments, and thereafter for the remainder of FY24) and remain in force as at the date of this report.

A copy of each indemnity is available for inspection at the Company's registered office during normal business hours and will be available for inspection at the Company's Annual General Meeting.

The Group maintained Directors' and Officers' liability insurance cover for its Directors and officers as permitted under the Company's Articles of Association and the Companies Act 2006 throughout the financial year.

Managing conflicts of interest and related party matters

The Companies Act 2006 allows the board of a public company to authorise conflicts and potential conflicts of interest of individual Directors where the Articles of Association contain a provision to that effect. The Company's Articles of Association give the Board this authority subject to the following safeguards:

- Directors who have an interest in matters under discussion at a Board meeting must declare that interest and abstain from voting;
- only Directors who have no interest in the matter being considered are able to approve a conflict of interest and, in taking that decision, the Directors must act in a way that they consider, in good faith, would be most likely to promote the success of the Company; and
- the Directors are able to impose limits or conditions when giving authorisation if they feel this is appropriate.

Directors are required to disclose any actual or potential conflicts of interests to the Board immediately when they arise. In addition, a formal process is undertaken each year when all Directors confirm to the Board details of any other directorships and confirm relevant information in connection with related parties.

Further to the above, the Board believes that it has effective procedures in place to monitor and manage conflicts of interest and ensure that any related party transactions involving Directors or their connected persons are conducted on an arm's length basis.

Donations

The Group does not make any political donations.

Public policy

We are members of the British Retail Consortium and support relevant campaigning activity by that body. During the year we have not taken part in any direct lobbying or public policy activity.

Articles of Association

The Company's Articles of Association may only be amended, or new articles adopted, by a special resolution of shareholders.

Independent auditors

In accordance with section 489 of the Companies Act 2006 and the recommendation of the Audit and Risk Committee, a resolution will be proposed at the 2024 AGM to reappoint PricewaterhouseCoopers LLP as the external auditor of the Group.

Important events since 29 June 2024

There have been no important events affecting the Company or any subsidiary since 29 June 2024.

Disclaimer

This Directors' report, the Strategic report and the financial statements contain certain forward-looking statements with respect to the financial condition, results, operations and business of Dunelm Group plc. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. Nothing in this Directors' report, the Strategic report or in the financial statements should be construed as a profit forecast.

This document also contains non-financial information and data. While reasonable steps have been taken to ensure that this is correct, it has not been externally audited or verified unless specifically stated in this document.

Annual General Meeting

The 2024 Annual General Meeting will be held at Dunelm Store Support Centre, Watermead Business Park, Syston, Leicester, Leicestershire, LE7 1AD on Thursday 21 November 2024 at 11:30am.

A formal notice of meeting, explanatory notes and a form of proxy will accompany this Annual Report and financial statements.

This report was reviewed and signed by order of the Board on 11 September 2024.

Luisa Wright
Company Secretary
11 September 2024

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and Accounts 2024 in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the Group financial statements in accordance with UK-adopted international accounting standards and the parent company 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 Group and parent company and of the profit or loss of the Group 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 UK-adopted international accounting standards have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the parent company financial statements, 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 Group and parent company will continue in business.

The Directors are responsible for safeguarding the assets of the Group and parent 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 Group's and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

Each of the Directors, whose names and functions are listed in the Governance report confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the parent company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101, give a true and fair view of the assets, liabilities and financial position of the parent company; and
- the Strategic report includes a fair review of the development and performance of the business and the position of the Group and parent company, together with a description of the principal risks and uncertainties that it faces.

Disclosure of information to the auditor

Each Director in office at the date on which the Directors' report is approved confirms that:

- so far as the Directors are aware, there is no relevant audit information of which the auditor is unaware; and
- the Directors have taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Nick Wilkinson
Chief Executive Officer
11 September 2024

Financial Statements

Independent auditors' report
to the members of Dunelm Group plc

Report on the audit of the financial statements

Opinion
In our opinion:
- Dunelm Group plc's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 29 June 2024 and of the group's profit and the group's cash flows for the 52 week period then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the parent company financial statements 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
- the financial statements 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 Accounts (the "Annual Report"), which comprise: the Consolidated Statement of Financial Position and Parent Company Statement of Financial Position as at 29 June 2024; the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Cash Flows, Consolidated Statement of Changes in Equity and Parent Company Statement of Changes in Equity for the period then ended; the Consolidated Accounting Policies and Parent Company Accounting Policies; and the notes to the financial statements.

Our opinion is consistent with our reporting to the Audit and Risk Committee.

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 group 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 listed public interest entities, 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.

Other than those disclosed in note 3, we have provided no non-audit services to the parent company or its controlled undertakings in the period under audit.

Our audit approach
Overview
Audit scope
- The group is structured with one segment which comprises a consolidation of the parent company and eight additional components.
- For the purposes of the group financial statements, we conducted an audit of the complete financial information of one financially significant component, together with additional procedures performed centrally including auditing the group consolidation.
- We separately audited the parent company financial statements.

Key audit matters
- Inventory provisions (group)
- Recoverability of investments in subsidiary undertakings (parent)

Materiality
- Overall group materiality: £10,300,000 (2023: £9,635,000) based on 5% of profit before tax.
- Overall parent company materiality: £1,550,000 (2023: £2,300,000) based on 1% of total assets.
- Performance materiality: £7,700,000 (2023: £7,225,000) (group) and £1,150,000 (2023: £1,725,000) (parent company).

The scope of our audit
As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters
Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Independent auditors' report continued

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Inventory provisions (group) Refer to the Audit and Risk Committee Report, the Accounting Policies, Note 3 (Operating Profit) and Note 13 (Inventories) to the Consolidated Financial Statements. Inventory represents a significant asset on the Group's balance sheet and is carried at the lower of cost and net realisable value ("NRV"). The Group's accounting policy is to determine a provision based upon: the historic negative margin of the type of inventory, by ageing category, which is calculated by analysing the historic sales price compared to the cost of inventory, and applying a percentage provision to each line of inventory; and a further provision for 'at risk' lines where the calculated provision was not considered to be sufficient.	We tested sales made post period-end to assess whether inventory items were held at the lower of cost and NRV. We examined inventory write-offs in the financial period to assess whether they are consistent with the key assumptions used in the inventory provision model at the year end. We tested the inputs to the provision calculation, including the classification of inventory and sales data for each of the ageing categories from the Buying department, which is segregated from the Finance department. We tested the average cost of inventory by agreeing a sample of inputs to source documentation and testing freight and duty costs. We tested the integrity of the provision model to ensure that it was using the underlying data correctly and calculating provision amounts accurately. We challenged management's assumptions on what they deemed the 'at risk' inventory lines were, and corroborated whether these lines were at risk with the Merchandising team. We also independently challenged the completeness of the 'at risk' lines based on our understanding of the nature of the group's inventory lines. We found that the NRV provision recognised against inventory was consistent with the evidence obtained.
Recoverability of investments in subsidiary undertakings (parent) Refer to note 4 (Investments) to the Parent Company Financial Statements. In accordance with IAS 36 (Impairment of assets), the Parent Company's investments balance of £72.5m (FY23: £68.8m) should be carried at no more than its recoverable amount, being the higher of fair value less costs to sell and its value in use. IAS 36 requires an entity to determine whether there are indications that an impairment loss may have occurred and if so, make a formal estimate of the recoverable amount.	We evaluated whether there are any indications that an impairment loss may have occurred in relation to the Parent Company's investments balance with specific consideration given to the following: • the market capitalisation of the Group is significantly in excess of the investments balance, noting that substantially all of the market capitalisation is considered to be in relation to one indirect subsidiary (Dunelm (Soft Furnishings) Ltd) of the Parent Company; • the trading results of Dunelm (Soft Furnishings) Ltd are not worse than expected and are not expected to be worse in future periods; and • there have not been and are not expected to be any significant changes with an adverse impact in relation to the technological, market, economic or legal environment in which this indirect subsidiary operates. We consider management's conclusion that there are no indicators of impairment to be appropriate.

Independent auditors' report continued

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the parent company, the accounting processes and controls, and the industry in which they operate.

The group is structured with one reporting segment which comprises a consolidation of the parent company and eight additional components.

In establishing the overall approach to the group audit, we identified one component: Dunelm (Soft Furnishings) Ltd, which, as the sole trading legal entity in the Group, required an audit of its complete financial information due to its financial significance to the group.

Further specific audit procedures over central functions including the Group consolidation, equity and taxes were performed.

All audit procedures were performed by the Group Engagement Team. The scoping above gave us the evidence we needed for our opinion on the group financial statements as a whole.

The Parent Company is comprised of one component which was subject to a full scope audit for the purposes of the Parent Company financial statements.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the process adopted to assess the extent of the potential impact of climate risk on the financial statements and to support the disclosures made within the Annual Report.

Our risk assessment was based on enquiry, as well as the review of Dunelm's corporate responsibility reporting and climate related commitments. As detailed in the group accounting policies, management considers that there is no material risk to the financial statements in respect of climate change.

We challenged, based on our knowledge of the business, the impact of climate risk on right-of-use assets and property, plant and equipment, which were considered to be the assets at most risk of the effects of climate change.

We also considered the consistency of the disclosures in relation to climate change (including the disclosures in the Task Force on Climate-related Financial Disclosures (TCFD) section) within the Annual Report with the financial statements and our knowledge obtained from our audit.

Our procedures did not identify any material impact in the context of our audit of the financial statements as a whole, or our key audit matters for the 52 week period ended 29 June 2024.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – group	Financial statements – parent company
Overall materiality	£10,300,000 (2023: £9,635,000).	£1,550,000 (2023: £2,300,000).
How we determined it	5% of profit before tax	1% of total assets
Rationale for benchmark applied	Profit before tax is the primary measure used by the shareholders in assessing the performance of the group and is a generally accepted auditing benchmark.	The parent company does not trade and therefore total assets is considered to be the most appropriate benchmark.

For the component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2023: 75%) of overall materiality, amounting to £7,700,000 (2023: £7,225,000) for the group financial statements and £1,150,000 (2023: £1,725,000) for the parent company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £500,000 (group audit) (2023: £480,000) and £75,000 (parent company audit) (2023: £115,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Independent auditors' report continued

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the parent 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.

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 group's and the parent 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 group's and the parent company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

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 group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Directors' Remuneration

In our opinion, the part of the Remuneration Committee report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the parent company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Independent auditors' report continued

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement, included within the Strategic report and Governance report is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:
- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the group's and parent company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the group's and parent company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the parent company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the group and parent company was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the group and parent company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:
- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's and parent company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit and Risk Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the parent company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

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 group's and the parent 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 group or the parent 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 group 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 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 the Group's whistleblowing log;

Independent auditors' report continued

- 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 (see related key audit matter).

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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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.

Use of this report
This report, including the opinions, has been prepared for and only for the parent 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 parent 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 parent company financial statements and the part of the Remuneration Committee report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment
Following the recommendation of the Audit and Risk Committee, we were appointed by the members on 14 January 2014 to audit the financial statements for the year ended 28 June 2014 and subsequent financial periods. The period of total uninterrupted engagement is eleven years, covering the years ended 28 June 2014 to 29 June 2024.

Other matter

The company is required by the Financial Conduct Authority Disclosure Guidance and Transparency Rules to include these financial statements in an annual financial report prepared under the structured digital format required by DTR 4.1.15R – 4.1.18R and filed on the National Storage Mechanism of the Financial Conduct Authority. This auditors' report provides no assurance over whether the structured digital format annual financial report has been prepared in accordance with those requirements.

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

11 September 2024

Consolidated Income Statement
For the 52 weeks ended 29 June 2024

	Note	**2024 52 weeks £'m**	2023 52 weeks £'m
Revenue	1	**1,706.5**	1,638.8
Cost of sales		**(823.2)**	(817.9)
Gross profit		**883.3**	820.9
Operating costs	2	**(670.0)**	(622.1)
Operating profit	3	**213.3**	198.8
Financial income	5	**2.0**	1.7
Financial expenses	5	**(9.9)**	(7.8)
Profit before taxation		**205.4**	192.7
Taxation	6	**(54.2)**	(40.8)
Profit for the period		**151.2**	151.9
Earnings per Ordinary Share – basic	8	**74.7p**	75.2p
Earnings per Ordinary Share – diluted	8	**74.4p**	75.0p

Consolidated 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		**151.2**	151.9
Other comprehensive income/(expense):			
Items that may be subsequently reclassified to profit or loss:			
Movement in fair value of cash flow hedges	18	**0.2**	(14.0)
Deferred tax on hedging movements	13	**(1.0)**	6.6
Other comprehensive Income/(expense) for the period, net of tax		**(0.8)**	(7.4)
Total comprehensive income for the period		**150.4**	144.5

Consolidated 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**	–
Deferred tax assets	13	**1.8**	6.9
Derivative financial instruments	18	**0.1**	–
Total non-current assets		**409.1**	413.4
Current assets			
Inventories	14	**223.0**	211.0
Trade and other receivables	15	**26.2**	24.3
Derivative financial instruments	18	**0.3**	1.8
Cash and cash equivalents	16	**23.4**	46.3
Total current assets		**272.9**	283.4
Total assets		**682.0**	696.8
Current liabilities			
Trade and other payables	17	**(205.0)**	(208.1)
Lease liabilities	11	**(52.1)**	(53.4)
Current tax liability		**(1.5)**	(0.2)
Derivative financial instruments	18	**(4.9)**	(7.9)
Total current liabilities		**(263.5)**	(269.6)
Non-current liabilities			
Bank loans	19	**(77.0)**	(75.9)
Lease liabilities	11	**(197.5)**	(204.8)
Provisions	20	**(5.5)**	(5.9)
Derivative financial instruments	18	**(0.6)**	(3.1)
Total non-current liabilities		**(280.6)**	(289.7)
Total liabilities		**(544.1)**	(559.3)
Net assets		**137.9**	137.5

	Note	29 June 2024 £'m	1 July 2023 £'m
Equity			
Issued share capital	21	**2.0**	2.0
Share premium account		**1.7**	1.7
Capital redemption reserve		**43.2**	43.2
Hedging reserve		**(3.8)**	(6.9)
Retained earnings		**94.8**	97.5
Total equity attributable to equity holders of the Parent		**137.9**	137.5

The financial statements on pages 128 to 151 were approved by the Board of Directors on 11 September 2024 and were signed on its behalf by:

Karen Witts
Chief Financial Officer
11 September 2024

Consolidated Statement of Cash Flows

For the 52 weeks ended 29 June 2024

	Note	2024 52 weeks £'m	2023 52 weeks £'m
Cash flows from operating activities			
Profit before taxation		**205.4**	192.7
Net financial expense	5	**7.9**	6.1
Operating profit		**213.3**	198.8
Depreciation and amortisation of property, plant and equipment and intangible assets	3	**30.4**	29.8
Depreciation of right-of-use assets	3	**50.2**	49.3
Loss on disposal and impairment of property, plant and equipment and intangible assets	3	**0.5**	0.3
Impairment of right-of-use assets	3	**0.9**	–
Share-based payments expense		**4.3**	4.8
Operating cash flows before movements in working capital		**299.6**	283.0
(Increase)/decrease in inventories		**(12.0)**	12.0
Increase in trade and other receivables		**(1.9)**	(1.6)
Decrease in trade and other payables		**(3.8)**	(14.6)
Net movement in working capital		**(17.7)**	(4.2)
Tax paid		**(49.6)**	(38.2)
Net cash generated from operating activities		**232.3**	240.6
Cash flows from investing activities			
Acquisition of intangible assets		**(2.6)**	(0.4)
Acquisition of property, plant and equipment		**(29.8)**	(21.4)
Acquisition of Investment Property		**(7.5)**	–
Interest received		**1.6**	1.1
Net cash used in investing activities		**(38.3)**	(20.7)

	Note	2024 52 weeks £'m	2023 52 weeks £'m
Cash flows from financing activities			
Proceeds from issue of treasury shares and Ordinary Shares	22	**0.1**	2.4
Purchase of treasury shares	22	**–**	(7.0)
Drawdowns on Revolving Credit Facility		**110.0**	139.0
Repayments of Revolving Credit Facility		**(108.0)**	(116.0)
Interest paid and loan transaction costs		**(4.9)**	(2.2)
Interest paid on lease liabilities	11	**(6.1)**	(5.3)
Repayment of principal element of lease liabilities		**(50.8)**	(52.0)
Dividends paid	7	**(157.6)**	(163.3)
Net cash used in financing activities		**(217.3)**	(204.4)
Net (decrease)/increase in cash and cash equivalents		**(23.3)**	15.5
Foreign exchange revaluations	5	**0.4**	0.6
Cash and cash equivalents at the beginning of the period	16	**46.3**	30.2
Cash and cash equivalents at the end of the period	16	**23.4**	46.3

Consolidated Statement of Changes in Equity

For the 52 weeks ended 29 June 2024

	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		–	–	–	–	151.9	151.9
Movement in fair value of cash flow hedges	18	–	–	–	(14.0)	–	(14.0)
Deferred tax on hedging movements	13	–	–	–	6.6	–	6.6
Total comprehensive income for the period		–	–	–	(7.4)	151.9	144.5
Proceeds from issue of treasury shares	22	–	–	–	–	2.4	2.4
Purchase of treasury shares	22	–	–	–	–	(7.0)	(7.0)
Share-based payments	23	–	–	–	–	4.8	4.8
Deferred tax on share-based payments	13	–	–	–	–	(3.1)	(3.1)
Current tax on share options exercised		–	–	–	–	0.6	0.6
Movement on cash flow hedges transferred to inventory	18	–	–	–	(19.7)	–	(19.7)
Ordinary dividends paid	7	–	–	–	–	(163.3)	(163.3)
Total transactions with owners, recorded directly in equity		–	–	–	(19.7)	(165.6)	(185.3)

	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		–	–	–	–	151.2	151.2
Movement in fair value of cash flow hedges	18	–	–	–	0.2	–	0.2
Deferred tax on hedging movements	13	–	–	–	(1.0)	–	(1.0)
Total comprehensive income for the period		–	–	–	(0.8)	151.2	150.4
Proceeds from issue of treasury shares	22	–	–	–	–	0.1	0.1
Purchase of treasury shares	22	–	–	–	–	–	–
Share-based payments	23	–	–	–	–	4.3	4.3
Deferred tax on share-based payments	13	–	–	–	–	(1.3)	(1.3)
Current tax on share options exercised		–	–	–	–	0.6	0.6
Movement on cash flow hedges transferred to inventory	18	–	–	–	3.9	–	3.9
Ordinary dividends paid	7	–	–	–	–	(157.6)	(157.6)
Total transactions with owners, recorded directly in equity		–	–	–	3.9	(153.9)	(150.0)
As at 29 June 2024		**2.0**	**1.7**	**43.2**	**(3.8)**	**94.8**	**137.9**

Consolidated Accounting Policies

For the 52 weeks ended 29 June 2024

General information

The Group financial statements consolidate those of Dunelm Group plc ('the Company') and its subsidiaries (together referred to as 'the Group'). The Company financial statements on pages 128 to 151 present information about the Company as a separate entity and not about its Group.

Dunelm Group plc and its subsidiaries are incorporated and domiciled in the UK, and registered in England and Wales. 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, Leicester, Leicestershire, England, LE7 1AD.

The primary business activity of the Group 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).

The financial statements of Dunelm Group plc have 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. These financial statements are presented on pages 128 to 151.

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

The annual financial statements are prepared under the historical cost convention except for financial assets and financial liabilities (including derivative financial instruments and share-based payments), which have been stated at fair value. 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 Group'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 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 Group's going concern assessment or on the viability of the Group over the next five 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 FY24 and FY25 is required to breach the RCF limit by the end of FY25, 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) and capital investment in new stores and refits, and reducing headcount.

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

Further detail in respect of the Directors' going concern assessment is included in the going concern statement on page 55.

Further information regarding the Group's business activities, together with the factors likely to affect its future development, performance and position is set out in the Strategic Report on pages 1 to 55. In addition, note 18 includes the Group's objectives, policies, and processes for managing its capital, its financial risk management objectives and its exposures to credit risk and liquidity risk.

Use of estimates and judgements

Based on 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 does, 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.

Consolidated Accounting Policies continued

Inventory provisions
The Group 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.

Basis of consolidation
Subsidiaries
Subsidiaries are entities controlled by the Company. The Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases.

Transactions eliminated on consolidation
Intra-group balances, and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the Consolidated Financial Statements. Consistent accounting policies have been adopted across the Group.

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

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 16. 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 Group has two types of products; stocked products and products which are sent directly from suppliers to customers. Management has established that the Group 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 Group holds a sales return provision in the Consolidated 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 Group 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 method, interest receivable on funds invested and related foreign exchange gains and losses.

Retirement benefits
The Group 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 Consolidated Income Statement as incurred.

Share-based payments
The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. 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 condition (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.

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 Group 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 Consolidated Income Statement, with a corresponding adjustment to equity.

Consolidated Accounting Policies continued

When options are exercised, the Company either issues new shares, or uses treasury shares purchased for this purpose. For newly issued shares, the proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and the share premium account.

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 Consolidated Statement of Financial Position date. Resulting exchange gains or losses are recognised in the Consolidated 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 Consolidated 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 Consolidated 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 Consolidated 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 Group is obligated to pay the dividend.

Intangible assets
Intangible assets comprise of software development, licences, rights to brands and customer lists and are stated at cost less accumulated amortisation and impairment. Costs incurred in developing the Group'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 Group 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 lives.

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

Software development and licences	3 to 5 years
Rights to brands and customer lists	5 to 15 years

Consolidated Accounting Policies continued

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.

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.

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 Group 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 Group uses the definition of a lease in IFRS 16.

Right-of-use assets

The Group 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 of right-of-use assets is included in operating costs in the Consolidated Income Statement.

Lease liabilities

At the commencement date of the lease, the Group 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 Group 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 Consolidated Income Statement.

Short-term leases and leases of low-value assets

The Group 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.

Consolidated Accounting Policies continued

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 Consolidated Cash Flow Statement.

Financial instruments

Recognition and measurement

At initial recognition, the Group 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 Consolidated 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 Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group 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 Consolidated Income Statement and presented in other gains/(losses) together with foreign exchange gains and losses; and
- **FVPL:** All other financial assets that do not meet the criteria for amortised cost are measured at FVPL, unless the Group 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 Consolidated Income Statement in the period in which it arises.

Impairment of financial assets

The Group uses a forward-looking approach to assess the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

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 Group'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 Consolidated 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 Consolidated Income Statement, within operating costs.

When option contracts are used to hedge forecast transactions, the Group designates only the intrinsic value of the options as the hedging instrument.

Gains or losses relating to the effective portion of the change in intrinsic value of the options and time value of options are recognised in the cash flow hedge reserve within equity.

When forward contracts are used to hedge forecast transactions, the Group 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 Consolidated 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 Consolidated Income Statement.

Consolidated Accounting Policies continued

Offsetting financial instruments
Financial assets and liabilities are offset, and the net amount reported in the Consolidated Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

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.

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 Group has an unconditional right to defer settlement of the liability for at least 12 months from the Consolidated Statement of Financial Position date.

Impairment of non-financial assets
The carrying amounts of the Group's assets are reviewed annually at each Consolidated 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 Consolidated Income Statement.

Share capital
Where the Group purchases its own equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to the Group's equity holders until the shares are cancelled or reissued. Where such shares are subsequently sold or reissued, any consideration received net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Group's equity holders.

Provisions
A provision is recognised in the Consolidated Statement of Financial Position when the Group 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 Group 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.

Climate change
Climate change risks including the impact of achieving the Group's carbon emissions reduction targets and the risks identified in the TCFD disclosures on pages 46 to 54 have been considered and assessed in the preparation of the Consolidated Financial Statements for the period to 29 June 2024.

There has been no material impact identified on the financial reporting judgements and estimates applied in the preparation of the Group's Consolidated Financial Statements as a result of climate change risks.

Consolidated Accounting Policies continued

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 Consolidated 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 (2023: 5.0 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; and
- 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.

New standards and interpretations

The Group 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; and
- amendments to IAS 12: International Tax Reform – Pillar Two Model Rules.

The Group 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 Group on adoption.

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

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; and
- 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 Group's accounting policies nor have any other material impact on the financial position or performance of the Group.

Notes to the Consolidated Financial Statements

For the 52 weeks ended 29 June 2024

1. 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 their journey often involves more than one channel. Therefore, internal reporting focuses on the Group as a whole and does not identify individual segments.

The Chief Operating Decision-maker is the Executive Board of Directors of Dunelm Group plc. 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. The list of our financial and non-financial KPIs can be found on pages 26 to 27.

Management believes that these measures are the most relevant in evaluating the performance of the Group and for making resource allocation decisions.

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

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

2. Operating costs

	2024 52 weeks £'m	2023 52 weeks £'m
Selling and distribution costs	**528.6**	489.7
Tech and support expenses	**141.4**	132.4
	670.0	622.1

Notes to the Consolidated Financial Statements continued

3. 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	**0.5**	0.3
Impairment of right-of-use assets	**0.9**	–
Expense related 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).

The analysis of the auditor remuneration is as follows:

	2024 52 weeks £'000	2023 52 weeks £'000
Fees payable to the Group's auditor for the audit of the Parent and consolidated annual financial statements	**37**	34
Fees payable to the Group's auditor and its associates for other services to the Group		
– Audit of the Company's subsidiaries pursuant to legislation	**322**	293
– Other assurance services (See Audit and Risk Committee Report on page 85 for further information)	**50**	46

4. Employee numbers and costs
The average monthly number of people employed by the Group (including Directors) was:

	2024 52 weeks Number of heads	**2024 52 weeks Full time equivalents**	2023 52 weeks Number of heads	2023 52 weeks Full time equivalents
Selling	**9,591**	**5,258**	9,446	5,252
Distribution	**1,148**	**1,110**	1,057	1,026
Administration	**1,170**	**1,153**	1,099	1,082
	11,909	**7,521**	11,602	7,360

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

	2024 52 weeks £'m	2023 52 weeks £'m
Wages and salaries (including termination benefits)	**248.0**	224.8
Social security costs	**17.6**	16.1
Share-based payment expense	**4.3**	4.8
Pension costs – defined contribution plans	**6.9**	6.2
	276.8	251.9

Details of Directors' remuneration, share options, long-term incentive schemes and pension entitlements are disclosed in the Remuneration Report on pages 88 to 115 and in the Related Parties note (note 26).

5. Financial income and expenses

	2024 52 weeks £'m	2023 52 weeks £'m
Financial income		
Interest on bank deposits	**1.6**	1.1
Net foreign exchange gains	**0.4**	0.6
	2.0	1.7
Financial expenses		
Interest on bank borrowings	**(3.0)**	(2.2)
Amortisation of issue costs of bank loans	**(0.8)**	(0.3)
Interest on lease liabilities	**(6.1)**	(5.3)
	(9.9)	(7.8)
Net financial expense	**(7.9)**	(6.1)

Notes to the Consolidated Financial Statements continued

6. Taxation

	2024 52 weeks £'m	2023 52 weeks £'m
Current taxation		
UK corporation tax charge for the period	**51.8**	40.0
Adjustments in respect of prior periods	**(0.4)**	0.1
	51.4	40.1
Deferred taxation		
Origination of temporary differences	**2.9**	0.7
Adjustments in respect of prior periods	**(0.1)**	0.1
Impact of change in tax rate	**–**	(0.1)
	2.8	0.7
Total tax expense	**54.2**	40.8

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

	2024 52 weeks £'m	2023 52 weeks £'m
Profit before taxation	**205.4**	192.7
UK corporation tax at standard rate of 25.0% (2023: 20.5%)	**51.4**	39.5
Factors affecting the charge in the period:		
Non-deductible expenses	**3.2**	1.2
Adjustments in respect of prior periods	**(0.5)**	0.2
Profit on disposal of ineligible assets	**0.1**	–
Impact of change in tax rate	**–**	(0.1)
Tax expense	**54.2**	40.8

The taxation expense for the period as a percentage of profit before tax is 26.4% (2023: 21.2%).

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 1 July 2023 has been calculated based on the rate of 25.0%.

Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions in which the Group operates. The legislation will be effective for the Group's financial year beginning 30 June 2024. The Group has performed an assessment of the Group's potential exposure to Pillar Two income taxes. This assessment is based on the most recent information available regarding the financial performance of the constituent entities in the Group. Based on the assessment performed, the Pillar Two effective tax rates in all jurisdictions in which the Group operates are above 15% and management is not currently aware of any circumstances under which this might change. Therefore, the Group does not expect a potential exposure to Pillar Two top up taxes.

7. Dividends

The dividends set out in the table below relate to the 1 pence Ordinary Shares:

Dividend type	In respect of period ended	Pence per share	2024 52 weeks £'m	2023 52 weeks £'m
Final	2 July 2022	26.0	–	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	–
Interim	29 June 2024	16.0	32.3	–
Special	29 June 2024	35.0	70.8	–
			157.6	163.3

The Board is proposing a final dividend of 27.5 pence per Ordinary Share for the period ended 29 June 2024 which equates to £55.6m. Subject to shareholder approval at the AGM this will be paid on 26 November 2024. The ex-dividend date is 31 October 2024 and the record date is 1 November 2024.

8. Earnings per Ordinary 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 (note 22).

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 Group's Ordinary Shares during the period.

	2024 52 weeks £'m	2023 54 weeks £'m
Profit for the period	**151.2**	151.9

Weighted average numbers of shares:

	2024 52 weeks '000	2023 52 weeks '000
Weighted average number of shares in issue during the period	**202,355**	201,917
Impact of share options	**893**	746
Number of shares for diluted earnings per share	**203,248**	202,663

Notes to the Consolidated Financial Statements continued

8. Earnings per Ordinary Share continued

	2024 52 weeks £p	2023 54 weeks £p
Earnings per Ordinary Share – basic	**74.7p**	75.2p
Earnings per Ordinary Share – diluted	**74.4p**	75.0p

9. Intangible assets

	Software development and licences £'m	Rights to brands and customer lists £'m	Total £'m
Cost			
At 2 July 2022	52.6	11.5	64.1
Additions	0.1	–	0.1
Disposals	(0.7)	–	(0.7)
At 1 July 2023	52.0	11.5	63.5
Additions	2.6	–	2.6
Disposals	(0.2)	–	(0.2)
At 29 June 2024	**54.4**	**11.5**	**65.9**
Accumulated amortisation			
2 July 2022	43.2	11.0	54.2
Charge for the financial period	4.5	0.1	4.6
Disposals	(0.6)	–	(0.6)
At 1 July 2023	47.1	11.1	58.2
Charge for the financial period	4.0	0.1	4.1
Disposals	(0.2)	–	(0.2)
At 29 June 2024	**50.9**	**11.2**	**62.1**
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 Consolidated 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) related to internally generated assets.

10. Property, plant and equipment

	Freehold land and buildings £'m	Leasehold improvements £'m	Fixtures, fittings and equipment £'m	Total £'m
Cost				
At 2 July 2022	107.0	164.0	132.2	403.2
Transfer	–	0.2	(0.2)	–
Additions	–	10.2	11.4	21.6
Disposals	–	(7.2)	(3.1)	(10.3)
At 1 July 2023	107.0	167.2	140.3	414.5
Transfer	(0.2)	0.2	–	–
Additions	0.3	13.4	15.8	29.5
Disposals	–	(6.8)	(4.3)	(11.1)
At 29 June 2024	**107.1**	**174.0**	**151.8**	**432.9**
Accumulated depreciation				
At 2 July 2022	19.9	97.7	111.9	229.5
Transfer	0.1	0.1	(0.2)	–
Charge for the financial period	1.8	14.3	9.1	25.2
Disposals	–	(7.0)	(3.1)	(10.1)
At 1 July 2023	21.8	105.1	117.7	244.6
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	**23.6**	**112.3**	**124.0**	**259.9**
Net book value				
At 2 July 2022	87.1	66.3	20.3	173.7
At 1 July 2023	85.2	62.1	22.6	169.9
At 29 June 2024	**83.5**	**61.7**	**27.8**	**173.0**

All depreciation charges have been included within operating costs in the Consolidated 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 the impairment review was based on a value in use, applying a pre-tax discount rate of 12.5%.

Notes to the Consolidated Financial Statements continued

11. Leases

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

	2024 Land and buildings £'m	2024 Motor vehicles, plant and equipment £'m	2024 Total £'m	2023 Total £'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 included £5.2m of lease modifications in the period (2023: £nil).

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 Consolidated Statement of Financial Position at 29 June 2024 were as follows:

	2024 Land and buildings £'m	2024 Motor vehicles, plant and equipment £'m	2024 Total £'m	2023 Total £'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 reflects our incremental borrowing rate which we assess by considering the marginal rate on the Group's Revolving Credit Facility ('RCF'), the Bank of England base rate, the yield on Government bonds and the term of the lease.

The maturity analysis of the lease liabilities is as follows:

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

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

	2024 £'m	2023 £'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 Consolidated Income Statement:

	2024 52 weeks Land and buildings £'m	2024 52 weeks Motor vehicles, plant and equipment £'m	2024 52 weeks Total £'m	2023 52 weeks Total £'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 properties

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 store in the future upon expiry of the existing lease.

Notes to the Consolidated Financial Statements continued

13. 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 £'m	2023 £'m	**2024 £'m**	2023 £'m	**2024 £'m**	2023 £'m
Property, plant and equipment	**–**	–	**(2.7)**	(0.8)	**(2.7)**	(0.8)
Share-based payments	**3.0**	5.1	**–**	–	**3.0**	5.1
Hedging	**1.3**	2.3	**–**	–	**1.3**	2.3
Other temporary differences	**0.4**	0.5	**(0.2)**	(0.2)	**0.2**	0.3
	4.7	7.9	**(2.9)**	(1.0)	**1.8**	6.9

	Assets		Liabilities		Net assets/(liabilities)	
	2024 £'m	2023 £'m	**2024 £'m**	2023 £'m	**2024 £'m**	2023 £'m
Deferred tax recoverable/(payable) after more than 12 months	**1.9**	2.1	**(2.9)**	(1.0)	**(1.0)**	1.1
Deferred tax recoverable/(payable) within 12 months	**2.8**	5.8	**–**	–	**2.8**	5.8
	4.7	7.9	**(2.9)**	(1.0)	**1.8**	6.9

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

	Balance at 2 July 2022 £'m	Recognised in income £'m	Recognised in equity £'m	Balance at 1 July 2023 £'m
Property, plant and equipment	0.7	(1.5)	–	(0.8)
Share-based payments	7.5	0.7	(3.1)	5.1
Hedging	(4.3)	–	6.6	2.3
Other temporary differences	0.2	0.1	–	0.3
	4.1	(0.7)	3.5	6.9

	Balance at 1 July 2023 £'m	Recognised in income £'m	Recognised in equity £'m	**Balance at 29 June 2024 £'m**
Property, plant and equipment	(0.8)	(1.9)	–	**(2.7)**
Share-based payments	5.1	(0.8)	(1.3)	**3.0**
Hedging	2.3	–	(1.0)	**1.3**
Other temporary differences	0.3	(0.1)	–	**0.2**
	6.9	(2.8)	(2.3)	**1.8**

14. Inventories

	2024 £'m	2023 £'m
Raw materials	**1.3**	1.6
Work in progress	**0.1**	–
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 Consolidated Income Statement.

15. Trade and other receivables

	2024 £'m	2023 £'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).

Notes to the Consolidated Financial Statements continued

16. Cash and cash equivalents

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

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

17. Trade and other payables

	2024 £'m	2023 £'m
Trade payables	**92.3**	94.6
Accruals	**67.3**	63.5
Deferred income	**12.5**	12.5
Taxation and social security	**32.3**	37.3
Other payables	**0.6**	0.2
	205.0	208.1

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.

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

18. Financial risk management

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

Group 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 up to £60.0m. All other parties are limited to £25.0m.

The Group'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 £'m	2023 £'m
Current		
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

Credit risk

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 Group 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 Group operates.

The Group 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 Group may still choose to pursue enforcement in order to recover the amounts due.

Notes to the Consolidated Financial Statements continued

18. Financial risk management continued

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.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group'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. The Group manages this risk by regularly monitoring cash flow forecasts. Further details of the Group'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, certain 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 Group's committed RCF.

Interest rate risk

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

During the period, if SONIA interest rates 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 Group'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 30.0% (2023: 30.0%) of stock purchases in the period ended 29 June 2024.

The Group 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 100.0% of anticipated expenditure on a three-month horizon, stepping down to 75.0% on a four- to 12-month horizon and 50.0% 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).

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

The Board's objective with respect to capital management is to ensure the Group continues as a going concern in order to optimise returns to shareholders. The Board regularly monitors the level of capital in the Group 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 as shown below. In addition, the Company maintains £10m of uncommitted overdraft facilities with one syndicate partner bank.

Notes to the Consolidated Financial Statements continued

18. Financial risk management continued

The gearing ratio and banking covenants were as follows:

	2024 £'m	2023 £'m
Total borrowings (note 19)	**79.0**	77.0
Less: cash and cash equivalents (note 16)	**(23.4)**	(46.3)
Net debt	**55.6**	30.7
Less: unamortised debt issue costs (note 19)	**(2.0)**	(1.1)
Net debt including unamortised debt issue costs	**53.6**	29.6
Total equity	**137.9**	137.5
Total capital	**191.5**	167.1
Gearing ratio	**28.0%**	17.7%

	2024 52 weeks £'m	2023 52 weeks £'m
Operating profit	**213.3**	198.8
Add: Depreciation and amortisation of property, plant and equipment and intangible assets (note 3)	**30.4**	29.8
Add: Loss on disposal and impairment of property, plant and equipment and intangible assets (note 3)	**0.5**	0.3
Adjusted EBITDA	**244.2**	228.9
Leverage ratio	**0.22**	0.13
Adjusted EBITDA	**244.2**	228.9
Add: RoUA impairment	**0.9**	–
Add: RoUA depreciation	**50.2**	49.3
EBITDA	**295.3**	278.2
Add: Rent	**4.3**	4.5
EBITDAR	**299.6**	282.7
Net interest (note 5)	**7.9**	6.1
Rent plus RoUA depreciation	**54.5**	53.8
Fixed charges	**62.4**	59.9
Fixed charge cover	**4.8**	4.7

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 Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The Group 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 Group 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 Group or the derivative counterparty.

Market risk

The Group has the option to use a combination of foreign currency options and foreign currency forwards to hedge its exposure to foreign currency risk.

The Group 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 £'m	2023 £'m
Foreign currency forwards		
Carrying amount of (liability)/asset	**(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 year (including forward points)	**£1:US$1.2445**	£1:US$1.2998

Notes to the Consolidated Financial Statements continued

18. Financial risk management continued

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); 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.

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)
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	–	(492.4)	(11.0)	(503.4)
Net financial assets/(liabilities)	59.6	(492.4)	(9.2)	(442.0)

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 and other payables	**–**	**(92.9)**	**–**	**(92.9)**
Accruals	**–**	**(67.3)**	**–**	**(67.3)**
Lease liabilities	**–**	**(249.6)**	**–**	**(249.6)**
Bank loans	**–**	**(77.0)**	**–**	**(77.0)**
Derivative financial instruments	**–**	**–**	**(5.5)**	**(5.5)**
Total financial liabilities	**–**	**(486.8)**	**(5.5)**	**(492.3)**
Net financial assets/(liabilities)	**37.7**	**(486.8)**	**(5.1)**	**(454.2)**

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

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

19. Bank loans

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

Borrowings relate to the Group's syndicated Revolving Credit Facility, as described in note 18.

Notes to the Consolidated Financial Statements continued

19. Bank loans continued

The analysis below shows the reconciliation of net debt:

	2024 52 weeks £'m	2023 52 weeks £'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)	**(23.3)**	15.5
Effect of foreign exchange (note 5)	**0.4**	0.6
Repayments of Revolving Credit Facility	**108.0**	116.0
Drawdowns of Revolving Credit Facility	**(110.0)**	(139.0)
Movement in net debt	**(24.9)**	(6.9)
Net debt represented by		
Cash and cash equivalents (note 16)	**23.4**	46.3
Non-current borrowings (note 19)	**(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)

20. Provisions

	Balance at 2 July 2023 £'m	Utilised in the period £'m	Created in the period £'m	Released in the period £'m	Balance at 29 June 2024 £'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 Group's future liabilities.

21. Issued share capital

	2024 Number of Ordinary Shares of 1p each	2023 Number of Ordinary Shares of 1p each
In issue at the start of the period	**203,426,835**	203,426,835
Issued during the period in respect of share option schemes	**–**	–
In issue at the end of the period	**203,426,835**	203,426,835

	2024 Number of shares	2024 £'m	2023 Number of shares	2023 £'m
Ordinary shares of 1p each:				
Authorised	**500,000,000**	**5.0**	500,000,000	5.0
Allotted, called up and fully paid	**203,426,835**	**2.0**	203,426,835	2.0

Proceeds received in relation to shares issued during the period were £nil (2023: £nil).

22. Treasury shares

	2024 Number of shares	2024 £'m	2023 Number of shares	2023 £'m
Outstanding at the beginning of the period	**1,712,790**	**16.0**	1,686,200	17.5
Purchased during the period	**–**	**–**	908,064	7.0
Reissued during the period in respect of share option schemes	**(486,329)**	**(4.5)**	(881,474)	(8.5)
Outstanding at the end of the period	**1,226,461**	**11.5**	1,712,790	16.0

The Group reissued 486,329 (2023: 881,474) treasury shares during the period for a total value of £4.5m (2023: £8.5m). The Group acquired nil (2023: 908,064) shares through purchases on the London Stock Exchange during the period for a total value of £nil (2023: £7.0m).

Proceeds from the issue of treasury shares included in the Consolidated Statement of Cash Flows and Consolidated Statement of Changes in Equity of £0.1m (2023: £2.4m) is the amount employees contributed.

The Group has the right to reissue the remaining treasury shares at a later date.

23. Share-based payments

The Group operates a number of share-based payment schemes as follows:

Dunelm Group Savings Related Share Option Plan (Sharesave)

The Dunelm Group plc 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 20.0%. 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 accounted for as equity-settled awards under IFRS 2.

Notes to the Consolidated Financial Statements continued

23. Share-based payments continued

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

Sharesave Plans	2024 No. of options	2024 Weighted average exercise price (p)	2023 No. of options	2023 Weighted average exercise price (p)
Outstanding at beginning of period	**2,214,266**	**717.67**	1,182,512	923.00
Granted	**614,293**	**810.00**	2,063,669	667.00
Exercised	**(22,174)**	**658.94**	(371,564)	634.54
Forfeited	**(371,340)**	**754.03**	(660,351)	973.79
Outstanding at end of period	**2,435,045**	**735.95**	2,214,266	717.67
Exercisable at end of period	**78,984**	**1,167.00**	30,550	654.00

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 figure of 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:

Sharesave Plans	2024 No. of options	2024 Weighted average remaining contractual life (years)	2023 No. of options	2023 Weighted average remaining contractual life (years)
Exercise price (pence):				
654.00	**–**	**–**	19,110	–
667.00	**1,683,046**	**2.0**	1,928,943	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
	2,435,045	**2.1**	2,214,266	2.8

Long-Term Incentive Plan (LTIP)

As explained in the Remuneration Report, the Group operates an equity-settled LTIP scheme for Executive Directors and other senior colleagues. Performance conditions for the LTIP awards are detailed in the Remuneration Report. LTIP options are also accounted for as equity-settled awards under IFRS 2.

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

LTIP awards	2024 No. of options	2023 No. of options
Outstanding at beginning of period	**1,897,942**	1,465,667
Granted	**579,517**	754,112
Dividend equivalent awarded in the period	**67,275**	122,382
Exercised	**(348,727)**	(345,487)
Forfeited	**(204,096)**	(98,732)
Outstanding at end of period	**1,991,911**	1,897,942
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 8.1 years (2023: 8.1 years).

Restricted Stock Award (RSA)

These awards are granted to particular individuals and are dependent on continuing employment. The only performance condition is that the threshold diluted earnings per share as per the LTIP conditions is met as detailed in the Remuneration Report on pages 88 to 115. 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:

Restricted Stock Awards	2024 No. of options	2023 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).

Notes to the Consolidated Financial Statements continued

23. Share-based payments continued

Bonus Deferred Shares Award

The Bonus Deferred Shares Award provides options over shares in Dunelm Group plc for colleagues of the Group 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, determined by their achievement of a mixture of Group and individual performance metrics, divided by a share price value of 1,189.00p which was approved at the November 2020 AGM. The deferred shares awarded vested in September 2021 and/or September 2022, depending on colleague level.

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

Bonus Deferred Shares Award	2024 No. of options	2023 No. of options
Outstanding at beginning of period	**2,783**	158,398
Dividend equivalent awarded in the period	**–**	–
Exercised	**–**	(151,667)
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).

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 Group'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	**1,086.00p–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	**736.90–1,086.20p**	623.30p–839.10p

The charge to the Income Statement for all share option schemes is disclosed in note 4.

24. Commitments

As at the period end date, the Group had entered into capital contracts for new stores and refits amounting to £1.5m (2023: £8.1m).

25. Contingent liabilities

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

26. Related parties

Identity of related parties

The Group has related party relationships with its subsidiaries and with its Directors. Transactions between the Group and its subsidiaries, which are related parties, have been eliminated on consolidation for the Group. A list of subsidiaries can be found in note C4 to the Parent Company Financial Statements.

Notes to the Consolidated Financial Statements continued

26. Related parties continued

Key management personnel

The key management personnel of the Group comprise members of the Board of Directors and the Executive Board.

Directors of the Company and their close relatives control 42.7% (2023: 42.7%) of the voting shares of the Company.

Disclosures relating to remuneration of Directors are set out in the Remuneration Report on pages 88 to 115. The remuneration of the key management personnel is set out below:

	2024 52 weeks £'m	2023 52 weeks £'m
Wages and salaries	**3.7**	3.8
Termination benefits	**–**	0.1
Short-term employee benefits	**2.0**	3.1
Post-employment benefits	**0.1**	0.1
Share-based payments (including NI)	**1.0**	1.9
	6.8	9.0

The amount of gains made by Directors on the exercise of share options are disclosed in the Remuneration Report on page 108.

From time to time Directors of the Group, or their related entities, may purchase goods from the Group. These purchases are on the same terms and conditions as those entered into by other Group employees and values involved are trivial.

27. Ultimate controlling party

The Directors consider that there is no ultimate controlling party of Dunelm Group plc.

Parent Company Statement of Financial Position

As at 29 June 2024

	Note	**29 June 2024 £'m**	1 July 2023 £'m
Non-current assets			
Investments in subsidiary undertakings	C4	**72.5**	68.8
Deferred tax assets	C5	**0.4**	0.6
Total non-current assets		**72.9**	69.4
Current assets			
Trade and other receivables	C6	**84.7**	162.3
Total current assets		**84.7**	162.3
Total assets		**157.6**	231.7
Current liabilities			
Trade and other payables	C7	**(0.2)**	(0.3)
Total current liabilities		**(0.2)**	(0.3)
Total liabilities		**(0.2)**	(0.3)
Net assets		**157.4**	231.4
Equity			
Issued share capital	C11	**2.0**	2.0
Share premium account		**1.7**	1.7
Non-distributable reserves		**27.4**	23.6
Capital redemption reserve		**43.2**	43.2
Retained earnings		**83.1**	160.9
Total equity attributable to equity holders of the Parent		**157.4**	231.4

The Company made a profit after tax of £79.3m (2023: £230.9m).

The financial statements on pages 151 to 156 were approved by the Board of Directors on 11 September 2024 and were signed on its behalf by:

Karen Witts
Director
Company number 04708277
11 September 2024

Parent Company Statement of Changes in Equity

For the 52 weeks ended 29 June 2024

	Note	Issued share capital £'m	Share premium account £'m	Non-distributable reserves £'m	Capital redemption reserve £'m	Retained earnings £'m	Total equity attributable to equity holders of the Parent £'m
As at 2 July 2022		2.0	1.7	19.6	43.2	97.3	163.8
Profit for the period		–	–	–	–	230.9	230.9
Total comprehensive income for the period		–	–	–	–	230.9	230.9
Purchase of treasury shares	C12	–	–	–	–	(7.0)	(7.0)
Proceeds from issue of treasury shares	C12	–	–	–	–	2.4	2.4
Share-based payments	C13	–	–	4.0	–	0.8	4.8
Deferred tax on share-based payments	C5	–	–	–	–	(0.3)	(0.3)
Current corporation tax on share options exercised	C8	–	–	–	–	0.1	0.1
Dividends	C3	–	–	–	–	(163.3)	(163.3)
Total transactions with owners, recorded directly in equity		–	–	4.0	–	(167.3)	(163.3)
As at 1 July 2023		2.0	1.7	23.6	43.2	160.9	231.4
Profit for the period		–	–	–	–	79.3	79.3
Total comprehensive income for the period		–	–	–	–	79.3	79.3
Purchase of treasury shares	C12	–	–	–	–	–	–
Proceeds from issue of treasury shares	C12	–	–	–	–	0.1	0.1
Share-based payments	C13	–	–	3.8	–	0.5	4.3
Deferred tax on share-based payments	C5	–	–	–	–	(0.1)	(0.1)
Current corporation tax on share options exercised	C8	–	–	–	–	–	–
Dividends	C3	–	–	–	–	(157.6)	(157.6)
Total transactions with owners, recorded directly in equity		–	–	3.8	–	(157.1)	(153.3)
As at 29 June 2024		**2.0**	**1.7**	**27.4**	**43.2**	**83.1**	**157.4**

The non-distributable reserves' purpose is to reflect movements in share-based payments in respect of awards given by the Parent Company to employees of its subsidiaries.

At the time of declaring dividends, the Directors assessed the level of available distributable reserves with reference to relevant accounts and considered there to be sufficient levels to support the dividend.

Parent Company Accounting Policies

For the 52 weeks ended 29 June 2024

General information
Dunelm Group plc (the 'Company') is 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, Leicester, Leicestershire, England, LE7 1AD.

Basis of preparation
These Financial Statements have been prepared in accordance with FRS 101 "Reduced Disclosure Framework" (FRS101).

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to standards not yet effective, 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 adopted for the Parent Company, Dunelm Group plc, are otherwise consistent with those used for the Group which are set out on pages 132 to 138.

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
After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Additional considerations relating to the potential downturn in the homewares market on the going concern assumptions are set out in the Consolidated Financial Statements on page 132.

Share-based payments
Employees of the Company have been granted options for two equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Company. 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.

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.

When the options are exercised, the Company either issues new shares, or uses treasury shares purchased for this purpose. For newly issued shares, the proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

The 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.

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 provides 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.

Parent Company Accounting Policies continued

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.

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

Share capital
Where the Company purchases its own equity share capital (treasury shares) the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently sold or reissued, any consideration received net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

Investments
Investments in subsidiary undertakings are stated at the adjusted cost of the investment. IFRS 2 requires the Parent Company to recognise an increase in the cost of its investment in a subsidiary which has issued share options in the Parent Company's shares to its employees.

New standards and interpretations
A detailed list of new standards, amendments or interpretations can be found in the consolidated accounting policies on page 138.

Use of estimates and judgements
Based on the IAS 1 definitions, there are no significant estimates or critical judgements used in the Company Financial Statements.

Notes to the Parent Company Financial Statements

For the 52 weeks ended 29 June 2024

C1. Income Statement
The Company made a profit after tax of £79.3m (2023: £230.9m). The Directors have taken advantage of the exemption available under section 408 of the Companies Act 2006 and have not presented an Income Statement for the Company.

Disclosures relating to the fees paid to the Company's auditors are set out in note 3 in the Group's financial statements on page 139.

C2. Employee costs
The Company's employees are the three Executive Directors and the Non-Executive Directors. Full details of the Directors' remuneration and interests are set out in the Remuneration Report on pages 88 to 115. Share-based payments details are given in note C13 on page 156.

C3. Dividends and special distributions to shareholders
Disclosures relating to dividends and special distributions to shareholders are set out in note 7 in the Group's financial statements on page 140.

C4. Investments in subsidiary undertakings
Shares in subsidiary undertakings:

	£'m
As at 2 July 2022	64.8
Share-based payments	4.0
As at 1 July 2023	68.8
Share-based payments	3.7
As at 29 June 2024	72.5

The share-based payment adjustment to investments reflects share option awards given by the Parent Company to employees of its subsidiaries.

Notes to the Parent Company Financial Statements continued

C4. Investments in subsidiary undertakings continued

The following were subsidiaries as at 29 June 2024:

Subsidiary	Proportion of ordinary shares held	Nature of business
Dunelm Limited	100%	Holding company
Dunelm (Soft Furnishings) Ltd*	100%	Retailer of soft furnishings
Dunelm Estates Limited*	100%	Dormant company
Zoncolan Limited*	100%	Dormant company
Fogarty Holdings Limited*	100%	Non-trading company
Globe Online Limited*	100%	Dormant company
Dunelm (Soft Furnishings) Londonderry Ltd*	100%	Non-trading company

* Share capital held by subsidiary undertaking.

Dunelm Group plc, the Parent Company, and its subsidiaries (excluding Dunelm (Soft Furnishings) Londonderry Ltd) are incorporated and domiciled in the UK. The registered office is Dunelm Store Support Centre, Watermead Business Park, Syston, Leicester, Leicestershire, England, LE7 1AD.

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

C5. Deferred tax assets

	2024 £'m	2023 £'m
Employee benefits	**0.4**	0.6

The movement in deferred tax assets is as follows:

	Balance at 3 July 2022 £'m	Recognised in income £'m	Recognised in equity £'m	Balance at 1 July 2023 £'m
Employee benefits	1.0	(0.1)	(0.3)	0.6

	Balance at 2 July 2023 £'m	Recognised in income £'m	Recognised in equity £'m	**Balance at 29 June 2024 £'m**
Employee benefits	0.6	(0.1)	(0.1)	**0.4**

C6. Trade and other receivables

	2024 £'m	2023 £'m
Amounts owed by subsidiary undertakings	**84.7**	162.3

Amounts owed by subsidiary undertakings are repayable on demand. Interest is charged monthly on all intercompany balances at an annual rate of 2.0%. There is no security on these balances.

These amounts pose no liquidity or credit risk as they are owed by other Group undertakings and are expected to be settled by Group transactions.

C7. Trade and other payables

	2024 £'m	2023 £'m
Accruals and deferred income	**0.2**	0.3
	0.2	0.3

C8. Taxation

	2024 £'m	2023 £'m
Current taxation		
UK corporation tax charge for the period	**–**	0.1
Deferred taxation		
Origination of temporary differences	**0.1**	0.1
Tax expense	**0.1**	0.2

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

	2024 £'m	2023 £'m
Profit before taxation	**79.4**	231.1
UK corporation tax at standard rate of 25% (2023: 20.5%)	**19.9**	47.4
Factors affecting the charge in the period:		
Income not subject to tax	**(20.4)**	(47.8)
Impact of change in tax rate	**–**	(0.1)
Group relief	**0.6**	0.7
Tax expense	**0.1**	0.2

Notes to the Parent Company Financial Statements continued

C8. Taxation continued

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%.

C9. Interest-bearing loans and borrowings

The Company's only interest-bearing borrowings relate to intercompany loans which have interest charges of 2.0% and are not affected by changes in SONIA.

C10. Financial risk management

Capital management

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's policy is to retain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development. The Board regularly monitors the level of capital in the Group to ensure that this can be achieved.

C11. Issued share capital

Disclosures relating to issued share capital are set out in note 21 in the Group's financial statements on page 148.

C12. Treasury shares

Disclosures relating to treasury shares are set out in note 22 in the Group's financial statements on page 148.

C13. Share-based payments

The Company operates the following share-based payment schemes for the CEO and CFO:

a. Dunelm Group Savings Related Share Option Plan (Sharesave)

The Dunelm Group plc 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 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 accounted for as equity-settled awards under IFRS 2.

b. Long-Term Incentive Plan (LTIP)

As explained in the Remuneration report, the Company operates an equity-settled LTIP scheme. Performance conditions for the LTIP awards are detailed in the Remuneration Report. LTIP options are also accounted for as equity-settled awards under IFRS 2.

C14. Contingent liabilities

The Company had no contingent liabilities at the period end date (2023: £nil).

C15. Related parties

Key management personnel

All employees of the Company are key management personnel.

Directors of the Company and their close relatives control 42.7% (2023: 42.7%) of the voting shares of the Company.

	2024 52 weeks £'m	2023 52 weeks £'m
Wages and salaries	**1.9**	1.7
Short-term employee benefits	**1.0**	1.4
Share-based payments (including NI)	**0.6**	0.9
	3.5	4.0

There were no termination benefits for employees of the Company.

The amount of gains made by Directors on the exercise of share options are disclosed in the Remuneration report on page 108.

Alternative performance measures ('APMs')

APM	Definition, purpose and reconciliation to statutory measure
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.

APM	Definition, purpose and reconciliation to statutory measure
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 borrowings (as shown in note 19). Excludes IFRS 16 lease liabilities.
Cash conversion	Free cash flow expressed as a percentage of operating profit.

Advisors and contacts

Corporate brokers	**Barclays Bank plc** 1 Churchill Place London E14 5HP Tel: 020 7623 2323		**Peel Hunt LLP** 100 Liverpool Street London EC2M 2AT Tel: 020 7418 8900
Financial advisors	**UBS Investment Bank** 5 Broadgate London EC2M 2QS Tel: 020 7567 8000	**Financial public relations**	**MHP Communications** 60 Great Portland Street London W1W 7RT Tel: 020 3128 8100
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Principal bankers	**Barclays Bank plc** 1 Churchill Place London E14 5HP Tel: 020 7623 2323	**Investor relations**	**corporate.dunelm.com** Tel: 0116 264 4400 Email: investorrelations@dunelm.com
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