**17 February 2011**

# Dunelm Group plc

## Interim Results Announcement

Dunelm Group plc, the leading out-of-town specialist homewares retailer, announces its Interim Results for the 26 weeks to 1 January 2011.

**Financial Highlights**

- Revenues up 8.5% to £275.7m (2010: £254.2m)
- Like-for-like (LFL) sales down by 1.2% (2010: 15.4% increase, or 13.4% underlying*)
- Gross margin up 110 basis points to 49.1% (2010: 48.0%)
- Operating profit growth of 5.4% to £48.4m (2010: £45.9m)
- Profit before taxation up by 5.0% to £48.5m (2010: £46.2m)
- Earnings per share (fully diluted) up 7.5% to 17.1p (2010: 15.9p)
- Cash flows from operating activities before interest and tax up 4.6% to £63.5m (2010: £60.7m)
- Interim dividend increased by 16.7% to 3.5p per share (2010: 3.0p)
- Positive net cash of £34.3m at period end

**underlying figure for 2010 adjusts for impact of winter sale timing*

**Business Highlights**

- 7 new superstores opened in the period (including one relocation)
- 3 further units committed this financial year; strong pipeline for next financial year – 7 units already committed (including 2 relocations)
- Half of superstores new or refitted within last 3 years
- Continuing strong growth in on-line sales through Dunelm Direct
- Central warehouse extension completed
- Phased transition to new Chief Executive now completed, with Nick Wharton appointed CEO with effect from today

Cont'd/2

**Commenting, Will Adderley, Deputy Chairman of Dunelm, said:**

"After exceptional growth in sales and profits in the equivalent period last financial year, the most recent half year has been a period of consolidation. In this context it has been a substantial achievement for the business to record another profit increase as well as continuing its record of strong cash generation.

"I am delighted to welcome Nick to his role as our new Chief Executive and look forward to working closely with him as we continue to grow the business in the months and years to come."

**Nick Wharton, incoming Chief Executive, said:**

"These half year results once again demonstrate Dunelm's many strengths and are a credit to everyone involved with the business.

"We have a clear and proven strategy for growth through ongoing store portfolio development. The addition of a more ambitious multi-channel dimension represents a further exciting and achievable opportunity to continue the success of recent years.

"We naturally remain cautious regarding the fragility of consumer confidence but believe we are well positioned, thanks to our market leading proposition and financial strength, to trade successfully through this period while enhancing our strategic position."

**For further information please contact:**

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| **Dunelm Group plc**<br>Nick Wharton, Chief Executive<br>David Stead, Finance Director | 0116 2644 356 |
| **MHP Communications**<br>John Olsen<br>Simon Hockridge | 020 3128 8100 |

***Notes to Editors***

*Dunelm is the UK's leading specialist out of town homewares retailer, operating in the £12bn homewares market. As at 1 January 2011 the Group had 110 stores, branded Dunelm Mill, with 100 out-of-town superstores and 10 located on high streets, and an on-line store, to be found at [www.dunelm-mill.com](http://www.dunelm-mill.com).*

*Dunelm's "Simply Value for Money" customer proposition offers industry-leading choice of quality products at keen prices, with high levels of availability and supported by friendly service. Core ranges include many exclusive designs and premium brands such as Dorma, and are supported by a frequently changing series of special buys. The superstore format provides an average of 29,000 sq ft of selling space with over 20,000 products across a broad spectrum of categories, extending from the Group's home textiles heritage (bedding, curtains, cushions, quilts and pillows) to a complete homewares offer including kitchenware and dining, lighting, wall art, furniture and rugs. Dunelm is one of the few national retailers to offer an authoritative selection of curtain fabrics on the roll, and owns a specialist UK facility dedicated to producing made to measure curtains.*

*Dunelm was founded in 1979 as a market stall business, selling ready-made curtains. The first shop was opened in Leicester in 1984 and over the following years the business developed into a successful chain of high street shops before expanding into broader homewares categories following the opening of the first Dunelm superstore in 1991.*

*Dunelm employs over 6,000 full and part time staff, the vast majority of whom work in the stores and was listed on the London Stock Exchange in October 2006 (DNLM.L). The Group has a current market capitalisation of approximately £900m.*

## Chairman's statement

After the step change in performance in the second half of 2009, I am very pleased to report that the business was able to make further progress over the 26 weeks to 1 January 2011, increasing profit before tax by 5.0% to £48.5m.

The strong profit performance was founded on solid sales delivery in like for like (LFL) stores. Against LFL growth of 15.4% in the comparative period it was an excellent achievement to deliver further LFL sales growth in the first quarter of the financial year. It was no surprise that this fell away in the second quarter, particularly in view of the extreme weather in late November and early December. Meanwhile, the pace of new store openings remained strong, with six new superstores in the half plus one superstore relocation.

The most significant development in the half year came when we announced the appointment of Nick Wharton to take over as Chief Executive, allowing Will Adderley to become Executive Deputy Chairman. Nick, who had previously been one of our Non-Executive Directors, joined the business as Chief Executive Designate at the beginning of December and the expanded executive team – comprising Will, Nick and David Stead, our Finance Director – is already operating extremely well. Nick formally assumes the role of Chief Executive with effect from today and I know that he will be an excellent leader of the business going forward.

Shareholders will be delighted that Will's new role, which is a full-time position, enables him to continue making a full contribution to the operations and development of the business. During nearly 15 years as Chief Executive, he has led the Group's major expansion into out of town retailing, has retained his exceptional flair for merchandise and for store operations, has ensured that the infrastructure required for long-term stability has been put in place at the right time, and led the Group's successful IPO in 2006. I am sure that all shareholders will join me in thanking Will for his immense contribution to the Group to date.

Looking ahead, there is every indication that the consumer environment will be challenging for some time to come. However, I am confident that Dunelm will continue to perform ahead of the market over the medium term. This confidence is shared by the board as a whole and is reflected in our decision to set an increase of 16.7% in the interim dividend.

**Geoff Cooper**
***Chairman***
17 February 2011

## Business review

### Overview

Over the first half of the financial year we continued to grow the business. Even though LFL sales performance was down by 1.2%, our overall sales growth was 8.5% including six new openings and one superstore relocation.

### Financial performance

During the period total sales were £275.7m (FY10: £254.2m). The LFL sales decline should be seen in the context of very strong comparative LFL growth of 15.4% in the equivalent period last year. The decline reflected lower footfall in our stores, especially during peak weeks of pre-Christmas trading in late November and early December.

We succeeded in improving gross margin by 110 basis points. This reflected strong momentum in the early part of the period as we exited our summer sale with low levels of marked-down stock, and the impact of price increases in the latter part of the period as we prepared for the VAT increase in January. Cost price increases were also a factor in the period but were recovered in selling prices without loss of competitiveness, as the market generally continued to show price inflation.

Operating costs increased by 14.3% (£10.9m) in aggregate. The majority of the increase (£8.4m) was driven by new stores, whilst costs in LFL stores (including development of Dunelm Direct) increased by £0.9m. There was a £1.6m increase in other costs, including expansion of our Stoke warehouse coupled with increased throughput, and an onerous lease provision.

As a consequence of the above, operating profit grew by 5.4% to £48.4m (FY10: £45.9m), an operating margin of 17.6% (FY10: 18.0%).

Financial income and expenditure contained no significant items this year, leaving profit before tax of £48.5m (FY10: £46.2m).

Profit after tax of £34.8m (FY10: £32.4m) reflects the projected full year effective tax rate of 28.2% (FY10: 29.8%). The effective rate has reduced compared with last year, due to lowering of the headline rate of corporation tax and an exercise to identify additional assets eligible for capital allowances.

Fully diluted earnings per share were 17.1p (FY10: 15.9p), an increase of 7.5%.

Cash generated from operations, before interest and tax, was £63.5m (FY10: £60.7m). Our continuing focus on stock management enabled a further 8% reduction in stock levels in LFL stores. Our success in tackling overstocks over recent years and the disciplines which have now been established will be maintained going forward.

As expected, capital investments increased significantly to £23.1m over the period (FY10: £9.6m). As well as reflecting fit-out costs for new stores and store refits, this figure included the acquisition of two freehold units for a combined consideration of £7.7m. This brings our freehold portfolio to 19 stores in total (including two units yet to open) and our head office facilities.

Despite high levels of investment in the growth and capability of the business and the special return of £43.2m to shareholders in the previous half year, we ended the period with our balance sheet showing positive net cash of £34.3m (FY10: £59.2m). Our average daily cleared funds over the half were £29.1m.

An interim dividend of 3.5p per ordinary share (FY10: 3.0p) will be paid on 1 April 2011 to shareholders on the register at 11 March 2011. This is an increase of 16.7%.

**Store Portfolio**

During the period we opened superstores in six new locations. We therefore ended the period with 100 superstores, as well as 10 high street shops.

We remain committed to our target of achieving full national coverage, estimated at 150–200 superstores. We will, however, remain equally committed to our financial appraisal disciplines and will continue to target discounted cash flow payback of 36 months or better in all new locations; our track record here is ahead of this, with the openings since 2006 having an average payback of 25 months.

We now anticipate three more new store openings in the current financial year. We have a further seven units legally committed for next financial year including two freehold units already purchased where we will relocate sub-optimal superstores. The pipeline of opportunities under discussion remains healthy.

We have continued our programme of store refits. Three stores received a major refit during the half year, with an average investment of £0.65m. In each case we were able not only to improve the overall store environment but also to introduce the new elements of our offer. Sales uplifts in refitted stores are encouraging, with an average uplift of approximately 10% measured against comparable non-refitted stores. At least another four major refits are planned in the current financial year, and we will also be undertaking more focused refits at a number of stores.

**Specialist Offer**

The key to our differentiation from competitors remains our Simply Value For Money proposition – an unrivalled choice of good quality homewares products at value for money prices, with deep availability and friendly, knowledgeable service. We continue to develop our ranges with new launches twice per year, and we supplement these ranges with special buys which provide ever-changing interest in our stores.

In recent years we have taken some significant steps in evolving our offer – for example creating extended ranges of cooking and dining products (now in 32 stores), rolling out Dorma centres (38 stores) and introducing arts & crafts departments (78 stores). Equally importantly, we have continued to take a flexible and entrepreneurial approach to trading – for example we have increased our use of "Miss It Miss Out" offers as a way of clearing slower-moving lines more quickly; and we have introduced impulse purchase opportunities at all tills.

Our trading skills have been tested in recent months by the need to respond to the increase in VAT to 20%, and by steep rises in some raw materials prices, notably cotton. We believe that we have addressed both of these in an appropriate way. We adjusted our selling prices during late 2010 in order to avoid overnight increases when the VAT rate changed; and working together with our long-standing suppliers we have committed orders on cotton-based products until mid-2011, providing some protection to gross margin. Over the medium term, however, bought-in cost of goods could come under pressure. As always we will seek to respond in a manner which recognises the long-term benefits of protecting the competitiveness of our offer.

**Multi-Channel**

Whilst our on-line business achieved significant growth in the period, we see an opportunity to drive this channel much harder in the future. Capitalising on the new web platform introduced in 2009, we will improve the range of products and customer experience on-line, increase the convenience of our "collect in store" proposition and increase profitability through improved efficiency at our web fulfilment operation.

Customer acceptance of our "At Home" proposition, which we began trialling in mid-2009, has been encouraging with strong customer conversion and high average transaction values. By offering a free home consultation with an expert in custom-made curtains and blinds, we deepen our customer relationships and create strategic differentiation from other participants within the market. The key to developing this line of business further requires the establishment of scalable operating and financial processes as well as increased capacity within the in-house manufacturing operations. We will re-launch the proposition once we have made the necessary improvements to the back office and production processes.

**Infrastructure**

Our newly extended warehouse facility at Stoke performed well through our peak trading period.

Our new head office building is in the course of construction and we expect it to be ready for occupation as planned in late summer 2011.

**Risks and Uncertainties**

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected and historical results. The directors do not consider that the principal risks and uncertainties have changed since the publication of the annual report for the year ended 3 July 2010 – these comprise:

- Increased competition
- The political and economic environment
- Input cost pressures
- Access to sites for store chain expansion
- IT disaster
- Supply chain disruption
- Loss of key staff

A detailed explanation of these key risks can be found on pages 12 and 14 of the annual report which is available at www.dunelm-mill.com.

**Outlook**

In common with most retailers, we are facing a number of factors in our market which could affect both consumer demand and bought-in costs for a period of time. However, we are confident that we can use our strong financial position, market leading proposition and entrepreneurial flexibility to navigate our way through this period and build an even stronger business for the long term. We will continue to expand through our strong pipeline of new stores, refits and further investments in support of our strategy.

Our next update on trading will be the release of an Interim Management Statement on 14 April 2011 covering the 13 weeks to 2 April 2011.

**Will Adderley**
Deputy Chairman
17 February 2011

**Nick Wharton**
Chief Executive
17 February 2011

**Consolidated statement of comprehensive income (unaudited)**

For the 26 weeks ended 1 January 2011

| | Notes | **26 weeks ended 1 January 2011 £'000** | 26 weeks ended 2 January 2010 £'000 | 52 weeks ended 3 July 2010 £'000 |
|---|---|---|---|---|
| **Revenue** | 2 | **275,702** | 254,211 | 492,839 |
| Cost of sales | | **(140,224)** | (132,203) | (262,253) |
| **Gross profit** | | **135,478** | 122,008 | 230,586 |
| Operating Costs | | **(87,126)** | (76,150) | (155,126) |
| **Operating profit** | | **48,352** | 45,858 | 75,460 |
| Financial income | | **269** | 352 | 1,361 |
| Financial expenses | | **(152)** | (28) | (65) |
| **Profit before taxation** | | **48,469** | 46,182 | 76,756 |
| Taxation | 4 | **(13,676)** | (13,749) | (22,406) |
| **Profit for the period** | | **34,793** | 32,433 | 54,350 |

| | | | | |
|---|---|---|---|---|
| **Other comprehensive income** | | | | |
| Effective portion of movement in fair value of cash flow hedges | | **83** | - | (545) |
| Deferred tax on hedging movements | | **(80)** | - | 153 |
| **Total comprehensive income for the period attributable to equity shareholders** | | **34,996** | 32,433 | 53,958 |

| | | | | |
|---|---|---|---|---|
| Earnings per share – basic | 5 | **17.4p** | 16.1p | 27.1p |
| Earnings per share – diluted | 5 | **17.1p** | 15.9p | 26.9p |
| Dividend proposed per share | 6 | **3.5p** | 3.0p | 5.0p |
| Dividend paid per share | 6 | **5.0p** | 4.0p | 3.0p |

All activities relate to continuing operations.

**Consolidated balance sheet (unaudited)**

As at 1 January 2011

| | **1 January 2011 £'000** | 2 January 2010 £'000 | 3 July 2010 £'000 |
|---|---|---|---|
| **Non current assets** | | | |
| Intangible assets | **4,730** | 5,714 | 5,202 |
| Property, plant and equipment | **119,327** | 93,093 | 102,599 |
| Deferred tax asset | **-** | 273 | - |
| **Total non-current assets** | **124,057** | 99,080 | 107,801 |
| | | | |
| **Current assets** | | | |
| Inventories | **68,698** | 61,377 | 62,583 |
| Trade and other receivables | **12,843** | 11,311 | 10,470 |
| Cash and cash equivalents | **34,253** | 59,231 | 15,369 |
| **Total current assets** | **115,794** | 131,919 | 88,422 |
| | | | |
| **Total assets** | **239,851** | 230,999 | 196,223 |
| | | | |
| **Current liabilities** | | | |
| Trade and other payables | **(88,153)** | (78,369) | (71,638) |
| Liability for current tax | **(13,255)** | (14,528) | (11,200) |
| Financial instruments | **(262)** | - | (545) |
| **Total current liabilities** | **(101,670)** | (92,897) | (83,383) |
| | | | |
| **Non-current liabilities** | | | |
| Deferred tax liability | **(139)** | - | (152) |
| **Total non-current liabilities** | **(139)** | - | (152) |
| | | | |
| **Total liabilities** | **(101,809)** | (92,897) | (83,535) |
| | | | |
| **Net assets** | **138,042** | 138,102 | 112,688 |

| | | | |
|---|---|---|---|
| **Equity** | | | |
| Issued capital | **2,014** | 2,008 | 2,010 |
| Share premium | **592** | 345 | 580 |
| Capital redemption reserve | **43,155** | - | 43,155 |
| Hedging reserve | **(189)** | - | (392) |
| Retained earnings | **92,470** | 135,749 | 67,335 |
| **Total equity attributable to equity holders of the Parent** | **138,042** | 138,102 | 112,688 |

## Consolidated cash flow statement (unaudited)

For the 26 weeks ended 1 January 2011

| | **26 weeks ended 1 January 2011 £'000** | 26 weeks ended 2 January 2010 £'000 | 52 weeks ended 3 July 2010 £'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before taxation | **48,469** | 46,182 | 76,756 |
| Adjusted for: | | | |
| Net financing income | **(117)** | (324) | (1,296) |
| Depreciation and amortisation | **6,672** | 5,426 | 11,370 |
| Loss on disposal of property, plant and equipment | **126** | – | 13 |
| Operating cash flows before movement in working capital | **55,150** | 51,284 | 86,843 |
| (Increase)/decrease in inventories | **(6,115)** | (3,482) | (4,688) |
| (Increase)/decrease in trade and other receivables | **(2,431)** | (572) | 269 |
| Increase in trade and other payables | **16,494** | 12,826 | 6,094 |
| **Net movement in working capital** | **7,948** | 8,772 | 1,675 |
| Share based payment expense | **420** | 759 | 1,330 |
| Foreign exchange gains/(losses) | **(15)** | (93) | 516 |
| **Cash flows from operating activities** | **63,503** | 60,722 | 90,364 |
| Interest paid | **(15)** | (34) | (71) |
| Interest received | **327** | 231 | 557 |
| Tax paid | **(11,714)** | (8,399) | (18,899) |
| **Net cash generated from operating activities** | **52,101** | 52,520 | 71,951 |
| **Cash flows from investing activities** | | | |
| Proceeds on disposal of property, plant and equipment | **–** | – | 7 |
| Acquisition of property plant and equipment | **(22,567)** | (8,821) | (23,344) |
| Acquisition of intangible assets | **(488)** | (798) | (1,233) |
| **Net cash utilised in investing activities** | **(23,055)** | (9,619) | (24,570) |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of share capital | **11** | - | 244 |
| Proceeds from issue of treasury shares | **–** | 126 | 642 |
| Repayment of bank loan | **–** | - | (10,000) |
| Proceeds from bank loan | **–** | - | 10,000 |
| Return of capital to shareholders | **–** | - | (43,155) |
| Dividends paid | **(10,067)** | (8,008) | (14,029) |
| **Net cash utilised in financing activities** | **(10,056)** | (7,882) | (56,298) |
| **Net increase/(decrease) in cash and cash equivalents** | 18,990 | 35,019 | (8,917) |
| Foreign exchange revaluations | **(106)** | 214 | 288 |
| Cash and cash equivalents at the beginning of the period | **15,369** | 23,998 | 23,998 |
| **Cash and cash equivalents at the end of the period** | **34,253** | 59,231 | 15,369 |

**Statement of changes in equity (unaudited)**

For the 26 weeks ended 1 January 2011

| | Issued share capital £'000 | Share premium £'000 | Capital redemption reserve £'000 | Hedging reserve £'000 | Retained earnings £'000 | Total equity £'000 |
|---|---|---|---|---|---|---|
| **As at 4 July 2009** | 2,008 | 345 | – | – | 110,419 | 112,772 |
| Profit for the period | – | – | – | – | 32,433 | 32,433 |
| Treasury shares reissued in respect of share option schemes | – | – | – | – | 126 | 126 |
| Share based payments | – | – | – | – | 759 | 759 |
| Deferred tax on share based payments | – | – | – | – | 20 | 20 |
| Dividends | – | – | – | – | (8,008) | (8,008) |
| **As at 2 January 2010** | 2,008 | 345 | – | – | 135,749 | 138,102 |
| Profit for the period | – | – | – | – | 21,917 | 21,917 |
| Movement in fair value of cash flow hedges | – | – | – | (545) | – | (545) |
| Deferred tax on hedging movements | – | – | – | 153 | – | 153 |
| Total comprehensive income for the financial year | – | – | – | (392) | 21,917 | 21,525 |
| Issue of share capital | 2 | 235 | – | – | – | 237 |
| Issue of B shares | 43,155 | – | – | – | (43,155) | – |
| Redemption of B shares | (43,155) | – | 43,155 | – | (43,155) | (43,155) |
| Treasury shares reissued in respect of share option schemes | – | – | – | – | 523 | 523 |
| Share based payments | – | – | – | – | 571 | 571 |
| Deferred tax on share based payments | – | – | – | – | 300 | 300 |
| Current corporation tax on share options exercised | – | – | – | – | 606 | 606 |
| Dividends | – | – | – | – | (6,021) | (6,021) |
| Total transactions with owners, recorded directly in equity | 2 | 235 | 43,155 | – | (90,331) | (46,939) |
| **As at 3 July 2010** | 2,010 | 580 | 43,155 | (392) | 67,335 | 112,688 |
| Profit for the period | – | – | – | – | 34,793 | 34,793 |
| Movement in fair value of cash flow hedges | – | – | – | 283 | – | 283 |
| Deferred tax on hedging movements | – | – | – | (80) | – | (80) |
| Total comprehensive income for the financial year | – | – | – | 203 | 34,793 | 34,996 |
| Issue of share capital | 4 | 12 | – | – | – | 16 |
| Treasury shares reissued in respect of share option schemes | – | – | – | – | (11) | (11) |
| Share based payments | – | – | – | – | 420 | 420 |
| Dividends | – | – | – | – | (10,067) | (10,067) |
| **As at 1 January 2011** | **2,014** | **592** | **43,155** | **(189)** | **92,470** | **138,042** |

**Notes to the interim results**

**1 Basis of preparation**

The condensed financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards and in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting.

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

**2 Accounting policies**

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

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 3 July 2010, as described in those financial statements.

**3 Segmental reporting**

The Group has only one class of business, retail, and operates entirely in the UK market.

**4 Taxation**

The taxation charge for the interim period has been calculated on the basis of the estimated effective tax rate for the full year of 28.2% (26 weeks ended 2 January 2010: 29.8%)

**5 Earnings per share**

Basic earnings per share is calculated by dividing the profit for the period attributable to equity shareholders by the weighted average number of ordinary shares in issue during the period.

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

Weighted average numbers of shares:

| | **26 weeks ended 1 January 2011 000** | 26 weeks Ended 2 January 2010 000 | 52 weeks ended 3 July 2010 000 |
|---|---|---|---|
| Weighted average number of shares in issue during the period | **200,447** | 199,940 | 200,264 |
| Impact of share options | **2,530** | 3,319 | 2,047 |
| Number of shares for diluted earnings per share | **202,977** | 203,259 | 202,311 |

## 6 Dividends

| | 26 weeks ended 1 January 2011 £'000 | 26 weeks ended 2 January 2010 £'000 | 52 weeks ended 3 July 2010 £'000 |
|---|---|---|---|
| Final for the period ended 4 July 2009 – paid 4.0p | **–** | (8,008) | (8,008) |
| Interim for the period ended 3 July 2010 – paid 3.0p | **–** | – | (6,021) |
| Final for the period ended 3 July 2010 – paid 5.0p | **(10,067)** | – | – |
| | **(10,067)** | (8,008) | (14,029) |

The directors are proposing an interim dividend of 3.5p per ordinary share for the period ended 1 January 2011 which equates to £7.0m. The dividend will be paid on 1 April 2011 to shareholders on the register at the close of business on 11 March 2011.

## 7 Announcement

The interim report was approved by the Board on 17 February 2011 and copies are available from the registered office at Fosse Way, Syston, Leicester, LE7 1NF or from the website at www.dunelm-mill.co.uk.

**Responsibility statement of the directors in respect of the half-yearly financial report**

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU
- the interim management report includes a fair review of the information required by:

(a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

(b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the board

| | |
|---|---|
| **Nick Wharton** | **David Stead** |
| Chief Executive | Finance Director |
| 17 February 2011 | 17 February 2011 |