

DUNELM (SOFT FURNISHINGS) LTD

Annual Report and Financial
Statements

For the period ended 28 June 2025

Registered number 02129238

Company information

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

Contents

Strategic report	1
Directors' report	12
Statement of Directors' responsibilities in respect of the Financial Statements	15
Independent auditors' report to the members of Dunelm (Soft Furnishings) Ltd	16
Income Statement	19
Statement of Comprehensive Income	20
Statement of Financial Position	21
Statement of Changes in Equity	22
Notes to the Financial Statements	23

Strategic report

The Directors present their strategic report together with the Directors' report and audited financial statements of the Company for the 52-week period ended 28 June 2025.

Principal activities

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

Introduction

I am pleased to report another successful year in which we delivered a strong financial performance, with good sales and profit growth, more investment in the business, and further cash returns to shareholders.

We have continued to gain share in a homewares and furniture market which grew slightly for the first time since FY22. So far, however, we are yet to see signs of a wider consumer recovery, and consumer confidence has remained lacklustre. Against this backdrop, we will carry on embracing the reality of how consumers are feeling, and through continually raising the bar on our products and the proposition we offer, we are helping more customers create the joy of truly feeling at home.

We have put our growth plans into action across our three strategic pillars as we continue to build Dunelm as The Home of Homes. We are elevating our product offer, expanding the breadth and relevance of our ranges across more categories, with furniture a good example of our progress. We are connecting to more customers through our total retail system, opening more new stores, making further improvements to our digital channels, and expanding our Click & Collect offer. In addition, we are finding more ways to harness our operational capabilities, delivering further efficiencies in areas including our supply chain and store operating model, maintaining the operational grip which continues to be a core strength of the Dunelm business model.

We have also taken the business into some new areas, which, although initially small, support our future growth plans. During the year we opened our first inner London store; took our first steps outside the UK with the acquisition of Home Focus in Ireland; acquired the brand and design archive of Designers Guild; and extended UK manufacturing within our Made-to-Measure business.

These exciting developments are bringing new capabilities and new opportunities to extend our position as a multi-channel, multi-category specialist.

Implementing our ambitious plans, whilst delivering a consistent performance over many years, makes me appreciate the skills and values of my colleagues, and I thank all of them for their continued commitment and ambition to deliver for our customers.

FY25 Review

We delivered another good financial performance in FY25, growing sales alongside market share and customer numbers, combined with a stable PBT margin and higher earnings. We also continued to invest in the business while delivering strong shareholder returns.

Total sales increased by 3.4% in the year, through a combination of higher volumes and increased average item values. The rise in average item values was primarily due to the mix of products sold, rather than headline price increases, as we continue to work hard on broadening the appeal of our ranges whilst offering outstanding value for our customers. With our higher sales also supported by increased customer numbers and shopping frequency, our growth was well-balanced.

The combined homewares and furniture market grew slightly in the year, having declined since FY22, with the second half benefiting from stronger growth in outdoor furniture categories. We again increased our market share, up 20bps during the year to 7.9%, and as ever we see headroom for further share gains as we progress towards our next milestone of 10% share in the medium term.

Strategic report *(continued)*

We have again demonstrated strong operational grip, absorbing further inflationary cost pressures and delivering a PBT margin of 12.1%, broadly in line with the prior year. Gross margin strengthened by 65bps to 52.4%, reflecting continued tight control of input costs. Our operating costs as a proportion of sales increased due to another year of labour cost headwinds and continued investment in the business, partly offset by meaningful productivity gains. Overall, and including slightly higher finance costs year-on-year, our profit before tax of £214.0m was up 2.7% against FY24; a strong result.

Growing sustainably

Dunelm has always been a business with a strong focus on making a positive difference through its operations and I am proud of our ongoing commitment to growing sustainably. We do this through our Good & Circular approach, focused on doing the right thing for our Planet; our Communities; and our People.

As we look to reduce our negative impact on the planet, we relish the opportunities that come with new materials and technology. 52% of our own-brand products now meet our 'Conscious Choice' criteria, using more sustainably sourced materials. We have also made further progress in reducing our Scope 1 carbon emissions (intensity now down 54% since FY19) and our primary plastic packaging for own-brand products now contains more than 30% recycled content.

Our stores, distribution centres and support sites continue to play an important role in their communities. We have 1.4m Facebook followers across our store community pages, which have helped us to organise campaigns to connect generous customers with good local causes, including this winter's Delivering Joy campaign, where 270,000 gifts were donated. In FY25 we raised more than £1m in total for charitable causes, and our partnership with Age UK is thriving.

We now have c.12,000 colleagues driving the business forward, and we remain committed to their ongoing development and wellbeing. During the year we saw an improvement in colleague engagement scores, and a further increase in our high level of retention. Whilst we have more work to do on diversity, we have made progress, with greater representation from ethnic minority backgrounds in our leadership population.

Building The Home of Homes

Our vision is for Dunelm to be the most trusted and valued brand for customers in homewares and furniture. In short, we want to truly become 'The Home of Homes'. Throughout our history we have grown by winning market share, and from our current 7.9% we are targeting a medium-term milestone of 10%, with significant opportunity beyond. To achieve this, our growth plans are underpinned by three broad focus areas, which in combination frame our priorities and investments:

1. To elevate our product offer
2. To connect with more customers
3. To harness our operational capabilities

These focus areas are interconnected, and their strength lies in their compounding benefits. This is illustrated by the successful expansion of our Click & Collect proposition, which grew by around 30% in FY25, through the combination of a greater product range being available, the benefit of both a physical and digital shopping experience, and improved processes to increase efficiency for both customers and colleagues.

As we start the new financial year, we are accelerating and evolving the parts of our plan that play to our strengths as a multi-channel and multi-category specialist, demonstrated through the following examples.

Strategic report *(continued)*

1. Elevate our product offer

Product remains at the heart of our customer offer and, as a specialist, we draw on our experience to increase our relevance and appeal to a broad customer base. The size of our overall range has also increased over time, and we now offer around 100,000 SKUs, almost double the number we had three years ago. We take care to maintain a curated and coordinated offer, blending choice, value, design and style across our collections.

Our furniture offer has been a strong contributor to our growth for several years, benefiting from building capabilities in product design and sourcing. There is no better example of this than upholstered chairs and sofas, where in the last five years we have more than doubled our market share in a £3bn addressable market, with significantly more opportunity ahead. We now have a well-curated range of best-sellers, including our popular Beatrice snuggle chairs, available in a variety of colourways and materials, at very competitive prices.

In our supply chain we are balancing efficiency with customer choice, and most of our chairs and sofas are now available for quick delivery throughout the UK. With work also underway on testing an improved furniture presentation in store, we see plenty of headroom for further growth in this category.

As well as developing newer categories, we maintain an unrelenting focus on our heritage ranges, working to extend our leadership in areas such as textiles, where our market shares are much higher. Here, product development remains the starting point for raising the bar on our customer offer. In our Egyptian Cotton towels range, we have invested in more quality in the yarn and manufacturing, enabling us to introduce a slightly higher but competitive price point, while remaining better value than comparable quality elsewhere. These changes have delivered good results, with increased sales and gross margins. Similarly, in curtains, where our collections already span multiple price/quality tiers, we have now added more quality in the better tier of hanging pack curtains, with weighted corners, deeper headings, and a wider colour selection helping to differentiate our specialist proposition from alternatives.

Doubling down on our specialist authority gives us the opportunity to increasingly attract customers from non-specialists. Our 'Home of Colour' campaign showcases the breadth and depth of our ranges, as well as demonstrating our unique ability to coordinate colour across textiles and many other product categories, enabling customers to create the look they want.

2. Connect with more customers

We connect with more customers through our total retail system, combining the benefits of physical and digital shopping to increase our reach and improve customer experience. Our connected channels help to drive frequency and differentiate our proposition from single channel players.

In recent years we have seen significant growth in our digital sales, which combine home delivery sales with Click & Collect and tablet-based selling in stores, and now represent 40% of total sales. Back in FY19, when digital sales were less than 20% of our total, we were catching up with other retailers. We had a reliable website, but only relatively basic search tools and limited customer data. Since then, we have made significant progress in optimising and scaling this channel. We have aligned payment systems between stores and online sales; improved our use of data and experimentation; and delivered better personalisation, including through the introduction of AI-driven search, all with the aim of better understanding and improving the shopping experience for our customers.

As we move forward, there is a much greater opportunity to grow. Our app, which becomes available to customers later this year, is our next significant development. We deliberately chose not to launch an app until our data and digital capabilities were sufficiently developed. With those foundations now in place, we will have the ability to offer relevant, personalised and inspirational product content to our customers, without the significant costs that come with generating website traffic to dunelm.com. In time, the app will also allow us to develop better cross-channel experiences, making it easier to check stock availability in your local store and access more product information.

As well as enhancing the online customer experience, we are connecting to more customers through our physical footprint. We now have 189 stores across the UK.

London is a significant addressable market where Dunelm remains underrepresented, therefore offering an exciting growth opportunity. We opened our first store in inner London in FY25, a 5,000 sq ft site in Westfield White City, and we

Strategic report *(continued)*

will open a similar sized store in Wandsworth in FY26. We also acquired two freehold properties in London and the South East, which will be converted to Dunelm stores in the future. These developments are meaningful steps to connect us to more customers in this part of the country.

The different sizes and locations of our stores are a function of site availability and catchment size. Where practical, we prefer our standard larger superstore format of c.30,000 sq ft, which typically pays back in less than three years. Where this is not possible, we look to smaller alternatives, often around half the size and in infill catchment areas, and which still provide a very healthy return. In FY25 we opened six superstores, split evenly between larger and smaller stores. We expect to open 5 – 10 new superstores this year, the majority of which will be larger stores.

3. Harness our operational capabilities

Harnessing our operational capabilities refers to how we think about improving efficiency and effectiveness throughout the business, in order to drive both growth and productivity.

We continue to see opportunities to be more productive, especially in areas driven by technology. Whilst ongoing inflationary headwinds partly mask the visibility of the benefits delivered to date, we have confidence that our ongoing initiatives support long-term sustainable and profitable growth, without compromising the customer proposition.

Continuous improvement initiatives contributed the majority of the £22.0m of operating cost productivities in FY25. These included further efficiencies in performance marketing, where we use data and experimentation to drive customer level transaction profitability. Meanwhile, in store operations our teams are introducing new processes and technology to improve colleague efficiency and customer service levels, in growth areas such as Click & Collect. Similarly, in our supply chain, we continue to drive incremental benefits through small-scale automation, and the optimisation of customer returns.

We also continue to invest in larger programmes, underpinned by technology and data, such as the roll-out of assisted self-checkouts across our stores, and a new forecasting and replenishment system; both moderately sized programmes that have grown our skills and confidence in delivering technology and business change.

Looking forward, we are exploring other opportunities that will offer future potential benefits. This includes further deployment of AI; the use of RFID to improve stock accuracy and store processes; and the potential for further mechanisation of our logistics operations. In our usual way, we will approach these by testing and learning as we go, ensuring we build confidence in our investment plans.

Summary and outlook

As I look back on my tenure with Dunelm, the unique strengths of this business have been a constant in an ever-changing world. We have seen significant political and economic changes both domestically and internationally, technology advancing at pace, high levels of inflation, disruption to global supply chains, and, of course, the Covid-19 pandemic. Through all this change, Dunelm has continued to grow and continued to thrive.

Our digital offer has matured but still has significant potential, and our stores remain the heartbeat of the business. Alongside broader appeal across more product categories, these competitive advantages position the business very well for the future. Dunelm is differentiated through the role it has in customers' lives, our communities and with our suppliers. We are continuing to build the positive impact we have as The Home of Homes, as we further strengthen the business and build greater trust with all of our stakeholders.

Dunelm has always had great ambition, which has seen it go from strength to strength throughout its history. We are as ambitious and restless now as we ever have been, and our next milestone of 10% market share is firmly within sight. With customers at our heart, and an ingrained focus on long-term, sustainable growth, there is more opportunity than ever.

Strategic report *(continued)*

Key performance indicators

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

Active customers growth %	
2025	0.8%
2024	5.1%
2023	2.8%
Total revenue growth %	
2025	3.4%
2024	4.1%
2023	3.6%
Employee net promoter score (eNPS) improvement %	
2025	+7.0pts
2024	-10.0pts
2023	-5.0pts
Profit before tax £'m	
2025	214.0
2024	208.4
2023	196.4

The Group KPI metrics can be found in the Annual Report and Financial Statements for Dunelm Group plc on page 30 to 31.

Strategic report *(continued)*

Financial Review

Revenue

	FY25	FY24	YoY
Total sales	£1,764.6m	£1,706.5m	+3.4%
Digital % total sales	40%	37%	+3ppts
Market share ^{FN}	7.9%	7.7%	+20bps
Active customer growth ^{FN}	N/A	N/A	+80bps

Total sales for the full year increased by 3.4% to £1,764.6m (FY24: £1,706.5m). We were pleased with the strength of our trading performance, in a market which despite growing slightly in the year, is yet to demonstrate sustained signs of consumer recovery. We gained further market share through our high quality sales growth, increasing by 20bps in the full year to 7.9%.

Digital participation increased again, up 3ppts year-on-year to 40%, reflecting the success of our ongoing focus on enhancing customers' digital experience. Digital participation includes the benefits of our improved Click & Collect proposition, where we have significantly expanded the number of products available, whilst simultaneously improving and simplifying in-store collection processes.

Through fast and convenient channels, we are connecting more customers to more products and the appeal of our ranges drove increased sales volumes in the year. We also increased our average item value, driven by product and category mix, with particularly strong growth in our furniture and Made-to-Measure categories. With our usual focus on outstanding value, we approach pricing through a rigorous focus on our good, better and best price and quality tiers, ensuring that we offer great value at all price points. This year we have continued to hold retail prices broadly stable, without passing on significant inflation to our customers.

Our ability to offer value across our product ranges drives very broad customer appeal. We have continued to offer relevance across categories with our curated seasonal ranges, from student essentials to outdoor inspiration, designed to cater to our customers' evolving needs. The number of active customers was up 80bps in the year, contributing to overall sales growth, alongside higher shopping frequency. We saw particularly strong growth in our youngest customer cohort of 16–24 year-olds, as well as in the London region, reflecting our increasingly broad proposition.

Gross margin

We have again executed with commercial and operational grip, to deliver a very strong full year gross margin of 52.4%, up 65bps year-on-year, largely without passing on inflationary cost increases to our customers. We maintained tight control of input costs, including proactive management of freight and FX, which were broadly neutral across the full year (although FX became a small margin tailwind in the final quarter). Towards the end of the financial year, we also benefitted from a particularly strong sell-through of our seasonal ranges, and throughout our Summer Sale we managed our promotional activity effectively, delivering a strong full price sales performance.

Looking ahead, we will continue to apply a tight grip to our management of gross margin. We expect a moderate tailwind from FX and a small headwind from freight in FY26, and other input costs are currently broadly stable. We will retain optionality over pricing decisions and discounting, whilst prioritising our overall value proposition through our good, better and best range architecture, to ensure that we deliver sustainable and profitable growth.

Strategic report *(continued)*

Net Operating costs

Net operating costs were £702.6m (FY24: £665.4m), representing a net operating costs:sales ratio of 39.8%. This was up 82bps on the prior year (FY24: 38.9%), primarily driven by inflation and our commitment to continued investment in the business to support our long-term strategic priorities. The increase in costs was partly offset by productivity gains which accelerated from the previous year.

Our volume-driven costs added £18.0m to operating costs in FY25, driven particularly by performance marketing and logistics. These cost increases were especially impacted by Click & Collect and two-person furniture deliveries, both areas where we have seen strong growth.

We continue to operate in an inflationary environment, which added a further £21.0m to our cost base. This was primarily driven by labour cost inflation linked to increases in the National Living Wage, as well as increased employer National Insurance contributions in the final quarter of our financial year. The annualisation of these increases will also impact FY26, when we expect overall inflation to be 3 – 4% of our operating cost base.

Investment in the business, to support long-term growth and ongoing efficiencies, remains a priority. We invested £15.0m through operating costs in the full year, including the cost of six new superstore openings.

Cost increases from inflation and continued investment were partly offset by further productivity gains of £22.0m. These included performance marketing efficiencies, where we have benefitted from investment in more advanced AI technology to improve on-site conversion, whilst enhancing the customer proposition. To drive efficiencies in our operations, we have reviewed our in-store operating model to deliver incremental improvements, and have implemented various tactical initiatives across our supply chain, for example improving processes associated with customer returns. To ensure these decisions are made without impacting the customer experience, we have also introduced a customer satisfaction (CSAT) tool, giving us timely and granular feedback to which we can appropriately respond.

We are reporting £5m of other operating income, comprising insurance receipts related to two store fires in FY25, and rental income. Costs associated with both the store fires and freehold properties are included within operating expenses.

As we have always done, in FY26 we will continue to invest in the business to support our strategic priorities, despite inflationary headwinds. We are confident in our plans to drive long-term, sustainable growth and efficiencies.

Profit before tax

In FY25, operating profit increased to £227.0m, £9.1m higher than the prior year (FY24: £217.9m) as our expanded gross margin and productivity gains more than offset inflationary cost headwinds and ongoing investment activity. Net finance costs of £14.4m (FY24: £11.5m) were £2.9m higher year-on-year, reflecting a higher net debt level. Finance costs included interest on IFRS 16 lease liabilities of £7.1m (FY24 H1: £6.1m).

Overall, profit before tax in the period was £214.0m (FY24: £208.4m), up £5.6m year-on-year and representing a PBT margin of 12.1% (FY24: 12.2%).

This continued our track record of applying operational grip to deliver sustainable profitable growth. To achieve this over time, we take decisions on pricing, value and investment whilst managing costs that may be driven by external factors or associated with growth, and which may impact either gross profit or operating expenses. Overall we have flexibility across the P&L to manage a broadly stable PBT margin over time.

Earnings

Profit after tax of £159.4m (FY24: £154.3m) reflects an effective tax rate of 25.5% (FY24: 26.0%). As reported at our half year, we saw a normalisation of the effective tax rate, in line with our historic range of 50-100bps above the headline rate – the prior year included the impact of a one-off deferred tax adjustment. The difference between the effective tax rate and the headline rate reflected the disallowable expenditure related to property purchases and intangible asset additions.

Strategic report *(continued)*

Cash generation and net debt

	FY25 52 weeks £m	FY24 52 weeks £m	YoY £m
Operating profit	227.0	217.9	+9.1
Depreciation, impairment and amortisation	82.7	81.8	+0.9
Working capital (outflow)	(19.6)	(28.5)	+8.9
Share-based payments	4.6	3.8	+0.8
Tax paid	(54.5)	(49.6)	(4.9)
Net cash generated from operating activities	240.2	225.4	14.8
Capex	(59.1)	(39.9)	(19.2)
Net interest ¹	(5.4)	(4.2)	(1.2)
Interest on lease liabilities	(7.1)	(6.1)	(1.0)
Repayment of principle element of lease liabilities	(50.8)	(50.8)	0.0
Free cash flow	117.8	124.4	(6.6)

Operating cashflow for the period was £240.2m, up 6.6% year-on-year, reflecting our trading performance and neutral working capital, compared to an outflow in the prior year. Inventory was broadly flat year-on-year, despite sales and volume growth, as we saw the benefit of our forecasting and replenishment system implementation.

Capital expenditure for the year of £59.1m (FY24: £39.9m) was higher than our long-term average, predominantly due to £29.8m of strategic investment in two freehold property purchases in areas of white space in London and the South East. The freehold properties will be converted to Dunelm stores in the future, with works commencing later this year. Other capital expenditure included £22.0m investment in our store estate, including six new superstores and one inner London store, eight refits of existing stores, and our ongoing decarbonisation programme.

We expect FY26 capital expenditure to be around £50.0m, including 5 – 10 new superstore openings, at least one inner London store and around ten store refits. This does not assume any further freehold acquisitions. As previously guided, we expect the majority of our new store openings to be leasehold, but will consider freehold investment opportunities in areas where we are underrepresented, and where financial returns are sufficiently attractive.

Cash tax paid in the year was £54.5m (FY24: £49.6m).

Banking agreements

At 28 June 2025, the Company had in place a £250.0m unsecured revolving credit facility (RCF). The terms of the RCF included covenants in respect of leverage (net debt to be no greater than 2.5× adjusted EBITDA) and fixed charge cover (EBITDAR to be no less than 1.75× fixed charges), both of which were met comfortably as at 28 June 2025. A one-year extension to the facility was agreed in August 2025, with a maturity date of September 2029. The terms are consistent with normal business practice and the covenants are unchanged. The Company also maintains £10m of uncommitted overdraft facilities.

The Company's Board reviews and monitors the risks and uncertainties which could have a material effect on the Company's results. The Board confirms that a robust assessment of the principal risks facing the Company 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, one new principal risk was identified in the year.

The introduction of 'geopolitical uncertainty' as a new principal risk reflects ongoing global tensions, trade disputes and regional conflicts, exposing vulnerabilities in retail supply chains and putting additional pressure on margins and costs. The overall impact, if not managed appropriately, could lead to detrimental impact on performance and disrupt our operations.

¹ Excluding interest on lease liabilities

Risk	Impact
Geopolitical uncertainty	The geopolitical landscape is complex and unpredictable. Global tensions, trade disputes and regional conflicts continue to disrupt supply chains, driving up costs and creating uncertainty across key markets. These pressures are compounded by shifting domestic regulations, economic weakness and expectations around ethical sourcing and social responsibility. Our ability to anticipate and respond to these pressures is essential to protecting operations, supporting our colleagues, and sustaining growth.
Customer offer	Ongoing macroeconomic 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 will undermine our ambition to increase market share and drive profitable and sustainable growth.
Product reputation and trust	Our stakeholders expect us to deliver products that are safe, compliant with legal and regulatory requirements, and fit for purpose. Our customers are increasingly aware of the environmental and social impact of their purchases and want to know that our products have been responsibly sourced and that their environmental impact is minimised. 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.
Business change	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, organisational and people related changes across the business could result in reduced operational efficiency, competitiveness, relevance and growth. Furthermore, failure to deliver the expected objectives on time and on budget and without effective engagement, training and support for colleagues could risk delivery of the planned business benefits.
People and culture	Our business could be adversely impacted if we fail to attract, retain, and develop diverse colleagues with the appropriate skills and capabilities. Failing to embed and live our values could impact business performance, the delivery of our purpose and the long-term sustainability of our business.
Regulatory and compliance	We operate in an increasingly regulated environment and must comply with a wide range of laws, regulations, and standards. Failure to comply with or take appropriate steps to prevent a breach of these requirements could result in formal investigations, legal and financial penalties, reputational damage and loss of business.
Supply chain resilience	We are dependent on complex global supply chains and fulfilment solutions to deliver products to our customers. Instability in the global supply chain or failure of a key supplier may impact our ability to effectively manage stock and satisfy customer demand.
Finance and treasury	Progress against business objectives may be constrained by a lack of short-term funding or access to long-term capital.
Climate change and environment	Failure to positively change our impact on the environment would fall short of the expectations of our customers, colleagues, shareholders, and other stakeholders which could lead to reputational damage and financial loss. In addition, an inability to anticipate and mitigate climate change and other environmental risks could cause disruption in the availability and quality of raw materials such as cotton and timber, affecting production capacity, product quality, and overall supply chain resilience. This, and potential transition risks related to environmental taxation, could result in higher costs, delays, and potential loss of customers.

Strategic report *(continued)*

Alternative performance measures (APMs)

APM	Definition, purpose and reconciliation to statutory measure
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.
Net operating costs	Other operating income less operating costs. Measures the total cost base net of operating income, which comprises rent from investment property and insurance payments.
EBITDA	Earnings before interest, tax, depreciation, amortisation and impairment. Operating profit plus depreciation and amortisation of property, plant and equipment, right-of-use assets and intangible assets plus loss on disposal and impairment of property, plant and equipment and intangible assets. Used in our capital and dividend policy.
Adjusted EBITDA	EBITDA less depreciation on right-of-use assets. To measure compliance with bank covenants.
EBITDAR	EBITDAR is calculated as EBITDA plus rent. To measure compliance with bank covenants.
Effective tax rate	Taxation expressed as a percentage of profit before taxation. To measure how close we are to the UK corporation tax rate and understand the reasons for any differences.
Capex (net of disposals)	Acquisition of intangible assets, property, plant and equipment and investment properties, less proceeds on disposal of intangible assets, property, plant and equipment and investment properties.
Free cash flow	Free cash flow is defined as net cash generated from operating activities less capex (net of disposals), 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.

Strategic report *(continued)*

S172 (1) Companies Act 2006

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

On behalf of the Board

A handwritten signature in black ink, consisting of a large, stylized 'K' followed by a series of loops and a final flourish.

Karen Witts

Director

Company number 02129238

18 September 2025

Directors' report

The Directors present their report together with the strategic report and audited financial statements for the period ended 28 June 2025. This report satisfies the requirements of the Companies Act 2006 to produce a business review.

General information

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

Going concern

At the time of approving the financial statements, the Board of Directors is required to formally assess that the business has adequate resources to continue in 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 Company's current financial position, its strategy, the market outlook and its principal risks.

The key judgement that the Directors have considered in forming their conclusion is the potential impact on future revenue, profits and cashflows of a downturn in consumer spending away from the homewares and furniture markets, due to ongoing macroeconomic uncertainty and subdued consumer confidence. This scenario could result in lower than planned growth in Year 1, followed by a lower sales growth trajectory and higher costs to sales ratios 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, again followed by a lower sales growth trajectory and higher costs to sales ratios throughout the review period.

In these downside scenarios Dunelm (Soft Furnishings) Limited has sufficient liquidity to continue trading, to maintain the payment of dividends, and to comfortably meet financial covenants. The Directors continue to assess the risks that climate change poses to the business.

Reverse stress modelling has demonstrated that a prolonged sales reduction of 30% in Year 1 and 32% in Year 2 would be required to breach covenants by the end of FY27; and a 45% sales reduction in each year would be required to breach the RCF limit by the end of FY27, assuming reasonable mitigating actions have been implemented.

Additionally, the Directors have also reviewed the potential impact of material disruption to trading in our digital channel (including home delivery, tablet-based sales in store, and Click & Collect sales) in year 1 reflecting the ongoing cyber security risk to retailers. The Directors are satisfied the Group maintains appropriate access to short-term cash in the event of such a circumstance.

Currently, climate change is not expected to have a significant impact on the Company's going concern assessment or on the viability of the Company over the next three years.

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

Directors' report *(continued)*

Directors

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

Sir Will Adderley

Nicholas Wilkinson

Karen Witts

Steven Barton

Qualifying third-party indemnity provisions

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

Employees

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

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

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

Corporate Governance Code 2018 (the "Code")

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

Stakeholder statements

Employees

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

Directors' report *(continued)*

Other stakeholders

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

Greenhouse gas emissions

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

Political and charitable contributions

During the period, the Company made £nil political contributions and charitable contributions of £665,159 (2024: £466,625). In addition, funds raised for charity by the Company and colleagues were £546,975 (2024: £442,778).

Results and dividends

The profit after tax for the period was £159.4m (2024: £154.3m).

Total dividends of £100.0m (2024: £100.0m) were declared, authorised and paid on the ordinary shares during the period. A further dividend of £64.0m (2024: £60.0m) was declared but remained unpaid as at 28 June 2025, which was paid during FY26.

Financial risk management

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

Future developments

These have been discussed in the Strategic Report.

Independent Auditors

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

Statement of directors' responsibilities in respect of the financial statements

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

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

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

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

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

On behalf of the Board



Karen Witts

Director

Company number 02129238

18 September 2025

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

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 28 June 2025 and of its profit for the 52 week period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 28 June 2025; the Income Statement, Statement of Comprehensive Income and Statement of Changes in Equity for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

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

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

Reporting on other information

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

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

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

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

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the period ended 28 June 2025 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Gillian Hinks (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
East Midlands
22 September 2025

Income Statement

For the 52 weeks ended 28 June 2025

		2025	2024
		52	52
		weeks	weeks
	Note	£'m	£'m
Revenue	2	1,764.6	1,706.5
Cost of sales		(839.7)	(823.2)
Gross profit		924.9	883.3
Other operating income		4.7	-
Operating costs	3	(702.6)	(665.4)
Operating profit	4	227.0	217.9
Finance income	6	1.4	2.0
Finance costs	6	(14.4)	(11.5)
Profit before taxation		214.0	208.4
Taxation	7	(54.6)	(54.1)
Profit for the period		159.4	154.3

The notes on pages 23 to 57 form part of these financial statements.

Statement of Comprehensive Income

For the 52 weeks ended 28 June 2025

		2025	2024
		52	52
		weeks	weeks
	Note	£'m	£'m
Profit for the period		159.4	154.3
Other comprehensive (expense)/income:			
Items that may be subsequently reclassified to profit or loss:			
Movement in fair value of cash flow hedges	19	(21.5)	0.2
Deferred tax on hedging movements	14	3.0	(1.0)
Other comprehensive (expense)/income for the period, net of tax		(18.5)	(0.8)
Total comprehensive income for the period		140.9	153.5

Statement of Financial Position

As at 28 June 2025		28 June 2025	29 June 2024
	Note	£'m	£'m
Non-current assets			
Intangible assets	9	3.6	3.8
Property, plant and equipment	10	178.2	173.0
Right-of-use assets	11	214.9	222.9
Investment property	12	29.5	7.5
Investment in subsidiary undertakings	13	0.3	0.3
Deferred tax assets	14	2.7	1.4
Derivative financial instruments	19	-	0.1
Total Non-current assets		429.2	409.0
Current assets			
Inventories	15	224.5	223.0
Trade and other receivables	16	39.5	26.2
Derivative financial instruments	19	-	0.3
Current tax asset		1.8	-
Cash and cash equivalents	17	29.8	23.4
Total current assets		295.6	272.9
Total assets		724.8	681.9
Current liabilities			
Trade and other payables	18	(282.8)	(289.9)
Lease liabilities	11	(51.7)	(52.1)
Liability for current tax		-	(1.5)
Derivative financial instruments	19	(13.3)	(4.9)
Total current liabilities		(347.8)	(348.4)
Non-current liabilities			
Bank loans	20	(130.2)	(77.0)
Lease liabilities	11	(189.4)	(197.5)
Provisions	21	(7.7)	(5.5)
Derivative financial instruments	19	(4.0)	(0.6)
Total non-current liabilities		(331.3)	(280.6)
Total liabilities		(679.1)	(629.0)
Net assets		45.7	52.9
Equity			
Issued share capital	22	2.0	2.0
Retained earnings		56.7	54.7
Hedging reserve		(13.0)	(3.8)
Total equity		45.7	52.9

The financial statements on pages 21 to 57 were approved by the Board of Directors on 18 September 2025 and were signed on its behalf by:



Karen Witts
Director - Company number 02129238

Statement of Changes in Equity

For the 52 weeks ended 28 June 2025

	Note	Issued share capital £'m	Retained earnings £'m	Hedging reserve £'m	Total equity £'m
As at 1 July 2023		2.0	57.3	(6.9)	52.4
Comprehensive income for the period					
Profit for the period		-	154.3	-	154.3
Movement in fair value of cash flow hedges	19	-	-	0.2	0.2
Deferred tax on hedging movements	14	-	-	(1.0)	(1.0)
Total comprehensive income for the period		-	154.3	(0.8)	153.5
Share-based payments		-	3.8	-	3.8
Deferred tax on share-based payments	14	-	(1.2)	-	(1.2)
Current tax on share options exercised		-	0.5	-	0.5
Movement on cash flow hedges transferred to inventory	19	-	-	3.9	3.9
Ordinary dividends paid	8	-	(160.0)	-	(160.0)
Total transactions with owners, recorded directly in equity		-	(156.9)	3.9	(153.0)
As at 29 June 2024		2.0	54.7	(3.8)	52.9
Comprehensive income for the period					
Profit for the period		-	159.4	-	159.4
Movement in fair value of cash flow hedges	19	-	-	(21.5)	(21.5)
Deferred tax on hedging movements	14	-	-	3.0	3.0
Total comprehensive income/(expense) for the period		-	159.4	(18.5)	140.9
Share-based payments		-	4.9	-	4.9
Deferred tax on share-based payments	14	-	1.0	-	1.0
Current tax on share options exercised		-	0.7	-	0.7
Movement on cash flow hedges transferred to inventory	19	-	-	9.3	9.3
Ordinary dividends paid	8	-	(164.0)	-	(164.0)
Total transactions with owners, recorded directly in equity		-	(157.4)	9.3	(148.1)
As at 28 June 2025		2.0	56.7	(13.0)	45.7

Notes to the financial statements

1. Accounting policies

General Information

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

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

Basis of preparation

The financial statements presented cover a 52-week trading period for the financial period ended 28 June 2025 (2024: 52-week period ended 29 June 2024).

These financial statements have been prepared in accordance with FRS 101 “Reduced Disclosure Framework” (FRS101) and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. These financial statements are presented on pages 20 to 61.

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

The annual financial statements 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 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 Company’s current financial position, its strategy, the market outlook and its principal risks.

The key judgement that the Directors have considered in forming their conclusion is the potential impact on future revenue, profits and cashflows of a downturn in consumer spending away from the homewares and furniture markets, due to ongoing macroeconomic uncertainty and subdued consumer confidence. This scenario could result in lower than planned growth in Year 1, followed by a lower sales growth trajectory and higher costs to sales ratios 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, again followed by a lower sales growth trajectory and higher costs to sales ratios throughout the review period.

In these downside scenarios Dunelm (Soft Furnishings) Limited has sufficient liquidity to continue trading, to maintain the payment of dividends, and to comfortably meet financial covenants. The Directors continue to assess the risks that climate change poses to the business.

Reverse stress modelling has demonstrated that a prolonged sales reduction of 30% in Year 1 and 32% in Year 2 would be required to breach covenants by the end of FY27; and a 45% sales reduction in each year would be required to breach the RCF limit by the end of FY27, assuming reasonable mitigating actions have been implemented.

Additionally, the Directors have also reviewed the potential impact of material disruption to trading in our digital channel (including home delivery, tablet-based sales in store, and Click & Collect sales) in year 1 reflecting the ongoing cyber

Notes to the financial statements *(continued)*

1. Accounting policies *(continued)*

Going concern *(continued)*

security risk to retailers. The Directors are satisfied the Group maintains appropriate access to short-term cash in the event of such a circumstance.

Currently, climate change is not expected to have a significant impact on the Company's going concern assessment or on the viability of the Company over the next three years.

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

Critical accounting judgements and sources of significant estimation uncertainty

Based 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 do, however, consider the inventory provision to be a key estimate as it is based on assumptions relating to a highly material balance (gross inventory) and is subject to uncertainty. It is therefore disclosed as an other estimate in line with IAS 1.

Inventory provisions

The Company provides against the carrying value of the inventories held where it is anticipated that net realisable value (NRV) will be below cost. NRV is based on estimated selling price with future price reductions assumed to be in line with historic margin analysis on a line-by-line basis, and applied to the inventory population as deemed appropriate given the expected sell through period and discontinuation status. A 100 basis points change in the provision rate of each stock discontinuation category would lead to a change in the provision of £1.9m (2024: £2.0m). Consideration is also given to whether any stock categories require additional provision due to specific circumstances in place at the period end date.

Consolidation

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

Revenue

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

In general, these conditions for store sales are met at the point of sale. The exceptions to this are custom made products and Click & Collect sales, where revenue is recognised at the point that the goods are collected, and gift cards,

where revenue is deferred and subsequently recognised when redeemed or expired. Gift card obligations are recognised as deferred income as shown in note 18.

Notes to the financial statements *(continued)*

1. Accounting policies *(continued)*

Revenue *(continued)*

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

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

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

Expenses

Financial income and expenses

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

Retirement benefits

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

Share-based payments

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

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

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

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.

Notes to the financial statements *(continued)*

1. Accounting policies *(continued)*

Share-based payments *(continued)*

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

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

Foreign currencies

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

Taxation

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

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

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

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

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

Dividends

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

Intangible assets

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

Notes to the financial statements *(continued)*

1. Accounting policies *(continued)*

Intangible assets *(continued)*

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

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

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

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

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

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

Amortisation

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

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

Property, plant and equipment

Owned assets

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

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

Notes to the financial statements *(continued)*

1. Accounting policies *(continued)*

Investment properties

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

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

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, usually assumed at zero. Land is not depreciated. The estimated useful lives are as follows:

- Freehold buildings 50 years
- Long Leasehold buildings over the remaining period of the lease
- Leasehold improvements over the remaining period of the lease, or a standard useful life if shorter
- Fixtures, fittings, and equipment 3 to 10 years

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

Leases

Lease recognition

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

Right-of-use assets

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

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of the lease payments to be made over the lease term. Lease payments include fixed payments less any lease incentives receivable. In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the

Notes to the financial statements *(continued)*

1. Accounting policies *(continued)*

Lease liabilities *(continued)*

lease commencement date if the interest rate implicit in the lease is not readily determinable. The carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the fixed lease payments. Interest charges are included in finance costs in the Income Statement.

Short-term leases and leases of low-value assets

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

Subsequent measurement

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

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

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

Recognition and measurement

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

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

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

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

Notes to the financial statements *(continued)*

1. Accounting policies *(continued)*

Derivatives

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

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

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

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

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

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

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

Trade and other receivables

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

Inventories

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

Notes to the financial statements *(continued)*

1. Accounting policies *(continued)*

Cash and cash equivalents

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

Trade and other payables

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

Bank borrowings and borrowing costs

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

Impairment of non-financial assets

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

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

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

Provisions

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

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

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

Notes to the financial statements *(continued)*

1. Accounting policies *(continued)*

Climate change

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

- The property, 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 4.5 years (2024: 5.2 years)). The longer life assets relate to freehold stores, investment properties and our head office, none of which are located in areas identified as being at significant risk to climate change.
- The intangible assets, which consist of a brand, internally generated and other software, have a useful life of 3 to 5 years and therefore we would not expect the identified risks to impact these assets.

The other non-current assets were also reviewed, and no risk was identified. Current assets, by their nature, are expected to be fully utilised within the business in the short term and no climate risk has been identified in this time horizon.

New standards and interpretations

The Company has applied the following new standards and interpretations for the first time for the annual reporting period commencing 30 June 2024:

- amendments to IAS 1: Classification of Liabilities as Current and Non-Current;
- amendments to IAS7 and IFRS 7: Supplier finance arrangements; and
- amendments to IFRS 16: Lease liability in a sale and leaseback.

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

New accounting standards in issue but not yet effective

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

- IAS 21 The Effects of Changes in Foreign Currency;
- IFRS 19 Subsidiaries without Public Accountability: Disclosures;
- IFRS 18 Presentation and Disclosure in Financial Statement;
- amendments to IFRS 9 Financial Instruments;
- amendments to IFRS 7 Financial Instruments: Disclosures;

The adoption of the above standards and interpretations is not expected to lead to any material impact on the financial position or performance of the Company's net profit. However, the adoption of IFRS 18 is expected to lead to presentational changes within the financial Statements.

Notes to the financial statements *(continued)*

2. Revenue

The Company one reportable segment, which is the operations to enable the retail of homewares in the UK.

The Company operates a unified retail business model, offering homewares and furniture products through an integrated multichannel platform. Customers engage with the Company across various touchpoints including physical stores, the website, and customer service channels and their journeys can span multiple channels before completing a purchase. Given this interconnected customer experience, the Company does not distinguish between the different operations. Instead, performance is monitored and reported at the Company level, reflecting the holistic nature of the retail proposition.

This approach aligns with how strategic decisions are made, resources are allocated, and performance is evaluated by the Chief Operating Decision-maker. All activities—whether in-store, online, or via support functions—contribute to a single, cohesive retail offering aimed at delivering value and convenience to customers.

The Chief Operating Decision-maker is the Executive Board 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 30 to 31 of the Group accounts.

Management believes that these measures are the most relevant in evaluating the performance of the Company and for making resource allocation decisions.

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

At the period end the Company had £15.8m (2024: £12.5m) of sales orders placed that will be recognised in the Consolidated Income Statement when the goods are dispatched in the following financial period.

3. Operating costs

	2025 52 weeks £'m	2024 52 weeks £'m
Selling and distribution costs	558.5	528.6
Tech and support expenses	144.1	136.8
	702.6	665.4

Notes to the financial statements *(continued)*

4. Operating Profit

Operating profit is stated after charging the following items:

	2025	2024
	52	52
	weeks	weeks
	£'m	£'m
Cost of inventories included in cost of sales	828.6	812.3
Amortisation of intangible assets	2.5	4.1
Depreciation of owned property, plant and equipment	28.7	26.3
Depreciation of right-of-use assets	50.3	50.2
Loss on disposal and impairment of property, plant and equipment and intangible assets	0.5	0.3
Depreciation of investment property	0.3	-
Impairment of right-of-use assets	0.7	0.9
Expense relating to short-term leases	4.7	3.7

The cost of inventories included in cost of sales includes the impact of a net decrease in the provision for obsolete inventory of £6.0m (2024: £0.6m increase).

4. Operating Profit *(continued)*

The analysis of auditors' remuneration is as follows:

	2025	2024
	52 weeks	52 weeks
	£'000	£'000
Fees payable to the Company's auditors in respect of:		
Audit	344	314
Other assurance services	14	-

There were no other assurance services provided in the prior year.

5. Employee numbers and costs

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

	2025	2025	2024	2024
	52 weeks	52 weeks	52 weeks	52 weeks
	Number	Full time	Number	Full time
	of heads	equivalents	of heads	equivalents
Selling	9,844	5,361	9,591	5,258
Distribution	1,134	1,101	1,148	1,110
Administration	1,164	1,147	1,159	1,142
	12,142	7,609	11,898	7,510

Notes to the financial statements *(continued)*

5. Employee numbers and costs *(continued)*

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

	2025 52 weeks £'m	2024 52 weeks £'m
Wages and salaries	270.2	245.1
Social security costs	20.7	17.2
Share-based payment expense (note 23)	4.9	3.8
Other pension costs	7.3	6.9
	303.1	273.0

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

6. Finance income and costs

	2025 52 weeks £'m	2024 52 weeks £'m
Finance income		
Interest on bank deposits	1.4	1.6
Net foreign exchange gains	-	0.4
	1.4	2.0
Finance costs		
Group undertakings	(0.8)	(1.6)
Interest on bank borrowings	(5.8)	(2.9)
Amortisation of issue costs of bank loans	(0.5)	(0.9)
Net foreign exchange losses	(0.2)	-
Interest on lease liabilities	(7.1)	(6.1)
	(14.4)	(11.5)
Net finance cost	(13.0)	(9.5)

7. Taxation

	2025 52 weeks £'m	2024 52 weeks £'m
Current taxation		
UK corporation tax charge for the period	53.3	51.8
Adjustments in respect of prior periods	(1.4)	(0.4)
	51.9	51.4
Deferred taxation		
Origination of temporary differences	2.7	2.8
Adjustment in respect of prior periods	-	(0.1)
	2.7	2.7

Total tax expense

54.6 54.1

Notes to the financial statements *(continued)*

7. Taxation *(continued)*

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

	2025	2024
	52	52
	weeks	weeks
	£'m	£'m
Profit before taxation	214.0	208.4
UK corporation tax at standard rate of 25.0% (2024: 25.0%)	53.5	52.0
Factors affecting the charge in the period:		
Non-deductible expenses	3.2	3.3
Profit on disposal of non-qualifying assets	-	0.1
Adjustments in respect of prior periods	(1.4)	(0.5)
Impact of change in tax rate	-	-
Group relief	(0.7)	(0.8)
	54.6	54.1

The taxation charge for the period as a percentage of profit before tax is 25.0% (2024: 26.0%).

8. Dividends

	2025		2024	
	52		52	
	weeks		weeks	
	£'m	£ per share	£'m	£ per share
Interim Dividends	164.0	82.0	160.0	80.0
	164.0	82.0	160.0	80.0

Total dividends of £164.0m (2024: £160.0m) were declared and authorised on the ordinary shares during the period. Of this total, £64.0m was declared but remained unpaid as at the period end to be paid in the following period (2024: £60.0m, paid in 2025).

Notes to the financial statements *(continued)*

9. Intangible assets

	Software development and licences £'m	Rights to brands and customer lists £'m	Total £'m
Cost			
At 1 July 2023	50.4	11.5	61.9
Additions	2.6	-	2.6
Disposals	(0.2)	-	(0.2)
At 29 June 2024	52.8	11.5	64.3
Additions	2.3	-	2.3
At 28 June 2025	55.1	11.5	66.6
Accumulated amortisation			
At 1 July 2023	45.5	11.1	56.6
Charge for the financial period	4.0	0.1	4.1
Disposals	(0.2)	-	(0.2)
At 29 June 2024	49.3	11.2	60.5
Charge for the financial period	2.4	0.1	2.5
At 28 June 2025	51.7	11.3	63.0
Net book value			
At 1 July 2023	4.9	0.4	5.3
At 29 June 2024	3.5	0.3	3.8
At 28 June 2025	3.4	0.2	3.6

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

Management's review of indicators of impairment did not result in the recognition of any impairment in the period (2024: £nil).

Within software development and licences there were £2.2m additions (2024: £2.4m additions) relating to internally generated assets.

Notes to the financial statements *(continued)*

10. Property, plant and equipment

	Freehold Land and Buildings £'m	Leasehold Land and Buildings £'m	Leasehold Improvements £'m	Fixtures, fittings and equipment £'m	Total £'m
Cost or Valuation					
At 1 July 2023	93.0	-	167.4	140.0	400.4
Transfers	(0.2)	-	0.2	-	-
Additions	0.3	-	13.4	15.8	29.5
Disposals	-	-	(6.8)	(4.3)	(11.1)
At 29 June 2024	93.1	-	174.2	151.5	418.8
Transfers	-	-	0.2	(0.2)	-
Additions	8.9	0.2	10.7	14.6	34.4
Disposals	(0.1)	-	(1.2)	(1.3)	(2.6)
At 28 June 2025	101.9	0.2	183.9	164.6	450.6
Accumulated depreciation					
At 1 July 2023	7.8	-	105.0	117.7	230.5
Charge for the financial period	1.8	-	14.0	10.5	26.3
Disposals	-	-	(6.7)	(4.1)	(10.8)
Impairment	-	-	(0.1)	(0.1)	(0.2)
At 29 June 2024	9.6	-	112.2	124.0	245.8
Charge for the financial period	2.7	-	13.9	12.1	28.7
Disposals	(0.1)	-	(0.2)	(0.4)	(0.7)
Impairment	-	-	(0.6)	(0.8)	(1.4)
At 28 June 2025	12.2	-	125.3	134.9	272.4
Net book value					
At 1 July 2023	85.2	-	62.4	22.3	169.9
At 29 June 2024	83.5	-	62.0	27.5	173.0
At 28 June 2025	89.7	0.2	58.6	29.7	178.2

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

The impairment charge of £1.4m recognised in the period (2024: £(0.2)m) for assets currently not in use.

Notes to the financial statements *(continued)*

11. Leases

Right-of-use assets included in the Statement of Financial Position at 28 June 2025 were as follows:

	2025	2025	2025	2024
	Land and buildings	Motor vehicles, plant and equipment	Total	Total
	£'m	£'m	£'m	£'m
At the beginning of the period	201.7	21.2	222.9	231.3
Additions	33.2	9.9	43.1	44.6
Disposals	(0.1)	-	(0.1)	(1.9)
Impairment	(0.7)	-	(0.7)	(0.9)
Depreciation	(44.0)	(6.3)	(50.3)	(50.2)
At the end of the period	190.1	24.8	214.9	222.9

Right-of-use additions includes £(0.6)m of lease modifications in the period (2024: £5.2m).

The impairment charge of £(0.7)m (2024: £(0.9)m) relates to impairment in respect of leases for properties currently not in use.

Lease liabilities included in the Statement of Financial Position at 28 June 2025 were as follows:

	2025	2025	2025	2024
	Land and buildings	Motor vehicles, plant and equipment	Total	Total
	£'m	£'m	£'m	£'m
At the beginning of the period	(228.1)	(21.5)	(249.6)	(258.2)
Additions	(35.6)	(9.5)	(45.1)	(46.2)
Disposals	0.1	-	0.1	1.9
Interest	(6.0)	(1.1)	(7.1)	(6.1)
Repayment of lease liabilities	54.1	6.5	60.6	59.0
At the end of the period	(215.5)	(25.6)	(241.1)	(249.6)

The discount rate applied across all lease liabilities ranged between 0.90% and 6.76% (2024: 0.90% and 6.76%). The discount rate is determined at the inception of the lease and the rate reflects our incremental borrowing rate which we assess by considering the marginal rate on the Company's Revolving Credit Facility ('RCF'), the Bank of England base rate, the yield on Government bonds and the term of the lease.

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

	2025	2024
	£'m	£'m
Current	(51.7)	(52.1)
Non-current	(189.4)	(197.5)
	(241.1)	(249.6)

Notes to the financial statements *(continued)*

11. Leases *(continued)*

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

	2025	2024
	£'m	£'m
Less than one year	(60.8)	(59.2)
One to two years	(52.3)	(50.9)
Two to five years	(113.7)	(104.1)
Five to ten years	(53.1)	(63.2)
More than ten years	(0.8)	(1.7)
Total undiscounted lease liability	(280.7)	(279.1)

The average remaining lease term of our leasehold land and buildings is 4.5 years (2024: 4.2 years).

The following amounts have been recognised in the Income Statement:

	2025 52 weeks	2025 52 weeks	2025 52 weeks	2024 52 weeks
	Land and buildings £'m	Motor vehicles, plant and equipment £'m	Total £'m	Total £'m
Depreciation of right-of-use assets	44.0	6.3	50.3	50.2
Impairment of right-of-use assets	0.7	-	0.7	0.9
Interest expenses (included in financial expenses)	6.0	1.1	7.1	6.1
Expense relating to short-term leases	3.4	1.3	4.7	3.7

The total cash outflow for leases during the financial period was £57.9m (2024: £56.9m).

12. Investment Property

	Total
	£'m
Cost	
At 29 June 2024	7.5
Additions	22.3
At 28 June 2025	29.8
Accumulated amortisation / depreciation	
At 29 June 2024	-
Charge for the financial period	0.3
At 28 June 2025	0.3
Net book value	
At 29 June 2024	7.5
At 28 June 2025	29.5

In July 2024, the Group purchased a freehold tenanted retail property in an attractive location for £22.3m, as it was acquired in the year, no external valuation has been performed for the period ended 28 June 2025. We expect to convert this into a Dunelm store in the future.

Investment properties are stated at cost less accumulated depreciation as at 28 June 2025. All amortisation and depreciation charges have been included within operating costs in the Consolidated Income Statement.

The external valuation for the property purchased in 2024 was performed by a professionally qualified, independent valuer. The valuation conforms to International Valuation Standards and UK national supplement (the "Red Book"). The valuation was arrived at by reference to market evidence of the transaction prices paid for similar properties. In estimating the fair value of the properties, the valuers consider the highest and best use of the properties.

The fair value of each property has been assessed as being materially in line with the historical costs.

At 28 June 2025 investment properties rental income was £1.5m included within other operating income in the Consolidated Income Statement.

Notes to the financial statements *(continued)*

13. Investment in subsidiary undertakings

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

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

1) Fogarty Holdings Limited

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

2) Zoncolan Limited

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

3) Dunelm (Soft Furnishings) Londonderry Ltd

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

14. Deferred tax assets/liabilities

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

Deferred taxation assets and liabilities are attributable to the following:

	Assets		Liabilities		Net assets/(liabilities)	
	2025	2024	2025	2024	2025	2024
	£'m	£'m	£'m	£'m	£'m	£'m
Property, plant and equipment	-	-	(5.3)	(2.7)	(5.3)	(2.7)
Share-based payments	3.5	2.6	-	-	3.5	2.6
Hedging	4.3	1.3	-	-	4.3	1.3
Other temporary differences	0.4	0.4	(0.2)	(0.2)	0.2	0.2
	8.2	4.3	(5.5)	(2.9)	2.7	1.4

	Assets		Liabilities		Net assets/(liabilities)	
	2025	2024	2025	2024	2025	2024
	£'m	£'m	£'m	£'m	£'m	£'m
Deferred tax recoverable/(payable) after more than 12 months	0.2	1.6	(5.5)	(2.9)	(5.3)	(1.3)
Deferred tax recoverable/(payable) within 12 months	8.0	2.7	-	-	8.0	2.7
	8.2	4.3	(5.5)	(2.9)	2.7	1.4

Notes to the financial statements *(continued)*

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

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

	Balance at 2 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	4.6	(0.8)	(1.2)	2.6
Hedging	2.3	-	(1.0)	1.3
Other temporary differences	0.2	-	-	0.2
	6.3	(2.7)	(2.2)	1.4

	Balance at 29 June 2024 £'m	Recognised in income £'m	Recognised in equity £'m	Balance at 28 June 2025 £'m
Property, plant and equipment	(2.7)	(2.6)	-	(5.3)
Share-based payments	2.6	(0.1)	1.0	3.5
Hedging	1.3	-	3.0	4.3
Other temporary differences	0.2	-	-	0.2
	1.4	(2.7)	4.0	2.7

15. Inventories

	2025 £'m	2024 £'m
Raw materials	0.9	1.3
Work in progress	0.1	0.1
Finished goods and goods for resale	223.5	221.6
	224.5	223.0

Goods for resale includes a net realisable value provision of £16.5m (2024: £21.3m). Write-downs of inventories to net realisable value amounted to £21.5m (2024: £30.7m). These were recognised as an expense during the period and were included in cost of sales in the Income Statement.

Notes to the financial statements *(continued)*

16. Trade and other receivables

	2025	2024
	£'m	£'m
Trade receivables	9.0	3.7
Other receivables	3.6	0.4
Prepayments and accrued income	26.9	22.1
	39.5	26.2

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 (2024: £nil). No material amounts are overdue (2024: £nil).

17. Cash and cash equivalents

	2025	2024
	£'m	£'m
Cash at bank and in hand	29.8	23.4

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

Notes to the financial statements *(continued)*

18. Trade and other payables

	2025	2024
	£'m	£'m
Trade payables	93.1	92.3
Accruals	79.9	67.1
Amounts owed to group undertakings	63.5	85.1
Other payables	0.2	0.6
Taxation and social security	30.4	32.3
Deferred income	15.7	12.5
Total trade and other payables	282.8	289.9

Deferred income includes contract liabilities of £11.7m (2024: £8.8m) where payment has been received in respect of performance obligations which will be met in future periods. Performance obligations associated with contract liabilities relating to unfulfilled sales orders of £8.5m (2024: £7.5m) are expected to be met within twelve months of the reporting date.

Contract liability for gift cards of £3.2m (2024: £1.3m) may be met over a period of up to two years from the reporting date, consistent with the term of the gift cards in issue.

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

	2025	2024
	£'m	£'m
Opening balance	1.3	1.1
Issued in year	16.6	5.6
Released to Income statement	(14.7)	(5.4)
Closing balance	3.2	1.3

Notes to the financial statements *(continued)*

19. Financial risk management

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

Credit risk

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

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

The Company's maximum exposure to credit risk is represented by the carrying amount of financial assets. No collateral is held (2024: £nil). At the period end the maximum exposure is detailed in the table below.

	2025	2024
	£'m	£'m
Current		
Cash and cash equivalents	29.8	23.4
Trade and other receivables	12.6	4.1
Accrued income	13.1	10.2
Derivative financial instruments	-	0.3
Total current financial assets	55.5	38.0
Non-current		
Derivative financial instruments	-	0.1
Total financial assets	55.5	38.1

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

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

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

On that basis, the loss allowance as at 28 June 2025 and 29 June 2024 was determined to not be significant for trade and other receivables, accrued income and cash and cash equivalents.

Notes to the financial statements *(continued)*

19. Financial risk management *(continued)*

Liquidity risk

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

All cash flows on financial liabilities for 2025 and 2024 are contractually due within one year with the exception of provisions, bank loans, derivative financial liabilities and lease liabilities. The details of lease liabilities are shown in note 11.

Total borrowings of £132.0m (2024: £79.0m) reflect the level of facility drawdown at the period end on the Company's committed RCF.

Interest rate risk

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

During the period, if SONIA had been 100 basis points higher with all other variables held constant, post-tax profit would have been £0.5m lower (2024: £0.3m lower).

Foreign currency risk

All of the Company's revenues are in sterling. The majority of purchases are also in pounds sterling, but some goods purchased direct from overseas suppliers are paid for in US dollars, accounting for just over 30% (2024: 30%) of stock purchases in the period ended 28 June 2025.

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

Cash flow hedges are in place to manage foreign exchange rate risk arising from forecast purchases denominated in US dollars. At the Consolidated Statement of Financial Position date, the fair value of US dollar foreign exchange forward contracts held in cash flow hedges was a £17.3m liability (2024: £5.1m liability) which relates to a commitment to purchase \$414.0m (2024: \$368.0m) for a fixed sterling amount. A fair value loss of £21.5m (2024: gain of £0.2m) was recognised in other comprehensive income and no loss (2024: £nil) was recognised on cash flow hedges during the period. In the period, a loss of £9.3m (2024: £3.9m loss) 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 (2024: \$0.1m).

Notes to the financial statements *(continued)*

19. Financial risk management *(continued)*

At the period end if GBP had strengthened by 10% against US dollar with all other variables held constant, post-tax profit would have been £0.1m lower (2024: £0.1m 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 £1.7m higher (2024: £0.5m 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 higher (2024: £0.1m lower) and other components of equity would have been £1.7m lower (2024: £0.5m lower).

The US dollar period end exchange rate applied in the above analysis is £1 = \$1.2372 (2024: £1 = \$1.2644).

Capital management

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

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

The Company has a syndicated RCF of £250m which is committed until 6 September 2028, which may be extended by further 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 Earnings before interest, tax, depreciation, amortisation and restructuring ("EBITDAR") before exceptional items to be no less than 1.75x Group fixed charges), both of which were met comfortably as at 28 June 2025 as shown below. In addition, the Company maintains £10m of uncommitted overdraft facilities with one syndicate partner bank.

Derivatives: Hedge ineffectiveness

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

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

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

Notes to the financial statements *(continued)*

19. Financial risk management *(continued)*

Market Risk

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

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

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

Effects of hedge accounting on the financial position and performance

	2025	2024
	£'m	£'m
Foreign currency forwards		
Carrying amount of liability	(17.3)	(5.1)
Notional amount	329.9	295.5
Maturity date	July 2025- March 2027	July 2024- April 2026
Hedge ratio	1:1	1:1
Change in value of hedged item used to determine hedge effectiveness	£21.5m	£0.2m
Change in the value of hedging instruments	£(21.5)m	£(0.2)m
Weighted average hedged rate for the period (including forward points)	£1:US\$1.2508	£1:US\$1.2455

Fair values

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

Fair value hierarchy

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

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

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

Notes to the financial statements *(continued)*

19. Financial risk management *(continued)*

Financial assets/(liabilities)

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

	Financial assets at amortised cost £'m	Financial liabilities at amortised cost £'m	Derivatives used for hedging £'m	Total £'m
At 29 June 2024				
Cash and cash equivalents	23.4	-	-	23.4
Trade and other receivables	4.1	-	-	4.1
Accrued income	10.2	-	-	10.2
Derivative financial instruments	-	-	0.4	0.4
Total financial assets	37.7	-	0.4	38.1
Trade payables & other payables	-	(92.9)	-	(92.9)
Amounts owed to group undertakings	-	(85.1)	-	(85.1)
Accruals	-	(67.1)	-	(67.1)
Lease liabilities	-	(249.6)	-	(249.6)
Bank loans	-	(77.0)	-	(77.0)
Derivative financial instruments	-	-	(5.5)	(5.5)
Total financial liabilities	-	(571.7)	(5.5)	(577.2)
Net financial assets/(liabilities)	37.7	(571.7)	(5.1)	(539.1)

	Financial assets at amortised cost £'m	Financial liabilities at amortised cost £'m	Derivatives used for hedging £'m	Total £'m
At 28 June 2025				
Cash and cash equivalents	29.8	-	-	29.8
Trade and other receivables	12.6	-	-	12.6
Accrued income	13.1	-	-	13.1
Derivative financial instruments	-	-	-	-
Total financial assets	55.5	-	-	55.5
Trade payables & other payables	-	(93.8)	-	(93.8)
Amounts owed to group undertakings	-	(63.5)	-	(63.5)
Accruals	-	(79.9)	-	(79.9)
Lease liabilities	-	(241.1)	-	(241.1)
Bank loans	-	(130.2)	-	(130.2)
Derivative financial instruments	-	-	(17.3)	(17.3)
Total financial liabilities	-	(608.0)	(17.3)	(625.3)
Net financial assets/(liabilities)	55.5	(608.0)	(17.3)	(569.8)

Notes to the financial statements *(continued)*

19. Financial risk management *(continued)*

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

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

	2025	2024
	£'m	£'m
Sterling	29.3	22.2
US dollar	0.2	0.9
Euro	0.3	0.3
	29.8	23.4

20. Bank loans

	2025	2024
	£'m	£'m
Bank borrowings	132.0	79.0
Less: unamortised debt issue costs	(1.8)	(2.0)
Net borrowings	130.2	77.0

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

The analysis below shows the reconciliation of net debt:

	2025	2024
	£'m	£'m
Net debt at 30 June 2024 and 2 July 2023	(55.6)	(30.7)
Net increase/ (decrease) in cash and cash equivalents (excluding foreign exchange revaluations)	6.6	(23.7)
Effect of foreign exchange (note 6)	(0.2)	0.4
Repayments of Revolving Credit Facility	99.0	108.0
Drawdowns of Revolving Credit Facility	(152.0)	(110.0)
Movements in net debt	(46.6)	(25.3)
Net debt represented by		
Cash and cash equivalents (note 17)	29.8	23.4
Non-current borrowings	(132.0)	(79.0)
Net debt at 28 June 2025 and 29 June 2024	(102.2)	(55.6)
Lease liabilities (note 11)	(241.1)	(249.6)
Net debt at 28 June 2025 and 29 June 2024 (including lease liabilities)	(343.3)	(305.2)

Notes to the financial statements (continued)

21. Provisions

	Balance at 29 June 2024	Utilised in the period	Created in the period	Released in the period	Balance at 28 June 2025
	£'m	£'m	£'m	£'m	£'m
Property related	5.5	(0.1)	1.2	(1.1)	5.5
Legal & Other	-	-	2.2	-	2.2
	5.5	(0.1)	3.4	(1.1)	7.7

Property-related provisions consist of costs associated with vacant property and dilapidations. Legal-related and other provisions include potential costs for legal disputes with the business. All provisions are based on the Directors' best estimate of the Company's future liabilities.

22. Share capital

	2025 Number	2025 £'m	2024 Number	2024 £'m
Ordinary shares of £1 each:				
At 28 June 2025 and 29 June 2024	2,000,000	2.0	2,000,000	2.0

23. Share-based payments

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

Dunelm Group Savings Related Share Option Plan (Sharesave)

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

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

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

	2025	2025	2024	2024
	No. of options	Weighted average exercise price (p)	No. of options	Weighted average exercise price (p)
Sharesave Plans				
Outstanding at beginning of year	2,429,649	736.11	2,208,870	718.00
Granted	459,799	929.00	614,293	810.00
Exercised	(78,695)	932.51	(22,174)	658.94
Forfeited	(373,250)	867.83	(371,340)	754.03
Outstanding at end of year	2,437,503	745.98	2,429,649	736.11
Exercisable at end of year	2,044	1,046.00	78,984	1,167.00

Notes to the financial statements (continued)

23. Share-based payments (continued)

Exercisable at end of period refers to all share options not exercised which have passed their vesting date, but not yet reached their expiry date. 2,044 options (2024: 78,984 options) excludes the provisions for early exercise explained above.

Options outstanding at 28 June 2025 are exercisable at prices ranging between 667.00p and 1,046.00p (2024: 667.00p and 1,167.00p) and have a weighted average remaining contractual life of 1.5 years (2024: 2.1 years), as analysed in the table below:

	2025	2025	2024	2024
	No. of	Weighted average remaining contractual life (years)	No. of options	Weighted average remaining contractual life (years)
Sharesave Plans	options			
Exercise price (pence):				
667.00	1,531,473	1.0	1,677,650	2.0
810.00	445,636	2.0	537,082	3.0
929.00	390,610	3.0	-	-
1,046.00	69,784	-	135,195	1.0
1,167.00	-	-	79,722	-
	2,437,503	1.5	2,429,649	2.1

Long-Term Incentive Plan (LTIP)

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

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

	2025	2024
	No. of options	No. of options
LTIP Awards		
Outstanding at beginning of period	1,318,619	1,352,037
Granted	451,590	365,696
Dividend equivalent awarded in the period	65,966	47,535
Exercised	(238,416)	(260,250)
Forfeited	(53,004)	(186,399)
Outstanding at end of period	1,544,755	1,318,619
Exercisable at end of period	4,717	4,717

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 (2024: 7.8 years).

Notes to the financial statements (continued)

23. Share-based payments (continued)

Restricted Stock Award (RSA)

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

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

	2025	2024
	No. of options	No. of options
Restricted Stock Award		
Outstanding at beginning of period	334,747	316,446
Granted	336,113	155,032
Dividend equivalent awarded in the period	16,377	9,928
Exercised	(153,786)	(115,428)
Forfeited	(20,033)	(31,231)
Outstanding at end of period	513,418	334,747
Exercisable at end of period	35,239	12,437

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 5.4 years (2024: 7.9 years).

Bonus Deferred Shares Award

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

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

	2025	2024
	No. of options	No. of options
Bonus Deferred Shares Award		
Outstanding at beginning of period	2,709	2,783
Granted	-	-
Dividend equivalent awarded in the period	-	-
Exercised	-	-
Forfeited	-	(74)
Outstanding at end of period	2,709	2,709
Exercisable at end of period	2,709	2,709

Notes to the financial statements *(continued)*

23. Share-based payments *(continued)*

The weighted average remaining contractual life of these options is nil years (2024: 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 except for the LTIPs granted in October 2024 for which fair values have been calculated using a Monte Carlo option pricing model. Expected volatility is determined by calculating the historical volatility of the Company's share price over a period equivalent to the expected life of an option which is aligned to its vesting period.

The following tables list the inputs to the model used for options granted in the periods ended 28 June 2025 and 29 June 2024 based on information at the date of grant:

Sharesave Plans	2025	2024
Share price at date of grant	1,161.00p	1,086.00p
Exercise price	929.00p	810.00p
Volatility	31.42%	34.55%
Expected life	3 years	3 years
Risk-free rate	4.13%	3.31%
Dividend yield	3.90%	3.88%
Fair value per option	359.70p	342.80p

LTIP Awards	2025	2024
Share price at date of grant	1,078.00p-1,161.00p	1,086.00p
Exercise price	0.00p	0.00p
Volatility	31.80%-31.97%	34.55%
Expected life	3 years	3 years
Risk-free rate	4.13%	3.93%
Dividend yield	3.90%	3.88%
Fair value per option	544.00-988.00p	736.90p

Restricted Stock Awards	2025	2024
Share price at date of grant	1,161.00p	1,086.00-1,111.00p
Exercise price	0.00p	0.00p
Volatility	28.90%-31.80%	27.43%-34.55%
Expected life	1-3 years	1-2 years
Risk free rate	4.13%	3.93%-3.97%
Dividend yield	3.90%	3.88%
Fair value per option	786.10p-1,116.50p	736.90p-1,086.20p

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

Notes to the financial statements *(continued)*

24. Commitments

As at the period end date, the Company had entered into capital contracts amounting to £5.9m (2024: £1.5m).

25. Contingent liabilities

The Company had no contingent liabilities at the period end date (2024: none).

26. Related parties

Identity of related parties

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

Key management personnel

The remuneration of the key management personnel is as follows:

	2025	2024
	52	52
	weeks	weeks
	£'m	£'m
Wages and salaries	2.1	1.8
Termination benefits	-	-
Short term employee benefits	1.5	1.0
Post-employment benefits	0.1	0.1
Share-based payments	1.4	0.4
	5.1	3.3
Remuneration in respect of the highest paid director is as follows:		
Remuneration for qualifying services	0.4	0.3
Share options in respect of qualifying services under a long term incentive scheme	0.1	0.1
	0.5	0.4

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

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

Sir Will Adderley
Nicholas Wilkinson
Karen Witts

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

Notes to the financial statements *(continued)*

27. Ultimate parent Company

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

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