

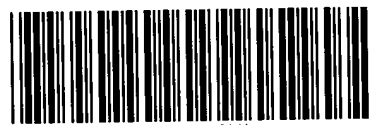
**DUNELM (SOFT FURNISHINGS)
LIMITED**

Annual report and financial statements

Registered number 2129238

4 July 2015

THURSDAY



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22/10/2015

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COMPANIES HOUSE

Company information

Directors	WL Adderley
	J Rowell
	DA Stead
	S Barton
	J Browett
Secretary	D Durrant
Company number	2129238
Registered office	Watermead Business Park
	Syston
	Leicestershire
	LE7 1AD
Independent Auditors	PricewaterhouseCoopers LLP
	Cornwall Court
	19 Cornwall Street
	Birmingham
	B3 2DT
Bankers	Barclays Bank Plc
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	Birmingham
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Strategic report

The directors present their strategic report together with the directors' report and audited financial statements of the company for the period ended 4 July 2015.

Principal activity

The principal activity of the company continues to be that of a specialist UK homewares retailer selling to customers through stores, over the internet and via a catalogue.

Overview

The last 12 months have seen exciting developments within Dunelm. We have set ourselves a new growth ambition, re-launched our strategy and made key appointments to further strengthen the capability of the executive management team. At the same time we have delivered good like for like sales growth, opened 12 new superstores and completed the launch of our new web platform.

Ambition

Since our IPO in 2006 we have achieved strong growth in sales and profits. Going forward, our target is to deliver sustainable, profitable growth, with a medium term ambition of increasing sales by 50% from their current level.

Progress with our growth strategy

We see three key areas of growth opportunity:

- LFL stores sales growth
- National coverage from rolling out new stores
- Growing sales and profit in the home delivery channel

Growth opportunity 1 - LFL stores sales growth

We pride ourselves on the breadth of choice we offer our customers, with good quality products at value for money prices across more than 20 different departments. We are always looking to improve the Dunelm offer for customers by evolving our ranges further, both in established departments as well as newer ones. So, for example, we have continued to perform strongly in bed linen thanks in part to developing a much stronger range of kids bedding. Similarly, the roll-out of our Dunelm at Home service has helped to reinforce our strength as a curtains retailer, with made-to-measure curtains being one of our fastest-growing departments.

We have also placed renewed emphasis on seasonal merchandise, making deeper stock commitments to campaigns such as Summer Living than in recent years. Trading these campaigns harder has been a successful strategy in the last financial year and we intend to build on this going forward.

The look and feel of our stores also continues to evolve. This is assisted by refit activity (we completed nine medium refits in the last financial year) and by experimentation with new merchandising approaches. For example, during the last year we developed the concept of *Dorma Living* which we have introduced to a number of stores creating a dedicated Dorma area in which we complement the Dorma bed linen range with other Dorma-branded products such as curtains, crockery, decor and wallpaper.

We continue to invest in customer service through our Customer First programme. Rewards and incentives for our colleagues in stores are now aligned explicitly with customer service measures, as measured by direct customer feedback. We have a big focus on colleague engagement which we see as a key enabler to delivering continued strong service.

Strategic report *(continued)*

Supported by the above initiatives, sales in LFL stores grew by 3.4% over the last financial year. Looking ahead, we will continue to evolve our product offer and see many opportunities to strengthen the proposition further, even in established departments. In addition, we are starting to harness customer feedback in new ways and will use this to inform trials of different store layouts and merchandising approaches. Customer feedback will also be a key element in determining our marketing strategy going forward.

Growth opportunity 2 - National coverage from rolling out new stores

The vast majority of our portfolio comprises out-of-town superstores, with the average store footprint comprising around 30,000 square feet of retail space. In the last financial year we opened 12 new superstores (one being a high street relocation) taking our superstore chain to 148 stores at the year end, providing 4.4 million square feet of selling space.

Our new stores continue to deliver strong returns, with the average expected discounted payback for stores opened in the last three financial years being approximately 30 months. We currently target the majority of our new store openings to achieve discounted cash flow payback of a maximum of 36 months, although we recognise that as our portfolio becomes more mature it will become harder to achieve this in all cases.

Since the year-end, we have opened one additional new store, and nine more stores are contractually committed, five of which will open in the current financial year. We remain confident that the UK can support approximately 200 Dunelm superstores, with particular opportunity for us to expand our presence in London and the South-East.

Growth opportunity 3 - Growing sales and profit in the home delivery channel

Our major achievement during the last year was the launch of a new customer-facing web platform, which went live on 1 July 2015. This new platform improves the customer journey and shopping experience, provides significant further scalability, and paves the way for more frequent future developments to allow on-going enhancements to functionality – starting with increased choice of delivery options for greater customer convenience.

We currently offer 17,000 homewares lines for home delivery, representing the major part of our business in this channel. Order fulfilment is outsourced to a specialist third party partner using a one-man delivery service. We achieve satisfactory profitability from this business in its own right, with additional benefits when customers bypass home delivery and use our Reserve & Collect service. We anticipate substantial further growth in both home delivery orders and Reserve & Collect transactions.

In addition to homewares, our home delivery proposition includes 700 larger furniture items which require a more expensive two-man delivery service. This type of business is relatively new for us. Whilst it is currently unprofitable, we are pleased with the progress made to date and we continue to refine our operating model in order to ensure that it can generate the profitability which we require.

Overall growth in home delivery sales during the last financial year was 55%. Over the year as a whole this channel accounted for 6.1% of our total business, up from 4.4% in the previous year.

Strategic report *(continued)*

People

We continue to invest in our people and management capability, starting at the very top of the business in our parent company Dunelm Group Plc. I am delighted that we have secured the services of John Browett as our next Chief Executive. John is an outstanding retailer and in the early stages of his induction to the business is already bringing fresh thinking and stimulus. With Keith Down identified as our new CFO to succeed David Stead on his retirement later this year, and with other senior appointments also in place, we have a top class executive team to continue driving growth over the coming years.

Infrastructure

We are also developing further the infrastructure which will be needed to allow us to realise our growth ambition. Central to this is the commitment we have made to an additional leasehold warehouse and distribution centre. This facility is scheduled to become operational in spring 2016. It is located close to our existing warehouse at Stoke on Trent and will double our warehouse space to 1 million square feet.

Recognising the importance of IT systems in any major retail business, we have been steadily upgrading our internal IT capability over the past two years. The team is now working on important developments not only for our on-line business, but also to make store operations more efficient and effective, and to support the increased scale of central activities as the business grows. The revenue impact of our investment in this area will continue to grow, as the team reaches full complement, as recent capital projects (notably the new web platform) begin to be amortised, and as we resume the work of on-going web enhancements.

Marketing

We have increased our investment in customer communication over recent years to a level which now represents approximately 1.8% of sales. We anticipate retaining this scale of investment in the near term, albeit with a shift in emphasis away from traditional media in favour of digital marketing.

Summary and outlook

The last 12 months have seen considerable changes within Dunelm and the business is now in better shape than ever. We have good sales momentum and clear plans for further growth. I look forward to leading the business in implementing these plans over the next few months, and subsequently to supporting John Browett and his executive team in further developing the business.

Financial Items

The Company incurred £2.6m net financial expense for the year (2014: £1.3m). Gains amounting to £0.5m (FY14: £0.4m) were made from interest earned on cash deposits and gains of £0.3m (FY14: £0.5m loss) resulted from foreign exchange differences on the translation of dollar denominated assets and liabilities. These gains were partially offset by £0.7m (FY14: £nil) of interest payable and amortisation of arrangement fees relating to the Group's revolving credit facility. The balance of net financial expense represents intercompany interest payable of £2.7m (2014: £1.2m).

As at 4 July 2015 the Company held \$91.5m (FY14: \$87.2m) in US dollar forward contracts representing approximately 67% of the anticipated US dollar spend over the next financial year. Surplus US dollar cash deposits amounted to \$3.2m (FY14: nil).

PBT

After accounting for interest and foreign exchange impacts, profit before tax for the year amounted to £118.4m (2014: £114.5m), an increase of 3.4%.

Strategic report (continued)

Tax and PAT

The tax charge for the year was 21.4% of profit before tax compared with 22.7% in the prior year. This reflects the reduction in the headline rate of corporation tax from 22.5% to 20.75%. The tax charge is expected to trend approximately 100 bps above the headline rate of corporation tax going forward, principally due to depreciation charged on non-qualifying capital expenditure.

Profit for the period attributable to the equity shareholders was £93.1m (2014: £88.5m), an increase of 5.2%.

Capital Expenditure

Gross capital expenditure in the financial year was £29.6m compared with £27.9m in FY14. Significant investments were made in order to support the continued growth and development of the store portfolio with the addition of 12 new superstores (43% of capital expenditure) and a number of refits. The remaining investment related mainly to IT activities, including the new web platform which went live to customers on 1 July 2015 underpinning the development and expansion of our multi-channel offer.

We anticipate an increased level of capital expenditure in the next financial year. In addition to opening new stores (which continue to require on average £1.2m capital investment), we plan to carry out a number of major store refits (approximately £8m in total), will complete the fit-out of our new warehouse (estimated £12m investment) and will continue to invest in IT systems development (estimated £6m). We will also consider freehold store acquisitions on an opportunistic basis.

Operating Cash Flow

Dunelm continues to deliver strong cash returns. Due to the Group special distribution to shareholders of £141.7m, which was funded through the company's bank account, in FY15 the Company used £31.0m (FY14: £103.5m generated) of net cash from operating activities.

Year-end working capital reduced by £147.2m compared with the previous year-end, of which £141.7m was for the Group special distribution mentioned above. We also made significant investment in inventories to support 12 new stores, to support our expansion in furniture, and to improve availability.

Capital Policy

During the year, the Board adopted a new policy on capital structure, targeting an average net debt level (excluding lease obligations and short-term fluctuations in working capital) of between 0.25x and 0.75x historical EBITDA. This policy provides the flexibility to continue to invest in the Company's growth strategy and to take advantage of investment opportunities as and when they arise, for example freehold property acquisitions.

Banking Agreements and Net Debt

In order to support its new capital policy, during the year the Group entered into a £150m syndicated Revolving Credit Facility ("RCF") with a maturity of five years. The terms of the RCF are consistent with normal practice and include covenants in respect of leverage (net debt to be no greater than 2.5x EBITDA) and fixed charge cover (EBITDA) to be no less than 1.5x fixed charges), both of which were met comfortably as at 4 July 2015.

In addition the Group maintains £20m of uncommitted overdraft facilities with two syndicate partner banks.

Net debt at 4 July 2015 was £75.3m (0.62x historical EBITDA) compared with net cash resources of £21.5m at the previous year-end.

Strategic report *(continued)*

Treasury Management

The Group Board has established an overall Treasury Policy, day-to-day management of which is delegated to the Chief Financial Officer. The policy aims to ensure the following:

- Effective management of all clearing bank operations
- Access to appropriate levels of funding and liquidity
- Effective monitoring and management of all banking covenants
- Optimal investment of surplus cash within an approved risk/return profile
- Appropriate management of foreign exchange exposures and cash flows

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.

Sales growth	
2015	14.5%
2014	7.8%
2013	12.2%
Like for like store sales growth	
2015 *	3.4%
2014	-0.2%
2013	0.2%
Home delivery sales growth	
2015 *	55.0%
2014	68.6%
2013	79.4%
Gross margin change	
2015	-30bps
2014	80bps
2013	40bps
Operating margin	
2015	14.5%
2014	15.8%
2013	15.9%
EBITDA	
2015	£141.3m
2014	£135.5m
2013	£126.7m
New store openings	
2015	12
2014	12
2013	14

* 2015 is treated as a 52 week period for these measures, rather than 53 weeks

Strategic report *(continued)*

Principle risks and uncertainties

The Board has overall responsibility for risk management, internal control and business continuity and determines the nature and extent of the risks it is willing to take.

The Board oversees a systematic risk management process to provide assurance that both strategic and operational objectives can be achieved and that the brand remains secure for the long term.

In addition, the Audit & Risk Committee satisfies itself that all strategic or material risks are appropriately monitored by senior management, directing external assurance resources to high priority areas.

Risk Management Framework

Risk Forums

A monthly 'Risk Forum' has been established, chaired by a dedicated Risk Manager, aimed the identification, assessment, mitigation and on-going monitoring of risks. In this forum, departmental 'Risk Champions' collectively evaluate specific risks against 'likelihood' and 'impact' criteria to establish their potential severity.

A key output from this forum is the strategic risk register, which lists and ranks all of the biggest impact risks. These risks are assigned 'owners' from the Executive Board whose responsibility it is to manage and mitigate these risks. The Executive Board meets each month to further assess the extent and effectiveness of controls in these areas as well as to review the process of risk management through the risk forum.

The Group Board gains assurance through twice yearly reviews, as well as by regular challenge to the executive team.

Strategic report *(continued)*

Our assessment of the principal risks and uncertainties facing the business is set out below together with mitigation:

<p>Brand reputation, product and service quality</p> <p>Performance Indicator: Product complaints and recalls</p> <p>Executive responsibility: Chief Executive</p> <p>Impact compared to 2013/14: Increasing</p>	<p>Description The quality and safety of our products and services is essential to the business. If our quality standards fall there is a risk that individuals could be harmed and/or that reputational damage could lead to consumers, colleagues and other stakeholders losing confidence in the Dunelm brand.</p> <p>Mitigation</p> <ul style="list-style-type: none"> • We have a range of policies specifying the quality of products and production processes which suppliers must adopt. • We conduct periodic CSR audits on all stock suppliers in line with ETI guidelines. • We operate a full test schedule for all new products and on a sample basis for on-going lines, overseen by our specialist Product Technology team. • Food hygiene is maintained through the adoption of clear operating guidelines contained in our food safety manual. Staff certification is compulsory and risk assessments, equipment inspections and compliance audits are performed regularly to ensure standards are maintained. <p>Progress in 2014/15 Ethical code of conduct upgraded to explicitly include human trafficking and Fire & Building safety certification. Committed suppliers and overseas agents working directly with factories to deliver more 'green' ratings. Investment in the size and capability of the Product Technology team.</p>
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Strategic report (continued)

Competition and customers	Description
Performance Indicator: Market share	<p>The Group competes with a wide variety of retailers across multiple channels and across a broad spectrum of price-points. Failure to maintain a competitive offer in the Homewares market on multiple fronts (price, range, quality and service) and/or to respond to changing customer needs could materially impact returns and limit opportunities for growth.</p>
Executive responsibility: Chief Executive	Mitigation
Impact compared to 2013/14: Increasing	<ul style="list-style-type: none"> • The Board continually monitors Group performance within the Homewares market and against specific competitive threats. • Continuous brand tracking also operates to gauge relative customer perception and experience together with in-store customer clinics. • Investment in marketing designed to communicate our credentials on range, choice and value. • We continually focus on new product development, both in existing and new homewares categories, to strengthen our specialist proposition. • We have invested significantly in the front-end web platform, fulfilment infrastructure and people capabilities to enhance our multi-channel customer offer.
	Progress in 2014/15
	<ul style="list-style-type: none"> • Dunelm leads the UK Homewares market with an increased share of 8.0%. • Continuing product innovation in existing categories and strengthened seasonal campaigns, • Creation of Customer Insight team. • Investment in improved customer service through our 'Customer First' program. Marketing expenditure has increased year-on-year to 1.8% of sales across multiple channels. • Successful launch of new web platform.

Strategic report (continued)

<p>Regulatory, Environment & Compliance</p> <p>Performance Indicator: Prosecution and other regulatory action</p> <p>Executive responsibility: Chief Executive</p> <p>Impact compared to 2013/14: Increasing</p>	<p>Description</p> <p>The Group risks incurring penalties, damages, claims and reputational damage arising from failure to comply with legislative or regulatory requirements across many areas including but not limited to, trading, health and safety, employment law, data protection, Bribery Act, advertising, human rights and the environment.</p> <p>Mitigation</p> <ul style="list-style-type: none"> • We operate a number of policies and codes of practice outlining mandatory requirements within the business governing behaviours in all key areas. These are regularly reviewed and updated. • Operational management are also responsible for liaising with the Company Secretary and external advisers to ensure that potential issues from new legislation are identified and managed. • We have a whistle-blowing procedure and helpline which enables colleagues to raise concerns in confidence. <p>Progress in 2014/15</p> <ul style="list-style-type: none"> • Ethical Trading policies have been re-issued and agreed with all stock suppliers and regular suppliers of non-stock goods and services. • Training on the requirements of the Bribery Act and Competition Law is in place for all relevant colleagues and policies are communicated to all suppliers. • Human Resources policies and health and safety policies and procedures are kept under constant review and regular compliance audits have been completed.
<p>IT Systems, Sensitive Data and Cyber Risk</p> <p>Performance Indicator: Number of major incidents</p> <p>Executive responsibility: Chief Executive</p> <p>Impact compared to 2013/14: Increasing</p>	<p>Description</p> <p>Dunelm is dependent on the continued availability, integrity and capability of key information systems and technology. A major incident (including a cyber-attack), sustained performance problems or failure to keep technology up to date could constitute a significant threat to the business, at least in the short term.</p> <p>Mitigation</p> <ul style="list-style-type: none"> • All business critical systems are based on established, industry leading package solutions, with full support in place. • We have a disaster recovery strategy designed to ensure continuity of trade. • Authorisation controls and access to sensitive transactions are kept under constant review. <p>Progress in 2014/15</p> <ul style="list-style-type: none"> • We have further strengthened the depth and capability of our IT function particularly in the areas of IT Risk, Data Security and Enterprise Architecture. • We have completed a full review of authorisation hierarchies across our main enterprise wide SAP system. • A cross-functional Information Security Steering Group has been established to oversee our data security

Strategic report (continued)

<p>Commodity prices</p> <p>Performance Indicator: Gross margin</p> <p>Executive responsibility: Chief Financial Officer</p> <p>Impact compared to 2013/14: Same</p>	<p>Description</p> <p>Failure to anticipate or manage cost price volatility in key areas such as freight, raw materials, energy and exchange rates may lead to pressure on margins and adversely impact the financial results.</p> <p>Mitigation</p> <ul style="list-style-type: none"> • Stock cover provides the business with time to assess and respond to sustained periods of cost price movement. • Dunelm's scale, growth and increased buying power allows it to secure supply of key raw materials at competitive prices. • Hedging is in place for freight, energy and foreign exchange to help mitigate volatility and aid margin management. • Specialist procurement resource and tight contract management. <p>Progress in 2014/15</p> <ul style="list-style-type: none"> • Foreign currency hedges are in place covering c 70% of expected purchases in FY16. • New freight deals have been agreed with major shipping lines for 2015/16. • Commodity price tracking has been extended to cover all key materials to assist planning and negotiation.
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<p>Portfolio expansion</p> <p>Performance Indicator: Number of new store openings and pipeline</p> <p>Executive responsibility: Chief Executive</p> <p>Impact compared to 2013/14: Same</p>	<p>Description</p> <p>Availability of vacant or new retail space in the right location is essential to deliver our growth plans. Inability to secure or develop the required retail trading space to deliver our superstore format will limit our pace of expansion or force us to compromise our offer.</p> <p>Mitigation</p> <ul style="list-style-type: none"> • Our property team actively monitors availability of retail space with the support of professional advisers. • Financial modelling helps us assess the viability of potential sites. • The Group's strong cash generation and funding headroom provide an attractive covenant to landlords and the ability to acquire freehold units if appropriate. <p>Progress in 2014/15</p> <ul style="list-style-type: none"> • We have opened 12 new stores in the year. • The Executive Board has conducted regular reviews of sites in key catchment areas. • We have legally completed on nine new stores due to open in 2015/16 and beyond.
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Strategic report *(continued)*

<p>Business Interruption & Infrastructure</p>	<p>Description</p> <p>The Group could suffer the loss of a major facility with a consequent impact on short-term trading or diversion of focus from longer-term strategy and planning. This could materially affect the profitability of the business.</p>
<p>Performance Indicator:</p> <p>n/a</p>	<p>The Group could suffer the loss of a major supply partner also impacting short-term trading.</p>
<p>Executive responsibility:</p> <p>Chief Executive</p>	<p>Mitigation</p> <ul style="list-style-type: none"> Physical infrastructure – Head office, workroom, multi-channel and distribution centre activities are all subject to disaster recovery plans and could all operate from fall back facilities. Suppliers – The Group seeks to mitigate this risk by limiting the dependency on individual suppliers and by actively managing key supplier relationships..
<p>Impact compared to 2013/14:</p> <p>Increasing</p>	<p>Progress in 2014/15</p> <ul style="list-style-type: none"> Enhanced Crisis Management and Disaster Recovery process launched across the business. Desk-top simulations exercises completed to increase Crisis Management Team capability. Alternative supply sources/routes have been identified for key product categories. New partnerships have been agreed with local agents to bolster sourcing and supply capabilities in the Far East. We have re-sourced a number of ranges, including one whole category where our UK supplier was unable to provide satisfactory service

Strategic report (continued)

<p>Finance and treasury</p> <p>Performance Indicator: Operating cash conversion Banking Covenants Loan Headroom</p> <p>Executive responsibility: Chief Financial Officer</p> <p>Impact compared to 2013/14: Increasing</p>	<p>Description</p> <p>Lack of access to appropriate levels of cash resources or exposure to significant variations in interest rates or exchange rates could have an impact on the Group's operations and growth plans.</p> <p>Mitigation</p> <ul style="list-style-type: none"> • The Group has a £150m, 5-year 'revolving-credit' facility in place until March 2020. • Further, uncommitted borrowing facilities have been agreed for possible short-term working capital requirements. • Dunelm works with a syndicate of long-term, committed partner banks. • A Group Treasury Policy is in place to govern levels of debt, cash management strategies and to control foreign exchange exposures. <p>Progress in 2014/15</p> <ul style="list-style-type: none"> • New capital policy agreed by the Board to operate with net debt between 0.25x – 0.75x historic EBITDA. • New five year debt facility agreed with syndicate of banks. • Net Debt at the end of the year was £75.3m (0.52x EBITDA)
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<p>Management Team & Key Personnel</p> <p>Performance Indicator: Colleague retention</p> <p>Executive responsibility: Chief Executive</p> <p>Impact compared to 2013/14: Reducing</p>	<p>Description</p> <p>The success of Dunelm is dependent upon the availability of talented senior management and specialist colleagues. The success of the business could be impacted if it fails to attract, retain and motivate high calibre colleagues.</p> <p>Mitigation</p> <ul style="list-style-type: none"> • The composition of the Executive team is kept under constant review by the Board to ensure that it is appropriate to deliver the growth plans of the business. • Succession plans and annual appraisals are in place across the Group. • The Executive Board seeks to develop high calibre individuals through sponsored talent management and succession planning. <p>Progress in 2014/15</p> <ul style="list-style-type: none"> • The Executive Board has been strengthened through the appointments of a new CEO and other senior appointments, including a People Director. • Investments have been made in both depth and capability of teams in key areas such as IT, Buying & Merchandising and Logistics.
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Strategic report *(continued)*

Payment policy and average payment period

The company undertakes to pay its suppliers on time and according to agreed terms of trade; a copy of these terms can be obtained from the Company's registered office. It is the Company's policy to agree with all of its suppliers;

- the terms of payment when agreeing the terms of the transaction;
- ensure that the supplier is aware of the terms of payment; and
- abide by those terms.

At 4 July 2015 trade creditors expressed as number of days outstanding was 43 days (2014: 32 days). The increase is due in part to the 53rd week of trading.

On behalf of the Board



David Stead

Director

Watermead Business Park

Syston

Leicestershire

LE7 1AD

10 September 2015

Directors' report

The Directors present their report together with the strategic report and audited financial statements for the period ended 4 July 2015. This report satisfies the requirements of the Companies Act 2006 to produce a business review.

General information

The Company domiciles and is incorporated as a limited company in the UK.

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

Going concern

The Directors have made appropriate enquiries and formed a judgement at the time of approving the financial statements, that there is reasonable expectation that the company has adequate resources available to it to continue in operational existence for the foreseeable future. For this reason the Directors continue to adopt the going concern basis in preparing the financial statements.

Directors

The directors of the company who were in office during the period and up to the date of signing the financial statements were:

WL Adderley

J Rowell

DA Stead

S Barton

J Browett (appointed 1 July 2015)

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 partners' council.

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

Political and charitable contributions

During the year the company made no political contributions, but made charitable contributions of £98,000 (2014: £206,000, which included a donation of £129,000 in lieu of 2013 annual bonus waived by Will Adderley). Total funds raised for charity by the Group and colleagues were £366,000 (2014: £352,000).

Dividend

Dividends amounting to £35m (2014: £100m) were declared, authorised and paid on the ordinary shares during the year. A further dividend of £95m was declared, authorised and paid on 3 September 2015.

Directors' report *(continued)*

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 20.

Disclosure of information to the auditors

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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.

On behalf of the Board



David Stead

Director

Watermead Business Park
Syston
Leicestershire
LE7 1AD

10 September 2015

Statement of Directors' responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 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. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By behalf of the Board



David Stead

Director

Watermead Business Park

Syston

Leicestershire

LE7 1AD

10 September 2015

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

Report on the financial statements

Our opinion

In our opinion, Dunelm (Soft Furnishings) Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 4 July 2015 and of its profit and cash flows for the period then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements comprise:

- the statement of financial position as at 4 July 2015;
- the income statement and statement of comprehensive income for the period then ended;
- the statement of cash flows for the period then ended;
- the statement of changes in equity for the period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Mark Smith (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
10 September 2015

Income statement

For the 53 weeks ended 4 July 2015

		2015 53 weeks	2014 52 weeks
	Note	£'000	£'000
Revenue	2	835,805	730,152
Cost of sales		(424,649)	(368,851)
Gross profit		411,156	361,301
Operating costs	4	(290,143)	(245,574)
Operating profit	3	121,013	115,727
Financial income	6	3,469	3,954
Financial expenses	6	(6,040)	(5,210)
Profit before tax		118,442	114,471
Taxation	7	(25,344)	(26,011)
Profit for the period attributable to the equity shareholders		93,098	88,460

Statement of comprehensive income

For the 53 weeks ended 4 July 2015

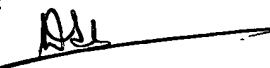
	2015 53 weeks	2014 52 weeks
	£'000	£'000
Profit for the period	93,098	88,460
Items that may be reclassified subsequently to profit or loss:		
Movement in fair value of cash flow hedges	905	(3,285)
Transfer of cash flow hedges to cost of sales	1,706	-
Deferred tax on hedging movements	(522)	669
Other comprehensive income/(expense) for the period, net of tax	2,089	(2,616)
Total comprehensive income for the period	95,187	85,844

Statement of financial position

At 4 July 2015

	Note	2015 £'000	2014 £'000
Non-current assets			
Intangible assets	9	13,124	9,260
Property, plant and equipment	10	88,392	82,971
Deferred tax assets	11	1,992	2,573
		103,508	94,804
Current assets			
Inventories	12	133,118	115,528
Trade and other receivables	13	85,608	88,277
Cash and cash equivalents	14	15,748	21,505
Total current assets		234,474	225,310
Total assets		337,982	320,114
Current liabilities			
Trade and other payables	15	(88,114)	(220,223)
Liability for current tax payable		(11,933)	(12,741)
Derivative financial instruments	20	(308)	(2,898)
Total current liabilities		(100,355)	(235,862)
Non-current liabilities			
Bank loans and overdrafts	16	(91,000)	-
Trade and other payables	15	(42,376)	(40,544)
Provision for liabilities	17	(3,055)	(3,430)
Total liabilities		(236,786)	(279,836)
Net assets		101,196	40,278
Equity			
Share capital	19	2,000	2,000
Retained earnings		99,426	40,597
Hedging reserve		(230)	(2,319)
Total equity attributable to equity shareholders		101,196	40,278

The financial statements on pages 19 to 46 were approved by the Board of Directors on 10 September 2015 and were signed on its behalf by:


David Stead
Director
Company number 2129238

Statement of cash flows

for the 53 weeks ended 4 July 2015

		2015	2014
		53 weeks	52 weeks
	Note	£'000	£'000
Cash flows from operating activities			
Profit before tax		118,442	114,471
Adjustments for:			
Net financing costs	6	<u>2,571</u>	<u>1,256</u>
Operating profit		121,013	115,727
Depreciation and amortisation	3	20,227	18,963
Impairment losses on non-current assets	3	-	(145)
Loss on sale of property, plant and equipment and intangible assets	3	<u>102</u>	<u>906</u>
Operating cash flows before movements in working capital		141,342	135,451
Increase in inventories	12	(17,590)	(22,588)
Decrease in trade and other receivables	13	1,110	165
(Decrease)/increase in trade and other payables	15	<u>(130,671)</u>	<u>15,372</u>
Net movement in working capital		(147,151)	(7,051)
Share based payments expense	18	1,144	1,434
Foreign exchange gains		<u>-</u>	<u>95</u>
Cash flows from operating activities		(4,665)	129,929
Interest received		521	461
Tax paid	7	<u>(26,859)</u>	<u>(26,937)</u>
Net cash (used in)/generated from operating activities		(31,003)	103,453
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		3	1,804
Acquisition of property, plant and equipment	10	(23,385)	(20,551)
Acquisition of other intangible assets	9	<u>(5,884)</u>	<u>(7,303)</u>
Net cash used in investing activities		(29,266)	(26,050)
Cash flows from financing activities			
Drawdowns on revolving credit facility	16	167,000	-
Repayments of revolving credit facility	16	(76,000)	-
Loan transaction costs		(1,295)	-
Interest paid		(148)	-
Dividends paid	8	<u>(35,368)</u>	<u>(100,000)</u>
Net cash generated from/(used in) financing activities		54,189	(100,000)
Net decrease in cash and cash equivalents		(6,080)	(22,597)
Foreign exchange revaluations		323	(573)
Cash and cash equivalents at the beginning of the period		<u>21,505</u>	<u>44,675</u>
Cash and cash equivalents at the end of the period	14	<u>15,748</u>	<u>21,505</u>

Statement of changes in equity

for the 53 weeks ended 4 July 2015

	Share capital £'000	Hedging reserve £'000	Retained earnings £'000	Total parent equity £'000
As at 29 June 2013	2,000	297	49,840	52,137
Profit for the period	-	-	88,460	88,460
Movement in fair value of cash flow hedges	-	(3,285)	-	(3,285)
Deferred tax on hedging movements	-	669	-	669
Total comprehensive income for the period	-	(2,616)	88,460	85,844
Share based payments	-	-	1,434	1,434
Deferred tax on share based payments	-	-	(45)	(45)
Current corporation tax on share options exercised	-	-	908	908
Dividends	-	-	(100,000)	(100,000)
Total transactions with owners, recorded directly in equity	-	-	(97,703)	(97,703)
As at 28 June 2014	2,000	(2,319)	40,597	40,278
Profit for the period	-	-	93,098	93,098
Movement in fair value of cash flow hedges	-	905	-	905
Transfers to cost of sales	-	1,706	-	1,706
Deferred tax on hedging movements	-	(522)	-	(522)
Total comprehensive income for the period	-	2,089	93,098	95,187
Share based payments	-	-	1,144	1,144
Deferred tax on share based payments	-	-	(102)	(102)
Current corporation tax on share options exercised	-	-	57	57
Dividends	-	-	(35,368)	(35,368)
Total transactions with owners, recorded directly in equity	-	-	(34,269)	(34,269)
As at 4 July 2015	2,000	(230)	99,426	101,196

Notes to the financial statements

1. Accounting policies

Basis of preparation

Dunelm (Soft Furnishings) Limited is a company incorporated and domiciled in the UK.

The financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRSIC) interpretations as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS.

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 where financial instruments have been stated at fair value. The financial statements are prepared in pounds sterling, rounded to the nearest thousand.

Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The key estimates and judgements used in the financial statements are as follows:

Inventory Provisions

The Company provides against the carrying value of the inventories held where it is anticipated that new realisable value (NRV) will be below costs. NRV is calculated on the basis of current selling price and expected future price reductions. Future price reductions in turn are assumed to be in line with the Groups standard approach to clearing discontinued and slow-moving inventory; and are applied to such proportion of inventory as deemed appropriate given the level of cover in relation to recent sales history, on a line by line basis.

Equity-settled share based payments

Certain employees and Directors of the Company receive equity-settled remuneration in the form of equity-settled share based payment transactions, whereby employees render services in exchange for shares or rights over shares. The cost equity-settled transactions with employees is measured by reference to the fair value, determined using an appropriate pricing model, at the date at which they are granted. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the non-market vesting conditions are expected to be fulfilled, ending on the relevant vesting date. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period and is adjusted to reflect the Directors' best available estimate of the number of equity instruments that will ultimately vest based upon non-market conditions.

It is not considered likely that any change in assumption with respect to taxation or share-based payments would have a material impact on the financial statements.

Notes to the financial statements *(continued)*

1. Accounting policies *(continued)*

Revenue

Revenue is generated from the sale of homewares through the group's stores and website, and small amounts of related services such as the Dunelm at home consultants. Revenue therefore represents the proceeds from sales of goods and related services, excluding sales between Group companies and is after deducting returns, discounts given and VAT. Revenue is recognised when risk and reward passes to the customer, which is at the point of sale with the exception of custom made products, where revenue is recognised at the point that the goods are collected, and gift vouchers, where revenue is recognised when the vouchers are redeemed. Revenue is settled in cash at the point of sale.

Foreign currency

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 balance sheet date. Resulting exchange gains or losses are recognised in the income statement for the period.

Intangible assets

These comprise software development and implementation costs and trademarks and are stated at cost less accumulated amortisation (see below). Costs incurred in developing the Company's own brands are expensed as incurred.

Separately acquired trademarks are shown at historical cost. Trademarks 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 of trademarks over their estimated useful lives.

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. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period

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

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 software | 3 years |
| • trademarks | 5 years |

Notes to the financial statements *(continued)*

1. Accounting policies *(continued)*

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

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.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Lease payments are accounted for as described below.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

- | | |
|--------------------------|------------------------------|
| • computer equipment | 3 years |
| • freehold buildings | 50 years |
| • fixtures and fittings | 4 years |
| • motor vehicles | 4 years |
| • office equipment | 5 years |
| • plant and machinery | 4 years |
| • leasehold improvements | over the period of the lease |

The residual value of an asset, if significant, is reassessed annually.

Current assets

Trade and other receivables

Trade and other receivables are initially recognised at fair value and then carried at amortised cost 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 expenditure incurred in acquiring the inventories and bringing them into the business. 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.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Companies cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Bank borrowings and borrowing costs

Interest-bearing bank loans and overdrafts are recorded at their fair value net of transaction costs incurred and are subsequently carried at amortised cost.

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 balance sheet date.

Notes to the financial statements *(continued)*

1. Accounting policies *(continued)*

Derivative financial instruments

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

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

For cash flow hedges that proportion of the gain or loss on the hedging instrument that is determined to be an effective hedge, as defined by IAS 39 'Financial Instruments: Recognition and Measurement', is recognised in equity, directly in the hedge reserve with any ineffective portion recognised in the income statement. Such hedges are tested, both at inception to ensure they are expected to be effective and periodically throughout their duration to assess continuing effectiveness. The gains or losses that are recognised in equity are transferred to the income statement in the same period in which the hedge cash flows affect the income statement.

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

Impairment

The carrying amounts of the Company's assets, other than inventories and deferred tax assets are reviewed at each balance sheet 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 net selling price 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 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. Impairment losses are recognised in the income statement.

Provisions

A provision is recognised in the balance sheet 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. A provision for onerous contracts, including property leases, 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)*

Expenses

Property leases

Lease incentives received are recognised in the income statement evenly over the full term of the lease. Where leases for land and building provide for fixed rent review dates and amounts, the Company financial statements for such review by recognising, on a straight line basis, the total implicit minimum lease payments over the non-cancellable period of the lease term.

Financing income and expenses

Financing income/expense comprises interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested, foreign exchange gains and losses, and gains and losses on forward exchange contracts.

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 payment transactions

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

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

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

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

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

When the options are exercised, the company either issues new shares, or uses treasury shares purchased for this purpose. For issued new share, the proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

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

Notes to the financial statements *(continued)*

1. Accounting policies *(continued)*

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.

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 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 balance sheet date, together with any adjustment to tax payable in respect of previous periods.

Deferred tax is provided using the balance sheet 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. 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 tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be recognised.

New Standards and interpretations

There are no new standards, amendments to existing standards or interpretations which are effective for the first time during the period ended 4 July 2015 that have a material impact on the Company.

At the balance sheet date there are a number of new standards and amendments to existing standards in issue but not yet effective, including IFRS 15 'Revenue from contracts with customers', which is effective for periods beginning on or after 1 January 2018 and IFRS 9 'Financial Instruments', which is effective for periods beginning on or after 1 January 2018. The Company has not early-adopted any of these new standards or amendments to existing standards.

The Company is currently assessing the impact of IFRS 9 and IFRS 15. There are no other new standards, amendments to existing standards or interpretations that are not yet effective that would be expected to have a material impact on the Company.

Notes to the financial statements *(continued)*

2. Segmental reporting

In both 2014 and 2015 the company had only one class of business, retail, and it operated predominantly in the UK market.

The Company has one reportable segment, retail of homewares.

The Chief Operating Decision Maker is the Executive Board of Directors. Internal management reports are reviewed by them on a monthly basis. Performance of the segment is assessed based on profit before interest and taxation.

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

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

3. Operating profit

Operating profit is stated after charging the following items:

	2015 53 weeks £'000	2014 52 weeks £'000
Cost of inventories included in cost of sales	421,269	365,746
Amortisation of intangible assets	2,020	1,798
Depreciation of owned property, plant and equipment	18,207	17,165
Impairment losses on non-current assets	-	(145)
Operating lease rentals	45,730	40,038
Loss on disposal of property, plant and equipment and intangible assets	102	906

The analysis of auditors' remuneration is as follows:

	2015 53 weeks £'000	2014 52 weeks £'000
Amounts receivable by the auditors in respect of:		
Audit	51	50
Other services	55	-

Notes to the financial statements *(continued)*

4. Operating costs

	2015 53 weeks £'000	2014* 52 weeks £'000
Selling and Distribution	262,594	221,910
Administrative expenses	27,447	22,758
Loss on disposal of property, plant and equipment and intangible assets	102	906
	290,143	245,574

* prior year comparatives have been aligned to the current year classification of reporting

5. Employee numbers and costs

The average monthly number of persons employed by the Company (including Directors) during the period, analysed by category, was as follows:

	2015 53 weeks Number of heads	2015 53 weeks Full time equivalents	2014 52 weeks Number of heads	2014 52 weeks Full time equivalents
Selling	7,757	4,425	7,558	4,258
Distribution	382	377	307	302
Administration	409	402	297	291
	8,548	5,204	8,162	4,851

The aggregate payroll costs of these persons were as follows:

	2015 53 weeks £'000	2014 52 weeks £'000
Wages and salaries (including bonuses and termination benefits)	106,025	92,563
Social security costs	6,366	5,754
Share-based payment expense (note 18)	1,144	1,434
Other pension costs	1,258	1,245
	114,793	100,996

Notes to the financial statements *(continued)*

6. Finance income and expense

	2015 53 weeks £'000	2014 52 weeks £'000
Finance income		
Group undertakings	2,659	3,519
Interest on bank deposits	507	425
Foreign exchange gains and revaluations (net)	301	-
Other interest received	2	10
	<u>3,469</u>	<u>3,954</u>
Finance expenses		
Group undertakings	5,367	4,732
Interest on bank borrowings and overdraft	538	-
Amortisation of issue costs of bank loans	135	-
Foreign exchange losses (net)	-	478
	<u>6,040</u>	<u>5,210</u>
Net finance expense	<u>2,571</u>	<u>1,256</u>

7. Taxation

	2015 53 weeks £'000	2014 52 weeks £'000
Current taxation		
UK corporation tax charge for the period	25,697	27,560
Adjustments in respect of prior periods	(310)	(152)
	<u>25,387</u>	<u>27,408</u>
Deferred taxation		
Origination of temporary differences	(289)	(770)
Adjustment in respect of prior periods	246	(627)
	<u>(43)</u>	<u>(1,397)</u>
Total tax expense	<u>25,344</u>	<u>26,011</u>

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

	2015 53 weeks £'000	2014 52 weeks £'000
Profit before taxation	118,442	114,471
UK corporation tax at standard rate of 20.75% (2014: 22.5%)	24,577	25,756
Factors affecting the charge in the period:		
Non-deductible expenses	825	553
Loss on disposal of non-qualifying assets	6	205
Adjustments in respect of prior periods	(64)	(779)
Effect of standard rate of corporation tax change	-	276
	<u>25,344</u>	<u>26,011</u>

Notes to the financial statements *(continued)*

7. Taxation *(continued)*

The taxation charge for the period as a percentage of profit before tax is 21.4% (2014: 22.7%).

Changes to the UK corporation tax rates were announced in the Chancellor's Budget on 8 July 2015. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 18% from 1 April 2020.

As the changes had not been substantively enacted at the balance sheet date their effects are not included in these financial statements.

8. Dividends

		2015 53 weeks £'000	2014 52 weeks £'000
Final for the period ended 28 June 2014	– paid £50	-	(100,000)
Interim for the period ended 4 July 2015	– paid £17.68	(35,368)	-
		<u>(35,368)</u>	<u>(100,000)</u>

Notes to the financial statements *(continued)*

9. Intangible assets

	Software develop- ment and licences £'000	Rights to Dorma brand £'000	Total £'000
Cost			
At 29 June 2013	9,050	5,040	14,090
Additions	7,303	-	7,303
Disposals	(2,322)	-	(2,322)
At 28 June 2014	14,031	5,040	19,071
Additions	5,884	-	5,884
At 4 July 2015	19,915	5,040	24,955
Accumulated amortisation			
At 29 June 2013	4,874	4,954	9,828
Charge for the financial period	1,713	85	1,798
Disposals	(1,815)	-	(1,815)
At 28 June 2014	4,772	5,039	9,811
Charge for the financial period	2,019	1	2,020
At 4 July 2015	6,791	5,040	11,831
Net book value			
At 29 June 2013	4,176	86	4,262
At 28 June 2014	9,259	1	9,260
At 4 July 2015	13,124	-	13,124

Notes to the financial statements *(continued)*

10. Property, plant and equipment

	Land and buildings £'000	Leasehold improve- ments £'000	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
Cost					
At 29 June 2013	4,193	92,588	2,860	57,781	157,422
Additions	-	10,465	799	9,287	20,551
Disposals	(2,146)	(1,140)	(35)	(937)	(4,258)
At 28 June 2014	2,047	101,913	3,624	66,131	173,715
Additions	2,274	11,827	377	9,255	23,733
Disposals	-	(193)	-	(879)	(1,072)
At 4 July 2015	4,321	113,547	4,001	74,507	196,376
Accumulated depreciation					
At 29 June 2013	1,392	34,516	1,473	38,398	75,779
Charge for the financial period	55	6,629	759	9,722	17,165
Disposals	(413)	(740)	(25)	(877)	(2,055)
Impairment	(120)	-	(10)	(15)	(145)
At 28 June 2014	914	40,405	2,197	47,228	90,744
Charge for the financial period	59	7,511	733	9,904	18,207
Disposals	-	(123)	-	(844)	(967)
At 4 July 2015	973	47,793	2,930	56,288	107,984
Net book value					
At 29 June 2013	2,801	58,072	1,387	19,383	81,643
At 28 June 2014	1,133	61,508	1,427	18,903	82,971
At 4 July 2015	3,348	65,754	1,071	18,219	88,392

All depreciation expense and impairment charge has been included within operating costs in the income statement.

Notes to the financial statements *(continued)*

11. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a taxation rate of 20% (2014: 20%).

Deferred taxation assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2015	2014	2015	2014	2015	2014
	53 weeks	52 weeks	53 weeks	52 weeks	53 weeks	52 weeks
	£'000	£'000	£'000	£'000	£'000	£'000
Property, plant and equipment	1,005	763	-	-	1,005	763
Share-based payments	999	1,282	-	-	999	1,282
Other temporary differences	159	699	(171)	(171)	(12)	528
	2,163	2,744	(171)	(171)	1,992	2,573

	Assets		Liabilities		Net	
	2015	2014	2015	2014	2015	2014
	53 weeks	52 weeks	53 weeks	52 weeks	53 weeks	52 weeks
	£'000	£'000	£'000	£'000	£'000	£'000
Deferred tax to be recovered after more than 12 months	545	1,370	(171)	(171)	374	1,199
Deferred tax to be recovered within 12 months	1,618	1,374	-	-	1,618	1,374
	2,163	2,744	(171)	(171)	1,992	2,573

Movement in net deferred tax is as follows:

	Balance at 29 June 2013	Recognised in income	Recognised in equity	Balance at 28 June 2014
	£'000	£'000	£'000	£'000
Property, plant and equipment	(380)	1,143	-	763
Share-based payments	1,111	216	(45)	1,282
Other temporary differences	(178)	37	669	528
	553	1,396	624	2,573

	Balance at 28 June 2014	Recognised in income	Recognised in equity	Balance at 4 July 2015
	£'000	£'000	£'000	£'000
Property, plant and equipment	763	242	-	1,005
Share-based payments	1,282	(181)	(102)	999
Other temporary differences	528	(18)	(522)	(12)
	2,573	43	(624)	1,992

Notes to the financial statements *(continued)*

12. Inventories

	2015	2014
	£'000	£'000
Goods for resale	133,118	115,528

13. Trade and other receivables

	2015	2014
	£'000	£'000
Trade receivables	198	940
Other receivables	2,964	3,542
Prepayments and accrued income	16,130	16,434
Amounts owed to group undertakings	66,316	67,361
	85,608	88,277

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

14. Cash and cash equivalents

	2015	2014
	£'000	£'000
Cash and cash equivalents	15,748	21,505

15. Trade and other payables

	2015	2014
	£'000	£'000
Current		
Trade payables	51,715	39,808
Accruals and deferred income	26,340	20,290
Taxation and social security	9,952	10,488
Other payables	107	441
Intercompany	-	149,196
Total current trade and other payables	88,114	220,223
Non-current		
Accruals and deferred income	42,376	40,544
Total non-current trade and other payables	42,376	40,544
Total trade and other payables	130,490	260,767

16. Bank loans

	2015	2014
	£'000	£'000
Bank borrowings	91,000	-

The Company has medium term bank facilities of £150m (2014: £nil) committed until 11 February 2020. £91m of this facility was drawn down at 4 July 2015. The carrying amount of bank borrowings is equal to fair value.

Notes to the financial statements *(continued)*

17. Provision for liabilities

	Balance at 28 June 2014	Utilised in the period	Created in the period	Released in the period	Balance at 4 July 2015
	£'000	£'000	£'000	£'000	£'000
Property related	3,430	(468)	842	(749)	3,055

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

18. Share-based payments

As at 4 July 2015, the Company operated three share award plans:

- a) Dunelm Group Share Option Plan ('GSOP')
- b) Dunelm Group Savings Related Share Option Plan ('Sharesave')
- c) Long-Term Incentive Plan ('LTIP')

Each of these awards shares in the parent company, Dunelm Group plc.

There were 3,692 exercisable options in total under these schemes as at 4 July 2015 (2014: 2,844).

On 30 June 2015, all non-exercisable share options were modified in order to protect option holders from the possible dilution to the value of their options following the return of capital to shareholders made in March 2015. HMRC guidance requires that any adjustment made to approved options results in

- the total market value of shares subject to option immediately prior to and immediately after the adjustment being substantially the same; and
- the exercise price payable under the option immediately prior to and immediately after the adjustment being substantially the same.

This was done by increasing the number of shares by 6.79% and decreasing the exercise price per share by 6.36%. The same methodology was applied to all option schemes, including LTIP.

There was no impact on the share based payment charge for the year.

The fair value of options granted during the period was determined using the Black-Scholes valuation model. Full disclosures have not been given based on the immateriality of the figures.

Notes to the financial statements *(continued)*

18. Share-based payments *(continued)*

a) Dunelm Group Share Option Plan

The GSOP was established in December 2003. Options have a vesting period of three years from date of grant and a maximum life of 10 years. All grants have an exercise price equal to market price at date of grant. These grants are dependent on the level of growth in the Group's EPS relative to RPI as well as continuing employment with the Group.

The number and weighted average exercise price of options under the GSOP is as follows:

	Weighted average exercise price 2015	Number of shares under option 2015	Weighted average exercise price 2014	Number of shares under option 2014
Outstanding at beginning of the period	814.6p	139,900	497.3p	153,565
Granted during the period	-	-	876.5p	115,377
Adjusted during the period	766.9p	7,741	-	-
Exercised during the period	-	-	420.0p	(100,000)
Lapsed during the period	795.6p	(25,860)	741.2p	(29,042)
Outstanding at end of the period	815.6p	121,781	814.6p	139,900

b) Dunelm Group Savings Related Share Option Plan

The Sharesave scheme was established in 2006 and is open to all staff with eligible length of service. Grants are made under the scheme annually. Options may be exercised under the scheme within six months of the completion of each three year savings contract. There is provision for early exercise in certain circumstances such as death, disability, redundancy and retirement.

The number and weighted average exercise price of options outstanding under the Sharesave at 4 July 2015 is as follows:

	Weighted average exercise price 2015	Number of shares under option 2015	Weighted average exercise price 2014	Number of shares under option 2014
Outstanding at beginning of the period	551.0p	757,663	413.0p	778,585
Granted during the period	653.0p	523,706	702.0p	322,740
Adjusted during the period	601.1p	61,027	-	-
Exercised during the period	363.1p	(223,043)	337.1p	(258,175)
Lapsed during the period	639.6p	(157,633)	510.0p	(85,487)
Outstanding at end of the period	638.8p	961,720	551.0p	757,663

The weighted average share price at the time of exercise was 893.9p

Notes to the financial statements *(continued)*

18. Share-based payments *(continued)*

c) Long-Term Incentive Plan

The LTIP was approved by the Board in 2006 enabling the Group to award shares to particular individuals, normally in the form of nominal cost options. The LTIP is administered by the Remuneration Committee. One grant was made in the year, to the Executive Directors and senior management. These grants are exercisable in November 2016, dependent on the level of growth in Group EPS relative to RPI, as well as continuing employment. The maximum life of options under the LTIP is 10 years from the date of grant.

The number and weighted average exercise price of options outstanding under the LTIP at 4 July 2015 is as follows:

	Weighted average exercise price 2015	Number of shares under option 2015	Weighted average exercise price 2014	Number of shares under option 2014
Outstanding at beginning of the period	-	404,579	-	517,625
Granted during the period	-	254,028	-	135,646
Adjusted during the period	-	34,201	-	-
Exercised during the period	-	(107,129)	-	(251,262)
Lapsed during the period	-	(45,654)	-	2,570
Outstanding at end of the period	-	540,025	-	404,579

d) Impact on income statement

The total expense recognised in the income statement arising from share-based payments is as follows:

	2015 £'000	2014 £'000
GSOP	50	96
Sharesave	520	488
LTIP	574	850
	<u>1,144</u>	<u>1,434</u>

19. Share capital

	2015 £'000	2014 £'000
Ordinary shares of £1 each:		
Allotted, called up and fully paid	<u>2,000</u>	<u>2,000</u>

Notes to the financial statements *(continued)*

20. Financial risk management

The Board of Directors of Dunelm (Soft Furnishings) Limited 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.

Company policy is that surplus funds are placed on deposit with counterparties approved by the Board, with a minimum of 'A' credit rating. Credit limits with approved counterparties are limited to £25m for any individual party.

The Company's maximum exposure to credit risk is represented by payments in advance of goods to overseas suppliers. At the period end these amounted to \$6,057,000 (2014: \$7,310,000).

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.

All of the Company's derivative financial liabilities are due to settle within 24 months of the balance sheet date.

Interest rate risk

The Company's bank borrowings incur variable interest rate charges. The Directors do not consider that future changes in interest rates are likely to cause a material direct impact on profitability.

Notes to the financial statements *(continued)*

20. Financial risk management *(continued)*

Foreign currency risk

All of the Company's revenues are in sterling. Purchases of promotional goods are generally in US dollars. Purchase of regular range goods are generally in sterling, although some lines are now being imported directly and paid for in US dollars. The Company cover exchange rate exposure on expected promotional product purchases up to a maximum of 100% of forecast purchases over a four month horizon. Exchange rate exposure is covered on expected regular range purchases up to a maximum of 50% of forecast purchases over a 12 month horizon. The Company use various means to cover the above currency exposures; hold excess funds in US dollars, take out forward contracts for the purchase of US dollars, enter into forward rate options.

During the period the Company entered into exchange rate swaps for \$137.0m (2014: \$88.8m) to sell sterling and buy US dollars. These swaps are accounted for as cash flow hedges. During the period the net mark to market loss on foreign currency hedging instruments taken to equity was £2.6m (2014: £3.3m loss). At the balance sheet date the Company had 176 swap contracts outstanding with an aggregate maximum value of \$134.02m.

In the event of a significant adverse movement in the US dollar exchange rate, the Company could seek to minimise the impact on profitability by changing the selling price of goods.

The Company is exposed to foreign currency risk on purchases denominated in US dollars. These amounted to approximately 19% of the total stock purchases in the period ended 4 July 2015. The outstanding US dollar liabilities at the period end were \$281,000 (2014: \$150,000)

Sensitivity analysis

The Company's principal foreign currency exposure is to the US dollar.

The Directors believe that an increase or decrease of 10% in the US dollar to sterling exchange rates would not have a material effect on the Statement of Comprehensive Income.

The US dollar period end exchange rate applied in the above analysis is 1.5603 (2014: 1.7016). Strengthening and weakening of sterling may not produce symmetrical results depending on the proportion and nature of foreign exchange derivatives which do not qualify for hedge accounting.

Fair values

The fair value of the Company's financial assets and liabilities is not materially different from their carrying value. The fair value of foreign currency contracts are sums 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 financial instruments carried at fair value have been measured by a Level 2 valuation method.

Gains on cash flow hedges during the period amounted to £2,080,000 (2014: loss £1,607,000).

Notes to the financial statements *(continued)*

20. Financial risk management *(continued)*

Capital management

The company considers that its capital is equity.

The Board's objective with respect to capital management is to ensure the Company continues as a going concern in order to optimise returns to shareholders. The Board's policy is to retain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development. The Board regularly monitors the level of capital in the Company to ensure that this can be achieved.

During the period, the Board reviewed its policy on capital structure and dividends. The original policy was established at the time of the flotation of the Company and in the Board's opinion has ceased to reflect the scale of the business and its consistent track record of cash generation over many years. Accordingly, the Board determined that the Group will operate with a modest amount of leverage such that net debt should fall within the range of 0.25 to 0.75 times the last 12 months EBITDA. In order to fund the on-going debt, the Group has entered into an arrangement with a syndicate of three major banks for the provision of a £150 million revolving credit facility, expiring on 9 February 2020. The gearing ratio at 4 July 2015 was as follows:

	2015	2014
	£'000	£'000
Total borrowings (note 16)	91,000	-
Less: cash and cash equivalents (note 14)	(15,748)	(21,505)
Net debt / (cash)	75,252	(21,505)
Total equity	101,196	40,278
Total capital	176,448	18,773
Gearing ratio	43%	n/a

Financial assets and liabilities

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

	Loans and receivables	Other financial liabilities at amortised costs	Derivatives used for hedging	Total
	£'000	£'000	£'000	£'000
Cash and cash equivalents	15,748	-	-	15,748
Trade receivables	198	-	-	198
Intercompany assets	66,316	-	-	66,316
Total financial assets	82,262	-	-	82,262
Trade payables	-	(51,715)	-	(51,715)
Bank borrowings	-	(91,000)	-	(91,000)
Forward exchange contracts – current	-	-	(308)	(308)
Total financial liabilities	-	(142,715)	(308)	(143,023)
Net financial assets/(liabilities) as at 4 July 2015	82,262	(142,715)	(308)	(60,761)

Notes to the financial statements *(continued)*

20. Financial risk management *(continued)*

	Loans and receivables £'000	Other financial liabilities at amortised costs £'000	Derivatives used for hedging £'000	Total £'000
Cash and cash equivalents	21,505	-	-	21,505
Trade receivables	952	-	-	952
Intercompany assets	67,361	-	-	67,361
Total financial assets	89,818	-	-	89,818
Trade payables	-	(39,808)	-	(39,808)
Intercompany liabilities	-	(149,196)	-	(149,196)
Forward exchange contracts – current	-	-	(2,898)	(2,898)
Total financial liabilities	-	(189,004)	(2,898)	(191,902)
Net financial assets/(liabilities) as at 28 June 2014	89,818	(189,004)	(2,898)	(102,084)

The value of trade receivables is net of a provision against bad debts of £nil (2014: £11,976).

As at 4 July 2015, the analysis of trade receivables that were past due but not impaired is as follows:

	Total £'000	Neither past due nor impaired £'000	Less than 30 days £'000	31-60 days £'000	61-90 days £'000	More than 90 days £'000
28 June 2014	952	888	38	8	3	15
4 July 2015	198	36	125	18	11	8

As at 4 July 2015, the analysis of trade payables that were past due but not impaired is as follows:

	Total £'000	Neither past due nor impaired £'000	Less than 30 days £'000	31-60 days £'000	61-90 days £'000	More than 90 days £'000
28 June 2014	39,808	37,967	974	679	117	71
4 July 2015	51,715	48,322	2,883	221	141	148

Intercompany assets and liabilities are receivable/payable on demand.

Notes to the financial statements *(continued)*

20. Financial risk management *(continued)*

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

	2015	2014
	£'000	£'000
Sterling	13,562	21,337
US dollar	2,050	34
Euro	136	134
	15,748	21,505

21. Commitments

As at 4 July 2015 the Company had entered into capital contracts amounting to £4.4m (2014: £2.5m).

The future minimum lease payments under non-cancellable operating leases were as follows:

	2015	2015	2015	2014	2014	2014
	Motor vehicles	Land and buildings	Plant and machinery	Motor vehicles	Land and buildings	Plant and machinery
	£'000	£'000	£'000	£'000	£'000	£'000
Within one year	959	44,673	1,029	769	43,531	1,014
In the second to fifth year inclusive	1,535	171,991	2,701	1,439	163,262	3,181
After five years	-	185,900	435	-	198,029	720
	2,494	402,564	4,165	2,208	404,822	4,915

The Company has 159 operating leases in respect of properties. These leases run for periods up to 20 years, with an option to renew leases on expiry. Lease payments are typically reviewed every five years.

The Company also leases a number of vehicles, shop fittings and items of computer hardware under operating leases. These vary in length.

It is the Company's policy to support the business activities of other subsidiaries within the Group with the full technical and financial resources at its disposal, specifically Dunelm Estates Limited and Zoncolan Limited, both of which have a deficiency of net current assets.

22. Contingent liabilities

The Company had no contingent liabilities at either period end date.

Notes to the financial statements *(continued)*

23. 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 key management personnel comprise the members of the Board of Directors and the executive team. Disclosures relating to remuneration of Directors are set out in the Remuneration Report of the parent company's financial statements, Dunelm Group plc.

The remuneration of the key management personnel is as follows:

	2015	2014
	£'000	£'000
Key management emoluments including social security costs	1,513	1,188
Company contributions to money purchase pension plans	208	32
	1,721	1,220
	<hr/>	<hr/>
Highest paid key management personnel	502	468
	<hr/>	<hr/>

Other related party transactions

From time to time Directors of the Company, or their related entities, may purchase goods from the Company. These purchases are on the same terms and conditions as those entered into by other Company employees or customers and values involved are trivial.

The amounts due to and from the Company in respect of the Parent company and other Company subsidiaries were as follows:

	Parent company		Other Group companies	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Cash paid to Company undertakings	(2,511)	(3,167)	(23,262)	(6,209)
Cash received from Company undertakings	191,285	104,782	20,715	3,326
Dividends paid	(35,368)	(100,000)	-	-
Net interest (paid)/received	(5,365)	(4,732)	2,658	3,518
	148,041	(3,117)	111	635
	<hr/>		<hr/>	
	Parent company		Other Group companies	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Balances receivable from	-	-	67,471	67,360
Balances payable to	(1,156)	(149,197)	-	-
	(1,156)	(149,197)	67,471	67,360
	<hr/>		<hr/>	

Notes to the financial statements *(continued)*

24. Ultimate parent company

The Company is a subsidiary undertaking of Dunelm Group plc which is the ultimate parent company incorporated in England and Wales. The Directors considers that the ultimate controlling party is the Adderley family by virtue of their combined shareholding

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

25. Subsequent events

Dividends amounting to £95m were declared, authorised and paid by Dunelm (Soft Furnishings) Limited to Dunelm Group plc on 3 September 2015.