

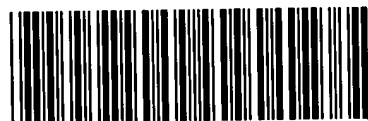
**DUNELM (SOFT FURNISHINGS)
LIMITED**

Annual report and financial statements

Registered number 2129238

30 June 2018

THURSDAY



A7I9NLJC
A19 08/11/2018 #58
COMPANIES HOUSE

Company information

Directors

Will Adderley
Nicholas Wilkinson (appointed 01.02.2018)
John Browett (resigned 29.08.2017)
Keith Down (resigned 24.05.2018)
Steve Barton
James Rowell

Secretary

Dawn 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
15 Colmore Row
Birmingham
B3 2WN

Contents

Strategic report	1
Directors' report	17
Statement of directors' responsibilities in respect of the financial statements	19
Independent auditors' report to the members of Dunelm (Soft Furnishings) Limited	20
Income statement	22
Statement of comprehensive income	23
Statement of financial position	24
Statement of cash flows	25
Statement of changes in equity	26
Notes to the financial statements	27

Strategic report

The Directors present their strategic report together with the Directors' report and audited financial statements of the company for the period ended 30 June 2018.

Principal activities

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.

Business Review

First impressions

Dunelm is a great business which has grown sales in each year of its 39-year history by offering great choice and value for money. Over time we have developed deep knowledge and an unrivalled range of homewares products, supported by committed suppliers. The business is prudently financed, and highly cash generative. Investment in appropriate systems and infrastructure provides a solid platform for growth, and the superstore portfolio combines good locations and attractive rent levels. Our long-established business principles and committed colleagues help ensure a high level of customer satisfaction, which is still growing.

However, we need to continue to change if we are to continue to win. The market is changing, with the increasing penetration of online retail. At the same time, while some of our traditional competitors are retrenching, discounters continue to expand their physical store portfolios. Our rate of market share gain has slowed. We have made some inroads into the furniture market, but our proposition is not yet well developed. The acquisition of Worldstores in FY17 has accelerated development of our multichannel capabilities, but the process of integrating Worldstores into Dunelm has been substantial and has reduced our focus on some of our operating disciplines.

This is an excellent business experiencing new challenges, both near term and medium term. We need to navigate these challenges as we aim to fulfil our purpose of helping everyone create a home they love. We will differentiate ourselves by being famous for style, value and quality in all market segments, and we are working hard to become the best multichannel retailer for homewares in terms of convenience and customer experience.

Worldstores

The acquisition of Worldstores was a major event in Dunelm's development and trading and integrating the acquired businesses has been a massive focus for the management team.

Although Worldstores was acquired from administration for a nominal sum, our estimate of the total cash outlay we will incur in total, including goodwill payments to suppliers, integration costs and trading losses amounts to approximately £30m (net of tax relief).

The business model of Worldstores itself was not sustainable and at the time of acquisition it was incurring losses of over £20m per year. We have transferred significant numbers of profitable lines from Worldstores and Kiddicare to our own website, strengthening the Dunelm.com offer and contributing to growth. Having transferred the worthwhile sales we decided to cease trading the Worldstores websites as separate entities and they will be fully withdrawn by the end of September 2018. We also sold the Achica brand which did not fit with Dunelm's business model and, having tested the Kiddicare brand, we concluded that we can more profitably extend our presence in the children's market using the Dunelm brand. We therefore closed the Kiddicare business in July 2018.

The main benefit from the acquisition is the IT systems and digital development capabilities, which are an important ingredient to the infrastructure that is essential to our success in a multichannel world. Importantly, we see the technology platform acquired with Worldstores as a real asset. We are well advanced in a major programme to move the Dunelm.com website onto

Strategic report *(continued)*

this platform which will allow us to launch Click & Collect and subsequent developments (such as improved delivery options) with much greater agility than has been possible while working with a third party technology partner. We are on track to introduce the new platform during Q3 of our financial year. Linked to the above, we now have not only better technology assets but also a much more advanced capability within the organisation, with a significant increase in the number of digital developers and a digital development centre in London.

With the integration behind us it is clear that Worldstores has created a new level of energy and focus in the business around digital growth. This will play a key role in driving Dunelm's growth for the foreseeable future.

Immediate challenges and opportunities

We have seen profits fall in our last two financial years and we have identified a number of issues and opportunities to improve performance of the core Dunelm business.

We need to evolve to a market-leading multichannel offer. The actions described above to capitalise on the assets acquired with Worldstores are the critical next phase on this journey.

We also have a clear opportunity to improve our customer offer via renewed focus on our value for money credentials. We will reinvigorate our programme of special buys in the coming months and ensure these are prominently displayed in stores and online.

We have grown our furniture business over recent years such that furniture (excluding Worldstores) now represents approximately 5% of Dunelm sales, but the proposition is still at an early stage of development. We are excited by the opportunity to develop our furniture offer further across all channels.

Partly as a result of management change and partly due to the distraction of the Worldstores acquisition and integration activity, some of our basic retail disciplines have slipped, for example in the areas of margin management and stock loss. We are determined that we will regain our grip in these areas.

We have invested heavily in our store portfolio over recent years. With a small number of exceptions the performance of new stores has been positive and continues to give good payback on investment. Refit investments have shown a mixed return. We continue to believe in the opportunity for rolling out new stores, and for targeted refits, although we will ensure that we are highly selective with these investments going forward. We anticipate that the rate of new store openings will be lower, approximately three to five per year, as we move towards our target of 200 stores for full national coverage; and that our investment in refits will settle at £5-10m per year over the medium term.

Evolution of strategy

The core of Dunelm's business strategy is sound, but needs to adapt to reflect fully the issues described above and the challenges of a multichannel environment.

Our customer purpose is to help everyone create a home they love. We intend to reflect this in the way we think about the business, the way we organise, and the way we express our strategy.

Customer first – The leading multichannel specialist

We are now organising ourselves in line with a clear "Customer First" mind-set. In this retail environment we must be agile and able to work at pace in an ever evolving competitive landscape. Our combined store and online business enables us to offer a leading multichannel customer proposition which neither the discounters nor the pure-play operators can match.

Strategic report *(continued)*

By listening to our customers and serving them better we have a significant opportunity to sell more. Shopping frequency and average basket size have considerable headroom for growth as we develop our customer proposition. We under-participate in certain key homewares customer segments, such as “confident nest builders” and “necessity buyers”, and have the potential to grow substantially within these groups. Furthermore, awareness of the Dunelm brand is approximately 80%, which remains low for a market leader.

In the coming years our customer proposition will evolve significantly. Product choice will be extended considerably, in both current and adjacent categories, as we help our customers by sourcing great products. Our stores will become more service and experience orientated, supported by market-leading services which offer inspiration and advice to help customers create a home they love. At the same time, we will work hard to improve the value we offer customers, and to make it even easier for them to shop with us.

In addition to our four existing business goals which help us shape and prioritise our activities to support growth, we have now added a fifth, reflecting the opportunity to grow customer awareness and improve our capabilities with regards to customer acquisition.

1. Reaching new customers with our brand

We have increased the number of unique customers shopping in our stores by 5% and online by 18% during the last year. Continuing to grow our customer base is now a key focus.

Historically customers have “found” Dunelm as we have opened new stores near their homes. In recent years, with the growth of online performance marketing, we have also attracted new customers directly to our website, which in turn supports our store sales.

In the current financial year, we are launching a new integrated brand building campaign which will begin in September 2018, comprising TV sponsorship and advertising, supported by PR, social media activity, email communications and instore activities. We will test and learn from this approach, and will endeavour to have an “always on” flow of customer communications to ensure the Dunelm brand is “front of mind” amongst our target customer segments. Our investment in this campaign over the coming financial year, will be partly funded by redirecting existing brand spend. We will measure success in terms of customer acquisition and visit numbers.

We plan to accelerate investment in online performance marketing on Dunelm.com, in line with our growth expectation for this channel.

We will also continue to develop the use of our own content via our own website, emails to customers, and on social media channels where we are targeting increased followers and likes. We are learning how best to leverage the capabilities of our new CRM system, and generating interaction through #mydunelm and user-generated content and imagery. We will further step up our product PR activity and influencer programmes to gain critical mass.

We are excited about the potential for medium term growth across all our channels which will come from this heightened focus on customer acquisition.

2. Creating new reasons for customers to shop with Dunelm

We must continually improve our proposition by offering the best product choice, quality, value and style to our customers. We must broaden our product appeal to suit all customer tastes, and reinforce our product advantage compared to our competitors. Driving broader category awareness will help us drive visit frequency and basket size.

Strategic report *(continued)*

During the last year we have had some notable successes in improving our product ranges in areas such as lighting and rugs where sales grew significantly both online and in stores.

We have recently launched online a new Made to Measure blinds offer, which will be followed in due course by Made to Measure curtains, which we expect to appeal to customers seeking convenience. In furniture we are building differentiation into our offer to improve the ranges available for customers and drive consideration in areas such as mattresses with new Dorma and Fogarty branded products.

We want our customers to see new products each time they visit our stores and website. We will achieve this by reinvigorating our approach to special buys and trading to bring a wide variety of styles and great value products to our customers.

In the last year, we have continued to grow our sales of seasonal products across key winter and summer trading periods (on top of strong growth in FY17). We believe there is more potential for growth here and are planning further improvements in seasonal ranging over the next year.

3. Easy and inspiring multichannel shopping for our customers

Our customers tell us that shopping convenience is high on their priority list. In addition, customers seek help, advice and inspiration to help create a home they love.

Our 169 superstores provide a fantastic opportunity for us to showcase our product ranges and inspire customers as they browse. As we expand our store estate to around 200 stores, we will bring this opportunity within reach of even more customers, enabling them to access our great ranges and 'take home today' convenience.

Our website provides a different type of convenience for customers shopping at home or on the go. We are working hard to create a seamless multichannel proposition, and are aiming to be the leading multichannel brand in homewares for customer experience. In reality, we are still in catch-up mode for online capability, and we know our customers will appreciate the Click & Collect service which we will launch in tandem with our new web platform early in 2019, as well as improved payment and delivery options.

We know that our stores are an integral part of our future success in a multichannel world, and delivering an inspirational and easy to shop store remains important. We have rolled out tablet-based selling in-store during the last 12 months, providing customers with the opportunity to access the full Dunelm range from every store. We have introduced customer hosts in our stores who will support customers' shopping needs, offering friendly advice and expertise, and helping them navigate the wide variety of ranges available to them.

Last year we continued to evolve our format in stores by completing six major refits, as well as a number of smaller modular refits around furniture, lighting and Made to Measure. We will continue to trial and develop new concepts in stores and currently plan to complete a small number of further major refits in the next financial year.

4. Simple and low cost – good housekeepers

Our low cost operating model and dedication to keeping things simple has historically been a source of significant cost advantage. However, cost growth has exceeded sales growth for a number of years now as we have addressed the changing retail market and transitioned to our multichannel model.

Our approach going forward is to drive efficiency by leaving behind the Worldstores and Kiddicare brands, and leveraging a single brand, web platform and integrated supply chain. As our channel mix shifts, we will attack costs and work to keep all our

Strategic report *(continued)*

channel operations low cost and efficient. We calculate that the marginal contribution from 1-man home delivery sales is currently around 15% below in-store sales.

Over the last year we have made conscious decisions to invest in areas such as digital marketing and technology, and these investments will continue. We have partially offset these investments through productivity initiatives, both in stores and in our supply chain operations, including elimination of some of the Worldstores operating costs. However, we have also suffered increased operating costs due to weaker grip on basics such as stock loss, sourcing and procurement. We are now refocused on improving controls in these areas.

5. A great place to work for colleagues

Making Dunelm an even better place to work for all our colleagues is a continual focus for our leadership team and something that we are passionate about. We know that highly engaged colleagues provide better service to our customers.

Our business principles are really important to us, and as we embrace a digital future, we are working hard to retain the culture which has enabled us to get to where we are.

We are encouraged by the progress made this year in creating better, more rewarding jobs for colleagues in stores and in support functions. We have again promoted more colleagues to management level roles, and we continue our efforts to identify and develop talent to enable individuals to reach their full potential.

We continually listen to our customers and colleagues using our “always-on” feedback and engagement tools. Significant actions taken in response to feedback from our colleagues include restructuring our Technology teams to become more agile and product focused, and combining our Buying and Merchandising functions into an integrated team.

Colleagues value our commitment to activities which have a benefit for the environment. During the year, we reduced CO2 emissions by 7.4%, supported by the completion of 25 LED refits in the year, taking the total number of our sites with LED lighting up to 164 out of 184. Our focus on recycling and landfill diversion has enabled us to reduce our costs of waste management year-on-year, generate significant revenues from recycling, and improve our landfill diversion by three percentage points to 95%.

Summary

In the near term, we have a number of self-help opportunities to improve profitability and cash generation after a difficult and disappointing FY18. I am determined that we grasp these opportunities quickly so as to return to profit growth.

Over the medium term we see plenty of opportunity for us to drive growth as the leading multichannel specialist, helping customers to create a home they love. This is a new and exciting chapter for Dunelm as we fully embrace digital retailing.

The UK retail environment remains challenging, but against this difficult background we have traded in line with expectations during the current financial year to date.

Strategic report *(continued)*

Financial Items

The Company incurred a net financial expense of £0.8m for the year excluding exceptionals (2017: £1.2m). In 2017, the Company also incurred an exceptional cost of £26.1m relating to the write off of an intercompany loan with Globe Online Limited. Interest and amortisation of costs arising from the Group's revolving credit facility amounted to £2.3m (2017: £1.8m) and net foreign exchange differences on the translation of dollar denominated assets and liabilities amounted to a further £0.5m expense (2017: expense of £0.7m). These costs were partially offset by intercompany interest receivable of £1.3m (2017: £1.5m).

As at 30 June 2018 the Company held \$164.0m (2017: \$140.0m) in US dollar forward contracts, of which \$121.5m were due to mature in the next 12 months (2017: \$107.6m), representing 76% of the anticipated US dollar spend over the next financial year. US dollar cash deposits amounted to \$7.3m (2017: \$0.3m).

PBT

After accounting for interest and foreign exchange impacts, profit before tax for the year amounted to £91.5m (2017: £90.5), an increase of 1.1%. On a comparable underlying basis, excluding Worldstores, the Company's PBT before exceptional items was £101m representing a decrease of 14.5% compared to 2017.

Tax and PAT

The tax charge for the year was 21.1% a premium of 210bps compared with the statutory rate of 19.0%. This included an unusually high level of disallowable asset write-offs, in particular items relating to the acquired Worldstores brands.

In future, we expect the tax charge to trend approximately 100 bps above the headline rate of corporation tax, principally due to depreciation charged on non-qualifying capital expenditure.

Profit for the period attributable to the equity shareholders was £72.2m (2017: £72.6m), a decrease of 0.6%.

Capital Expenditure

Gross capital expenditure in the period was £41.9m compared with £52m in 2017. During the year, we invested in new stores (£13.8m), and we continued to invest in technology infrastructure to improve our website and open up new sales channels (£14.3m). Additional maintenance capital investment of £11.5m was made in refitting stores. We also relocated our London Support Centre and invested in a new bespoke curtains manufacturing site (£2.3m).

We expect capital expenditure in the next financial year to be lower as a result of fewer new store openings. We intend to complete a small number of major store refits as well as other specific upgrades across the estate to introduce concepts which have a proven return (estimated £10m in total). We will continue to invest in technology and web development as we move the Dunelm.com website to the Worldstores technology platform and introduce Click and Collect (estimated at £15m). In total, we are planning capital investment of £35-40m in 2019.

Operating Cash Flow

The Company generated £44.6m (2017: £47.5) of net cash from operating activities in the year.

Capital Policy

The Board targets 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. At the year end, net debt/EBITDA was 0.92x (2017: 0.84x).

Strategic report *(continued)*

Banking Agreements and Net Debt

During the year the Company amended and extended its syndicated Revolving Credit Facility ('RCF'). The RCF was increased to £165m and extended until March 2023. The terms of the RCF are unchanged and are consistent with normal practice. They include covenants in respect of leverage (net debt to be no greater than 2.5× EBITDA) and fixed charge cover (EBITDA to be no less than 1.75× fixed charges), both of which were met comfortably as at 30 June 2018. In addition, the Company maintains an option to a £75m accordion facility with the syndicate, and £20m of uncommitted overdraft facilities with two syndicate partner banks.

Treasury Management

The 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

Strategic report *(continued)*

Key performance indicators

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

Sales growth

2018	16.5%
2017	2.3%
2016	5.4%

Like for like store sales growth

2018	1.0%
2017	-0.5%
2016	1.0%

Like for like online sales growth

2018	37.9%
2017	23.5%
2016	23.2%

Gross margin change

2018	-90.0bps
2017	0.0bps
2016	60.0bps

Operating margin before exceptional items

2018	9.7%
2017	13.1%
2016	14.7%

EBITDA before exceptional items

2018	£135.7m
2017	£147.0m
2016	£154.3m

New store openings

2018	10
2017	7
2016	6

Strategic report (continued)

Risk and Risk Management

The Board confirms that it has carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. The Board's assessment of the principal risks and uncertainties facing the Group and the mitigation in place is set out below.

In February 2017, the Board decided that "Failure to integrate the Worldstores business successfully" was an additional principal risk which should be added to the register. As the integration is now largely complete this has been revised to cover "Failure to secure the expected benefits from the Worldstores acquisition".

We have also included this year a separate section on "Brexit" to highlight the risks and mitigating actions. Last year we included these in the "competition, markets and customers" section, the "business efficiency" section, and the "finance and treasury" sections.

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

Risk	Description	How we mitigate	Progress in 2017/8
Competition, market and customers Link to business goals: 1, 2, 3,4 Performance Indicator: Market share Executive responsibility: Customer Director Reports to: Chief Executive Officer Impact compared to 2016/17: <->	Failure to respond to changing consumer needs, particularly the shift towards online sales, and to maintain a competitive offer in the Homewares market on multiple fronts (price, range, quality and service) could materially impact profitability and limit opportunities for growth A downturn in consumer spending will impact sales and productivity	<ul style="list-style-type: none"> • Focus on "customer" rather than channel to align strategy and operational focus to customer demand • Customer insight research gauges relative customer perception and experience • Focus on new product development, particularly own brand, in both in existing and new Homewares categories, to strengthen our offer • Comparative performance within the Homewares market tracked monthly across all main product categories • Investment in development of our website and store design and marketing designed to communicate our credentials on product, range, choice and value <p>Board oversight: Reviewed annually in depth by the Board at its Strategy Day and through subsequent presentations. Business plan review once per annum.</p>	<ul style="list-style-type: none"> – Dunelm continues to lead the UK Homewares market with an increased estimated share of 8.1% in 2018 (8.0% in 2017) – Continued product innovation in existing categories and strengthened seasonal campaigns – More customer-centric vision, strategy and KPIs developed and communicated throughout the business – Optimal Store Format template(s) finalised. Refocused refit programme to make fewer changes to more stores – Customer Host concept trialled and rolled out – M2M production time decreased and work started on new manufacturing facility. M2M Blinds online launched – Marketing to emphasise the value that we offer across all price points – Launched Dunelm Extra with wider furniture catalogue and enhanced customer delivery proposition on dunelm.com launched next day and named day delivery service

Strategic report *(continued)*

Risk	Description	How we mitigate	Progress in 2017/8
Failure to deliver the expected benefits from the Worldstores acquisition Link to business goals: 1, 2, 3, 4,5 Performance Indicator: Web traffic growth Executive responsibility: Chief Executive Officer Impact compared to 2016/17: <->	Failure to deliver the expected benefits from the Worldstores acquisition will adversely impact Dunelm's profitability and investment KPIs	<ul style="list-style-type: none"> All activity under the Dunelm brand from Autumn 2018, and Digital Growth plan in place to focus on driving sales across the combined business Formal projects in place to deliver remaining IT integration programme, monitored monthly by the Executive Board <p>Board oversight: Chief Executive Officer provides a monthly progress update</p>	<ul style="list-style-type: none"> Integration plan completed and cost savings delivered London office reduced in size and new cheaper premises secured. Achica business divested and Kiddicare business redirected to Dunelm baby and kids offer Single digital P&L created; online offer to be integrated under Dunelm.com in FY19

Strategic report (continued)

Risk	Description	How we mitigate	Progress in 2017/8
Brand damage Link to business goals: 1,3,5 Performance Indicator: Product recalls Percentage of audits completed within policy Executive responsibility: Product Director Reports to: Chief Executive Impact compared to 2016/17: <->	<p>Our customers expect us to deliver products that are safe, compliant with legal and regulatory requirements, and fit for purpose</p> <p>We must also ensure that our suppliers share and uphold our approach to business ethics, human rights (including safety and modern slavery) and the environment</p> <p>Failure to do so could result in harm to individuals with the potential for customers, colleagues and other stakeholders to lose confidence in the Dunelm brand</p>	<ul style="list-style-type: none"> • We have a range of policies specifying the quality of own brand products and production processes which suppliers must adhere to • We operate a full test schedule for all new own label products and on a sample basis for ongoing 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. Colleague certification is compulsory and risk assessments, equipment inspections and compliance audits are performed regularly to ensure standards are maintained • All stock and food suppliers and the majority of our other suppliers are required to sign up to our Anti-Bribery and Ethical Code of Conduct which is in line with international guidelines, and also specifically covers modern slavery • We conduct periodic audits on all suppliers of own brand products against our Code of Conduct • Selected non-stock suppliers are assessed against our modern slavery audit <p>Board oversight:</p> <p>Ethical trading/modern slavery reviewed annually 'in depth' by the Board.</p>	<ul style="list-style-type: none"> – Committed suppliers and overseas agents continue to work directly with factories to deliver more 'green' ratings against our Ethical Code of Conduct – Factory profile questionnaire introduced, to obtain a more holistic assessment – Modern Slavery awareness programme continued. For further information please see the Sustainability Report – Preferred materials and animal welfare policies updated – Plan to seek alternatives to plastic packaging developed

Strategic report (continued)

Risk	Description	How we mitigate	Progress in 2017/8
Portfolio expansion Link to business goals: 2, 3, 4 Performance Indicators: Number of new store openings Executive responsibility: Property Director Reports to: Chief Executive Officer Impact compared to 2016/17: <->	Availability of vacant or new retail space in the right location is essential to deliver our strategy to expand our national coverage through growth in our store portfolio. Inability to secure or develop the required retail trading space will limit our pace of expansion or force us to compromise our offer.	<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 Board oversight: Property strategy reviewed annually by the Board.	<ul style="list-style-type: none"> We have opened ten new stores in the year We are currently planning to open two stores (both relocations) in 2018/19 The roll out of tablet based selling and our "Customer Host" initiative will customers easier access to the whole of our online range – enhancing their multichannel experience, exploiting our advantage over pure play online retailers, and underpinning our digital growth
People and culture Link to business goals: 5 Performance Indicators: Colleague engagement Executive responsibility: People Director Reports to: Chief Executive Impact compared to 2016/17: <->	The success of the business could be impacted if it fails to attract, retain and motivate high calibre colleagues. Maintaining the culture of our business, embodied in our 'business principles' is essential to deliver our strategy and ensure the long term sustainability of our business.	<ul style="list-style-type: none"> The composition of the Executive team is regularly reviewed 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 High calibre individuals are retained and developed through sponsored talent management and development 'Business principles' in place to describe our values and business culture The remuneration policy, set out in the Remuneration Report of the parent company's financial statements, Dunelm Group plc., is designed to ensure that high calibre executives are attracted and retained. Lock-in of senior management is supported by awards under the Long Term Incentive Plan Board oversight: People plan and talent management reviewed at least annually by the Board.	<ul style="list-style-type: none"> New Chief Executive Officer and Chief Financial Officer appointed Purpose and Business goals relaunched across the business New "housewarming" induction adopted for non-store colleagues and store management "Always on" colleague feedback mechanism implemented Board discussion of culture and culture KPIs formally reviewed Over 71 % of store managers now recruited internally

Strategic report (continued)

Risk	Description	How we mitigate	Progress in 2017/8
Regulatory, environment and compliance Link to business goals: 1, 2, 3, 4 Performance Indicators: Prosecution and other regulatory action Executive responsibility: Company Secretary Reports to: Chief Financial Officer Impact compared to 2016/17: <->	Fines, damages claims and reputational damage could arise if we fail to comply with legislative or regulatory requirements including consumer law, Health and Safety, employment law, GDPR and data protection, Bribery Act, competition law and the environment.	<ul style="list-style-type: none"> • Policies and training in place in respect of key compliance areas. These are regularly reviewed and updated • Operational management are responsible for liaising with the Company Secretary and external advisers to ensure that new legislation is identified relevant action taken • Dedicated Group Health and Safety function to oversee this aspect of compliance • 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 • We have a whistle-blowing procedure and helpline which enables colleagues to raise concerns in confidence <p>Board oversight: Monthly Board report on Health and Safety.</p> <p>Health and safety reviewed in depth by the Board at least annually.</p> <p>Non-compliances reported by the Company Secretary by exception.</p>	<ul style="list-style-type: none"> – New policies and processes implemented to comply with the General Data Protection Regulation, including training for all colleagues – Health and safety focus on contractor management, safety during store refits and store fixtures and fittings; – Review of safety of our third party logistics partners and improved safety in the Dunelm Home Delivery Network – Policies and standard conditions amended to address the corporate offence of failure to prevent tax evasion – Independent third party whistleblowing hotline introduced

Strategic report (continued)

Risk	Description	How we mitigate	Progress in 2017/8
IT systems, data and cyber security Link to business goals: 1, 2, 3, 4 Performance Indicators: Number of major incidents Executive responsibility: Chief Information Officer Reports to: Chief Executive Officer Impact compared to 2016/17: <->	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. The risk of loss of data including customer data could have a significant adverse reputational impact.	<ul style="list-style-type: none"> Business critical systems are based on established, industry leading package solutions, or are established systems which have been developed in-house with full support in place A detailed IT development and security roadmap is in place, aligned to strategy We have a disaster recovery strategy designed to ensure continuity of trade Authorisation controls and access to sensitive transactions are kept under constant review Information Security Steering Group in place to oversee the Group's approach to IT security and data protection <p>Board oversight:</p> <p>Cyber security is a standard agenda item for the Audit and Risk Committee.</p> <p>IT strategy reviewed annually by the Board.</p> <p>Major security incidents reported by the Company Secretary.</p>	<ul style="list-style-type: none"> Continued investment is being made in the capability of our IT function and in maintaining and upgrading business critical systems We have adopted the Government's '10 steps to cyber security' as a template to assess our position; progress has been made against all measures during the year Data security and integrity assessed and a number of improvements made as part of the plan to implement the General Data Protection Regulation, and further planned
Supply chain disruption Link to business goals: 1, 2, 3, 4 Performance Indicators: Service levels in respect of store fulfilment Business Plan link: Supply chain Executive responsibility: Supply Chain Director Reports to: Chief Executive Officer Impact compared to 2016/17: <->	Supply chain disruption could disrupt stock flows from DCs to stores and customer's homes, leading to an impact on trading or cost / efficiency implications. Loss of the store support centre, the manufacturing centres, or our contact centre could impact our ability to trade and divert focus from long term strategy and planning.	<ul style="list-style-type: none"> Supply chain strategy in place to ensure capacity is in line with five year plan Disaster recovery plans in place for all Dunelm non-store facilities We seek to limit dependency on individual suppliers by actively managing key supplier relationships <p>Board oversight:</p> <p>Disaster recovery is a standard Audit and Risk Committee agenda item.</p>	<ul style="list-style-type: none"> Stock management programme initiated to review process and compliance across the whole UK supply chain Warehousing activity consolidated at Stoke DC 1 and 2 to improve efficiency and customer experience and reduce cost Agreements with two man delivery partner extended to secure service continuity and provide flexibility / fallback More focus on partnerships with committed suppliers Consolidation of former Worldstores supply base to improve customer experience

Strategic report (continued)

Risk	Description	How we mitigate	Progress in 2017/8
Business efficiency Link to business goals: 1, 2, 3, 4 Performance Indicators: EBITDA % Executive responsibility: Chief Financial Officer, Reports to: Chief Executive Officer Impact compared to 2016/17: ^	<p>Failure to operate the business in an efficient manner leads to additional cost and operating margin pressure, and could constrain our profitability and our ability to compete and grow the business in line with our strategy.</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 increased cost, margin pressure and lower profitability.</p>	<ul style="list-style-type: none"> Costs are managed by the Board and Executive Board through the budget and forecasting process and monthly management accounts reviews Dunelm's scale, growth and increased buying power allows it to secure supply of key services and raw materials at competitive prices. Commodity price tracking covers all key materials Major non-stock purchase contracts regularly tendered <p>Board oversight: Board receives monthly management accounts. 5 year plan and Budget reviewed by the Board at least annually.</p>	<ul style="list-style-type: none"> Non-stock procurement team upskilled and targeted to deliver significant cost reductions Further work to improve store productivity by automation and removal of unnecessary task, and improved stock management Standard new store format adopted to reduce cost Efficiency savings delivered through completion of the Worldstores integration plan
Finance and treasury Link to business goals: 4 Performance Indicators: Operating cash conversion, Banking covenant compliances. Executive responsibility: Chief Financial Officer Reports to: Chief Executive Impact compared to 2016/17: <->	<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>	<ul style="list-style-type: none"> The Group has a £165m, five-year revolving credit facility in place until February 2023 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. Hedging is in place for foreign exchange, and freight and energy prices are agreed in advance, to help mitigate volatility and aid margin management <p>Board oversight: Board receives monthly treasury report.</p>	<ul style="list-style-type: none"> Revolving credit facility extended from 2020 to 2023 and increased by £15m Net Debt at the end of the year was £124m (£139.6m EBITDA before exceptional items) (FY17: £122.3m). Since our debt is higher than in recent years we are managing our cash more closely Foreign currency hedges are in place covering approximately 76% of expected purchases in FY19

Strategic report (continued)

Risk	Description	How we mitigate	Progress in 2017/8
Brexit	<p>Britain's exit from the European Union could lead to the following:</p> <ul style="list-style-type: none"> Fall in the value of sterling against the US\$, resulting in an increase in the cost of goods purchased for resale Disruption or congestion at ports causes delays in product supply chain Labour shortages affecting drivers / warehouse labour of Dunelm or third party logistics providers Supplier failure / fall in service as a result of the above 	<ul style="list-style-type: none"> High level Brexit risk assessment completed to identify potential areas of risk. Desktop review completed to understand the operational risks from a supply chain perspective, and a number of mitigating actions identified. Continue to reduce use of agency labour in the Dunelm Home Delivery Network and in Dunelm DCs, and logistics partners encouraged to do likewise. <p>Board oversight</p> <p>Twice yearly review of Principal Risks</p> <p>More frequent reviews in FY19 as appropriate.</p>	<ul style="list-style-type: none"> Political situation to be monitored during FY19 to assess the likely impact, and the need to take mitigating actions. A number of further actions planned to assess likely impact on supply chain. Increased the percentage of anticipated FY19 purchases which have foreign currency hedging in place.
Link to business goals: 3, 4,5			
Performance Indicator: Sales and gross profit			
Executive responsibility: Chief Executive Officer			
Impact compared to 2016/17:			
^			

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.

On behalf of the Board



Nicholas Wilkinson

Director

12 September 2018

Watermead Business Park

Syston

Leicestershire

LE7 1AD

Directors' report

The Directors present their report together with the strategic report and audited financial statements for the period ended 30 June 2018. 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 Limited, which in turn, is a subsidiary of Dunelm Group plc, 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 it is appropriate to adopt the going concern basis of accounting in preparing the financial information.

Directors

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

Will Adderley

Nicholas Wilkinson (appointed 01.02.2018)

John Browett (resigned 27.08.2017)

Keith Down (resigned 24.05.2018)

Steve Barton

James Rowell

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 and charitable contributions of £102,009 (FY17: none). Total funds raised for charity by the Company and colleagues were £490,717 (FY17: £241,000).

Dividend

No dividends (2017: £42m) were declared, authorised and paid on the ordinary shares during the year.

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 23.

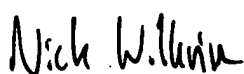
Disclosure of information to the auditors

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



Nicholas Wilkinson

Director

12 September 2018

Watermead Business Park

System

Leicestershire

LE7 1AD

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial 52 week period. 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for 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.

The directors 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.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

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

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

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 30 June 2018 and of its profit and cash flows for the 52 week period (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.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the statement of financial position as at 30 June 2018; the income statement, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the 52 week period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

Reporting on other information

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

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

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the period ended 30 June 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors responsibilities set out on page 19, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Mark Smith (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
12 September 2018

Income statement

For the 52 weeks ended 30 June 2018

	Note	2018 52 weeks £'m	2017 52 weeks £'m
Revenue	2	1,050.1	901.1
Cost of sales		(546.5)	(452.4)
Gross profit		503.6	448.7
Operating costs			
Non-exceptional operating costs		(401.8)	(329.4)
Exceptional operating costs	3	(9.5)	(1.5)
	4	(411.3)	(330.9)
Operating profit	5	92.3	117.8
Financial income	7	2.0	1.6
Financial expenses			
Non-exceptional financial expenses	7	(2.8)	(2.8)
Exceptional financial expenses	3	-	(26.1)
		(2.8)	(28.9)
Profit before taxation		91.5	90.5
Taxation	8	(19.3)	(17.9)
Profit for the period		72.2	72.6

Statement of comprehensive income

For the 52 weeks ended 30 June 2018

	2018 52 weeks £'m	2017 52 weeks £'m
Profit for the period	72.2	72.6
Items that may be subsequently reclassified to profit or loss:		
Movement in fair value of cash flow hedges	1.7	1.4
Transfers of cash flow hedges to inventory	2.6	(9.4)
Deferred tax on hedging movements	(0.7)	1.4
Other comprehensive income/(expense) for the period, net of tax	3.6	(6.6)
Total comprehensive income for the period	75.8	66.0

Statement of financial position

As at 30 June 2018

		2018	2017
	Note	£'m	£'m
Non-current assets			
Intangible assets	10	28.6	27.5
Property, plant and equipment	11	117.7	114.7
Investment	12	0.3	0.3
Deferred tax assets	13	-	0.6
Derivative financial instruments	22	1.4	-
Total Non-current assets		148.0	143.1
Current assets			
Inventories	14	154.7	165.3
Trade and other receivables	15	120.4	112.0
Cash and cash equivalents	16	15.0	17.2
Derivative financial instruments	22	2.8	1.1
Total current assets		292.9	295.6
Total assets		440.9	438.7
Current liabilities			
Trade and other payables	17	(103.1)	(175.6)
Liability for current tax		(7.2)	(5.6)
Derivative financial instruments	22	(0.7)	(0.4)
Total current liabilities		(111.0)	(181.6)
Non-current liabilities			
Bank loans	18	(139.0)	(139.5)
Trade and other payables	17	(38.8)	(40.4)
Deferred tax liabilities	13	(0.7)	-
Provisions	19	(1.7)	(1.7)
Derivative financial instruments	22	-	(1.6)
Total non-current liabilities		(180.2)	(183.2)
Total liabilities		(291.2)	(364.8)
Net assets		149.7	73.9
Equity			
Issued share capital	21	2.0	2.0
Retained earnings		144.8	72.6
Hedging reserve		2.9	(0.7)
Total equity		149.7	73.9

The financial statements on pages 22 to 54 were approved by the Board of Directors on 12 September 2018 and were signed on its behalf by:

Nick Wilkinson

Nicholas Wilkinson
Director
Company number 2129238

Statement of cash flows

for the 52 weeks ended 30 June 2018

		2018 52 weeks £'m	2017 52 weeks £'m
Note			
	Cash flows from operating activities		
	Profit before taxation	91.5	90.5
	Adjustment for exceptional operating costs	3 9.5	1.5
	Adjustment for exceptional financing costs	3 -	26.1
	Adjustment for other financing costs	7 0.8	1.2
	Operating profit before exceptional operating costs	101.8	119.3
	Depreciation and amortisation	5 31.8	24.9
	Loss on disposal of non-current assets	5 1.4	1.2
	Operating cash flows before exceptional operating costs and movements in working capital	135.0	145.4
	Decrease/(increase) in inventories	14 8.6	(48.7)
	(Increase) in trade and other receivables	15 (8.4)	(73.0)
	(Decrease)/increase in trade and other payables	17 (70.0)	76.1
	Net movement in working capital before exceptional operating costs	(69.8)	(45.6)
	Share based payments expense/(credit)	20 0.4	(0.2)
	Loss on intercompany loan write off	3 -	(26.1)
	Interest received	7 0.1	0.1
	Tax paid	8 (18.9)	(25.0)
	Net cash generated from operating activities before exceptional costs	46.8	48.6
	Cash flows in respect of exceptional operating costs	(2.2)	(1.1)
	Net cash generated from operating activities	44.6	47.5
	Cash flows from investing activities		
	Proceeds from sale of property, plant and equipment	-	0.2
	Acquisition of property, plant and equipment	11 (32.0)	(34.0)
	Acquisition of intangible assets	10 (12.1)	(8.3)
	Net cash used in investing activities	(44.1)	(42.1)
	Proceeds from exercise of share options	-	0.9
	Purchase of Treasury Shares	-	(4.2)
	Drawdowns on revolving credit facility	18 10.0	50.0
	Repayments of revolving credit facility	18 (10.0)	(5.0)
	Interest paid	7 (2.0)	(1.5)
	Loan transaction costs	(0.8)	-
	Dividends received/(paid)	9 0.6	(42.0)
	Net cash flows used in financing activities	(2.2)	(1.8)
	Net (decrease)/increase in cash and cash equivalents	(1.7)	3.6
	Foreign exchange revaluations	(0.5)	(0.7)
	Cash and cash equivalents at the beginning of the period	17.2	14.3
	Cash and cash equivalents at the end of the period	15.0	17.2

Statement of changes in equity

for the 52 weeks ended 30 June 2018

	Note	Share capital £'m	Retained earnings £'m	Hedging reserve £'m	Total parent equity £'m
As at 2 July 2016		2.0	42.9	5.9	50.8
Profit for the period		-	72.6	-	72.6
Fair value gains of cash flow hedges	22	-	-	1.4	1.4
Gains on cash flow hedges transferred to inventory	22	-	-	(9.4)	(9.4)
Deferred tax on hedging movements	13	-	-	1.4	1.4
Total comprehensive income/(expense) for the period		-	72.6	(6.6)	66.0
Share based payments	20	-	(0.2)	-	(0.2)
Deferred tax on share based payments	13	-	(0.6)	-	(0.6)
Current tax on share options exercised	8	-	(0.1)	-	(0.1)
Ordinary dividends paid	9	-	(42.0)	-	(42.0)
Total transactions with owners, recorded directly in equity		-	(42.9)	-	(42.9)
As at 1 July 2017		2.0	72.6	(0.7)	73.9
Profit for the period		-	72.2	-	72.2
Fair value gains of cash flow hedges	22	-	-	1.7	1.7
Loss on cash flow hedges transferred to inventory	22	-	-	2.6	2.6
Deferred tax on hedging movements	13	-	-	(0.7)	(0.7)
Total comprehensive income/(expense) for the period		-	72.2	3.6	75.8
Share based payments	20	-	0.4	-	0.4
Deferred tax on share based payments	13	-	(0.3)	-	(0.3)
Current tax on share options exercised	8	-	(0.1)	-	(0.1)
Total transactions with owners, recorded directly in equity		-	-	-	-
As at 30 June 2018		2.0	144.8	2.9	149.7

Notes to the financial statements *(continued)*

1. Accounting policies *(continued)*

Consolidation

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

Revenue

Revenue is generated from the sale of homewares and related goods and services through the Company's stores and websites, excluding sales between Group companies and is after deducting returns, any discounts given and VAT. Revenue is recognised when risk and reward passes to the customer, which is predominantly at the point of sale.

The exceptions to this are for: custom made products, where revenue is recognised at the point that the goods are collected; gift vouchers, where revenue is recognised when the vouchers are redeemed; and web sales, where revenue is recognised at the point of delivery. Revenue is settled in cash at the point of sale.

Expenses

Property leases

Lease incentives received in respect of operating leases 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 reviews 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 and expenses comprises interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested, foreign exchange gains and losses and dividend received from Group companies.

Retirement benefits

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

Share-based 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.

Notes to the financial statements *(continued)*

1. Accounting policies *(continued)*

Share-based payment transactions (continued)

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

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

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.

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 in financial income and expenses.

Taxation

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

Current tax represents the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the 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. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

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

Dividends

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

Intangible assets

Intangible assets comprise software development and implementation costs, trademarks and brands 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 brands and customer lists are shown at historical cost. Software, brands and customer lists acquired in a business combination are recognised at fair value at the acquisition date. These assets are deemed to have a finite useful life

Notes to the financial statements

1. Accounting policies

General Information

Dunelm (Soft Furnishings) Limited is incorporated and domiciled in the UK. Dunelm (Soft Furnishings) Limited is a private company, limited by shares. The registered office is Watermead Business Park, Syston, Leicestershire, England, LE7 1AD.

The primary business activity of the Company is the sale of homewares in the UK through a network of stores and websites.

Basis of preparation

The Company financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) 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 for financial assets and financial liabilities, which have been stated at fair value. The financial statements are prepared in pounds sterling, rounded to the nearest hundred thousand.

Going concern

The Directors have made appropriate enquiries and formed a judgement at the time of approving the financial statements that it is appropriate to adopt the going concern basis of accounting in preparing the financial information.

Use of estimates and judgements

The presentation of the annual financial statements in conformity with IFRS as adopted by the EU 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:

Estimate: Inventory Provisions

The Company provides against the carrying value of the inventories held where it is anticipated that net realisable value (NRV) will be below costs. NRV is calculated as the current selling price. Future price reductions are assumed to be in line with the Company's 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.

Judgement: Exceptional items

The Company exercises its judgement in the classification of certain items as exceptional and outside of the Company's underlying results. The determination of whether an item should be separately disclosed as an exceptional item requires judgement on its materiality, nature and incidence, as well as whether it provides clarity on the Company's underlying trading performance. In exercising this judgement, the Company takes appropriate regard of IAS 1 'Presentation of financial statements' as well as guidance issued by the Financial Reporting Council on the reporting of exceptional items and alternative performance measures. The overall goal of the Company's financial statements is to present the Company's underlying performance without distortion from one-off or non-trading events regardless of whether they are favourable or unfavourable to the underlying result. Further details of the individual exceptional items, and the reasons for their disclosure treatment, are set out in note 3.

Notes to the financial statements *(continued)*

1. Accounting policies *(continued)*

Intangible assets *(continued)*

and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost 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.

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

Amortisation

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

- | | |
|---------------------------------------|---------------|
| • software development and licenses | 3 years |
| • rights to brands and customer lists | 5 to 15 years |

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.

Depreciation

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:

- | | |
|--------------------------------|--|
| • freehold buildings | 50 years |
| • leasehold improvements | over the remaining period of the lease |
| • refit leasehold improvements | 7 years |
| • plant and machinery | 4 years |
| • fixtures and fittings | 3 to 5 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Notes to the financial statements *(continued)*

1. Accounting policies *(continued)*

Depreciation *(continued)*

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Derivative financial instruments

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

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

For cash flow hedges the 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 on an ongoing basis 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 hedged 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.

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 and stock losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. All cash equivalents have an original maturity of three months or less.

Trade and other payables

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

Bank borrowings and borrowing costs

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

Notes to the financial statements *(continued)*

1. Accounting policies *(continued)*

Impairment

The carrying amounts of the Company's assets are reviewed annually 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 fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for 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.

Operating leases

The Company leases certain property, plant and equipment and motor vehicles. Where a significant portion of the risks and rewards of ownership are retained by the lessor, these are classified as operating leases.

Rentals payable under operating leases are charged to the income statement on a straight line basis over the period of the lease.

New Standards and interpretations

No new standards, amendments or interpretations, effective for the first time for the period beginning on or after 1 July 2017 have had 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. None of these is expected to have a significant effect on the financial statements of the Company, except the following, set out below:

Notes to the financial statements *(continued)*

1. Accounting policies *(continued)*

New Standards and interpretations *(continued)*

IFRS 9, 'Financial Instruments', addresses the classification, measurement and recognition of financial assets and liabilities and replaces IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets. It is effective for periods beginning on or after 1 January 2018. The Company has identified that the adoption IFRS 9 will impact its consolidated financial statements in the following areas:

- The Company will need to apply an expected credit loss model when calculating impairment losses on its trade and other receivables. This will result in increased impairment provisions and greater judgement due to the need to factor in forward looking information when estimating the appropriate amount of provisions. In applying IFRS 9 the Company must consider the probability of a default occurring over the life of its trade receivables on initial recognition of those assets. Under the existing incurred loss model, there has been no impairment of the gross carrying amount of receivables over the last five years so there is no expectation that there will be change under the new model.
- The Company has decided to adopt the hedge accounting provisions in IFRS 9 to enable it to apply hedge accounting to foreign exchange options taken out that were not designated as qualifying hedge relationships under IAS 39. In addition, a hedging relationship which failed to qualify for hedge accounting under IAS 39 due to its 80-125% hedge effectiveness criterion, will qualify for hedge accounting under IFRS 9. As both of these changes in policy will be applied prospectively from 1 July 2018 there is no change to net assets as at 30 June 2018 or reported profit for the year then ended.

IFRS 15, 'Revenue from Contracts with Customers', will be effective from the period ending June 2019 onwards.

The Company's sales are mainly from individual products which are sold directly to customers via our stores or websites. The standard establishes a principle based approach for revenue recognition that we recognise revenue to reflect the transfer of goods and services, measured as the amount to which the entity expects to be entitled in exchange for those goods or services.

The Company has assessed the impact of the changes proposed by IFRS 15 on our revenue processes and do not expect material impact on recognition of revenue when IFRS 15 is adopted.

A further assessment was made on the proposed changes relating to the recognition of delivery charges and this is not expected to impact the financial statements as the Group's current method is aligned with the approach adopted in the standard.

IFRS 16, 'Leases', will be effective from the period ending June 2020 onwards.

The changes required under IFRS 16 will lead to the creation of a right-of-use asset and a lease liability on the balance sheet that did not previously exist. The right-of-use asset will be subject to depreciation on a straight-line basis over the term of the lease. An interest charge will be recognised on the lease liability that will be higher in the earlier years of the lease term. The total expense recognised in the Income Statement over the life of the lease will be unaffected by the new standard. However, IFRS 16 will result in the timing of lease expense recognition being accelerated for leases which would be currently accounted for as operating leases.

The presentation of the Cash Flow Statement will change significantly, with an increase in net cash flows generated from operating activities being offset by an increase in net cash flows used in financing activities. This will, however, have no net impact on cashflows.

The Company has established a Steering Committee which regularly reports to the Group Audit Committee. To date, progress has been made on a number of areas including collection of relevant data, IT systems, identification of leases as prescribed by the standard, and consideration of transition options. The accounting policy is also under review.

Notes to the financial statements *(continued)*

1. Accounting policies *(continued)*

New Standards and interpretations *(continued)*

The Company intends to apply the retrospective modified approach on transition and will not restate the comparative information. Under this approach, at the date of transition the right of use asset will equal the lease liability for all leases. As a result, there will be no impact on retained earnings. Furthermore, the Company has begun working through the recently published technical amendments to the tax legislation following the introduction of IFRS 16. Given the complexities of IFRS 16 and the material sensitivity to key assumptions, such as discount rates, it is not yet practicable to fully quantify the effect of IFRS 16 on the Company's financial statements.

2. Segmental reporting

The Company has one reportable segment, in accordance with IFRS 8 - Operating Segment, which is the retail of homewares in the UK.

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

The Chief Operating Decision Maker is the Executive Board of Directors of Dunelm (Soft Furnishings) Limited. Internal management reports are reviewed by them on a monthly basis. Performance of the segment is assessed based on a number of financial and non-financial KPI's as well as on profit before taxation.

Management believe 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 value transactions and as a result Company revenue is not reliant on a major customer or group of customers.

3. Exceptional items

	2018 52 weeks £'m	2017 52 weeks £'m
Exceptional operating costs		
Retention and redundancy payments	1.2	-
Loss on disposal, asset write-offs, impairments and accelerated depreciation	6.4	0.3
Other integration costs	1.9	1.2
	9.5	1.5
Exceptional financial expense		
Loss on intercompany loan write off	-	26.1
	-	26.1
	9.5	27.6

Notes to the financial statements *(continued)*

4. Operating costs

	2018 52 weeks £'m	2017 52 weeks £'m
Selling and distribution costs	348.6	288.4
Administrative expenses	62.7	42.5
Operating costs	<u>411.3</u>	<u>330.9</u>

5. Operating Profit

Operating profit is stated after charging/(crediting) the following items:

	2018 52 weeks £'m	2017 52 weeks £'m
Cost of inventories included in cost of sales	539.2	448.0
Amortisation of intangible assets	8.4	6.6
Depreciation of owned property, plant and equipment	24.5	20.3
Operating lease rentals	58.6	51.0
Loss on disposal of property, plant and equipment and intangible assets	<u>4.9</u>	<u>1.2</u>

The analysis of auditors' remuneration is as follows:

	2018 52 weeks £'000	2017 52 weeks £'000
Amounts receivable by the auditors in respect of:		
Audit	<u>80</u>	<u>52</u>

6. 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:

	2018 52 weeks Number of heads	2018 52 weeks Full time equivalents	2017 52 weeks Number of heads	2017 52 weeks Full time equivalents
Selling	8,353	5,172	7,725	4,807
Distribution	706	689	513	500
Administration	690	682	545	537
	<u>9,749</u>	<u>6,543</u>	<u>8,783</u>	<u>5,844</u>

Notes to the financial statements *(continued)*

6. Employee numbers and costs *(continued)*

The aggregate payroll costs of these persons were as follows:

	2018 52 weeks £'m	2017 52 weeks £'m
Wages and salaries (including bonuses and termination benefits)	141.8	123.1
Social security costs	9.8	7.5
Share-based payment expense/(income) (note 20)	0.4	(0.2)
Pension costs - defined contribution plans	2.4	1.8
	154.4	132.2

Disclosures relating to Directors' emoluments and contributions to pension schemes are set out in note 25.

7. Financial income and expenses

	£'m	£'m
Financial income		
Group undertakings	1.3	1.5
Interest on bank deposits	0.1	0.1
Dividend receivable from other group companies	0.6	-
	2.0	1.6
Financial expenses		
Group undertakings	-	(0.3)
Interest on bank borrowings	(2.0)	(1.5)
Amortisation of issue costs of bank loans	(0.3)	(0.3)
Foreign exchange losses and revaluations	(0.5)	(0.7)
Loss on intercompany loan write off	-	(26.1)
	(2.8)	(28.9)
Net financial expense	(0.8)	(27.3)

Notes to the financial statements *(continued)*

8. Taxation

	2018 52 weeks £'m	2017 52 weeks £'m
Current taxation		
UK corporation tax charge for the period	19.3	18.5
Adjustments in respect of prior periods	(0.3)	(0.8)
	19.0	17.7
Deferred taxation		
Origination of temporary differences	(0.4)	(0.1)
Adjustment in respect of prior periods	0.7	0.2
Impact of change in tax rate	-	0.1
	0.3	0.2
Total tax expense	19.3	17.9

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

	2018 52 weeks £'m	2017 52 weeks £'m
Profit before taxation	91.5	90.5
UK corporation tax at standard rate of 19% (2017: 19.75%)	17.4	17.9
Factors affecting the charge in the period:		
Non-deductible expenses	0.2	5.3
Ineligible depreciation	1.0	0.8
Loss on disposal of non-qualifying assets	0.4	0.1
Adjustments in respect of prior periods	0.4	(0.6)
Income not subject to tax	(0.1)	-
Effect of standard rate of corporation tax change	-	(0.1)
Group relief	-	(5.4)
Inter-group transfer	-	(0.1)
	19.3	17.9

The UK Government substantively enacted a reduction in future tax rates by 1% from 1 April 2017 to 19% and a further 1% reduction to 18% from 1 April 2020. In September 2016, the Government substantively enacted a further 1% reduction in corporation tax to 17% from 1 April 2020.

Notes to the financial statements *(continued)*

9. Dividends

	2018 52 weeks £'m	2017 52 weeks £'m
Interim paid for the period ended 1 July 2017 – paid £21.00 per share	-	(42.0)
	-	(42.0)

10. Intangible assets

	£'m	£'m	£'m
Cost			
At 2 July 2016	26.2	9.8	36.0
Additions	8.6	-	8.6
Acquired from Group company	5.1	1.8	6.9
Disposals	-	-	-
At 1 July 2017	39.9	11.6	51.5
Additions	13.2	-	13.2
Disposals	(10.6)	(0.6)	(11.2)
At 30 June 2018	42.5	11.0	53.5
Accumulated amortisation			
At 2 July 2016	12.1	5.3	17.4
Charge for the financial period	5.0	-	5.0
Acquired from Group company	1.3	0.3	1.6
At 1 July 2017	18.4	5.6	24.0
Charge for the financial period	8.1	0.3	8.4
Impairment	0.5	1.2	1.7
Disposals	(9.0)	(0.2)	(9.2)
At 30 June 2018	18.0	6.9	24.9
Net book value			
At 2 July 2016	14.1	4.5	18.6
At 1 July 2017	21.5	6.0	27.5
At 30 June 2018	24.5	4.1	28.6

All amortisation is included within operating costs in the income statement.

Notes to the financial statements (continued)

11. Property, plant and equipment

	Freehold Land & Buildings £'m	Leasehold Improvements £'m	Plant and Machinery £'m	Refit Leasehold Improvements £'m	Fixtures and Fittings £'m	Total £'m
Cost						
At 2 July 2016	4.1	131.6	4.6	-	80.5	220.8
Additions	-	15.9	0.3	4.3	15.5	36.0
Acquired from fellow Group company	-	0.3	-	-	0.2	0.5
Disposals	-	(2.6)	-	-	(2.6)	(5.2)
At 1 July 2017	4.1	145.2	4.9	4.3	93.6	252.1
Additions	-	10.4	0.3	2.5	15.5	28.7
Disposals	-	(1.9)	-	-	(2.3)	(4.2)
At 30 June 2018	4.1	153.7	5.2	6.8	106.8	276.6
Accumulated depreciation						
At 2 July 2016	0.9	53.7	3.4	-	62.9	120.9
Charge for the financial period	0.1	9.9	0.5	0.1	9.7	20.3
Disposals	-	(1.4)	-	-	(2.4)	(3.8)
At 1 July 2017	1.0	62.2	3.9	0.1	70.2	137.4
Charge for the financial period	0.1	11.0	0.4	0.9	12.1	24.5
Disposals	-	(1.0)	-	-	(2.0)	(3.0)
At 30 June 2018	1.1	72.2	4.3	1.0	80.3	158.9
Net book value						
At 2 July 2016	3.2	77.9	1.2	-	17.6	99.9
At 1 July 2017	3.1	83.0	1.0	4.2	23.4	114.7
At 30 June 2018	3.0	81.5	0.9	5.8	26.5	117.7

All depreciation and impairment charges have been included within operating costs in the income statement.

Notes to the financial statements (continued)

12. Investments

	2018	2017
	£'m	£'m
Fogarty Holdings Limited	0.3	0.3

Subsidiary	Proportion of ordinary shares held	Nature of business
Fogarty Holdings Limited	100%	Non-trading company
Achica Brand Management Ltd	100%	Non-trading company

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

The Company purchased the shares of Achica Brand Management Ltd worth £1 from Globe Online Limited as part of the transfer of the trade and net assets on 1 July 2017. The registered address of Achica Brand Management Ltd is 28 Oktovriou, 261 View Point Tower, 3035, Limassol, Cyprus.

13. Deferred tax assets/(liabilities)

Deferred tax is calculated in full on temporary differences under the liability method using a taxation rate of 17% (2017: 17%).
Deferred taxation assets and liabilities are attributable to the following:

	Assets		Liabilities		Net (liabilities)/assets	
	2018	2017	2018	2017	2018	2017
	52 weeks	52 weeks	52 weeks	52 weeks	52 weeks	52 weeks
	£'m	£'m	£'m	£'m	£'m	£'m
Property, plant and equipment	0.5	0.8	-	-	0.5	0.8
Share-based payments	-	-	(0.5)	(0.2)	(0.5)	(0.2)
Hedging	-	0.1	(0.6)	-	(0.6)	0.1
Other temporary differences	-	-	(0.1)	(0.1)	(0.1)	(0.1)
	0.5	0.9	(1.2)	(0.3)	(0.7)	0.6

	Assets		Liabilities		Net (liabilities)/assets	
	2018	2017	2018	2017	2018	2017
	52 weeks	52 weeks	52 weeks	52 weeks	52 weeks	52 weeks
	£'m	£'m	£'m	£'m	£'m	£'m
Deferred tax to be after more than 12 months	0.5	0.7	(0.6)	(0.3)	(0.1)	0.4
Deferred tax to be recovered within 12 months	-	0.2	(0.6)	-	(0.6)	0.2
	0.5	0.9	(1.2)	(0.3)	(0.7)	0.6

Notes to the financial statements (continued)

13. Deferred tax (liabilities)/assets (continued)

Movement in net deferred tax is as follows:

	Balance at 1 July 2017 £'m	Recognised in income £'m	Recognised in equity £'m	Balance at 30 June 2018 £'m
Property, plant and equipment	0.8	(0.3)	-	0.5
Share-based payments	(0.2)	-	(0.3)	(0.5)
Hedging	0.1	-	(0.7)	(0.6)
Other temporary differences	(0.1)	-	-	(0.1)
	0.6	(0.3)	(1.0)	(0.7)

	Balance at 2 July 2016 £'m	Recognised in income £'m	Recognised in equity £'m	Balance at 1 July 2017 £'m
Property, plant and equipment	0.8	-	-	0.8
Share-based payments	0.5	(0.1)	(0.6)	(0.2)
Hedging	(1.3)	-	1.4	0.1
Other temporary differences	-	(0.1)	-	(0.1)
	-	(0.2)	0.8	0.6

14. Inventories

	2018 £'m	2017 £'m
Goods for resale	154.7	165.3

15. Trade and other receivables

	2018 £'m	2017 £'m
Trade receivables	0.3	0.4
Other receivables	4.3	4.4
Prepayments and accrued income	21.1	23.4
Amounts owed by group undertakings	94.7	83.8
	120.4	112.0

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

Notes to the financial statements *(continued)*

16. Cash and cash equivalents

	2018	2017
	£'m	£'m
Cash and cash equivalents	15.0	17.2

17. Trade and other payables

	2018	2017
	£'m	£'m
Current		
Trade payables	51.1	78.7
Accruals and deferred income	36.9	42.6
Taxation and social security	13.7	10.7
Other payables	0.3	1.3
Amounts owed to group undertakings	1.1	42.3
Total current trade and other payables	103.1	175.6
Non-current		
Accruals and deferred income	38.8	40.4
Total non-current trade and other payables	38.8	40.4
Total trade and other payables	141.9	216.0

Current accruals and deferred income include lease incentives of £5.7m (2017: £4.8m) and capital accruals of £2.7m (2017: £4.9m).

18. Bank loans and overdrafts

	2018	2017
	£'m	£'m
Total borrowings	140.0	140.0
Less: unamortised debt issue costs	(1.0)	(0.5)
Bank borrowings	139.0	139.5

During the year the Company amended and extended its syndicated Revolving Credit Facility ('RCF'). The RCF was increased to £165m (2017: £150m) and extended until 5 March 2023 (Note 22). £140m of this facility was drawn down at 30 June 2018 (2017: £140m). The carrying amount of bank borrowings is equal to fair value. The Company also has an accordion option with a maximum facility of £75m, as well as an overdraft facility of £20m.

Notes to the financial statements (continued)

18. Bank loans and overdrafts (continued)

The below analysis shows the reconciliation of net debt

	2018 £'m	2017 £'m
Net debt at 1 July 2017 and 2 July 2016	(122.3)	(79.9)
Net (decrease)/increase in cash and cash equivalents	(1.7)	3.6
Effect of foreign exchange	(0.5)	(0.7)
Repayments of revolving credit facility	10.0	5.0
Drawdowns on revolving credit facility	(10.0)	(50.0)
Loan transaction costs	0.8	-
Change in net debt resulting from cash flows	(1.4)	(42.1)
Amortisation of debt issue costs	(0.3)	(0.3)
Movement in net debt	(1.7)	(42.4)
Net debt represented by		
Cash and cash equivalents (note 16)	15.0	17.2
Non-current borrowings (note 18)	(140.0)	(140.0)
Net debt including unamortised debt issue costs	(125.0)	(122.8)
Unamortised debt issue costs	1.0	0.5
Net debt at 30 June 2018 and 1 July 2017	(124.0)	(122.3)

19. Provision for liabilities

	Balance at 1 July 2017 £'m	Utilised in the period £'m	Created in the period £'m	Released in the period £'m	Balance at 30 June 2018 £'m
Property related	1.7	(0.3)	1.2	(0.9)	1.7

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

Notes to the financial statements *(continued)*

20. Share-based payments

As at 30 June 2018, 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')
- d) Restricted Stock Award

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

There were 64,329 exercisable options in total under these schemes as at 30 June 2018 (2017: 79,168).

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.

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:

	Number of shares under option 2018	Weighted average exercise price 2018	Number of shares under option 2017	Weighted average exercise price 2017
Outstanding at beginning of the period	81,658	828.0p	76,114	851.0 p
Granted during the period	-	-	20,000	772.5 p
Lapsed during the period	-	-	(14,456)	873.0 p
Outstanding at end of the period	81,658	828.0p	81,658	828.0 p

No options were exercised during the year (2017: none).

Notes to the financial statements (continued)

20. Share-based payments (continued)

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 30 June 2018 is as follows:

	Number of shares under option 2018	Weighted average exercise price 2018	Number of shares under option 2017	Weighted average exercise price 2017
Outstanding at beginning of the period	1,276,252	659.1p	1,152,090	704.8 p
Granted during the period	844,672	602.0p	759,151	618.5 p
Exercised during the period	(209,519)	650.5p	(139,973)	696.7 p
Lapsed during the period	(613,248)	639.5p	(495,016)	692.6 p
Outstanding at end of the period	1,298,157	632.6p	1,276,252	659.1 p

The weighted average share price at the time of exercise was 664.6p (2017: 758.2p).

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. Two grants were made in the period, to the Executive Directors and senior management. These grants are exercisable in November 2020 and February 2021, 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 ten years from the date of grant.

The number and weighted average exercise price of options outstanding under the LTIP at 30 June 2018 is as follows:

	Number of shares under option 2018	Weighted average exercise price 2018	Number of shares under option 2017	Weighted average exercise price 2017
Outstanding at beginning of the period	627,471	-	492,693	-
Granted during the period	496,804	-	362,240	-
Exercised during the period	-	-	(48,370)	-
Lapsed during the period	(209,287)	-	(179,092)	-
Outstanding at end of the period	914,988	-	627,471	-

No options were exercised during the year (2017: 783.9p)

Notes to the financial statements (continued)

20. Share-based payments (continued)

d) Restricted Stock Award

The Restricted Stock Award was approved by the Board in this financial year, enabling the Group to award shares to particular individuals, normally in the form of nominal cost options. The Restricted Stock Award is administered by the Remuneration Committee. One grant was made in the year, to Senior and Store Managers. These grants are exercisable in November 2020, dependent on continuing employment and fulfilment of a performance condition. The maximum life of options under the Restricted Stock Award is 10 years from the date of grant. No Directors of Dunelm Group plc are eligible to receive a Restricted Stock Award.

The number and weighted average exercise price of options under the Restricted Stock Award at 30 June 2018 is as follows:

	Number of shares under option 2018	Weighted average exercise price 2018	Number of shares under option 2017	Weighted average exercise price 2017
Outstanding at beginning of the period	-	-	-	-
Granted during the period	12,800	-	-	-
Lapsed during the period	(800)	-	-	-
Outstanding at end of the period	12,000	-	-	-

No options were exercised during the year.

Impact on income statement

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

	2018 £'m	2017 £'m
Sharesave	0.2	0.4
LTIP	0.2	(0.6)
	0.4	(0.2)

21. Issued share capital

	2018 £'m	2017 £'m
Ordinary shares of £1 each:		
Allotted, called up and fully paid	2.0	2.0

Notes to the financial statements *(continued)*

22. 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, as such, credit risk is considered to be low.

Company policy is that surplus funds are placed on deposit with counterparties approved by the Board, with a minimum of '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 the carrying amount of financial assets. No collateral is held (2017: none). At the period end the maximum exposure is detailed in the table below.

	2018	2017
	£'m	£'m
Cash and cash equivalents	15.0	17.2
Trade and other receivables	4.6	4.8
Derivative financial instruments	4.2	1.1
Total financial assets	<u>23.8</u>	<u>23.1</u>

Trade and other receivables include rebates due back from suppliers. The rebates are recovered through deductions from future payments to suppliers therefore management is confident of the recoverability of these balances.

Notes to the financial statements *(continued)*

22. Financial risk management *(continued)*

Liquidity risk

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

The table below analyses estimated future contractual cash flows in respect of the Company's financial liabilities, according to the earliest date on which the Company could be required to settle the liability. Floating rate interest payments are estimated based on market interest rates prevailing at the balance sheet date.

	Total	Less than one year	One to two years	Two to five years	More than 5 years
	£'m	£'m	£'m	£'m	£'m
At 1 July 2017					
Borrowings	140.0	140.0	-	-	-
Trading and net settled derivative financial instruments	2.0	0.4	1.6	-	-
Accruals (excluding deferred income)	77.3	36.8	6.0	15.8	18.7
Trade and other payables	80.0	80.0	-	-	-
	Total	Less than one year	One to two years	Two to five years	More than 5 years
	£'m	£'m	£'m	£'m	£'m
At 30 June 2018					
Borrowings	140.0	140.0	-	-	-
Trading and net settled derivative financial instruments	0.7	0.7	-	-	-
Accruals (excluding deferred income)	70.8	32.0	5.9	15.8	17.1
Trade and other payables	51.4	51.4	-	-	-

Borrowings of £140m (2017: £140m) above reflect the level of facility drawn down at the period end on the Company's revolving credit facility.

Interest rate risk

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

At the period end if Libor interest rates had been 10 basis points higher/lower with all other variables held constant, post tax profit would have been £0.1m lower (2017: £0.1m lower) as a result of higher interest expense on floating rate borrowings.

Notes to the financial statements *(continued)*

22. Financial risk management *(continued)*

Foreign currency risk

All of the Company's revenues are in sterling. The majority of purchases are also in pounds sterling, but some goods purchased direct from overseas suppliers are paid for in US dollars, accounting for just under 20% of stock purchases in the period ended 30 June 2018.

The Company uses various means to cover its exposure to US dollars: holding US dollar cash balances and taking out forward foreign exchange contracts for the purchase of US dollars.

All the Company's foreign exchange transactions are designed to satisfy US dollar denominated liabilities. The maximum level of hedging coverage which will be undertaken is 100% of anticipated expenditure on a three-month horizon, stepping down to 75% on a four to 12-month horizon and 40% on a 13 to 18-month horizon. Coverage beyond 18 months is minimal.

Cash flow hedges are in place to manage foreign exchange rate risk arising from forecast purchases denominated in US Dollars. At the balance sheet date, the fair value of US Dollar foreign exchange forward contracts held in cash flow hedges was £3.5m asset (2017: £0.9m liability) which relates to a commitment to purchase \$164.0m (2017: \$140.0m) for a fixed sterling amount. A fair value movement of £1.7m (2017: £1.4m) was recognised in other comprehensive income and no ineffectiveness (2017: nil) was noted on cash flow hedges during the period. In the period, a loss of £2.6m (2017: £9.4m gain) was recycled from the cash flow hedge reserve to inventory to offset foreign exchange movements on purchases. The remaining hedge reserve balance will be recycled to the income statement to offset future purchases occurring after the balance sheet date, the majority of which expire in the next 12 months.

The outstanding US dollar liabilities at the period end were \$0.3m (2017: \$0.3m)

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, renegotiating terms with suppliers or sourcing from alternative markets.

At the period end if GBP had strengthened by 10% against USD with all other variables held constant, post tax profit would have been £0.4m higher (2017: £0.2m higher) as a result of foreign exchange gains on translation of USD denominated trade payables compensated by foreign exchange losses on translation of USD cash and cash equivalents. Other components of equity would have been £9.0m lower (2017: £7.7m lower) as a result of a decrease in fair value of derivatives designated as cash flow hedges.

Conversely, if GBP had weakened by 10% against USD with all other variables held constant, post tax profit for the year would have been £0.5m lower (2017: £0.2m lower) and other components of equity would have been £11.0m higher (2017: £9.4m higher).

The US dollar period end exchange rate applied in the above analysis is 1.3152 (2017: 1.3002)

Notes to the financial statements *(continued)*

22. Financial risk management *(continued)*

Capital management

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

The Board's objective with respect to capital management is to ensure the Company continues as a going concern in order to optimise returns to shareholders. The Board'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 Company amended and extended its syndicated Revolving Credit Facility ('RCF'). The RCF was increased to £165m and extended until 2023. The optional accordion facility of £75m remains in place. The terms of the RCF are unchanged and are consistent with normal practice and include covenants in respect of leverage (net debt to be no greater than 2.5× EBITDA) and fixed charge cover (EBITDA to be no less than 1.75× fixed charges), both of which were met comfortably as at 30 June 2018. In addition, the Group maintains £20m of uncommitted overdraft facilities with two syndicate partner banks.

The gearing ratio and net debt as a percentage of EBITDA was as follows:

	2018	2017
	£'m	£'m
Total borrowings (note 18)	139.0	139.5
Less: cash and cash equivalents (note 16)	(15.0)	(17.2)
Net debt / (cash)	124.0	122.3
Total equity	149.7	73.9
Total capital	273.7	196.2
Gearing ratio	45%	62%
EBITDA before exceptional items	135.0	145.6
Net debt as % of EBITDA	92%	84%

Fair values

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

Fair value hierarchy

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

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

All derivative financial instruments carried at fair value have been measured by a Level 2 valuation method.

Notes to the financial statements (continued)

22. Financial risk management (continued)

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	Financial assets/liabilities at fair value through profit and loss	Total
	£'m	£'m	£'m	£'m	£'m
At 1 July 2017					
Cash and cash equivalents	17.2	-	-	-	17.2
Trade and other receivables	4.8	-	-	-	4.8
Intercompany assets	83.8	-	-	-	83.8
Forward exchange contracts	-	-	1.1	-	1.1
Total financial assets	105.8	-	1.1	-	106.9
Trade and other payables	-	(80.0)	-	-	(80.0)
Accruals (excluding deferred income)	-	(77.3)	-	-	(77.3)
Bank borrowings	-	(139.5)	-	-	(139.5)
Forward exchange contracts	-	-	(2.0)	-	(2.0)
Total financial liabilities	-	(296.8)	(2.0)	-	(298.8)
Net financial assets/(liabilities)	105.8	(296.8)	(0.9)	-	(191.9)
	Loans and receivables	Other financial liabilities at amortised costs	Derivatives used for hedging	Financial assets/liabilities at fair value through profit and loss	Total
	£'m	£'m	£'m	£'m	£'m
At 30 June 2018					
Cash and cash equivalents	15.0	-	-	-	15.0
Trade and other receivables	4.6	-	-	-	4.6
Intercompany assets	94.7	-	-	-	94.7
Forward exchange contracts	-	-	4.2	-	4.2
Total financial assets	114.3	-	4.2	-	118.5
Trade payables	-	(51.4)	-	-	(51.4)
Accruals (excluding deferred income)	-	(70.8)	-	-	(70.8)
Bank borrowings	-	(139.0)	-	-	(139.0)
Forward exchange contracts	-	-	(0.7)	-	(0.7)
Total financial liabilities	-	(261.2)	(0.7)	-	(261.9)
Net financial assets/(liabilities)	114.3	(261.2)	3.5	-	(143.4)

Intercompany assets and liabilities are receivable/payable on demand.

Notes to the financial statements (continued)

22. Financial risk management (continued)

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

	2018	2017
	£'m	£'m
Sterling	8.8	16.6
US dollar	5.9	0.3
Euro	0.3	0.3
	15.0	17.2

23. Commitments

As at 30 June 2018 the Company had entered into capital contracts amounting to £5.7m (2017: £14.5m) and £1.9m (2017: nil) for intangible assets.

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

	2018	2018	2018	2018	2017	2017	2017	2017
	Motor vehicles	Land and buildings	Plant and machinery	Total	Motor vehicles	Land and buildings	Plant and machinery	Total
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Within one year	0.9	59.7	2.4	63.0	0.8	55.9	1.0	57.7
In the second to fifth year inclusive	1.1	199.1	4.9	205.1	0.8	197.6	2.4	200.8
After five years	-	173.6	0.4	174.0	-	182.5	0.5	183.0
	2.0	432.4	7.7	442.1	1.6	436.0	3.9	441.5

The Company has 188 (2017: 182) 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.

24. Contingent liabilities

The Company had no contingent liabilities at either period end date (2017: none).

Notes to the financial statements *(continued)*

25. 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 Executive Team. The following company directors were paid by the Parent Company:

Will Adderley
Nicholas Wilkinson (appointed 01.02.2018)
John Browett (resigned 29.08.2017)
Keith Down (resigned 24.05.2018)

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:

	2018	2017
	£'m	£'m
Key management emoluments including social security costs	4.5	2.5
Company contributions to money purchase pension plans	0.1	0.3
	4.6	2.8
Highest paid key management personnel	0.4	0.5

Other related party transactions

	Ultimate Parent company		Other Group companies	
	2018	2017	2018	2017
	£'m	£'m	£'m	£'m
Purchase of rental services	-	-	(7.2)	(6.9)
Net interest (charged)/received	0.8	-	0.5	1.5
	0.8	-	(6.7)	(5.4)

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

	Ultimate Parent company		Other Group companies	
	2018	2017	2018	2017
	£'m	£'m	£'m	£'m
Balances receivable from	27.9	13.7	66.8	70.1
Balances payable to	-	-	(1.1)	(42.3)
	27.9	13.7	65.7	27.8

Notes to the financial statements *(continued)*

26. Ultimate parent company

The Company is a subsidiary undertaking of Dunelm Limited, which in turn is a subsidiary undertaking of Dunelm Group plc, the ultimate parent company incorporated in England and Wales. The Directors considers that the ultimate controlling party is the Adderley family by virtue of their combined shareholding. The largest and smallest group of undertakings for which group financial statements are drawn up and of which the company is a member is the Dunelm Group plc financial statements.

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

27. Subsequent events

There are no reportable subsequent events for Dunelm (Soft Furnishings) Limited.