

DFS Furniture plc
Annual Report & Accounts 2024

Creating value by bringing great design and comfort into every home

Affordable | Sustainable | Responsible

dfs sofology® THE SOFA DELIVERY Co

HIGHLIGHTS

In a very challenging trading environment the Group has made good operational progress and is well positioned to capitalise when the market recovers.

Financial headlines

Definitions and reconciliations of Alternative Performance Measures ('APMs') can be found on pages 19 and 20. Throughout this report, references to income statement measures including revenue, EBITDA[2], profit before tax, and underlying profit before tax and brand amortisation[2] are in respect of continuing operations only unless otherwise stated.

Underlying profit before tax, excluding amortisation of brand names[2]

£10.5m

FY24[1]	£10.5m
FY23	£30.6m
FY22	£60.3m

Group revenue

£987.1m

FY24[1]	£987.1m
FY23	£1,088.9m
FY22	£1,149.8m

Underlying earnings per share

1.5p

FY24[1]	1.5p
FY23	9.4p
FY22	16.9p

(Loss)/profit before tax

(£1.7m)

FY24[1]	(£1.7m)
FY23	£29.7m
FY22	£58.5m

(Loss)/earnings per share

(1.9p)

FY24[1]	(1.9p)
FY23	11.1p
FY22	12.3p

Operational and strategic highlights

- Execution of our Pillars and Platforms strategy consolidating our position as the clear market leader.
- Addition of a new exclusive brand partnership with Ted Baker has contributed to DFS continuing to broaden its appeal.
- Refresh of the Sofology customer proposition and pricing strategy to good effect.
- Record NPS scores achieved, supported by various technology solutions to enhance the customer experience.
- Cost to operate efficiency programme delivered £27.5m of in-year cost savings across operating costs and product cost of goods.

Post purchase NPS[3]

92.8%

FY24	92.8%
FY23	91.3%
FY22	86.3%

Established customer NPS[3]

28.3%

FY24	28.3%
FY23	18.6%
FY22	11.7%

1. 53 week period.
2. Refer to pages 19 and 20 for APM definitions.
3. Net Promotor Scores for the DFS brand.

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PURPOSE DRIVEN APPROACH

Our Purpose is to bring great design and comfort into every home, in an affordable, responsible and sustainable manner. Our customers and our people are at the heart of everything we do, and our culture is rooted in our core values.

Our vision is to lead furniture retailing in the digital age.

OUR STRATEGY DELIVERS...

AFFORDABLE...

Our unparalleled scale
Provides valuable customer and market insight as well as economies of scale and national coverage

Our brands

Read more on **page 2.**

dfs sofology HOME

Our platforms

Read more on **page 13.**

Sourcing and manufacturing

Technology and data

Logistics

Our exceptional people

Read more on **page 35.**

People and culture

RESPONSIBLE... SUSTAINABLE... LONG-TERM VALUE CREATION

Our culture and values
Our culture and values run through everything we do. They guide our actions and create a sustainable and responsible business.

Read more on **page 33.**

Responsibility and sustainability
Our business is built on the right ethical foundations to ensure that with our sofas people feel more comfortable – in every way.

Read more on **page 32.**

Governance
The Board sets the Group's purpose, strategy and values to promote its long term sustainable success.

Read more on **page 55.**

Our markets
DFS is the clear leader in the upholstered furniture market. We believe the 'integrated retail' business model allows us to adapt to fast-changing consumer shopping habits and positions us well for the future.

Read more on **page 9.**

Risk management
The Group faces a number of risks and uncertainties in both its day to day business operations and strategic development. Effective mitigation of these risks is essential to enable us to meet the needs of our customers.

Read more on **page 21.**

Business model
Our carefully considered business model continues to deliver on our objectives in challenging markets and creates value for all our stakeholders.

Read more on **page 12.**

FOR OUR...

Customers

Colleagues

Communities

Suppliers

Environment

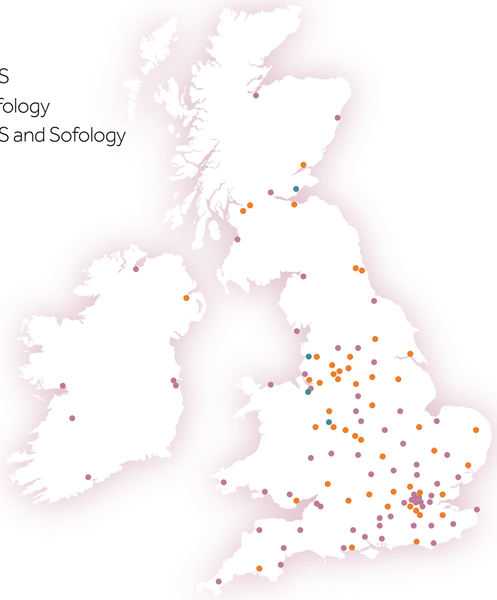
Investors

AT A GLANCE

We are the leading sofa retailing group in the UK – we operate across two retail brands, each appealing to different customer segments.

dfs

- DFS is the leading retailer of sofas in the UK with over 55 years' heritage.
- Headquartered in Doncaster, it operates 115 showrooms in the UK and Republic of Ireland, and a leading web platform.
- The brand is promotionally-led with broad-reaching advertising campaigns that drive brand recall and focus on comfort and value for money.
- Its customers tend to have average national income and a high proportion are young families.
- As one of the UK's most visible retail brands, DFS is often an anchor tenant driving significant footfall to destination retail parks.
- DFS is the most commonly searched term online in the sector, ahead of even 'sofa', and its website received an average of 1.8 million unique visitors each month in the 12 months to June 2024.
- The majority of sofa orders are fulfilled on a made-to-order basis.



FY24 brand revenue

£786.5m

FY24 number of showrooms

115

In addition to DFS's own brand products, it also offers a wide range of exclusive products created in collaboration with the UK's top home and lifestyle brands.

sofology

- Sofology is the third largest retailer of sofas in the UK.
- Headquartered near Warrington, it trades through its growing national footprint of 58 showrooms and its website.
- We see an opportunity to expand the showroom portfolio with a medium term target of 65-70 showrooms.
- Its marketing approach focuses on emphasising product design and quality.
- The use of well-known celebrities in its TV and digital adverts has helped build its brand awareness and distinctiveness.
- The brand appeals to a slightly more affluent than average customer.
- The majority of sofa orders are fulfilled on a made-to-order basis.

FY24 number of showrooms

58

FY24 brand revenue

£200.6m

THE SOFA DELIVERY CO

Delivery vehicles

253

- Our Group-wide logistics platform is one of several key infrastructure components supporting our retail brands.
- The Sofa Delivery Company plays an important role in achieving the Group's environmental targets in relation to emissions, waste and recycling.
- It offers extended hours delivery to our customers seven days a week, virtually all year round.

Strategic Report

Contents

OUR FUNDAMENTALS

Delivering sustainable growth

Our Group benefits from four fundamental advantages that provide our business model with resilience and position us well for the future.

1. Clear market leader

With 36%[1] of the sofa retailing market, the DFS group is over three times the size of our nearest competitor. This market leadership enables significant economies of scale benefits.

1. GlobalData August 2024

2. Integrated retail business

We believe our winning combination of digital and physical assets is the right long term approach for the sofa market. With our integrated platform, we're 'channel agnostic' and flexible to support customers however they want to shop. This is supported by our own dedicated manufacturing and supply chain operations.

3. Sustainable business model

We are committed to building a sustainable business model, both in terms of our impact on the environment and our long term success and resilience as a Group. Our scale and profitability has allowed us to invest for the long term throughout the economic cycle, leaving us with well-invested platforms relative to our competition.

4. Home market opportunity

The UK beds and mattresses segment represents a sizeable medium term opportunity for the Group. We believe that our existing customer base, our interest free credit offer and our Group assets including sourcing, web and logistics platforms, marketing expertise and differentiated brand partnerships leave us well positioned to grow market share in this segment.

Sustainable growth

We believe the fundamental strengths of our business model described above leave the Group well positioned for medium-term growth in shareholder returns. High levels of free cash flow generation are a long-term feature of our business model.

Read more on **page 13.**

CHAIR'S STATEMENT

STEVE JOHNSON
Chair of the Board
→ Bio on **page 52**

Building for the future

This past year has seen continued and sustained improvements in the operational capabilities of the Group to a level that the business has not seen before. Building for the future, we have optimised our cost base and delivered improved levels of customer satisfaction.

We believe that the outlook for DFS remains positive despite the extremely challenging global and domestic environment that we are operating in. As expected, our revenue performance has been impacted by the significant fall in market volumes year on year and on pre-pandemic levels. In addition, the business has had to absorb significantly higher costs due to high levels of international freight rates and continued elevated interest rates. We have responded well to these challenges by progressing with our cost action plan and achieving significant savings of £27.5m to underlying costs. The savings achieved to date demonstrate our ability to remain agile and reshape our operations in light of prevailing market conditions.

The medium term prospects for the upholstered furniture market remains strong and we are confident that our market leading position and long term growth strategy will ensure the business is well positioned to take advantage of the market recovery.

We view the recent acquisition of both ScS by the Italian company Poltronesofà and Anglia Home Furnishings, which trades as Fabb Furniture, by the Australian company Nick Scali as further evidence of confidence that in the medium to long term the UK market will see strong growth as the economy recovers and consumer confidence returns.

The ability of our colleagues across the business to continue to innovate and to deliver in this challenging environment has been invaluable and my thanks on behalf of the Board go to all of them.

Financial results

Whilst overall our financial results are disappointing, we recognise they are an inevitable result of the market backdrop during the year being significantly more challenging than we expected before the year began.

The focus of the Board and the Executive team has been between achieving the best possible short term results and ensuring that the business is still well positioned to take advantage of the inevitable market rebound.

This has meant balancing our approach to costs and operational capability as well as to talent recruitment and retention, being very judicious with capex at the same time as ensuring that the business remains primed to respond to a better market, and it means balancing the need to retain cash in the business to invest for the future with the expectations of our shareholders.

Leverage at year end was 2.5x which remains above our stated target level, although ample liquidity headroom remains. Bringing the level down towards our target remains a key focus using the twin levers of absolute debt reduction and profit improvement.

As detailed in the Financial review at page 18 we are pleased that the business has been able to work with its lenders to amend the terms of its debt facilities to provide sufficient flexibility and headroom going forward.

Strategic focus
Inevitably when performance is under pressure, hard choices have to be made on which strategic options to prioritise and this has meant that we have temporarily deprioritised our focus on growing our wider Home offering. The Board is determined to achieve the right balance between justifiable caution given the short term environment and the need to ensure that the business continues to invest and improve for the future.

We have carried out a detailed review of our strategy during the year. We are confident that our pillars and platforms strategy remains the right long term strategy for the Group and we have continued to make good progress on our areas of focus.

We continue to leverage our two market-leading complementary brands, DFS and Sofology – they appeal to different customer segments and allow us to target the majority of the market with creative direction managed by each brand team. Each brand curates its own ranges, supported by specialist in-house design teams.

We continue to innovate in partnership with a small group of specialist suppliers and brands. Over the last 12 months we were excited to bring our new Cinesound™ range to market. This cinema sofa turns home entertainment into a 4D immersive experience, packed with state-of-the-art features – a 3D audio system, vibration pads and powered head and foot rests.

We continue to invest in our national network of showrooms across the UK and the Republic of Ireland and in our websites to ensure they continue to inspire our customers and provide a leading customer experience.

During the period, we were proud to announce that we have entered into an exclusive agreement with Ted Baker. The range has been incredibly well received by our customers looking for that extra bit of luxury.

As a business with our customers at its heart the ongoing evolution of our product range across both our brands is a critical component of what we do. I am proud of the progress that our teams have made working with our suppliers and brand partners such as Ted Baker and La-Z-Boy as well as with our in-house factories to continue to improve our product proposition.

We will continue to assess the pace and priorities of all our strategic objectives as market conditions evolve over the next 12 months.

Culture and purpose
We strongly believe that our colleagues and their contribution to our culture and values is what makes DFS great. Our colleagues across the Group have yet again played a pivotal role in the progress we continue to make and I would like to thank them for their continued outstanding contribution.

It is important that the Board stays close to the views of our colleagues and Directors devote significant time to activity that lets them hear first-hand what is on our people's minds. Visits to our showrooms, manufacturing sites, customer distribution centres and Group Support Centre, as well as attendance at our Voice Forums equip Directors to understand the practical implications of our plans and the challenges faced by our colleagues.

Environmental, social and governance ('ESG')
We continue to make excellent progress on our environmental goals, and we were delighted to be named a Climate Leader by the Financial Times earlier this year. This is a testament to our commitment to sustainable performance. In June 2024 we took the next step on our journey and submitted our plan for Net Zero for validation to the Science Based Targets initiative.

Board changes
At the end of July we gave our thanks to Loraine Martins who stepped down from the Board. Loraine has made a significant contribution to our People Strategy and has worked with the team to develop the Group's wider approach to equity, diversity and inclusion.

In August we welcomed Bruce Marsh to the Board. Bruce is a seasoned retailer and is currently the Chief Financial Officer at Currys plc. He brings expertise in retail, finance, financial markets, investors and governance and will provide fresh insight as to how the Company should address the ongoing challenges facing UK retailers. The approach to any appointment to the Board is on ensuring we have the right blend of skills for the current and likely future environment and that we have the right experience and tenure to deliver continuity and succession over time.

Governance and reporting
The Board generally meets eight times per year when we have a formal agenda and additional meetings are arranged as required for specific items or such matters are delegated to ad hoc committees and reported upon at subsequent meetings. More details of the Board's activities, and key decisions taken during the year are set out later in the Governance section of our Annual Report.

I am pleased to say that we were compliant with the UK Corporate Governance Code (2018) ('the Governance Code') throughout the year, and the following pages set out further details. I invite you to consider that alongside the report on how the Directors have fulfilled their duties in accordance with section 172 of the Companies Act 2006.

Dividend
At the time of the interim results in March 2024 the Board declared an interim ordinary dividend of 1.1 pence per share (2023: 1.5 pence per share).

Given the challenging trading conditions described above the Board concluded that it would not be appropriate to propose a final dividend. Whilst this may be disappointing for some of our shareholders, we believe it is in the best long term interests of the Group.

We continue to encourage all shareholders to attend our 'in person' annual general meeting, which will be held in Doncaster on 22 November 2024. This provides a great opportunity to hear from and speak with members of the Board and Group Leadership Team.

Looking ahead
I am proud of the Group's achievements in 2024 and remain confident in the plans that we have for the year ahead. Our clear strategy, great team, market-leading position, innovative products and the strength of our brands all bode well for the future.

STEVE JOHNSON
Chair of the Board
25 September 2024

Group revenue

£987.1m

Underlying profit before tax and brand amortisation[1]

£10.5m

Loss before tax

£1.7m

1. Refer to pages 19 and 20 for APM definitions.

Managing challenging conditions and positioning the business for future growth

In financial year 2024 the Group has made good progress improving our gross profit margin rate and reducing our operating costs whilst achieving record NPS scores. This progress has been delivered against a backdrop of very challenging market conditions.

Market update and financial overview
Consumer demand fell significantly in the financial period driven by the cost of living crisis. The level of decline was beyond our initial expectations with overall demand levels reaching record lows. In addition supply chain disruption in the Red Sea that emerged in the second half of the period extended our made-to-order product lead times delaying the recognition of revenues.

We took decisive action through the period as the scale of market decline, now over 20% below pre-pandemic levels in volume terms, became apparent. We accelerated a number of initiatives across our Cost to Operate efficiencies programme reducing our costs by £27.5m year on year. Despite these actions, the Group's profits were unfortunately impacted by the extent of the market decline and the supply chain disruption. Underlying profit before tax and brand amortisation reduced from £30.6m in our FY23 financial period to £10.5m in FY24 and reported profit before tax reduced from £29.7m to a loss of £1.7m.

When formulating our cost-out action plans we have been resolute in protecting and improving our customer facing resources to continue to deliver good outcomes for our customers and record high post purchase and post delivery NPS scores were achieved. With our retail brands clearly positioned and operations now leaner and more effective than ever, the Group is in a strong position to capitalise when the market recovers and deliver strong returns for our shareholders.

Progress on our three focus areas
The Group has consolidated its position as the clear market leader having added 4ppts to our market share[1] since 2020.

We have improved our gross margins by 140 bps to 55.8% as we target our historical level of 58%. The growth has been supported by redistributing goods across our supplier base to optimise the cost and quality of production as well as from retail price increases in the final quarter of the prior year.

1. GlobalData August 2024.

TIM STACEY
Chief Executive Officer
→ Bio on **page 52**

CHIEF EXECUTIVE'S REPORT CONTINUED

We have reduced operating costs across all areas of the business, be it by operating segment or expense type. This has been accomplished by undertaking a rigorous review and reappraisal of the cost base to ensure it is appropriate for both today's market environment and future, stronger market environments. This programme is ongoing with examples of cost reductions to date achieved via improved operating models, utilising AI, enhanced procurement activities, and utilising data/MI to improve operational performance. The savings achieved in FY24 will provide a further uplift into the following year in addition to new initiatives that we have planned. I'm pleased with the progress we have made which has had the end customer impact core to decision-making to ensure we do not hamper our ability to capture demand when the market recovers.

Strategic update

Our strategy is to profitably and sustainably grow our core upholstery brands, DFS and Sofology, utilising all channels to create a seamless experience for our customers and to grow our share of the £5bn non-upholstery Home market. This growth is supported by utilising and enhancing our enabling platforms; technology and data, logistics, sourcing and manufacturing, and people and culture.

Our pillars

The DFS brand, which has a broad appeal offers a market-leading choice of products. Its trusted, friendly service and digital approach to connect our showroom, web and telesales channels enabling customers to shop their preferred way has continued to improve with post purchase NPS scores reaching record highs of 92.8%.

We have successfully broadened DFS's appeal to a wider range of customers over time. This has been facilitated, for example, by the addition of exclusive brand partnerships and through adapting our marketing strategy to focus more on improved product showcasing supported by improved showroom formats. Our exclusive brand sales now account for over 41% of total sales. The most recent addition to our exclusive brand partnerships in the period was Ted Baker and the three ranges launched have performed very well. We continue to develop new ranges to add to our existing exclusive brands such as the new Carlisle French Connection range. All these factors have supported the brand in consolidating recent market share gains. I'm also pleased to announce that we have recently launched a new exclusive partnership with La-Z-Boy which will be a great addition to our existing brand partnerships.

We adopt good governance practices to ensure our brands play to their relative strengths, targeting their customer segments accordingly to reduce the risk of cannibalising one another's sales.

Our Sofology brand offers an inspiring and exciting range of well targeted products that bring quality, style and luxury within reach and targets a slightly older demographic than the DFS brand.

Sofology over the year as a whole performed broadly in line with the wider market. Following a relatively tough start to the year we adapted the brand's retail pricing and introduced a number of new product ranges to provide an overall refresh to the Sofology proposition. These changes have had an almost instantaneous impact with the brand returning to order intake growth in the final quarter of the year.

To further bolster the brand's potential we plan to commence a refurbishment programme of the Sofology showroom estate in calendar year 2025 to modernise some of the older sites within the portfolio. These will be the first refurbishments carried out across the estate and we will adopt a test and learn approach to ensure we optimise the returns available. When we see a prolonged period of improving like for like performance and as our balance sheet strengthens we plan to continue our showroom roll out to grow the estate from the current 58 showrooms to 65-70 showrooms and have our target locations lined up.

The Home market represents a great opportunity for the Group to expand its addressable market to the wider £5bn Home (non-upholstery) market, first targeting the £3bn beds and mattress sub segment. As announced in our half year update we have completed the development of supporting infrastructure including a drop ship solution and warehouse management system that provide the foundations for growth. We have also expanded some of our exclusive brand partnerships to include beds as well as upholstery. We have decided to temporarily pause further investment into marketing to drive sales and instead focus our investments into our core upholstery offer in this period of weak market demand. Profitability in our Home offer has however stepped up, increasing year on year due to improved gross margins and lower operating costs. We continue to see great potential for the Group to drive incremental profits with limited further incremental investment as we target a 4% share in this market.

Our platforms

Our enabling platforms play a pivotal role in supporting the Group to deliver value. This is achieved through a number of means such as sourcing efficiently utilising the Group's scale, developing our market-leading delivery services and providing our highly motivated colleagues with data to drive insight and improved decision-making across the business.

Sourcing and manufacturing: We are aiming to improve our gross margins to our long term historical pre-pandemic level of 58% following a reduction across 2021 and 2022. This reduction resulted from rising input costs, freight rates and Bank of England base rates that were not fully passed on with a profit mark up. In addition, lower market volumes impacted the efficiency of our own and external manufacturing operations. We expect to deliver cost of goods savings through redistributing goods to optimise the cost and quality across our supplier base and in addition we expect further uplifts through reducing interest rates over time. We took the decision to close the smallest of our three manufacturing sites and one of our two wood mills in the first half of the financial period and redistributed production across the remainder of our supplier base. This resulted in cost savings that contributed to the 140 bps gross margin improvement in the period. These types of decisions are never straightforward and have significant impacts on our colleagues and other stakeholders. Following a consultation with 215 colleagues, we were able to retain 44 colleagues including at our recently formed sewing hub and we supported the remaining workforce through a comprehensive outplacement support service.

Technology and data: Our investments continue to centre heavily on utilising technology and data to improve the efficiency of our operations and the customer experience. We have recently undertaken the process of moving away from a number of legacy systems and implementing Google's contact centre AI platform in Sofology. This will help enable us to utilise AI in the future to further improve our customer service levels and optimise costs. To date we have automated the process to take customer payments over the phone as well as deliver a full self service customer delivery proposition. We see numerous opportunities ahead to reduce the number of customer contacts to enable our teams to focus on the more complex service situations. In the second half of the year we also successfully launched our proprietary Intelligent Lending Platform used in DFS, into Sofology. This has broadened the number of lending partners available to Sofology, increasing the probability of customers obtaining the credit that is right for them, reducing the time taken to deal with credit applications and reducing the cost to the Group of providing credit to customers.

Logistics: Last year we completed the remaining integration activities to combine and rationalise the logistics assets from the DFS and Sofology brands. Now the Sofa Delivery Company, which fulfils deliveries for both brands through utilising the same systems, distribution centre network, fleet and workforce is performing very strongly with key performance indicators such as vehicle fill, labour productivity and delivery failure rates all improving. This has both driven down costs significantly and improved the customer experience with post delivery NPS scores reaching record highs. We believe that we have created a valuable asset and there are additional opportunities available to further refine and improve performance.

People and culture: Our colleagues are the Group's most important asset. Ensuring the Group is a great place to work that has an open, collaborative and inclusive culture where people can be their best is key to our future success. We are constantly looking to evolve and improve our colleague experience and we have been focusing over the last year on colleague development. We have launched a number of programmes to help our people thrive and grow, for example by running a management academy programme within the Sofa Delivery Company to upskill over 150 colleagues, launching a Group leadership academy programme with monthly workshops attended by over 300 aspiring leaders and via developing finance academy courses led by subject matter experts. To help ensure everyone feels

CHIEF EXECUTIVE'S REPORT CONTINUED

welcome we have established six colleague networks and partnered with Diversity in Retail, enabling us to collaborate with other businesses and benefit from adopting best practices. We are constantly seeking to raise standards and I'm pleased to say we have achieved accreditation in the Inclusive Employers Standard.

Sustainability
In June this year we submitted our Net Zero strategy to the SBTi. We decided to shift our Net Zero target to before 2050, aligning with climate science and the UK government targets. I'm pleased to say that this year we have secured commitments from our manufacturing partners that cover 59% of our Scope 3 emissions to commit to developing their own science-based Net Zero plans.

Whilst making up a relatively low proportion of our total emissions I'm nevertheless proud that the consolidation of our delivery fleets, AI route planning tools, and driver efficiency training, as well as removing gas from our retail estate has delivered a significant reduction in our Scope 1 emissions. We are already making great strides to ensure our business can make the most of the opportunities of a circular economy to deliver sustainable performance for the Group (see pages 32 to 51 for more details).

Conclusion and outlook
I want to sincerely thank all of our colleagues for their enthusiasm and continued commitment to delivering a great service to our customers in what has been a very challenging period for the Group given the market conditions.

Despite the challenges that the business has seen, we are optimistic for the future and see signs that market growth could soon return. We expect recent improvements in housing transaction data and strengthening consumer balance sheets to lead to increased upholstery market demand across the FY25 financial year. In addition, thanks to the success we have had growing our gross margin and improving our operational efficiency, we expect to deliver profits in line with market consensus[1], weighted to the second half.

It is clear that the upholstery market has a long road to recovery given the 20% decline on pre-pandemic levels that we have seen. Despite the challenges we have faced, we remain confident that the business is well positioned to capitalise on market recovery. Given our strong market leadership position, the operational leverage in the business, our well invested asset base and negative working capital cycle we expect to deliver strong returns for our shareholders.

TIM STACEY
Chief Executive Officer
25 September 2024

1. Company derived market consensus for underlying profit before tax £23.2m.

We are the leading sofa retailer in the digital age

The Group has consolidated its position as clear market leader in challenging conditions.

Large potential customer base
The DFS Group has a specialist focus on the retail upholstered furniture segment. The UK upholstery furniture market was estimated by GlobalData to be valued at £3.1bn (incl. VAT) in the calendar year 2023. As a Group, we view the beds and mattresses segment as a key opportunity increasing our Total Addressable Market ('TAM') by approximately £3bn.

Clear leader in the segment
The Group, through its DFS and Sofology and brands, is the clear leader in the upholstered furniture market, with 36%[1] market share by value in FY23. This market remains highly fragmented and we see further opportunities to grow our market share. We see four broad categories of companies actively competing in the upholstered furniture retail market: specialist chains such as DFS, Sofology, ScS and Furniture Village; independents that are typically single store operations; predominantly online furniture retailers such as Wayfair; and larger general merchandise or homeware retailers such as Amazon, Argos, Dunelm, Ikea, John Lewis and Next.

We believe the integration of digital and physical is the right long term approach to serve our customers. Our well-invested 'integrated retail' business model allows us to adapt to fast-changing consumer shopping habits, and positions us well for the future.

Market conditions are currently challenging with the UK upholstery market seeing a reduction in volumes and reaching record lows in FY24.

Historically, the Group has tended to gain market share during periods of market weakness as weaker multiples and independent chains have exited the market. For example, the Group's market share increased from c.19% to 24% during the 2008-2010 Global Financial Crisis impacted period and from 32% to 36% in the 2020 to 2023 Covid pandemic and cost of living crisis (GlobalData).

Demand is supported by a seven-year replacement cycle and underpinned by demographic trends. We believe over shorter time frames the segment is principally driven by three key factors: consumer confidence, housing market activity and consumer credit availability, discussed below. In addition to these market drivers we do see from time to time some volatility in market demand levels caused by particularly hot or cold weather and significant public events.

1. GlobalData August 2024 report. Market share calendar year 2023.

MARKET OVERVIEW CONTINUED

Market conditions are currently challenging with UK upholstery market demand levels at a record low driven by the cost of living crisis. Historically, the Group has been able to grow market share during economically challenging times.

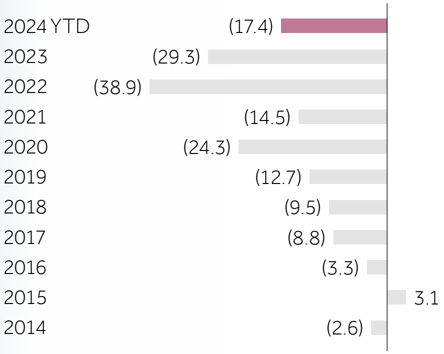
Key market drivers

Consumer confidence
Levels of consumer spending, particularly for big ticket items, are influenced by general consumer confidence. UK consumer confidence, as measured by GfK, has weakened since 2016 amid uncertainty following the referendum vote to leave the European Union. In 2020, consumer confidence fell further due to economic and financial uncertainty around the pandemic, but recovered in 2021. Since then consumer confidence has been impacted by high inflation levels and elevated interest rates putting pressure on consumer budgets. In 2024 through to September there has been an improvement in confidence levels, albeit the scores remain volatile month to month.

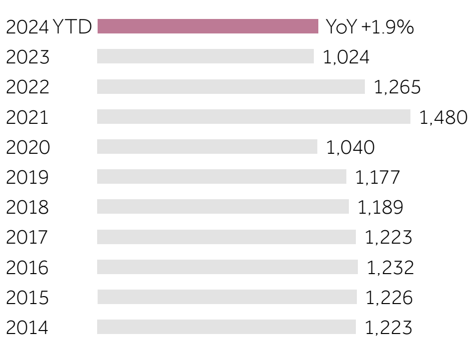
Housing market
Independent research conducted on our behalf suggests that c.20% of upholstery purchases are triggered by a house move. As the pandemic spread in spring 2020, government social distancing measures led to a sharp contraction in housing market activity, which subsequently bounced back in 2021 as a result of temporary government measures to reduce stamp duty payable on residential property purchases. Housing transactions since then have been impacted by higher Bank of England base rates and the cost of living crisis, however the July 2024 YTD position is in year on year growth following a recovery over the last four months.

Consumer credit
Upholstered furniture typically has relatively high unit prices and the availability of consumer credit can facilitate purchases and upselling. Consumer credit growth slowed since the EU referendum, reflecting increased economic and political uncertainty. Through the pandemic, UK consumers reduced debt, as government restrictions reduced options for discretionary spending (e.g. foreign travel and leisure). Consumer unsecured lending has been in growth since 2022.

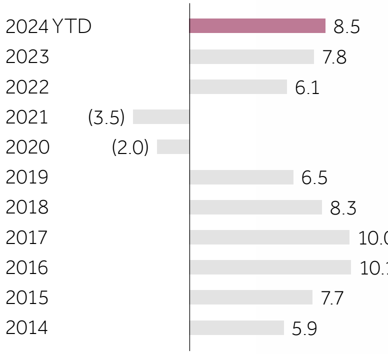
Consumer confidence[1]



Housing transactions p.a. ('000s[2])



Net unsecured lending growth[3] (%)



1. GfK UK Consumer Confidence average of individual month scores for each year.
2. HMRC – number of residential property transaction completions with a value over £40,000 for the UK, seasonally adjusted.
3. Monthly 12-month growth rate of total (excluding the Student Loans Company) sterling net consumer credit lending to individuals (in percent) seasonally adjusted.

OUR CUSTOMER JOURNEY

The customer is at the heart of our Group journey

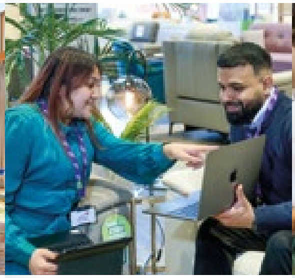
1 DESIGN & INSPIRE

Through our innovative in-house design teams and with our buying expertise we remain at the forefront of home furnishing trends with each of our brands offering a distinct curated range. We inspire consumers to consider a purchase through memorable advertising, inspirational web content and the use of augmented reality technology. Sustainability is a key feature in our product designs as we strive to meet the expectations of our customers by being responsible, ethical and sustainable in our products.

% of customers who research online

81%

2 INTEGRATED RETAIL MODEL



The combination of our well-invested websites, national showroom networks and call centres which are staffed by well-trained and highly motivated sales teams provide a market-leading integrated retail experience to our customers. Collectively across all our brands we have styles and price points that appeal to the majority of the market and we make our products more affordable through offering interest free credit.

UK showrooms

173

3 CUTTING EDGE TECHNOLOGY

We focus on embracing and leveraging technology to maintain our position as the leading sofa retailer in the digital age and improve our operational efficiency.

Reduction in customer calls from enhanced delivery arranging experience

7%

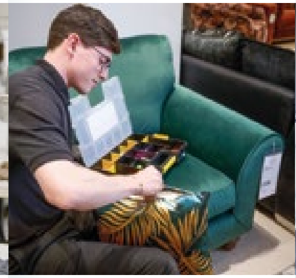
4 MANUFACTURING

We are one of the largest manufacturers of upholstered furniture in the UK. Our factories collectively produce around 18% of all the furniture we sell.

Orders manufactured in own factories

18%

5 SERVICE



Aftercare is provided by highly skilled teams with the majority of after-sales issues being addressed in customers' homes by our own colleagues.

Service managers

220

6 INNOVATIVE DELIVERY OPTIONS

The Sofa Delivery Company is our leading Group-wide supply chain platform. Through our own network of customer delivery centres and our own delivery fleet we carefully deliver our products to customers' homes and provide a comprehensive installation service.

Delivery vehicles

253

7 SOFA COLLECTION & RECYCLING

Getting rid of an old sofa responsibly and conveniently is a real issue for customers. Unless old sofas are passed on to family, friends or charity, many go into landfill. Our experienced specialist partner Clearabee will collect customers old sofas and take them to the nearest recycling centre where it will be broken down to its component parts to reuse, recycle or create new energy.

Sofas saved from landfill

56,800

BUSINESS MODEL

How we create value...

OUR ENABLERS

Customer ethos

'Think Customer' is our first value. By treating customers as we would our own family, we aim to deliver great service.

Unparalleled scale

We have a UK Group market share of c.36%[1], over three times that of our nearest competitor.

Complementary brands

Our complementary brands appeal to different customer segments.

Well-invested platform

Modern, well-located showrooms and innovative apps and websites give customers the convenience to shop exactly how they want. Our own warehouses and delivery fleet use state-of-the-art software to help us operate efficiently.

Made-to-order products

The majority of the products we sell are made-to-order, enabling us to operate with negative working capital.

Vertically integrated model

We have end-to-end control of the customer journey from design all the way through to after-sales servicing.

Exceptional people

We have over 55 years of expertise and recruit, train and retain what we believe are the highest calibre people in the industry.

WHAT WE DO

Design and inspire

Our design teams and experienced buyers curate attractive and distinct propositions across our unique brands that appeal to most tastes. Our marketing aims to reach our target markets across all broadcast and digital media, inspiring customers to consider a purchase.

Retail

Our websites and showrooms nationwide combine to create an increasingly seamless customer experience, allowing customers the opportunity to visualise, sit on and feel the product, while researching and then transacting in store, at home or on the move.

Manufacture

We manufacture around 18% of the Group's sofa orders in our own British factories, resulting in shorter lead times and greater oversight on sustainability.

Deliver and install

Our delivery network operates from customer distribution centres spread across the UK and Ireland using custom-built route-mapping technology to reduce lead times, lower emissions and optimise efficiency.

Service

Sometimes things go wrong and, if they do, we have our own teams of upholsterers that are on hand to visit customers in their homes and address any after-sales issues.

How we deliver value...

OUTCOMES

Sustain sector-leading operating margins

Scale advantages across the value chain, from sourcing and shipping rates to maximising delivery and service fleet utilisation.

Grow our market share

We have a history of growing our market share over the long term in all economic climates. Our exclusive brands enable us to target the majority of the market and we have a clear opportunity to grow further.

Maintain strong cash generation

We aim to deliver high levels of free cash flow generation, enabling us to both invest for growth and return funds to shareholders.

Continue to invest in the business

We reward our staff fairly, maintain and enhance our existing assets and selectively invest in growth opportunities to optimise the returns for our shareholders.

VALUE FOR STAKEHOLDERS

CUSTOMERS

92.8%

DFS post purchase NPS

EMPLOYEES

38%

employees > five years' service

SUPPLIERS

33%

customer orders from British factories[2]

SHAREHOLDERS

£191m

net cash distributed since flotation[3]

COMMUNITY

£7.6m

raised since 2013 for BBC Children in Need through customer donations and fundraising initiatives

1. GlobalData August 2024 report. Market share calendar year 2023.
2. Includes third-party manufacturing and internal manufacturing.
3. Dividends and share buybacks net of 2020 equity raise.

OUR STRATEGY

Our vision is to lead furniture retailing in the digital age, and we pursue this through our 'Pillars and Platforms' strategy which will unlock new categories of growth, whilst leveraging our proven and leading upholstery market made-to-order model advantages.

The strategy of the business is made up of three pillars: our DFS brand, our Sofology brand and our expansion into the Home market. The growth of our three pillars will be enabled by our four Group platforms: sourcing and manufacturing, technology and data, people and culture and the Sofa Delivery Company logistics platforms.

The strategy reflects the Group's expertise and scale and the ability to utilise our enabling platforms to improve operational efficiency and growth across our brand portfolio.

We are committed to building a sustainable business model, both in terms of our impact on the environment and preserving our long term success as a Group.

ESG

Pillars

DFS & HOME

dfs HOME

Customer proposition and service innovation
New products and services to engage customers

Focus
- Range enhancements including successfully launching new brand partnerships
- Continued improvement of established customer NPS scores
- Invest to grow beds and mattress sales when core upholstery market demand recovers, leveraging the foundations already laid

SOFOLOGY

sofology

Increase scale of business
To further grow the showroom estate throughout the UK

Focus
- Like-for-like sales growth
- Roll out of showrooms on the route to targeted 65-70 locations when market recovers
- Continued improvement of established customer NPS scores

Platforms

TECHNOLOGY AND DATA
Using data and technology to unlock growth in our brands

Focus
Development and enhancement of customer contact platforms, introducing AI to improve the customer experience

LOGISTICS
Best in market two person delivery and installation

Focus
Continue to optimise operational performance

SOURCING AND MANUFACTURING
Optimising our supplier portfolio

Focus
Grow gross margin rate to 58%

PEOPLE AND CULTURE
Delivering fundamental cultural change

Focus
Continue to develop our Employee Value Proposition (EVP) ensuring our external perception is appealing and matches our internal reality

ESG

RETAIL

Best experience
Biggest range and the critical 'sit test':

88%

of DFS customers visit a store before buying

Best in store service

92.8%

DFS post purchase NPS

Best sales teams

91%

people would recommend Sofology having purchased within a Sofology showroom

DIGITAL

Best online brand strength
'DFS' is searched for

1.8x

more than the term 'sofas'

81%

of showroom customers research online before coming in to a showroom

Best enhanced technology
The largest collection of augmented reality (AR) assets accessed through a web browser in the furniture category

Best ecommerce platform
Enhancement of the online experience through the use of AI

KEY PERFORMANCE INDICATORS – FINANCIAL

Gross sales[1]

£1,311.8m

FY24[2]	£1,311.8m
FY23	£1,423.6m
FY22	£1,474.6m
FY21[3]	£1,359.4m
FY20	£935.0m
FY19*	£1,287.2m
FY19**	£1,165m

Description
Gross sales represents the total amounts payable by external customers for goods and services supplied by the Group, including aftercare services (for which the Group acts as an agent), delivery charges and value added and other sales taxes.

Performance
Decline in sales due to reduced levels of market demand.

Underlying profit/(loss) before tax excluding brand amortisation[1]

£10.5m

FY24[2]	£10.5m
FY23	£30.6m
FY22	£60.3m
FY21[3]	£109.2m
FY20	(£63.1m)
FY19*	£50.2m
FY19**	£28.2m

Description
Profit before tax adjusted for non-underlying items and amortisation associated with acquired brands.

Performance
Decrease due to the lower level of gross sales and revenue.

Banking leverage[1]

2.5x

FY24[2]	2.5x
FY23	1.9x
FY22	1.0x

Description
Refer to APMs on pages 19 and 20.

Performance
Increase driven by lower EBITDA and an increase in net debt, partly due to temporary working capital movements.

Underlying return on capital employed[1]

10.8%

FY24[2]	10.8%
FY23	13.5%
FY22	18.7%

Description
Underlying return on capital employed ('underlying ROCE') is underlying post tax profits expressed as a percentage of the sum of property, plant and equipment, computer software, right of use assets and working capital.

Performance
Decrease driven by lower profit in the period.

Underlying free cash flow to equity holders[1]

(£10.0m)

FY24[2]	(£10.0m)
FY23	(£7.0m)
FY22	(£5.0m)

Description
Underlying free cash flow to equity holders is the change in net bank debt for the period after adding back dividends, acquisition related consideration, share based transactions and non-underlying cash flows.

Performance
Reduction driven by transitory working capital inflows normalising as well as the lower relative profits in the period. Further working capital outflow in week 53 of FY24 due to additional rent and VAT payments made relative to 52 week periods. Excluding the working capital movement, FY24 free cash flow was £7.5m (FY23: £29.4m).

Key

* 52 weeks pro forma.
** 48 weeks reported.
1. Refer to pages 19 and 20 for APM definitions.
2. 53 week period.
3. Results for the 52 weeks to 27 June 2021 have been represented to reflect the classification of operations in Spain and the Netherlands as discontinued in accordance with IFRS 5.

KEY PERFORMANCE INDICATORS – NON-FINANCIAL

Net Promoter Score (%) – Post purchase customer satisfaction

92.8%

FY24	92.8%
FY23	91.3%
FY22	86.3%

Description
Average across all DFS stores based on post purchase customer satisfaction surveys.

Performance
Significant year on year increase to a record high level.

Strategic links

Suppliers – Average days to pay

48.5 days

FY24	48.5
FY23	39.4
FY22	35.8

Description
Average number of days between receipt and payment of supplier invoices.

Performance
Increase from FY23 due to standardisation of key supplier terms.

Strategic links

Sofology UK stores

58

FY24	58
FY23	58
FY22	55

Description
Number of Sofology stores trading at the end of the financial period.

Performance
Showroom openings temporarily paused until market demand recovers.

Strategic links

Net Promoter Score (%) – Established customer satisfaction

28.3%

FY24	28.3%
FY23	18.6%
FY22	11.7%

Description
Average across all DFS stores based on established customer satisfaction surveys (six months after order).

Performance
A second year of improvement since FY22 which was heavily impacted by pandemic related shipping disruption, HGV reliability and extended manufacturing lead times.

Strategic links

Suppliers – % paid on time

77.1%

FY24	77.1%
FY23	73.8%
FY22	72.0%

Description
Percentage of supplier invoices paid within agreed terms.

Performance
Increase from FY23 driven by continuous improvement within the operational teams.

Strategic links

Key to strategic links

- Sourcing and manufacturing
- Technology and data
- Logistics
- People and culture

FINANCIAL REVIEW

Focus on strengthening profits and cash flow

The Group's financial performance in FY24 has been heavily impacted by the decline in market demand levels and in the second half by Red Sea related shipping disruption. This has required decisive actions to protect profitability and cash flow, whilst maintaining our position as the clear market leader.

We saw order intake decline by 1.8% for the year in challenging market conditions, with market order volumes down over 20% compared with the pre-pandemic period.

After positive growth in our first quarter summer sale trading period, we saw customer footfall and order intake decline year on year through the second and third quarters, including the important winter sale trading period (January to mid-March). However, within this period we did record good positive order intake growth across our guaranteed Christmas delivery campaign, supported by increased customer choice on 7-10 day express delivery ranges. In the final quarter of the period, we were pleased to see order intake growth improve to +8.4% as we annualised weaker comparatives and following actions in Sofology to strengthen product ranging and pricing, and in DFS to reintroduce 4 years interest free credit at select times.

Basis of preparation

The reporting period covers 53 weeks to 30 June 2024 (FY24). As a result of the adverse impact from Red Sea shipping delays in quarter four, the net effect of the additional week on reported revenues in FY24 is relatively low (+c.£7m year on year) and the profit impact is not significant. Consequently, other than order intake growth metrics we have not included 52 week pro forma numbers for FY24. Year on year order intake has been calculated by comparing the first 52 weeks of the 53 week financial period to the 52 week comparator period.

Revenue and gross sales

£m	FY24	FY23	YoY
Gross sales			
DFS (incl. Dwell)	**1,047.0**	1,125.5	(7.0%)
Sofology	**264.8**	298.1	(11.2%)
Total gross sales	**1,311.8**	1,423.6	(7.9%)
Digital sales %	**24.3%**	24.0%	
Revenue	**987.1**	1,088.9	(9.3%)

Total gross sales, which are recognised on delivery of orders to customers, decreased by 7.9% year on year to £1,311.8m with both brands reporting a decline on prior year. The broader appeal of the DFS proposition supported a relatively better sales performance, whilst Sofology sales were more closely aligned with the market.

Gross sales saw a higher rate of decline than order intake as a result of Red Sea disruption deferring £12m of deliveries into FY25 and the higher order bank at the start of the comparative period converting into sales.

JOHN FALLON
Chief Financial Officer

Bio on **page 52**

FINANCIAL REVIEW CONTINUED

Digital sales mix increased slightly by 0.3ppts year on year to 24.3%. Our market research consistently indicates the majority of consumers utilise both channels in their shopping journey and we have a well-invested asset base across both physical and digital sales channels enabling a seamless customer experience.

Group revenue of £987.1m was 9.3% lower than the prior year (£1,088.9m). The rate of decline is greater than the gross sales reduction due to the higher cost of providing interest free credit.

Interest free credit remains an important part of our overall customer value proposition. The increased cost is a result of higher Bank of England base interest rates and to a lesser extent an increase in the mix of sales made on credit, all partially offset by the impact of reducing our maximum every day interest free credit offer from 48 months to 36 months from March 2024.

Gross profit
Gross profit of £550.8m was £41.4m (7.0%) lower year on year, primarily due to the revenue shortfall.

We delivered good further progress on gross margin rate in the year, whilst continuing to offer customers market-leading quality, choice and value. As a percentage of revenue, gross margin in the period was 55.8% (FY23: 54.4%), an increase of +140bps year on year (in addition to the 170bps increase in FY23).

The margin improvement was supported by our decision to close our smallest manufacturing facility and woodmill in the first half of the year, which enabled us to shift production volumes across our supplier base and reduce our cost of goods, contributing to an overall product margin improvement of c.£9.8m. This decision was disclosed as a post balance sheet event in our FY23 annual report.

In addition, average freight rates across the period were significantly lower than the prior year which helped to partly offset the adverse impacts of higher interest free credit costs and a lower USD rate applied to our Far East purchases. The net impact across these items was a net reduction to gross margin of c.£5.1m. Despite being lower year on year, freight costs were higher than we expected in the final quarter of the year as a result of Red Sea disruption related increases.

The margin rate in the second half was below our expectations as we responded to the weak market conditions with additional promotional activity, together with the Red Sea related freight cost increases noted above.

Whilst the near term freight market is expected to remain volatile and hard to forecast, we are confident that our scale and buying processes will enable us to continue to secure market-leading rates.

We continue to see opportunities to grow gross margin rate, supported by further cost of goods efficiencies across our supply chains and as lower Bank of England rates reduce interest free credit costs (on an annualised basis a 1% change in base rates equates to £7m-£8m cost impact).

We hedge our USD FX requirements with 90% of our expected USD spend currently hedged at a rate that is 4 cents favourable to the FY24 average rate paid. Every 1 cent movement in the USD rate equates to a c.£1.1m change in costs to the Group.

Selling, distribution and administration costs
Underlying selling, distribution and administration costs totalled £408.8m (2023: £434.8m), representing 31.2% of gross sales (2023: 30.5%).

We continue to work hard to bring down our operating costs across the business, and we are making good progress towards the £50m operating efficiencies target we set at the end of FY23. Whilst this requires some difficult decisions, it has helped to protect profitability in the current period and sets the business up for stronger future returns.

The £26.0m reduction in costs included £8.8m of volume related variable costs and £22.0m of savings from more efficient operating models across our stores and online sales teams, logistics and manufacturing operations, customer service teams and across other central support functions. This includes the Sofa Delivery Company, where we are seeing strong improvements in customer and operational KPIs, at the same time as significantly lowering costs through a combination of productivity improvements, a reduction in third-party fulfilment partners and further consolidation of operational distribution centres. In addition, we reduced marketing by £3.8m in the period, principally through reducing our investment in driving the awareness of our Home ranges until market conditions recover.

Inflationary cost increases were contained to c.£12.0m (3%), mainly relating to wages. This increase was partly offset by £4.7m of cost avoidance and one-off savings including rebates on historical business rates, and through not paying a financial performance-related bonus to senior management and our central support teams.

Looking forward, we are confident we have line of sight to additional cost efficiencies that can help us to offset future expected inflationary cost pressures.

Depreciation, amortisation, impairment and underlying net finance cost
Depreciation, amortisation and underlying interest charges have increased by £4.7m to £132.9m (2023: £128.2m).

Underlying net interest increased by £7.0m to £41.1m (2023: £34.1m) as a result of the higher cost of debt servicing due to the higher average SONIA rates and a higher average net debt level through the period.

Depreciation, amortisation and impairment costs reduced £2.3m. Lower depreciation charges and impairment on right of use assets arose as a result of the consolidation of our distribution centre network and associated lease exits in the prior period and renegotiating property leases approaching expiry to lower rent levels.

Non-underlying costs

FY24 (£m)	Income statement	Cash outflow
Restructuring costs	6.5	4.1
Land slippage costs	3.1	0.2
Release of lease guarantee	(0.7)	–
Refinancing costs	1.9	0.8
Total	**10.8**	**5.1**

Non-underlying costs for the year were £10.8m (2023: benefit of £0.5m), including £5.1m of cash outflows in the year.

£6.5m of costs were incurred in relation to the restructuring of our manufacturing operations and central support functions in response to lower demand and to enable productivity improvements. This consists of redundancy and termination costs totalling £4.1m, non-cash write-off losses totalling £2.0m and other closure costs totalling £0.4m.

£1.9m of costs were incurred upon refinancing our banking facilities in September 2023, with the majority of this cost covering the write off of unamortised issue costs. The cash outflows associated with these activities totalled £0.8m.

£2.9m of non-cash costs and £0.2m of cash costs relate to a provision made for expected remediation works required to an area of land slippage identified at one of our remaining manufacturing sites. We expect the necessary works to be carried out and paid for in FY25.

£0.7m of non-cash lease guarantee provision release associated with former subsidiary companies partly offsets the above costs.

Profits, tax and earnings per share
Reported loss before tax for the 53 week period to 30 June 2024 was £1.7m (FY23: profit of £29.7m). Reported loss after tax for the period was £4.4m (FY23: profit of £26.2m).

The tax charge recognised in the financial statements was £3.0m (FY23: £7.1m) despite there being a reported loss for the period. This is primarily due to disallowable depreciation on non-qualifying assets. The Group updates its Tax Strategy Statement each year, which is published on the Group's website, in compliance with its duty under the Finance Act 2016, which sets out details of the Group's attitude to tax planning and tax risk.

Underlying profit before tax and brand amortisation was £10.5m, which is £20.1m lower than the comparable period (FY23: £30.6m). This reflects record low market demand levels and higher interest costs, partly offset by gross margin improvements and operating cost savings.

Basic underlying earnings per share from continuing operations was 1.5 pence (FY23: 9.6 pence).

FINANCIAL REVIEW CONTINUED

Cash flow, net debt and lending facilities

Net bank debt in the period increased from £140.3m to £164.8m.

£m	FY24	FY23
Underlying EBITDA	**142.0**	157.4
Other*	**1.2**	6.6
Capital expenditure	**(21.6)**	(34.9)
Interest	**(18.4)**	(10.3)
Tax	**(3.0)**	(0.7)
Principal and interest paid on lease liabilities	**(92.4)**	(85.1)
Working capital	**(17.8)**	(40.0)
Underlying free cash flow	**(10.0)**	(7.0)
Non-underlying items	**(5.1)**	(0.3)
Free cash flow	**(15.1)**	(7.3)
Shareholder returns	**(9.4)**	(43.0)
Cash flow	**(24.5)**	(50.3)
Closing net bank debt	**(164.8)**	(140.3)

* Other includes discontinued operations, gains on disposal of right of use assets, profit on disposal of fixed assets, FX revaluations and share based payments expense.

Cash capital expenditure of £21.6m in the period reduced from £34.9m in FY23 and £25-£30m guided at the start of FY24, as the business took a more disciplined approach to capital spend prioritisation in response to the more challenging market conditions and our lower profit expectations. Approximately 50% was incurred on maintenance activities. Growth investment was predominantly incurred on technology investments to enhance the customer experience and support our operational efficiency. In addition, one new DFS showroom was opened in Greenwich and we refurbished one DFS showroom (59 showrooms completed over the last five years). £9.8m of capital expenditure was also incurred on leased motor vehicle additions (FY23: £8.7m) which includes company cars and commercial vehicles.

Cash interest paid increased £8.1m year on year and non-underlying cash costs of £5.1m were incurred due to the reasons provided above.

Total working capital outflow in the period was £26m inclusive of additional rent payments included in the lease liabilities line. £13m of the outflow is due to additional VAT(£5m) and rent (£8m) payments in this 53 week accounting period relative to 52 week periods. These outflows will reverse in future periods. The remaining working capital outflow is due to the lower level of trading activity in the period. We expect our negative working capital model to result in working capital cash inflows when market demand recovers.

In September 2023 we successfully completed the refinancing of our debt facilities, increasing the total amount available from £215m to £250m. The facilities comprise a £200m revolving credit facility with a syndicate of banking partners which is in place until September 2027, with a further 16-month extension option, and £50m of US private placement notes with redemption dates split equally between September 2028 and September 2030.

The facility is subject to half yearly covenant tests of 3.0x maximum leverage net debt/EBITDA and 1.5x minimum fixed charge cover (both measured on an IAS 17 basis), which we have fully satisfied during FY24, ending the period with leverage of 2.5x[1] and fixed charge cover of 1.57x.

Whilst the Group expects to stay within the existing facility covenants, in September 2024 we agreed a widening of covenants with our lenders, which provides additional headroom in the event of unanticipated downside scenarios that result in a further decline in market volumes and lower EBITDA.

The amended leverage covenant widens to 3.9x at H1 FY25 and 3.7x at FY25, before returning to 3.0x at H1 FY26. The amended fixed charge cover covenant widens to 1.3x at H1 FY25, 1.3x at FY25 and 1.4x at H1 FY26, before returning to 1.5x at FY26. The revised covenant agreement includes some limited restrictions on the payments of future dividends as detailed in the note opposite.

Dividends

The Board does not propose a final FY24 dividend. Our interim dividend of 1.1 pence per share was predicated on delivering a higher full year underlying profit than we achieved. Based on our dividend cover policy of 2.25x-2.75x underlying EPS, the interim dividend has already covered the implied full year total dividend. Furthermore, this is consistent with our current leverage position and our focus on reducing leverage and net debt over time to our 0.5x-1.0x target range.

Outlook

After two challenging years of market and Group revenue declines, we see increasing reasons to be optimistic about a return to top line growth over the course of the year ahead. However, we are planning prudently with a focus on generating increased profits and free cash flow through improved commercial and operating performance, additional cost efficiencies and disciplined management of our working capital and capital expenditure. In the medium term as the market recovery accelerates, we are confident of generating strong returns for our shareholders.

JOHN FALLON
Chief Financial Officer
25 September 2024

1. Refer to pages 19 and 20 for APM definitions.
2. Covenant amendment dividend terms:
   A maximum £2.0m dividend may be declared in respect of H1 FY25 performance (i.e. FY25 interim dividend) subject to:
   – Leverage at the December 2024 assessment being less than 2.50x and fixed charge cover being greater than 1.50x; and
   – For the future two tests, leverage is forecast to be less than 2.50x and fixed charge cover is forecast to be greater than 1.60x (after dividend payments).
   Any subsequent dividends declared during the remainder of the covenant amendment period are subject to:
   – Leverage being less than 2.50x at the last test and is forecast (after the payment of such dividend) to remain below 2.50x at each of the next two tests; and
   – Fixed charge cover being greater than 1.60x at the last test and is forecast (after the payment of such dividend) to remain above 1.60x at each of the next two financial covenant tests.
   Subject to lender consent we retain the right to revert to the previous covenant terms at any time.

ALTERNATIVE PERFORMANCE MEASURES

In reporting the Group's financial performance, the Directors make use of a number of alternative performance measures ('APMs') in addition to those defined or specified under UK-adopted International Financial Reporting Standards ('IFRS'). APMs are not IFRS measures, nor are they intended to be a substitute for IFRS measures.

The Directors consider that these APMs provide useful additional information to support understanding of underlying trends and business performance.

In particular, APMs enhance the comparability of information between reporting periods by adjusting for non-underlying items. APMs are therefore used by the Group's Directors and management for internal performance analysis, planning and incentive setting purposes in addition to external communication of the Group's financial results.

In order to facilitate understanding of the APMs used by the Group, and their relationship to reported IFRS measures, definitions and numerical reconciliations are set out below.

Definitions of APMs may vary from business to business and accordingly the Group's APMs may not be directly comparable to similar APMs reported by other entities.

APM glossary and definitions

APM	Definition	Rationale
Gross sales	Amounts payable by external customers for goods and services supplied by the Group, including the cost of interest free credit and aftercare services (for which the Group acts as an agent), delivery charges and value added and other sales taxes.	Key measure of overall sales performance which unlike IFRS revenue is not affected by the extent to which customers take up the Group's interest free credit offering.
Brand contribution	Gross profit less selling and distribution costs, excluding property and administration costs.	Measure of brand-controllable profit as it excludes shared Group costs.
Adjusted EBITDA	Earnings before interest, taxation, depreciation and amortisation adjusted to exclude impairments.	A commonly used profit measure.
Non-underlying items	Items that are material in size, unusual or non-recurring in nature which the Directors believe are not indicative of the Group's underlying performance.	Clear and separate identification of such items facilitates understanding of underlying trading performance.
Underlying EBITDA	Earnings before interest, taxation, depreciation and amortisation from continuing operations, adjusted to exclude impairments and non-underlying items.	Profit measure reflecting underlying trading performance.
Underlying profit before tax and brand amortisation PBT(A)	Profit before tax from continuing operations adjusted for non-underlying items and amortisation associated with the acquired brands of Sofology and Dwell.	Profit measure widely used by investors and analysts.
Underlying earnings per share	Post-tax earnings per share from continuing operations as adjusted for non-underlying items.	Exclusion of non-underlying items facilitates year on year comparisons of the key investor measure of earnings per share.
Net bank debt	Balance drawn down on interest-bearing loans, with unamortised issue costs added back, less cash and cash equivalents (including bank overdrafts).	Measure of the Group's cash indebtedness which supports assessment of available liquidity and cash flow generation in the reporting period.
Cash EBITDA	Net cash from operating activities before tax, less movements on working capital and provisions balances and payments made under lease obligations, adding back non-underlying items before tax.	Measure of the non-underlying operating cash generation of the business, normalised to reflect timing differences in working capital movements.
Underlying free cash flow to equity holders	The change in net bank debt for the period after adding back dividends, acquisition related consideration, shared based transactions and non-underlying cash flows.	Measure of the underlying cash return generated for shareholders in the period and a key financial target for Executive Director remuneration.
Leverage (gearing)	The ratio of period end net bank debt to cash EBITDA for the previous twelve months.	Key measure which indicates the relative level of borrowing to operating cash generation, widely used by investors and analysts.
Underlying return on capital employed (underlying ROCE)	Underlying post-tax operating profit from continuing activities, expressed as a percentage of the sum of: property, plant and equipment, computer software, right of use assets and working capital.	Represents the post-tax return the Group achieves on the investment it has made in its business.

ALTERNATIVE PERFORMANCE MEASURES CONTINUED

Reconciliations to IFRS measures

Adjusted EBITDA	Note	FY24 £m	FY23 £m
Operating profit from continuing operations	2	**41.3**	63.8
Depreciation	3	**77.8**	80.5
Amortisation	3	**13.7**	11.6
Impairments	3	**0.3**	2.0
Adjusted EBITDA from continuing operations		**133.1**	157.9

Underlying EBITDA	Note	FY24 £m	FY23 £m
Adjusted EBITDA from continuing operations		**133.1**	157.9
Non-underlying operating items	3	**8.9**	(0.5)
Underlying EBITDA from continuing operations		**142.0**	157.4

Underlying profit before tax and brand amortisation – PBT(A)	Note	FY24 £m	FY23 £m
(Loss)/profit before tax from continuing operations	2	**(1.7)**	29.7
Non-underlying items	3	**10.8**	(0.5)
Amortisation of brand names	10	**1.4**	1.4
Underlying profit before tax and brand amortisation		**10.5**	30.6

Net bank debt	Note	FY24 £m	FY23 £m
Interest bearing loans and borrowings	18	**187.4**	165.8
Unamortised issue costs	18	**1.6**	1.2
Cash and cash equivalents (including bank overdraft)		**(24.2)**	(26.7)
Net bank debt		**164.8**	140.3

Movement in net bank debt	FY24 £m	FY23 £m
Closing net bank debt	**(164.8)**	(140.3)
Less: Opening net bank debt	**140.3**	90.0
Movement in net bank debt	**(24.5)**	(50.3)

Underlying free cash flow to equity holders	Note	FY24 £m	FY23 £m
Movement in net bank debt		**(24.5)**	(50.3)
Dividends	21	**9.4**	12.1
Purchase of own shares		**–**	30.9
Non-underlying cash items included in cash flow statement		**5.1**	0.3
Underlying free cash flow to equity holders		**(10.0)**	(7.0)
Exclude:			
Working capital outflow		**17.8**	40.0
Operating result from discontinued operations	29	**(0.3)**	(3.6)
Underlying free cash flow to equity holders excluding operating result from discontinued operations and working capital outflow		**7.5**	29.4

Leverage	Note	FY24 £m	FY23 £m
Net bank debt (A)		**164.8**	140.3
Net cash from operating activities before tax	26	**118.9**	122.4
Add back:			
Pre-tax non-underlying items		**10.5**	(4.3)
Less:			
Movement in trade and other receivables	26	**0.9**	(13.2)
Movement in inventories	26	**3.2**	(8.6)
Movement in trade and other payables	26	**15.9**	55.8
Movement in provisions	26	**(2.2)**	6.0
Payment of lease liabilities		**(67.6)**	(61.6)
Payment of interest on leases		**(24.8)**	(23.5)
Cash EBITDA (B)		**54.8**	73.0
Leverage (A/B)		**3.0x**	1.9x
IAS 17 bank covenant difference		**(0.5x)**	–
Bank leverage		**2.5x**	1.9x

FY24 cash EBITDA is materially different from bank covenant IAS 17-based EBITDA due to week 53 cash flows.

Underlying return on capital employed from continuing operations	Note	FY24 £m	FY23 £m
Operating profit from continuing operations		**41.3**	63.8
Non-underlying operating items		**8.9**	(0.5)
Pre-tax return		**50.2**	63.3
Adjusted effective tax rate[1]		**25.0%**	22.6%
Tax adjusted return (A)		**37.7**	49.0
Property, plant and equipment	8	**83.8**	97.4
Right of use assets	9	**315.0**	312.6
Computer software	10	**19.6**	22.0
		418.4	432.0
Inventories	14	**59.0**	55.8
Trade receivables	15	**6.7**	7.7
Prepayments	15	**4.0**	3.0
Accrued income	15	**0.1**	0.1
Other receivables	15	**1.2**	0.3
Payments received on account	16	**(40.9)**	(39.1)
Trade payables	16	**(100.4)**	(97.6)
Working capital		**(70.3)**	(69.8)
Total capital employed (B)		**348.1**	362.2
Underlying ROCE from continuing operations (A/B)		**10.8%**	13.5%

1. Effective tax rate for FY24 has been adjusted to eliminate the disproportionate impact of disallowable depreciation on non-qualifying assets in the year.

RISKS AND UNCERTAINTIES

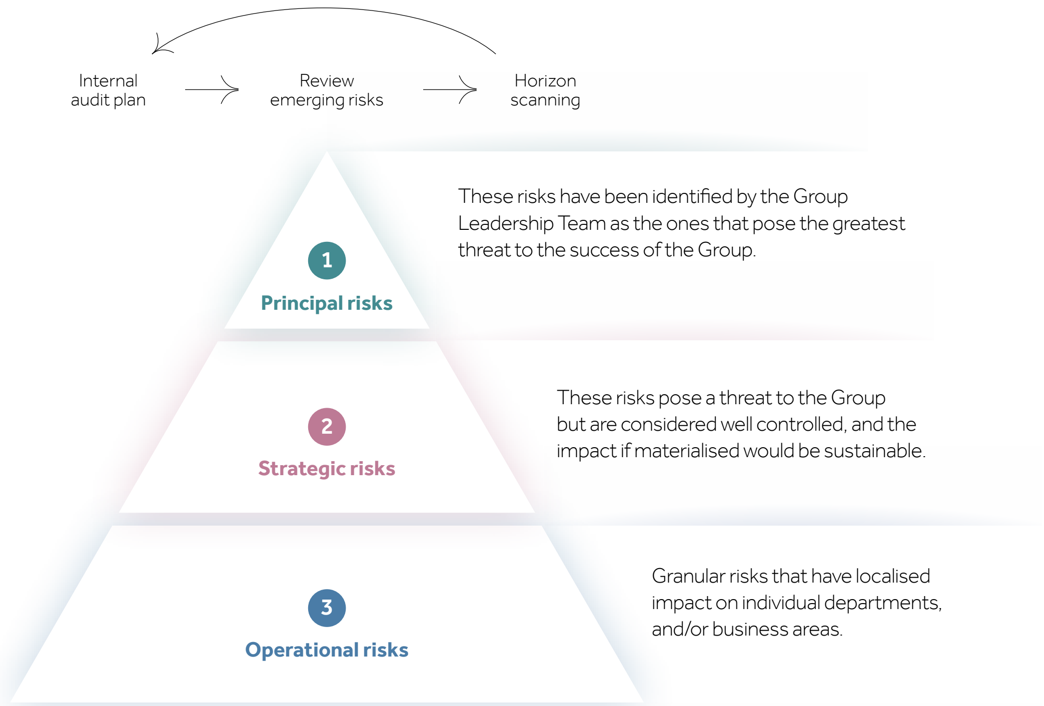
Taking risks is an inherent part of doing business. To manage that risk our Group Leadership Team supported by our Group Risk function has developed effective risk management processes to ensure good risk management is integrated into our business decision-making.

Identification of risks
The Group continues to develop its risk management processes, fully integrating risk management into business decision-making. The Group Risk Team supports the Group Leadership Team ('GLT') and the risk owners in identifying the risks and ensuring they have the relevant processes and controls in place to manage the risks effectively. The team works with the business units responsible for the ongoing identification, assessment and management of their existing and emerging risks. The output of these assessments is aggregated to compile an overall Group level view of risk, utilising both external risk management software and feeding into our internal dashboards to provide greater accessibility and awareness at senior levels. The team is committed to supporting the business in providing support and coaching to further strengthen risk culture within the Group.

The Board has overall responsibility for the management of risk and the identification of principal risks that may affect the Group's strategic objectives and oversees the implementation of processes to manage these risks by the GLT and operational management. The Group risk register details the existing risks facing the Group, emerging risks arising and horizon risks to be considered and monitored. The Group has identified nine principal risks which are reviewed formally with the risk owners, the GLT and Board throughout the year.

The graphic to the right details how responsibility for risk management is allocated across the Group.

Each principal risk is owned by a member of the GLT, with strategic and operational risks being owned and managed by the senior management team. The Audit and Risk Committee, delegated by the Board, is responsible for the review of the effectiveness of the internal control framework.



Management and mitigation of risk by the GLT is determined by a Group risk appetite agreed by the Board. The Group Governance and Risk Committee ('GRC') meets monthly to review changes in the regulatory/legal landscape and the Group's key risks and concerns. Further details of the work of the GRC are set out on page 55 of the Corporate Governance report.

An example of this is the support the Risk team and the Health and Safety team have jointly provided to the Sofa Delivery Company leadership team which has resulted in risk management being embedded in all day to day operations, and every strategic change program. The cross working of the different functions has resulted in a more rounded and informed view of risks.

Evaluation of risks
The Directors have made a robust assessment of the principal and emerging risks and uncertainties facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

Principal risks and mitigation
The Group's principal risks are discussed in the following pages, together with related mitigating activities. Other risks which are currently either not known to the Group, or are not considered material, could also impact the Group's reported performance or assets. The Group continuously considers and reviews the risks and if there are additional controls that could be implemented to reduce or better manage particular risks these will be considered in line with the Group's risk appetite.

Changes to principal risks in the year
As part of our risk management process the Group principal risks are regularly reviewed with the GLT and the Audit and Risk Committee. As a result of these reviews, although there are no additional risks the current risks have been updated to ensure they reflect the risks the Group currently faces.

The cyber risk has been expanded to include the risks associated with data, including accuracy and use.

Due to changes in the internal leadership responsibilities it was agreed to focus the previous ESG risk clearly on the environment and sustainability, whilst the previous risk regarding lack of skilled workers has been expanded to become a people and culture risk to include social risks, community, culture, values and wellbeing.

Risk heat map
The impacts of identified risks are measured against predefined criteria in a number of areas – Financial, Operational, Health & Safety, Legal and Regulatory, and Technology – to establish a robust and objective assessment. The heat map illustrates the distribution of identified risks according to their relative likelihood of occurrence and the potential severity of their impact after taking into account mitigating activities, and shows the year on year movement in the risk assessment.

Principal risks

1 Financial risk and liquidity
2 Regulatory and compliance
3 Cyber security and data
4 Supply chain and manufacturing resilience
5 Macroeconomic uncertainty
6 Environmental and sustainability
7 People and culture
8 Consumer proposition and industry competition
9 Business change

1 2024 1 2023

RISKS AND UNCERTAINTIES CONTINUED

Platforms: Sourcing and manufacturing | Technology and data | Logistics | People and culture

Movement: Increase | Unchanged | Decrease

Principal risk

FINANCIAL RISK AND LIQUIDITY

Strategic link	Movement
	Increase

What is the risk?
Accuracy of reporting and adequate access to liquidity is key to delivering the strategy. Any impact on the Group's working capital requirements may result in insufficient headroom and an inability to access debt or equity financing which will directly affect the ability to enact the Group strategy.

Potential impact
- Failure to comply with banking covenants could lead to immediate cash flow and going concern issues.
- If insufficient headroom is maintained, liquidity challenges will be encountered.
- Macroeconomic environment and Company performance may lead to working capital swings, liquidity challenges and may impact ability to obtain financing.
- Risk of facility maturity with no new facility in place.
- Inaccurate financial reporting resulting in a failure to manage cash flow and pay our suppliers and providing insufficient fraud protection.

Mitigation
- Good working relationships maintained with all financial counterparties, ensuring that counterparties fairly understand our financial performance. Regular reviews of financing arrangements to ensure adequate funds in place and financing costs kept to a minimum.
- Management of foreign exchange risk through the use of appropriate hedging arrangements in accordance with the Board approved treasury policy.

FY24 progress
- A near term widening of the Group's banking covenants has been agreed to reduce the risk of covenant non-compliance and therefore ensure continued availability of funds.

Principal risk

REGULATORY AND COMPLIANCE

Strategic link	Movement
Technology and data; People and culture	Unchanged

What is the risk?
We operate in an increasingly regulated environment and must comply with a wide range of laws, regulations, standards and guidance. Failure to comply with or to take appropriate steps to prevent a breach of these requirements could result in formal investigations or prosecutions, legal and/or financial penalties, reputational damage and loss of business. It is essential that as a Group we are aware and can fulfil all our obligations in the regions in which we operate, the UK and the Republic of Ireland.

Potential impact
- Changes in legislation with significant retrospective or future economic effects could impact operating results.
- Failure to meet our compliance obligations could negatively impact the Group's reputation or result in fines/penalties, reducing profitability.
- Non-compliance could result in potential civil or criminal liability for the Group's companies and/or senior management.
- The Group's reputation could be negatively impacted if it fails to support customers in the purchase of regulated products.

Mitigation
- Comprehensive training and monitoring programmes (including individual colleague NPS, internal audits and mystery shopping programme) are in place to ensure employees are appropriately skilled to deliver high levels of customer service and maintain regulatory compliance.
- Management information provided to management teams to identify issues and take relevant action.
- Strong working relationships with our financial services and insurance providers to ensure we work together to meet regulations and support customers.
- Rigorous oversight and escalation processes in place to maintain status of limited permission to offer consumer finance granted by the Financial Conduct Authority.
- Review of regulatory landscape and forthcoming changes to ensure timely, structured and sustainable planning and implementation.
- Escalation of relevant matters to the Audit and Risk Committee for consideration.
- Robust policies to ensure compliance with data protection requirements, including annual data protection training for all colleagues.
- Regular review of pricing and cover levels of insurance products offered to maintain and enhance the customer value proposition.
- Robust sales principles and compliance frameworks across all brands.
- Mandatory training programme for colleagues ensuring they have the correct level of knowledge and skill to support our customers in their sales journey.

FY24 progress
- The introduction of Consumer Duty has placed a higher focus on demonstrating good customer outcomes and all activities are under ongoing review to ensure we continue to deliver these.

RISKS AND UNCERTAINTIES CONTINUED

Platforms: Sourcing and manufacturing | Technology and data | Logistics | People and culture

Movement: Increase | Unchanged | Decrease

Principal risk

CYBER SECURITY AND DATA

Strategic link	Movement
Technology and data	Increase

What is the risk?
Our data and our IT systems enable us to fulfil our obligations to customers and manage our operations. Ensuring we both protect our data, and utilise it effectively is necessary to deliver our strategy. If a critical system, or our business data was not available, regardless of the cause, it could impact our operations, result in a loss of sales as well as incur regulatory penalties and reputational damage.

Potential impact
- Inability to access core operating systems (supply chain, customer delivery, call-handling, financial transaction processing) could adversely impact customer experience and lead to increased costs or loss of revenue.
- Loss of customer data could lead to a loss of reputation and regulatory fines. Delays or errors in reporting on operational performance could result in increased costs or lost revenue.
- Failure to utilise data effectively, or inaccurate data could result in poor decisions being made which impact the performance and growth of the Group.

Mitigation
- Full IT security backup and business continuity procedures in place and regularly reviewed, tested and updated.
- Technical security measures against data loss through a systems breach are regularly reviewed and updated, including by third-party experts, the results of which are reported to the Board.
- Third-party penetration testing is carried out routinely to check the resilience of the Group's systems to cyber attack.
- Mandatory cyber awareness programme for relevant colleagues.
- Substantial ongoing investment in website development and digital marketing, complemented by third-party monitoring of both customer satisfaction with our digital services and the emergence of new online competitors.
- IT systems are regularly reviewed and upgraded to ensure they continue to support the needs of the Group.
- Ongoing review of data within the business to ensure we can continue to make informed and effective decisions.

FY24 progress
- Continued to transform and educate our Human Firewall through improved user password strength and complexity, annual mandatory training along with a programme of phishing simulations.
- Enterprise backup solution in place (with regular testing) across the whole of the estate (on premise and cloud) which manages, verifies and securely stores our backups offsite which provides immutability and enhanced controls against ransom-ware attacks.
- Industry leading Manage, Detection, Response and SOC services from a Global enterprise company, increased scope of AI detection and response to include business communications systems. Vulnerability management tools have also been upgraded to an industry-leading solution to drive improved vulnerability remediation.
- Annual pentest covered the widest scope to date, including such areas as web applications internally and externally delivered, physical security and remote access.

Principal risk

SUPPLY CHAIN AND MANUFACTURING RESILIENCE

Strategic link	Movement
Sourcing and manufacturing; Logistics	Increase

What is the risk?
We are reliant on external suppliers, worldwide to provide our finished products to customers or supply raw materials for our UK manufacturing sites. If that supply chain is affected by availability, labour shortages, transport details or failure of a key supplier, this could increase the costs to the business or impact our ability to fulfil customer orders.

Potential impact
- Failure to supply customer orders on time or to expected quality, could lead to loss of revenue and/or profits and adverse impacts on the reputation of the Group and its retail brands.
- Inefficient production schedules due to raw materials supply, could result in increased costs.
- Increased lead times as a consequence of production details or transport disruption could result in loss of sales.

Mitigation
- Sales & Operations Planning function established to proactively manage the end-to-end supply chain across the Group.
- Annual shipping contracts that set out fixed pricing and capacity availability are maintained in order to manage uncertainty of prices and volumes in the container shipping industry, particularly in relation to deliveries from the Far East.
- Long standing relationships backed by contracts with our key suppliers and the introduction of a stocked model with the brands.

FY24 progress
- Despite the challenges noted, the mitigating actions already in place has meant the situation has been well managed, supported by strong customer NPS scores.
- The Group's supply chain from the Far East has been impacted by the Red Sea conflict resulting in cargo vessels routing around Africa adding circa two weeks onto transit times.
- The shipping route around Africa reduced market capacity and there was a spike in general demand which resulted in the market rates volatility.
- The Group was subject to some surcharges levied by our carrier partners which increased our freight costs versus forecast.
- Customer lead times were extended to account for the longer transit times mitigating any customer impact but deliveries realised in the financial year were impacted.

RISKS AND UNCERTAINTIES CONTINUED

Platforms: Sourcing and manufacturing | Technology and data | Logistics | People and culture

Movement: Increase | Unchanged | Decrease

Principal risk

MACROECONOMIC UNCERTAINTY

Strategic link	Movement
	Increase

What is the risk?
Unexpected or difficult to forecast external factors have increasingly impacted the business environment which the Group operates in. These external factors have included the ongoing consequences of the pandemic, a cost of living crisis, high levels of wage inflation, the invasion in the Ukraine and the ongoing situation in the Middle East. High interest rates, increasing the cost of providing IFC and the cost of debt, and depressing the level of housing marketing. Looking forward there remains the potential for more global geopolitical and economic uncertainties. This can lead to unpredictable supply chains, trading performance and financial results, especially in a market for big ticket, discretionary spend items, all of which can then have a negative impact on performance.

Potential impact
- High inflation, interest rates and global recessionary pressures could result in rising credit risks and a continued fall in consumer demand.
- Conflicts in other countries including the Ukraine intensifies and/or widens into other geographies leading to barriers to trade or rising costs.
- Rising political and economic tensions between China and the west lead to barriers to trade or rising costs.
- High interest rates could result in unaffordably high costs of borrowing.
- Higher oil prices may lead to higher fuel and energy prices.

Mitigation
To minimise the impact of macroeconomic uncertainty on the Group there is a clear focus on what we can control including:
- Continuous review of product ranges to ensure they provide an attractive customer proposition at a variety of price points.
- Range selection supported by detailed data analysis and customer choice enhanced through exclusive and strategic brand partnerships.
- Regular reviews of interest free credit offering to balance the cost to the Group with the flexibility required by our customers.
- Management of cost base in periods of lower income through reduced discretionary and variable spend.

FY24 progress
- The Group has amended its approach to interest free credit reducing the standard offer to 3 years increasing it to 4 years to support peak sale periods and give customers flexibility in their purchase choices.
- The Group has been focussed on reducing its cost base, and has implemented an operational efficiencies programme across all areas.

Principal risk

ENVIRONMENTAL AND SUSTAINABILITY

Strategic link	Movement
Sourcing and manufacturing; Technology and data; Logistics; People and culture	Unchanged

What is the risk?
Failure to anticipate and address positively the strategic, regulatory impact our operations have on the environment would fall short of the expectations of our key stakeholders, including our customers, colleagues, investors and regulators which could lead to reputational damage and financial loss. An inability to anticipate and mitigate environmental risks could cause disruption in the availability and quality of raw materials such as leather and timber, affecting production capacity, product quality, and overall supply chain resilience, leading to a significant increase in costs.

Potential impact
- Financial penalties relating to disclosure requirements and legislation breaches.
- Poor risk rating received by risk analysts devaluing the business impacting share price.
- The product is unattractive to consumers resulting in loss of sales/revenue.
- Climate impacts to operations or wider value chain, resulting in operational costs.
- High capital expenditure requirements to transition costs to new technologies.
- Reputational risk due to unethical practices within the value chain.

Mitigation
- Full transparency and traceability of higher risk material value chains with ongoing due diligence audits to mitigate risk.
- Robust data monitoring and reporting, aligned to key reporting frameworks.
- Carbon reduction plan developed with value chain engagement and support.
- Ongoing consumer sentiment monitoring to identify risks and opportunities of product and commercial offering.
- Strong governance in place on environmental strategy including audit and risk controls.
- External audit and certification of suppliers of goods for resale and external assurance on reported carbon emissions.

FY24 progress
- Engaged wider value chain in Net Zero strategy, garnering support to submit to the SBTi.
- Developed commercial models to ensure sustainable performance throughout transition to Net Zero.
- Developed innovative solutions to manufacture low carbon product.
- Achieved significant reductions in Scope 1 against FY19 baseline.
- Created a new ESG Committee with senior leaders to ensure good governance of ESG risks and opportunities.

RISKS AND UNCERTAINTIES CONTINUED

Platforms: Sourcing and manufacturing | Technology and data | Logistics | People and culture

Movement: Increase | Unchanged | Decrease

Principal risk

PEOPLE AND CULTURE

Strategic link	Movement
Sourcing and manufacturing, Technology and data, Logistics, People and culture	Unchanged

What is the risk?
We aim to create an inclusive workplace with a positive contribution to the communities we serve as well as all our stakeholders, including our customers, colleagues, communities and suppliers, and creating a 'great place to work'. We need to ensure we have the right skills for today and the future. To do this effectively we need to ensure we live our values, creating a culture that continues to meet the expectations of our colleagues and stakeholders by responding to external pressures and working with everyone to develop an inclusive and diverse workplace. Failing to do this could impact business performance, the delivery of our purpose, our strategy and the long-term sustainability of our business.

Potential impact
- Failure to attract and retain high quality colleagues could negatively impact operational performance and customer service levels.
- Excessive wage inflation could increase the Group's cost base, reducing profitability.

Mitigation
- Regular function specific remuneration benchmarking and business-wide annual salary reviews ensure colleague remuneration is competitive.
- Significant resources and focus invested in building an inclusive and engaging culture.
- Suite of additional benefits available to colleagues, with particular emphasis on colleague wellbeing.
- Internal training and development programmes developed in areas where skills shortages are identified.
- A focus on training and developing colleagues within the Group to provide opportunities for colleagues to 'grow' and progress internally.
- Regular engagement surveys and colleague-led network groups to understand the voice of colleagues and the culture within the Group.
- A robust and proactive approach to health and safety to ensure a safe working environment for everyone.

FY24 progress
- Continual review of colleague wellbeing offer resulting in alignment of benefits available to everyone.
- Membership of Diversity in Retail, alongside Inclusive Employers, to strengthen our strategic approach and create peer to peer connections.
- Executive sponsorship and governance to support our inclusion colleague network groups.

Principal risk

CONSUMER PROPOSITION AND INDUSTRY COMPETITION

Strategic link	Movement
Sourcing and manufacturing, Technology and data, People and culture	Unchanged

What is the risk?
The reputation of, and value associated with, the Group's brands and product offering is central to the success of the business. Failure to maintain a well-designed, high quality product range that is priced attractively could compromise the success of the Group.

Potential impact
- Failure to predict changes in customer tastes or to respond to the impact of changes in the competitive environment could reduce the Group's revenues, and profitability.
- Reputational damage resulting from customer complaints, falls in actual product quality or poor customer service could have a negative effect on the reputation of our brands, leading to loss of revenue and profits.
- Competitors could improve their offering, reducing our market share.

Mitigation
- Continual review of products and services to ensure they suit customers' needs, are competitively priced, offer good value, meet the right quality and sustainability standards and are supported by excellent customer service.
- In-house product design team and external design partners ensure product range is attractive and innovative.
- Internal manufacturing, close supplier relationships and made-to-order model allows any quality issues to be addressed swiftly.
- Use of NPS, and incentivisation of colleagues on the basis of NPS scores encourages customer-focused behaviours throughout the customer journey.
- Frequent competitor analysis and mystery shopping at competitors' stores and online offerings.

FY24 progress
- Launch of DFS collaboration with Ted Baker as part of a focus to ensure our products are right for our customers.
- Introduction of new ranges into Sofology to ensure our products meet our customers' expectations.
- Both DFS and Sofology have focused on increased 'in stock' products to allow us to meet the demands of our customers for quick delivery times.

RISKS AND UNCERTAINTIES CONTINUED

Platforms:
Sourcing and manufacturing
Technology and data
Logistics
People and culture

Movement:
Increase
Unchanged
Decrease

Principal risk

BUSINESS CHANGE

Strategic link	Movement
Technology and data	Decrease

What is the risk?
The Group undertakes a number of significant investment or business change projects that are key to successfully executing its strategy. Failure to successfully implement these changes could mean the business fails to deliver its strategy.

Potential impact
- The business change programme does not deliver the identified changes required to support the business strategy.
- Colleagues are resistant to change and cause operational challenge.
- Internal resources are not informed and fail to support the initiative.
- Failure to execute transformation projects successfully could reduce the Group's operational efficiency, erode the Group's market leadership position and have a negative impact on financial performance.

Mitigation
- An executive member (the COO) has responsibility for transformation, overseeing a programme structure and a team of project managers dedicated to its execution.
- Risk assessments completed for all critical workstreams and challenged through Board and Audit and Risk Committee discussions.
- Experienced senior management engaged in the design and delivery of the integration and transformation plans providing regular updates to the Board.
- Regular review of transformation programmes to ensure priorities and areas of focus are appropriate to support delivery of the Group's strategy.

FY24 progress
- Business Change team structure defined, senior lead appointed and clear scope of accountabilities in place.
- 'Operate for Less' workstream main focus, with clear line of sight across all operating costs, split into three main areas (People, Property, Other).
- Significant cost reductions/inflationary increase mitigations delivered in year via internal/process change, contract renegotiation and/or supplier partner change.
- External SME partners in place to support initiatives as required, enabling a lower fixed headcount internally.
- Scoping commenced on remaining areas of Group integration opportunities to further enhance optimal commercial approach, create a consistent way of working and mitigate risk.

RISKS AND UNCERTAINTIES CONTINUED

Viability reporting
In accordance with the UK Corporate Governance Code, the Directors have assessed the prospects of the Group over a period significantly longer than 12 months from the date of approval of the financial statements. The period assessed was the three years from 30 June 2024 as in the opinion of the Directors this reflects the longest period over which the impact of key risks can be reasonably assessed within a big-ticket retail business given the potential volatility of the trading environment.

Approach
The Group established a 'base case' model of financial performance over the three year assessment period which reflected prudent expectations of future customer demand and the execution of the Group's strategic plans.

The Directors then made a robust consideration of the key risks and uncertainties that could impact the future performance of the Group and the achievement of its strategic objectives, as discussed on pages 21 to 27 of this Annual Report.

The primary impacts of those risks which could significantly affect the future viability of the Group are a decrease in customer orders, reducing revenue, and an increase in the Group's costs, including those resulting from the impacts of climate change on materials and suppliers, reducing profitability. The effect of lost revenue on profit before tax and cash was applied to the base case model using an expected 'drop through' rate, based on expected gross margins and variability of costs. Cost increases were modelled on general and specific assumptions for inflation. The analysis considered a range of severe but plausible scenarios impacting revenue and margin, a significant reduction in customer spending, and impacts on profitability from inflationary cost pressures.

For each scenario, sensitivity and stress-testing analysis was performed to model the impact on the Group's profitability and cash flows. The assessment considered how risks could affect the business now, and how they may develop in future.

Key assumptions
The base case forecast assumes a growth in the Group's market of 2% in FY25, from an already low base relative to pre-pandemic levels, followed by a slow recovery (mid single digit annual growth) in subsequent years. The base case also reflects a cautious assessment of the anticipated growth in the Group's market share driven by delivery of our strategic initiatives. Revenue is assumed in line with order intake, keeping order bank levels relatively consistent across the assessment period.

Gross margin percentage for FY25 is expected to be ahead of FY24 through more effective sourcing and the annualised impact of price increases and freight rate reductions already implemented. Other costs reflect anticipated inflationary increases and benefits from specific cost saving initiatives. Capital expenditure is assumed to remain in line with planned investments and strategic initiatives.

In sensitising the base case for lower revenue scenarios, the rate of drop through to profit is assumed to be consistent throughout the assessment period.

The viability assessment reflects the continued availability of the Group's debt facilities, comprising of a £200.0m revolving credit facility maturing in September 2027 (with an option to extend £175.0m of the facility to January 2029) and £50.0m of fixed rate private placement debt notes, £25.0m maturing in September 2028 and £25.0m maturing in September 2030.

Results
The range of severe but plausible scenarios included a market decline of up to 7% in FY25 compared to the base case, and a sustained reduction in gross margin.

These impacts were modelled individually and in certain combinations, in conjunction with a range of mitigating actions that could be taken to preserve the Group's profitability and cash flows. Mitigating actions included reductions in discretionary costs and capital expenditure and a reduction or pause in dividend payments. Reverse stress-testing was also performed on the most severe scenarios.

Whilst the Group expects to stay within its existing facility covenants, in September 2024 the Group agreed a widening of covenants with its lenders, which provides additional headroom in the event of unanticipated downside scenarios that result in a further decline in market volumes and lower EBITDA. The amended leverage covenant widens to 3.9x at H1 FY25 and 3.7x at FY25, before returning to 3.0x at H1 FY26. The amended fixed charge cover covenant widens to 1.3x at H1 FY25, 1.3x at FY25 and 1.4x at H1 FY26, before returning to 1.5x at FY26.

This allows the Group to maintain both covenant compliance and sufficient liquidity in all these scenarios. Based upon this assessment the Directors have a reasonable expectation that the Group and Company will be able to continue in operation and remain commercially viable over the three year period of assessment.

SECTION 172 STATEMENT

Engaging with our stakeholders
This statement explains how the Board has embedded stakeholder considerations into its decision-making and, for each of the Company's key stakeholder groups, the key matters that the Board considered during the year. Throughout the year we have engaged with all of our stakeholder groups to understand the impact of the decisions we make.

The table below identifies where in the Annual Report information on the issues, factors and stakeholders the Board has considered in respect of Section 172(1).

Section 172(1) (a)-(f)		How we engage	Where to find it	Page numbers
A **The likely consequences of any decision in the long term**	The Board reviewed the progress made against the Group's strategy and ensured that both decisions taken and future plans support the long-term success of the Group.	– Focus is on how we deliver on our purpose and culture and ensure we live up to our values. – Look to ensure we balance the way we reward our people with how we provide a return on investments to our shareholders. – Focus on how we manage the Group's cost base given the current economic uncertainty. – Non-Executive Directors receive stakeholder feedback and insights both through their direct access to the Group's key stakeholders and through regular reports from the Group Leadership team, including updates on customer satisfaction metrics and employee Your Say survey results. – All Board members are available to meet with shareholders on request and several meetings including with non-executive directors have taken place during the year. – As a standing agenda item the Board receives an update from the Investor Relations team including shareholder feedback and meets with the Company's brokers. – The Group Chief Executive's report at each Board meeting includes updates on key suppliers and partners. – The Board has appointed the Responsible and Sustainable Business Committee to focus on climate risks and social inclusivity.	– Chief Executive's report – Our strategy – Key performance indicators – Financial review – Risks and uncertainties – Viability reporting – Responsibility and sustainability report – Corporate governance report – Directors' remuneration report	6-8 13 14-15 16-19 21-28 28 32-51 54-60 67-87
B **The interests of our colleagues**	Our colleagues are at the heart of our business. The Board has ultimate responsibility for ensuring that all of our colleagues are treated fairly and given the support they need to grow and develop their careers.	– During the year colleagues have taken part in our Voice forums held by members of the Board to raise any concerns or issues with them directly. – Regular virtual and in-person sessions are held with colleagues from all the brands to keep them informed and gather their feedback. – We encourage open and honest discussions with our colleagues and undertake regular Your Say surveys to understand how colleagues are feeling. – We have six Colleague Resource Groups, known as our Inclusion Networks, to represent and support colleagues. – We are focused on our Employee Value Proposition and have improved our benefits package to include holiday buy back scheme. – We have an independent whistleblowing helpline. – There are regular briefings on colleague engagement activities, retention rates, learning and development activity, and pay and reward initiatives.	– Chair's statement – Our fundamentals – Chief Executive's report – Our strategy – Key performance indicators – Responsibility and sustainability report – Risks and uncertainties – Corporate governance report – Directors' remuneration report	4-5 3 6-8 13 14-15 32-51 21-28 54-60 67-87

SECTION 172 STATEMENT CONTINUED

Section 172(1) (a)-(f)		How we engage	Where to find it	Page numbers
C **The need to build strong beneficial relationships with our customers and suppliers.**	We are committed to our purpose of bringing great design and comfort to our customers in an affordable, responsible, and sustainable manner. We work with our suppliers to develop new innovative products and to reduce the impact on the environment.	– We talk to our customers to understand what they want for their homes and their families. – We are developing new sustainable products to reduce not only ours but our customers' and our suppliers' carbon footprint. – We develop new product offerings working with suppliers and brand partners. – We have the market leading financial services products (interest free credit ('IFC') and our product insurance) available for our customers. – We seek feedback from our customers through NPS customer satisfaction surveys. – Monitoring our own manufacturing operations and our third-party suppliers to ensure quality and safety standards are met.	– Chair's statement – Our fundamentals – Business model – Chief Executive's report – Market overview – Responsibility and sustainability report – Corporate governance report – Directors' remuneration report	4-5 3 12 6-8 9 32-51 54-60 67-87
D **The impact of the company's operations on the community and the environment**	As a responsible business, the Group is committed to acting in the best interests of our communities and in a sustainable manner. We are committed to working to lessen our impact on the environment and improve the communities in which we operate. Led by the Responsible and Sustainable Business Committee the Group's ESG strategy has clear targets that aim to integrate sustainability throughout all aspects of our business to minimise any adverse impact we might have on the environment.	– We support national charities, including Children in Need and during the year The Sofa Delivery Company established a national partnership with Andy's Man Club. In addition, the Group provided £35,000 of our products to a range of good causes. – Colleagues each have a volunteer day to support them working in the community – 201 days in FY24. – We are focused on developing new sustainable products to reduce our carbon footprint. – In FY24 we refreshed our materiality assessment to support our ESG strategy, this is a crucial tool to ensure that we consider all stakeholder perspectives in our strategic planning and decision-making. We interviewed or surveyed all stakeholder groups, leading to a significant shift in priorities towards social concerns. – In June we submitted our Net Zero strategy to the SBTi.	– Chair's statement – Our fundamentals – Chief Executive's report – Our strategy – Responsibility and sustainability report – Risks and uncertainties – Corporate governance report	4-5 3 6-8 13 32-51 21-28 54-60
E **The desirability of the company maintaining a reputation for high standards of business conduct**	To support good governance all of our colleagues receive mandatory training on our Code of Conduct, Data Protection, Modern Slavery, Cyber Security, Anti-Bribery & Corruption and IFC Consumer Duty. Our suppliers are bound by our Supplier Code of Practice for product quality, safety, employee rights and ethical business. We work with the regulatory bodies which authorise and regulate our business activities.	– We are transparent in our approach and publish our policies including our Group Code of Conduct on our corporate website. – We have a clear Tax Strategy. – We rolled out our 'Consumer Duty' compliance programme to all employees in customer facing roles with a clear focus on vulnerable customers and how we meet their needs. – We continue to review our customers' journey to ensure we deliver the best customer experience. – Changes to our IFC application process this year ensure we give customers the opportunity to find the right payment option for them with the lender most suitable for their circumstances with the benefit of reviewing their documentation at a time that suits them.	– Responsibility and sustainability report – Corporate governance report – Directors' remuneration report	32-51 64-60 67-87
F **The need to act fairly as between members of the company**	The Board seeks to ensure investors receive a fair and balanced return on their investment. The Group has continued to engage with our investors to ensure their views and interests are considered when developing strategy.	– A series of events is held throughout the financial year, including our in-person AGM, and presentations of our half-year and full-year results. – The Board meets with investors and potential investors throughout the year. – Management have regular discussions with our lenders about our strategic priorities. – The Chair of the Board ensures that investor considerations are sufficiently discussed during Board decision-making in meetings.	– Chair's statement – Business model – Corporate governance report	4-5 12 54-60

SECTION 172 STATEMENT CONTINUED

The chart below demonstrates the Board process in considering Section 172(1) in its decision-making.

Board papers highlight information considering Section 172(1) matters

Board Information

Our Board continually engages with stakeholders

See **page 29** for more information

Our culture of good governance ensures that there is proper consideration of the potential impacts of decisions

Board Strategic Discussion

Section 172(1) matters are considered in the Board's discussions on strategy and policy, how decisions impact a particular stakeholder group and underpin long-term value creation, and the implications for business resilience

Actions taken as a result of Board engagement

Board Decision

Outcomes of decisions assessed and further engagement and dialogue with stakeholders

Board Review

S172 non-financial and sustainability information statement

The table below sets out where the information required to be disclosed under sections 414CA and 414CB of the Companies Act 2006 can be found in this Annual Report.

Reporting requirement	Relevant information	Policies and Standards
The Company's employees	Section 172 statement – Engaging our colleagues – page 29 Responsibility and sustainability report – pages 32 to 51 Directors' remuneration report – pages 67 to 87	– Diversity & Inclusivity Policy – Equal Opportunities Policy – Whistleblowing Policy – Group Health and Safety Policy
Anti-corruption and anti-bribery matters	Responsibility and sustainability report – page 50	– Group Code of Conduct – Anti-Bribery Policy – Supplier Code of Practice – Whistleblowing Policy
Respect for human rights Modern slavery	Responsibility and sustainability report – page 50	– Anti-Slavery and Human Trafficking Policy – Modern Slavery Statement Year ended 25 June 2023 – Data Privacy Policy – Group Human Rights Policy
Social matters	Responsibility and sustainability report – pages 32 to 51	– Tax Strategy – Group Code of Conduct – Group Communities and Charitable Giving Policy
Environmental matters	Section 172 statement – Having regard to the impact of the Company's operations on the community and the environment – page 30 Responsibility and sustainability report – pages 32 to 51	– Environmental Policy – Group Timber Policy – Group Leather Policy – Group Water Policy – Sustainable Sourcing Policy – Biodiversity Policy

Copies of the Committees' terms of reference and our policies are available at https://www.dfscorporate.co.uk/governance/policies-statements.

ALISON HUTCHINSON
Chair of the Responsible and Sustainable Business Committee
→ Bio on **page 53**

RESPONSIBILITY AND SUSTAINABILITY REPORT

The past year has been one of progress, collaboration and reflection

As always, customers have been at the heart of our business – in our core values, how we shape our operations and, an important part of how we measure our success. Their feedback helps define our priorities, both today and in the future.

Alongside our Board, majority shareholders, suppliers, and colleagues, our customers were invited to give their views on the scale of impact of material topics to our Group, through our materiality assessment process. This approach helps us to consider all stakeholder views in our strategic planning and decision-making, and the outcome of the activity has enabled us to highlight key priorities to inform our ongoing ESG agenda. As such, we've adapted the governance around our commitments, forming a new ESG Committee with members from the GLT and senior management to work as a combined task force to address key issues, ensuring unwavering dedication and evolution towards our goals.

We know that customers share our care and concern for our people, and are confident that our ongoing focus on fair wages, topics of inclusion and diversity, and the wellbeing of our colleagues respond well to this. Activities that have taken place this year demonstrate this commitment, and are reflected in our ongoing plans.

We remain passionate about channelling our energy and resources into supporting our people, our communities, and our planet, despite the challenging economic climate, as we believe it is the right thing to do and delivers long term sustainable value.

Our people
We've continued to invest in our people through apprenticeship schemes and learning and development. This year, we launched three new academies across the Group, from leadership in our logistics team, through to finance, with over 650 managers taking part in at least one course. Our ongoing commitment to the health and happiness of our people is demonstrated by our strong wellbeing offering, with revisions during this year including a new aligned approach to enable better access to healthcare for all our colleagues, through to the creation of communities via our colleague networks.

Our inclusion and diversity ambitions are continuing to advance steadily. Accurate measurement of our impact relies on gathering baseline demographic data from our colleagues, and that will be a core focus for our teams over the next 12 months. This can only be achieved through effective engagement and education to ensure that colleagues trust the business with their sensitive information.

Our communities
Support for our communities continued through our Group Giving Back commitment to raise or donate up to 1% of profit before tax each year. Our DFS partnership with BBC Children in Need raised over £700,000 in donations, bringing the total raised since 2013 to £7.6m. The Sofa Delivery Company launched a new affiliation with Andy's Man Club, focused on raising awareness

of men's mental health and Sofology customers have donated over £41,000 to their charity partner, Home-Start UK, via the Pennies scheme, which will go towards its Cost of Living Crisis Appeal. In addition to the donation, we have pledged to gift sofas to vulnerable families and families in crisis throughout the UK.

Our planet

We were delighted to be awarded the title of Climate Leader by the Financial Times this year. This is reflected in our accomplishments, where we exceeded our original Scope 1 reduction target of 10%. And, with the overwhelming support we received from suppliers for our 'In This Together' engagement campaign, we were able to submit our Net Zero strategy to the SBTi in June this year.

We are continually evolving our Net Zero strategy to adapt to new technologies and protocols. This year, we determined the scale of change and investment needed to meet our Net Zero ambition is not moving at the pace we anticipated, and we need more time. Therefore, we have redefined our ambition to reach Net Zero before 2050, aligned with the UK target, external factors, and climate science.

Our intention for the year ahead is to continue the momentum on our ESG agenda. We are forging ahead with product innovation as we strive for circularity, and our Net Zero ambitions will see us continuing to push boundaries with carbon reductions across all scopes. We continue to make steady progress when it comes to building a more diverse representation across our workforce and are proud to empower our people to support our communities through volunteering and fundraising.

Our commitment to leading by example across our industry stands firm, and our aspirations for an ethical, sustainable and better future for our community, our people, and our environment, will guide our journey into FY25.

ALISON HUTCHINSON
Chair of the Responsible and Sustainable Business Committee
Senior Independent Non-Executive Director

Highlights

83%
of colleagues agree or strongly agree that

"My manager is supportive of creating an environment where everyone is welcome"

We achieved over
14% reduction in Scope 1
emissions compared to our FY19 baseline

138
graduates of our Driver School since launching last year

Culture and Values

Our values run through everything we do. They guide our actions to create a sustainable and responsible business.

Think customer
We treat them as we would our own family and keep them at the forefront of our minds because they are the heart of our Group.

Be real
We bring our whole selves to work and are confident to speak up. We accept each other for who we are and respect each other as part of our family.

Aim high
We play to win for the same team, focused on our shared family ambition. We are bold, brave and welcome challenge as a chance to innovate.

Since 2013, DFS has raised
£7.6m
for charity partner BBC Children in Need

59%
of our Scope 3 emissions have a supplier commitment to create their own science-based target by 2029

Over
1,500
retail colleagues receiving training for
our new customer journey experience frameworks

Our ESG targets

Our Targets		Target date	Status	Progress
Sustainable sourcing **Page 40**	OEKO-TEX STeP certification for upholstery ranges for cotton, viscose and polyester	July 2022, 2023 & 2024	✗	Cotton 89% Viscose 89% Polyester 73%
Sustainable sourcing **Page 40**	BCI certification is required on all cotton sources	July 2024	✗	FY24 37%
Carbon reduction **Page 43**	20% of Scope 3 emissions have a supplier commitment to develop their own Net Zero Roadmap and report on it by 2029. 59% of Scope 3 emissions are covered by commitment.	June 2024	✓	FY24 59%
People **Page 37**	A minimum of 50% of store management will be female	December 2023	✗	FY24 32%:68% (Female : Male)
Sustainable sourcing **Page 39**	90% sustainably sourced timber (certified FSC & PEFC) used in all products	December 2025	↑	FY24 83%
Sustainable sourcing **Page 39**	All leather used on upholstery is sourced from supply chains with LWG certification	December 2024	↑	FY24 76%
Sustainable sourcing **Page 40**	Zero polystyrene in product packaging	December 2024	↑	FY24 93%
Carbon reduction **Page 42**	Reduce Scope 1 CO_2 emissions	June 2025	NEW	CY23 13.6 tCO_2e
Circularity **Page 40**	20% of all new textiles contain recycled content	June 2027	NEW	FY24 3.88%

Key ✓ Achieved ↑ In progress ✗ Missed | Responsible sourcing certified materials | Policy available (human rights, timber etc) | Externally assured | Bonus target

Please refer to our Basis for Reporting document for a full explanation for these targets and their methodologies www.dfscorporate.co.uk/media/69984/Basis-For-Reporting-FY-24.pdf

OUR PEOPLE

Looking after our colleagues

KEY FIGURES

Reduction in workplace related injuries so far this calendar year

22%

Percentage of colleagues agree or strongly agree with the statement 'I can bring my whole self to work'

80%

Completion rate Group-wide of our Everyone Welcome LMS module

87%

Our people are the heart of our business and our success stems from their happiness and wellbeing, both inside and outside of work. Our Everyone Welcome framework highlights the importance of building an inclusive workplace and illustrates how we approach wellbeing, learning and development to create opportunities for all.

The outcome of our materiality assessment reiterates the importance of putting our people first, and we know that topics of wellbeing, fair pay, and health and safety are as much of a priority to the customers considering our brand, as they are to us. We continue to ensure we keep our people at the centre of our strategic priorities with continuous improvement of the colleague experience.

Colleague wellbeing

We are committed to supporting our colleagues in leading healthy and fulfilling lives at every stage. Recognising the challenges that everyday life can present, we have developed a comprehensive wellbeing offering designed to provide meaningful support during these times, underpinned by our strong, supportive culture.

Our ongoing focus on mental health emphasises the importance of open communication and mutual support. In alignment with this, during Mental Health Week 2024, we revisited our Big Group Check-In initiative, which involved a leader-led social campaign encouraging colleagues to connect with their peers and extend acts of kindness.

We encourage our leaders to demonstrate vulnerability and empathy, particularly in times of change and challenge. As line managers often serve as the first point of contact for colleagues in distress, we equip them with resources and training to effectively support their teams and direct them to appropriate resources.

RESPONSIBILITY AND SUSTAINABILITY REPORT
CONTINUED

This year, we have further enhanced our wellbeing proposition with the following initiatives:

- **Wealth Wise:** In partnership with Schroders Personal Wealth, we have introduced this financial wellbeing programme to address the impact of the cost of living crisis on our colleagues.
- **Aligned health benefits:** We have standardised health benefits across the Group to ensure equitable access to healthcare, including a reduced contribution rate for health cashback plans.
- **Menopause support:** Our continued partnership with Peppy offers specialised menopause support, which is also available to partners or loved ones of those directly affected.
- **Mental health first aid:** We have increased our investment in the training of mental health first aiders in collaboration with St John Ambulance, ensuring that more colleagues are available to provide support when needed.
- **Employee assistance programme:** Our 24/7 employee assistance programme, operated by Health Assured, remains accessible, with ongoing communication efforts to ensure colleagues are aware of available resources.
- **Andy's Man Club partnership:** We have launched an official partnership with Andy's Man Club, raising awareness of the importance of mental health and suicide prevention on International Men's Day.

Learning and development

Attracting and retaining skilled and diverse talent is essential to our success, driving creativity and innovation that propel our future growth. By investing in our colleagues, we empower them to reach their full potential, thereby contributing to our continuous improvement and progress.

DFS

This year, we focused on upskilling our Regional Managers, Branch General Managers, and Assistant Managers to ensure a consistent customer experience across our stores and online channels. Over 200 colleagues participated in face-to-face workshops, followed by a virtual workshop attended by more than 600 sales colleagues.

Sofology

At Sofology, we prioritised colleague growth by delivering face-to-face product training. Product specialists visited each of our 58 showrooms to conduct half-day workshops. Leaders were then responsible for further developing 420 Sofologists through interactive regional workshops.

The Sofa Delivery Company

The Sofa Delivery Company launched the Management Academy programme for all first-line managers, employing a blended learning approach. Over 150 colleagues participated in face-to-face and virtual workshops aimed at enhancing management capabilities. The programme included modules on Inclusion, Recruitment and Wellbeing, totalling 5,250 learning hours.

Group Support Centre

Since the launch of the Group Leadership Academy programme in January 2024, 300 leaders have engaged in monthly workshops covering a wide range of topics, from productivity and efficiency to commercial acumen. To build sector-specific skills, we introduced a new Finance Academy, offering colleagues access to online content and workshops led by subject matter experts.

Health and safety

Our ongoing strategy is focused on cultivating a proactive safety culture and mitigating risk across all levels of the organisation. Central to this strategy is continuous coaching and education, empowering colleagues with the knowledge and tools necessary to identify hazards and report potential risks. We are actively driving cultural change by promoting open communication and engagement, ensuring that safety is integrated into every aspect of our operations. Through regular safety audits, colleague feedback mechanisms, and innovative initiatives such as the Health & Safety league table within The Sofa Delivery Company, we are committed to making safety a shared responsibility and embedding it as a core organisational value.

The Health, Safety and Environment ('HSE') team is now fully qualified to conduct noise assessments, ergonomic evaluations, and Fire Risk Assessments. This enhanced capability allows us to support colleagues more effectively and cost-efficiently, providing greater flexibility to respond swiftly to changes, thus safeguarding our people and ensuring business continuity.

RESPONSIBILITY AND SUSTAINABILITY REPORT CONTINUED

Our focus on continuous improvement has resulted in a sustained decrease in workplace-related injuries, with a 22% reduction so far this calendar year compared to the same period in 2023.

The HSE team continued to demonstrate excellence by being commended at the SHE Excellence Awards in FY24, receiving recognition in the Safer Logistics Award category for ongoing risk improvements within the manufacturing transport yards.

Equity, diversity and inclusion

Enhancing diversity in leadership is pivotal to positively influencing our culture and fostering a workplace where all individuals feel genuinely welcome, particularly those from underrepresented groups. We remain committed to our long-term goal of reflecting the diversity of the customers we serve and the communities in which we operate. Our ongoing cultural transformation efforts continue to advance, with a strong focus on equality, diversity, and inclusion. Colleagues are actively engaged in understanding their roles in this important journey.

By leveraging data, we are able to identify areas requiring further attention while also celebrating the progress we have made.

Progress made to date:

- 80% of colleagues agree or strongly agree with the statement, "I can bring my whole self to work".
- 83% of colleagues agree or strongly agree that "My manager is supportive of creating an environment where everyone is welcome".
- Six active Colleague Networks.
- Achieved Bronze accreditation in the Inclusive Employers Standard.
- Year on year increase in colleagues disclosing their disabilities, reflecting strengthened psychological safety.
- 32% female representation in showroom management across the Group.
- 40% female representation in senior leadership roles.
- 87% completion rate across the Group for our bespoke 'Everyone Welcome' cinematic adventure LMS module.
- Face-to-face Inclusion workshops delivered to over 500 colleagues.

Future Objectives

Our ongoing efforts to achieve gender balance in showroom management across both brands remain a priority. We are also committed to achieving an equal gender split in our senior leadership population and are developing initiatives to enhance ethnic diversity within this group.

To facilitate change, we will introduce positive initiatives aimed at nurturing our future leaders, supported by a comprehensive review of our current policies and processes to ensure they are more inclusive and conducive to helping our people thrive. Our year on year objectives will be realistic, taking into account attrition rates, market challenges and the opportunities available.

Gender Mix by role

Board	Male		Female	
At 30 June 2024	**3**	**43%**	**4**	**57%**
At 25 June 2023	3	43%	4	57%
GLT*	Male		Female	
At 30 June 2024	**3**	**60%**	**2**	**40%**
At 25 June 2023	3	50%	3	50%
Senior Leaders	Male		Female	
At 30 June 2024	**52**	**60%**	**34**	**40%**
At 25 June 2023	56	60%	37	40%
Total	Male		Female	
At 30 June 2024	**3,048**	**64%**	**1,682**	**36%**
At 25 June 2023	3,435	65%	1,853	35%

* Excluding CEO and CFO

OUR COMMUNITIES

Supporting our communities

KEY FIGURES

Customers and colleagues raised for BBC Children in Need over

£700,000

Percentage of manufacturing partners having at least one on-site audit

100%

All senior leaders are required to complete modern slavery

training

We are proud of our unwavering commitment to supporting our communities and the active engagement of our colleagues in fulfilling our promises.

Giving Back programme

Launched in 2020, our Giving Back programme reflects our dedication to social responsibility. Through this initiative, we commit to raising and donating up to 1% of our profit before tax annually, offering each colleague one paid volunteering day, and donating up to 1% of our products (by volume) each year to charitable causes.

DFS remains a proud partner of BBC Children in Need. In FY24, our customers contributed over £670,000, with our colleagues raising an additional £34,000, bringing the total to just over £700,000. Since the inception of our partnership, the Group has raised over £7.6 million through the generous support of our customers. These funds provide crucial one-to-one support and specialist counselling for children and young people facing mental health challenges.

In FY24, Sofology customers and colleagues donated over £41,000 through Pennies to support their charity partner, Home-Start UK, particularly its Cost of Living Crisis Appeal.

We extend our sincere thanks to all our customers for their generous contributions to these important causes and acknowledge the dedication of our colleagues in making a tangible difference.

Beyond these financial contributions, the Group has donated over £35,000 worth of products to vulnerable families and those in crisis across the UK, as well as to various local communities and charities.

The Sofa Delivery Company officially launched its partnership with Andy's Man Club during this financial year. To support this vital cause, we conducted dedicated team meetings with all 1,300 colleagues to introduce the charity's mission and discuss suicide prevention. Remarkable stories emerged during International Men's Day, as colleagues across the Group collaborated to raise awareness of the charity both within and outside the organisation. In July 2024, our colleagues raised over £5,000 for the charity by supporting a team in The 3 Peaks Yorkshire Challenge.

Ethical supply chain

At DFS Group, our culture and values are firmly rooted in doing what is right. We set clear expectations for behaviour that all our colleagues and suppliers are required to follow. We are committed to upholding human rights across our business and supply chain, with zero tolerance for any form of modern slavery. For further details, please refer to our Modern Slavery and Human Trafficking Statement, which is available on our corporate website: www.dfscorporate.co.uk/esg/modern-slavery-and-human-trafficking-statement.

To support our colleagues in maintaining ethical standards and reporting concerns, we have implemented a clear whistleblowing policy and a confidential reporting hotline. As part of our commitment to managing the risk of modern slavery, all leaders and senior team members are required to complete mandatory training on identifying various forms of modern slavery and the appropriate reporting procedures.

We also hold our value chain partners to the highest ethical standards. We are committed to ongoing assessments of modern slavery risks within our supply chain and will continue to take proactive steps to address these issues.

All manufacturing partners within the Group are required to sign a Supplier Code of Practice, which outlines the framework for an annual on-site audit. This audit incorporates ethical criteria and due diligence measures to prevent modern slavery and forced labour.

In 2024, 100% of the Group's suppliers underwent at least one on-site audit, with no instances of unethical practices identified. Additionally, we mandate that every supplier obtains SMETA certification, which evaluates labour standards, health and safety, environmental performance, and ethics at the supplier site.

For more information please see our Group Code of Conduct and DFS Code of Practice.

https://www.dfscorporate.co.uk/media/63456/Group-Code-of-Conduct-revision.pdf

https://www.dfscorporate.co.uk/media/68866/DFS-Supplier-Code-of-Practice-_-V004-_-Live-.pdf

"Our Group is a values driven business with people at the heart of everything we do."

OUR PLANET

Protecting our planet

KEY FIGURES

Our total carbon footprint (Scope 1, 2 and 3) in FY24 was

216ktCO_2e

Through our 'In This Together' campaign, we've secured a supplier commitment to develop a Net Zero Roadmap which covers

59%

of our Scope 3 emissions

Percentage of our products made with certified timber

Over 80%

Our Sofa Cycle framework, launched in 2020, ensures we take a holistic view of our business's environmental impact and establishes an ambition to become a circular business. The framework encompasses not only our operational impacts but also those of our value chain and end-of-life of our product. Using a circular framework, we highlight the impact of design, sourcing, and manufacturing decisions on the end-of-life of our products, logistics, and consumer use. This ensures we engage our entire value chain in addressing the environmental impact throughout every aspect of a product's journey.

Sustainable sourcing

Our commitment

We work closely with our manufacturing partners and value chain to ensure responsible and sustainable use of materials through transparency and traceability. We seek to support our suppliers by demonstrating best practices through our operations and manufacturing.

Our approach

Our Sustainable Sourcing Policy** is structured around seven core principles:

– Suppliers must act in an ethical manner.
– Protect human rights.
– Support our suppliers and partners.
– Deliver value to our customers and shareholders.
– Take responsibility for the impact on the environment.
– Be fair and transparent with suppliers, including how information is used.
– Champion sustainable innovation within the industry.

We have a number of targets for core materials, including certification in key areas of the value chain based on activity impact. As a target date expires, the requirements move from ambition to expectation. This approach provides fair warning, leaving suppliers sufficient time to consult and adapt.

Timber

Target: FSC®/PEFC-certified timber* is used in all our products by December 2025

Chain-of-custody certification models such as FSC® and PEFC ensure our full timber value chain is aware of its impact and sources of sustainable, certified timber. Paired with our full supply chain due diligence, we're protecting forests and nature for generations to come.

Progress: 83% of our products are made with certified FSC® or PEFC timber

Leather

Target: Leather will be sourced from Leather Working Group ('LWG') certified supply chains by December 2024

LWG is a global industry body established to set standards within the leather industry around social impact, water governance, and resource use. Our target is to ensure that the second and third actors within a leather supply chain operate to these standards. DFS is a member of the LWG Traceability Working Group and participated in a project with WWF to improve the traceability of leather hides back to farms to ensure deforestation-free supply chains. We updated our due diligence protocol in 2024, focusing on land conversion dates to ensure our supply chains are not linked to deforestation.

Progress: 76% of our leather is sourced from LWG supply chains

* DFS Furniture PLC incorporating DFS Trading Ltd T/A DFS and Sofology Ltd T/A Sofology FSC® License holder FSC-C192921.
** www.dfscorporate.co.uk/media/62843/DFSGroup-Sustainable-Sourcing-Policy-V1.pdf

Sustainable Sourcing continued

Textiles
Target: Textile mill OEKO-TEX STeP certification for all polyester, viscose and cotton textiles used on upholstery ranges by July 2024

DFS Group requests that all textile mills producing upholstery fabrics obtain OEKO-TEX STeP certification, a holistic audit that champions responsible production for people and the planet. Though we have made great strides, we did not meet our target by July this year as textiles are impacted by significant range changes. The certification process is multifaceted and requires resources and time. We allow suppliers 12 months to obtain OEKO-TEX STeP certification, which is now a requirement for all textiles.

Progress: 73% of our upholstery textiles are OEKO-TEX STeP certified

Textiles
Target: Better Cotton – All cotton upholstery fabric should be sourced from Better Cotton certified supply chains by July 2025

Cotton supply chains are known for the overuse of water in manufacturing and links to forced labour in some areas. Better Cotton seeks to address these issues by ensuring certified actors operate ethically and responsibly. Less than 9% of our fabrics feature cotton in the composition, so ensuring a chain of custody is in place without scale has proven challenging. Better Cotton is now a policy requirement for all cotton.

Outcome: 37% of our cotton upholstery fabrics are Better Cotton certified

Recycled textiles
Target: Recycled content in our new upholstery textiles by July 2027

At present, recycled textiles are significantly more expensive than virgin textiles and frequently have a poorer performance and feel, causing customers to reject them. This contradicts our ambitions to become a circular business, so by setting a requirement to introduce recycled textiles, we are encouraging our manufacturing partners to stimulate innovation in the upholstery textile industry.

Progress: New target for 2024

Bromide-free fire retardants
Target: All upholstery will be treated with bromide-free fire retardants by December 2024

UK legislation requires all domestic upholstery to be treated with fire retardants which use a variety of halogenated chemicals. We launched a target to move to a more sustainable fire-retardant treatment in all our upholstery textiles. However, the bromide-free treatments available on the market proved unstable and provided a poor customer experience, so we made a choice to remove this target in March 2024 but will continue to monitor innovations and developments.

Progress: Target removed

Packaging
Target: 50% of plastic packaging to contain 50% recycled content by July 2026

Single-use plastic is an important issue for our stakeholders, and this target is intended to ensure our suppliers support circular practices. While we transition all suppliers to at least 30% recycled content to alleviate the plastic packaging tax, we aim to go further and ensure at least 50% of our plastic packaging contains 50% recycled content.

Progress: 9.9% plastic packaging with 50% or more recycled content

Water
FY24 Water consumption – est. 47,979 litres

Our Group Water Policy, launched in FY24, acknowledges the need for water governance. Over the past 12 months, DFS Group has been working with our landlords and utility providers to install smart water meters across all sites. This has proved challenging in an industry that is less advanced in live monitoring than gas or electricity. However, at the end of FY24, over 30% of sites were metered. Over the next 12 months, we are committed to ensuring we have accurate data to create a baseline we can use to develop a robust strategy to improve water efficiency and reduce consumption, the pillars of good water governance.

Operational targets

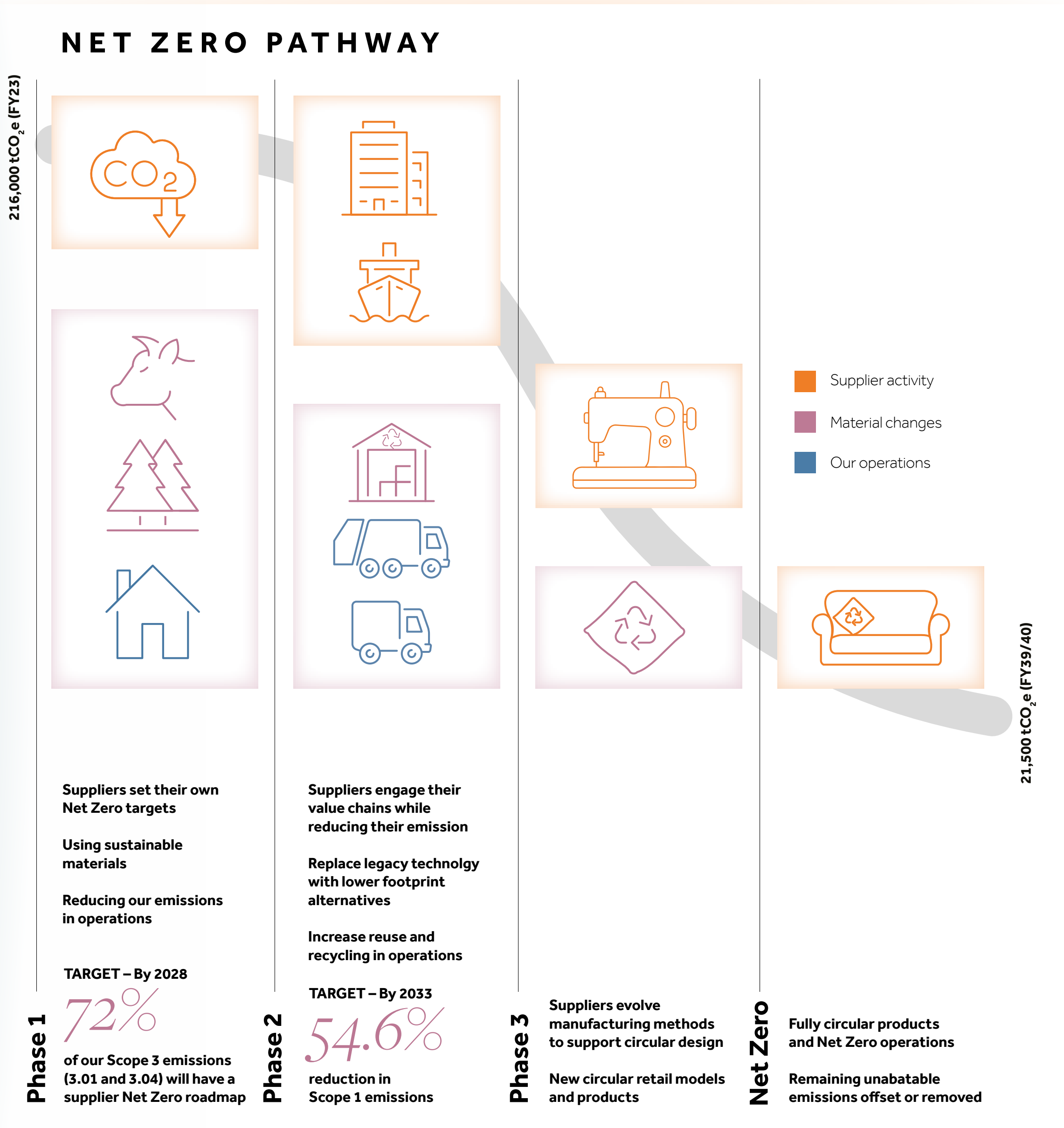
Waste
FY24 – 8,500 tonnes total waste/ 5,053 tonnes recycled

Resource use and waste are critical areas to building a circular business. The majority of DFS Group waste is product packaging, which is removed from customers' homes at delivery. We recycle most of the packaging material but know we can improve, so we have launched a new waste target to improve landfill avoidance in the Sofa Delivery Company.

The first phase (FY25) is to ensure every site has the optimal infrastructure to support different types of waste and deliver an engagement plan with our teams. The targets will then be extended to other areas of the business.

Biodiversity
Recognising the wider impact of our value chain on natural capital is an important step in our biodiversity journey. Using the WWF biodiversity Risk Filter tool, we have mapped supply chains for potential high-impact materials (timber and leather) across our manufacturing partners and identified key areas for improvement. When possible, suppliers are working with the information provided to create changes.

Assessing the scale of our impact on biodiversity will take time, but we are committed to continuously reducing our impact and protecting natural resources.



Carbon

Carbon accounting

In accordance with SBTi and GHG Protocol accounting standards, we have shifted our carbon calculations from activity data supplied by our value chain to spend data audited by our audit partners, KPMG. This ensures accuracy and aligns with the methodology of our peers and value chain. However, industry-standard emission factors for furniture used are lower than our own activity calculations (which we were unable to validate across the complete supply chain), resulting in a year-on-year drop in reported Scope 3 emissions.

Our Net Zero strategy

DFS Group defines Net Zero as the absolute reduction of carbon emissions across all scopes by at least 90% compared to baseline year with the offset or removal of the remaining, unabatable emissions.

In FY23 we shared our Net Zero strategy, split into three phases with clear timelines. While our approach has not varied significantly, we recognised the innovation and investment needed, is not in place to support the timeline we originally planned. As such, we have shifted our timeline to *before* 2050 by extending Phase 2 and 3 to work concurrently, collaborating with our value chain to develop plans to decarbonise.

PHASE 1 – FY24-30

Initially concentrating on our own operations, we will adapt to lower-emission technologies throughout our estate and logistics infrastructure and introduce circular business models. We'll also engage our supply chain, support the development of their own Net Zero roadmaps, and specify lower-emission materials in our products.

PHASE 2 – FY30-40

We will encourage suppliers to reduce their emissions and engage their value chains in Net Zero planning. Internally, we'll continue material changes and finalise low carbon technology for our delivery fleet.

PHASE 3 – FY30-50

We aim to ensure all suppliers design and manufacture for repair, reuse and recycling to support a circular business model. Innovation in logistics, materials, and manufacturing is crucial, and we have clear short-term steps to achieve our long-term goals.

Creating a circular business model

Central to our Net Zero strategy is evolving DFS Group to a circular economy, ensuring products are designed, and manufactured for multiple lifecycles, extracting maximum use from the materials and enabling reuse, repurpose and recycling of those materials. In FY24, we launched a new Leadership Development programme in which senior leaders were tasked with developing circular commercial models to support our Net Zero ambition. Their proposed new commercial models are designed to prolong the lifecycle of our product and ensure its return to the Group for refresh, repair and resale, and will be developed further over the next 12 months. We also collaborated on research sprints with Imperial College, London, to develop new product designs with innovative material options, specifically designed to reduce the environmental impact of our product. All these concepts will require further testing and development to ensure viability and sustainable performance.

Scope 1 progress

In 2024, we continued our reduction strategy by removing gas across the estate and transferring company cars and service vehicles to electric or hybrid options. We also trialled 7.5 tonne electric vehicles, however have yet to find a suitable solution to introduce at scale across the Group. Our emissions rose in the second half of the financial year due to increased delivery volumes from our successful Winter Sale and Easter promotions, which diminished the Scope 1 reductions achieved in our calendar year.

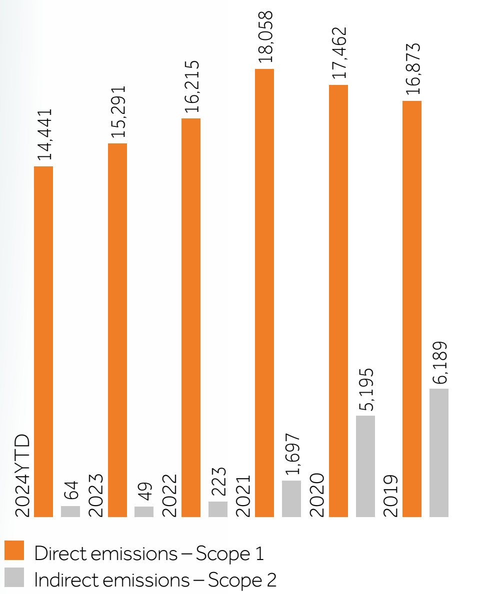
Scope 2 progress

We continue to utilise renewable sources. Our year-on-year market-based emissions have increased with the wider adoption of electric and hybrid company cars. Though charging at our operational sites or on company fuel cards is fully traceable to renewable sources, where we are unable to verify a source, we have assumed non-renewable energy for other EV charging.

DNV has externally assured our Scope 1 and 2 footprints.**

** www.dfscorporate.co.uk/media/64958/DFS-ARA-Assurance-statement.pdf

Scope 1 and 2 emissions



Scope 1 and 2 emissions

The tables below show our energy use and associated greenhouse gas emissions in line with the UK government's Streamlined Energy and Carbon Reporting requirements.

	UK	Rest of the world (ROI)	**Total FY24 kWh**	UK	Rest of the world (ROI & NL)	Total FY23 kWh	% increase/ (decrease)
Scope 1							
Diesel and Kerosene	36,253,180.0	1,307,338.1	**37,560,518.1**	37,985,804.0	1,006,184.92	38,991,989.0	(3.67)
Natural gas	17,013,423.0	415,090.0	**17,428,513.0**	18,302,302.0	415,074.00	18,717,376.0	(6.89)
Petrol	4,237,034.8	66,217.9	**4,303,252.7**	5,539,165.4	3,797.52	5,542,962.9	(22.37)
Scope 2							
Electricity	25,929,697.0	599,872.0	**26,529,569.0**	26,170,487.6	578,708.15	26,749,195.7	(0.82)
Electric vehicles*	161,729.0	742.0	**162,471.0**	83,306.3	0.00	83,306.3	95.03
Total energy consumption	47,341,883.8	1,081,921.9	**48,423,805.7**	50,095,261.2	997,579.7	90,084,829.9	(46.25)

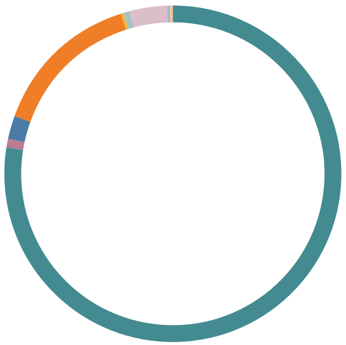
				Absolute emissions (tCO_2e)							
	UK	Rest of the world (ROI)	**Total FY24 tCO_2e**	UK	Rest of the World (ROI & NL)	Total FY23 tCO_2e	% Increase/ (decrease)	FY22	FY21	FY20	FY19
Scope 1 emissions	14,029.8	411.2	**14,441.0**	14,961.2	329.7	15,290.8	(5.6)	16,215	18,058	17,462	16,873
Scope 2 emissions											
Market based	64.0	0.0	**64.0**	38.8	10.4	49.3	29.9	223	1,697	5,195	6,189
Location based	5,369.0	160.0	**5,529.0**	5,531.4	122.0	5,653.4	(2.2)	5,828	5,797	5,195	6,189
Total Scope 1 and 2 Market Based	14,093.8	571.2	**14,505.0**	20,531	462	20,993.5	(30.91)	16,438	19,755	22,657	23,062

Emission intensity (tCO_2e/£m gross sales)

	Emission intensity (tCO_2e/£m gross sales)						
	FY24	FY23	% Increase/ (decrease)	FY22	FY21	FY20	FY19
Scope 1 emissions	**11.0**	10.7	2.45	11.0	13.3	18.6	14.5
Scope 2 emissions							
Market based	**0.05**	0.07	(33.08)	0.2	1.2	5.6	5.3
Location based	**4.2**	4.0	5.56	4.0	4.3	5.6	5.3
Gross sales (£m)	**1,311.8**	1,423.6	(7.85)	1,474.6	1,359.4	935.0	1,165.0

* FY23 Electric vehicle energy consumption has been restated due to a calculation error.

2024 Scope 3 emissions by category – % of Scope 3 emissions



Scope 3 progress

Our value chains are a vital part of our business and contribute almost 93% of our Scope 3 emissions. Their support for our Net Zero journey and collaboration on our plan are critical to the success of our strategy. In FY23, an impact assessment of our manufacturing partners indicated only 40% had either set a Net Zero target or calculated their carbon footprint.

To address this, we launched our 'In This Together' campaign, engaging our partners in our Net Zero journey. Our request to suppliers was to commit to delivering the following by May 2029:

- Calculating their own full carbon footprint
- Developing their own Net Zero strategy aligned to climate science
- Publishing their plan and their progress against it

This approach mirrors the 'supplier engagement' target set out by the SBTi. We hoped to secure commitments which would cover 20% (88 tCO_2e) of our FY23 Scope 3 emissions, thereby endorsing our plans to submit to the SBTi.

Utilising our experiences to provide guidance and support, we encouraged suppliers on their own journeys. The campaign was successful, garnering commitments from manufacturing partners covering 49% of Scope 3 emissions and a further 10% from raw material suppliers and logistics partners.

Science Based Targets initiative (SBTi)

In June 24, we submitted our plan to the SBTi to reduce our carbon footprint by at least 54.6% on Scopes 1 and 2 by 2033 and Scope 3 by 90% or more before 2050. We hope to have the SBTi validate this plan very shortly.

Scope 3 emissions*

	Absolute emissions (kt CO_2e)							Emission intensity (kt CO_2e/£m gross sales)						
	FY24	FY23	% increase/ (decrease)	FY22	FY21	FY20	FY19	**FY24**	FY23	% increase/ (decrease)	FY22	FY21	FY20	FY19
3.01 – Purchased goods and services	**158.2**	320.0	(50.56)	321.1	309.2	215.8	284.8	**120.6**	224.8	(46.35)	217.8	227.5	230.8	244.5
3.02 – Capital goods	**2.2**	3.7	(40.41)	17.4	15.1	10.3	8.2	**1.7**	2.6	(35.33)	11.8	11.1	11.0	7.0
3.03 – Fuel and energy related activities	**4.7**	5.2	(9.21)	4.0	4.2	4.0	3.9	**3.6**	3.6	(1.47)	2.7	3.1	4.3	3.3
3.04 – Upstream transportation and distribution	**28.3**	36.7	(22.98)	74.6	58.5	33.2	36.7	**21.6**	25.8	(16.42)	50.6	43.0	35.5	31.5
3.05 – Waste generate in operation	**0.3**	0.3	20.15	1.4	1.3	0.9	1.3	**0.2**	0.2	30.39	0.9	1.0	1.0	1.1
3.06 – Business travel	**0.8**	0.5	62.67	1.2	0.8	1.3	1.3	**0.6**	0.3	76.54	0.8	0.6	1.4	1.1
3.07 – Employee commuting**	**6.9**	7.6	(9.21)	4.7	4.1	4.5	5.4	**5.3**	5.3	(0.85)	3.2	3.0	4.8	4.6
3.08 – Upstream leased assets	**0.0**	0.6	(100.00)	4.0	3.2	3.1	2.5	**0.0**	0.4	(100.00)	2.7	2.4	3.3	2.1
3.11 – Use of sold products**	**0.3**	0.3	–	0.6	0.7	0.5	0.7	**0.3**	0.2	35.65	0.4	0.5	0.5	0.6
3.12 – End of life treatment of sold products	**0.0**	0.1	(75.88)	10.2	9.7	7.1	9.0	**0.0**	0.1	(73.83)	6.9	7.1	7.6	7.7
Total Scope 3 emission intensity	**201.7**	375.0	(46.20)	439.2	406.8	280.7	353.8	**153.9**	263.3	(41.60)	297.8	299.3	300.2	303.5

* Where data is shared by supplier partners, which is difficult to verify, it is reported in good faith. All information provided represents end of financial year (FY24) figures unless otherwise stated.

** 3.07 – Employee commuting and 3.11 – Use of sold products were recalculated for FY23 as an error was found in the source data. The figures stated above are the revised calculations.

TCFD

The reporting period of this disclosure was the hottest year recorded since records began. Climate-related risks are continuously evolving, as are the transition risks and opportunities. DFS Group is committed to building a sustainable business model in terms of our impact on the environment and preserving our long-term success as a Group.

As climate reporting continues to evolve along with the pressing nature of climate change issues, so does our performance and strategic reporting.

Summary

Our progress in FY24

1. Engaged suppliers in creating their own Net Zero strategy aligned to science-based targets, securing commitments covering 59% of all Scope 3 emissions.
2. Submitted our Net Zero strategy to Science Based Targets Initiative for validation in June 2024.
3. Confirmed a 14% reduction of Scope 1 emissions against FY19 baseline.
4. Introduced new policies for water and biodiversity and strengthened our deforestation requirements within our Sustainable Sourcing Policy.
5. Completed an updated materiality assessment.
6. Developed new commercial models to support our evolution to a circular business.

Areas of focus in FY25

1. Continue engaging and supporting our suppliers in developing their Net Zero strategy aligned to science based targets.
2. Secure SBTi validation for our Net Zero strategy.
3. Continue to integrate climate risk consideration into our business strategy and decision-making processes.
4. Develop our reporting capabilities for TPT and ISSB.
5. Continue to develop and test new commercial models to support circularity.

Compliance Statement
We have complied with the Financial Conduct Authority listing rule LR 9.8.6R by including climate-related financial disclosures consistent with all the TCFD recommendations and the recommended disclosures. In preparing these disclosures, we have considered Section C and E of the TCFD Annex: Implementing the recommendations of the TCFD. Note that this report reflects the listing rules as at the year end date.

Our approach

Scenarios

We assessed our risk and opportunity exposure in two scenarios.

Low Carbon World scenario (1.5°C)

A low-carbon scenario assumes the implementation of policies and technologies that support circular economies, material efficiency strategies, and the promotion of alternative fuels and technologies within a reasonable timeframe to limit global warming to below 1.5°C. As a result, global Net Zero CO_2 emissions are expected to be achieved around 2050.

Hot House World scenario (4°C)

A hot house scenario assumes that policies and infrastructure to support sustainability are not effective. There is little to no adaptation of resource and energy-intensive behaviours. As a result, economies fail to transition to a low-carbon world, and the physical impacts of climate change become increasingly severe.

The following sources informed the assumptions in the scenario analysis:

- **Intergovernmental Panel on Climate Change** – Shared Pathways scenarios of projected global changes are used to derive greenhouse gas ('GHG') emission scenarios associated with different worlds and forecasts on physical climate implications of GHG concentrations.
- **International Energy Agency scenarios** – focus on the consequences of different energy policies and investment choices. The Net Zero 2050 scenario (1.5°C) explores what is needed to ensure global emissions reach Net Zero by 2050.
- **NGFS (Network for Greening the Financial System) scenarios** – explore different assumptions for how climate policy, emissions, and temperatures evolve. The net zero 2050 limits global warming to 1.5°C through stringent climate policies and innovation, reaching global Net Zero CO_2 emissions around 2050. The NGFS considers various scenarios, adding two additional scenarios in 2023: the Fragmented scenario, which considers divergent geopolitical approaches to climate change and the Low Demand scenario, in which enforceable legislative requirements are coupled with stringent carbon prices.

We conducted a scenario analysis in 2022 with support from Willis Towers Watson and included geographic aspects of our value chain for manufacturing and core materials to enhance financial considerations.

Timeframes

Throughout our analysis, we have defined the time frames as follows:

Horizon	Years	Rationale
Short	1-3 years	Aligned with our business strategy and financial forecasting.
Medium	3-10 years	Aligned to the strategic plan timeframe.
Long	10-30 years	Aligned with our Net Zero ambition by 2050.

Through this exercise, we identified ten material climate risks and opportunities. Table 1 below summarises the transition risks and opportunities.

Net Zero strategy

DFS Group defines net zero as the absolute reduction of carbon emissions across all scopes by at least 90% compared to baseline year with the offset or removal of the remaining, unabaltable emissions.

Our Sofa Cycle Framework underpins our Net Zero ambition and will be delivered by evolving the business to a circular model. We aim to achieve this by mitigating the environmental impact of each aspect of the product lifecycle – from sustainable sourcing to end-of-life – by engaging our entire value chain in the journey. See page 41 for more details.

Engaging with our suppliers directly on our Net Zero strategy and climate-related issues gives us the resilience to mitigate and adapt to climate change issues as they evolve.

Table 1 on pages 46 to 48 details our response to the risks and opportunities identified in the scenario analysis exercise.

Risk management

In FY24, we updated our materiality assessment using the SASB framework and in-depth stakeholder engagement. The critical environmental topics for our business and stakeholders were material use, longevity, and circularity, followed by carbon emissions and plastic and packaging Waste.

Further climate-related risks were identified and assessed through the scenario analysis exercise in FY23. We involved various internal stakeholders in the process, and our wider value chain representatives were consulted on the outcome. We applied a percentage of profit before tax as a benchmark to consider the materiality of the impact of climate change risks and opportunities.

The exercise considered a shift in our stakeholders' values toward more sustainable products and services, existing and emerging regulatory requirements, and technology transition, reflected in the five risk types described in Table 1.

Risk management framework

Climate change is included in our principal risks (Environmental and sustainability risk – PR6). The CFO owns the risk and is supported by the Sustainability Director and risk managers, who are closely related to each specific risk identified. The CFO is accountable for ensuring that the relevant controls and mitigation strategies are effective and in place, while the Board has oversight responsibility for principal risks.

We continuously monitor the risk factors and the effectiveness of the controls assigned to the risk. Climate change is currently rated a medium risk, requiring a quarterly review of the controls and mitigation effectiveness.

See page 49 for a detailed process on managing climate-related risks, including how the decisions to mitigate, transfer, accept, or control the risks are taken.

Metrics and targets

The scenario analysis highlighted a number of metrics used to monitor our climate risks as described in Table 1 (column 'indicators'). We continuously quantify and measure those metrics internally.

Greenhouse gas measures

Engaging our suppliers in our Net Zero strategy is critical to our approach. This year, we used a new metric of 'Scope 3 emissions covered by a supplier commitment to develop a Net Zero strategy' to track the viability of our Net Zero strategy. The supplier engagement target was considered a performance metric and part of the bonus structure. See Director's Remuneration report page 81 for further details.

Please note, our Scope 3 calculation methodology in FY24 shifted to spend-based calculations, to ensure consistency with our industry and suppliers as well as using verified data which is audited by a third party.

We also use Scope 1 and 2 intensity metrics as our cross-industry metrics to track our progress in achieving our Net Zero ambition which are externally assured – see page 42.

RESPONSIBILITY AND SUSTAINABILITY REPORT CONTINUED

Risk type: P Policy and legal | T Technology | M Market | R Reputation | Ph Physical

Scenarios: Transition risks – 1.5° | Physical risks – 4°

Risk rating: High | Medium | Low

Table 1: Summary of our climate risks and opportunities

Short term risk and opportunities

Risk

MANDATES AND REGULATION ON OUR PRODUCTS

Risk type	Indicator	Risk rating
P; Transition risks – 1.5°	Production cost.	Medium

Risk/opportunities description
Regulatory pressure is applied to the materials used in the manufacturing of our products, leading to increasing production costs.

This includes the possibility of introducing carbon footprint labelling, plastic taxes or bans on single-use plastics, and zero-net deforestation policies.

Our response
Our Sustainable Sourcing Policy is regularly reviewed to keep current with our regulatory obligations. Furthermore, we set clear ambitions for our suppliers to continually improve upon the requirements to stay ahead of legislative changes such as increasing the volume of recycled content in our packaging and textiles.

We align our supplier contracts with the supplier requirements within the Sustainable Sourcing Policy.

Risk

CARBON PRICING

Risk type	Indicator	Risk rating
P, R; Transition risks – 1.5°; Physical risks – 4°	Direct operating cost.	Low

Risk/opportunities description
Carbon pricing already exists in some of the jurisdictions where we operate. Under both scenarios, the pricing of GHG emissions is expected to increase, which could impact our direct operating costs.

Our response
We continue to monitor developments in this area.

Risk

CLIMATE CHANGE LITIGATION

Risk type	Indicator	Risk rating
P, R; Transition risks – 1.5°	Compliance cost/non-direct operating cost. Brand value.	Medium

Risk/opportunities description
Investors, insurers, shareholders, and public interest organisations could bring climate-related litigation claims against DFS. Reasons for claims could include failure to adapt to climate change, greenwashing for overstating positive environmental impacts and understating risks, and insufficient disclosure on material financial risks.

Our response
We continuously monitor the legislative landscape to ensure compliance with the relevant disclosure requirements. We are aware that the sustainability reporting landscape is fast-evolving.

In FY25 we intend to invest in training for our Sustainability team and legal counsel in the new ISSB framework and other standards.

Risk

BUILDING CODE REQUIREMENTS

Risk type	Indicator	Risk rating
P; Transition risks – 1.5°	Maintenance cost/capex/opex.	Low

Risk/opportunities description
Increased maintenance costs are associated with upgrading stores, distribution centres, and manufacturing sites to adhere to stringent building codes and guidelines.

Our response
All landlords are required to comply with building code requirements. The majority of our tenancy agreements will be reviewed prior to the 2030 deadline ensuring we have the opportunity to factor compliance and opportunity costs into financial planning.

RESPONSIBILITY AND SUSTAINABILITY REPORT CONTINUED

Risk type: P Policy and legal, T Technology, M Market, R Reputation, Ph Physical

Scenarios: Transition risks – 1.5°, Physical risks – 4°

Risk rating: High, Medium, Low

Table 1: Summary of our climate risks and opportunities continued

Short term risk and opportunities continued

Risk

INVESTMENT RISK

Risk type	Indicator	Risk rating
R, Transition risks – 1.5°	Cost of capital.	Medium

Risk/opportunities description
Failure to meet publicly stated sustainability targets or failure to meet disclosure requirements poses a risk to our business as customers and investors increasingly expect high levels of sustainability performance from organisations.

However, demonstrating a robust and deliverable strategy, potentially opens the opportunity to access lower cost capital, such as sustainability-linked loans.

Our response
We incentivise teams and leadership as part of the employee bonus scheme to meet the publicly stated targets which are derived from our sustainability strategic objectives.

Though we have not met every target this year we believe our targets and submission to the SBTi demonstrate we are ambitious and setting sufficiently challenging objectives.

Medium to long term risk and opportunities

Risk

TRANSITION TO LOWER EMISSION TECHNOLOGY AND MAINTAINING A CIRCULAR SYSTEM

Risk type	Indicator	Risk rating
T, Transition risks – 1.5°	Capex to increase energy efficiency . Capex to increase recycling capability. Capex/opex for transitioning to electric vehicle fleet.	Medium

Risk/opportunities description
Innovation, especially in technology will be essential to achieving our Net Zero ambition.

The technology transition costs could include:
- Energy infrastructure across our estate.
- Switching our logistics fleet to low-emission vehicles.
- Investing in technology to improve the lifecycle of products.

Our response
We have developed integrated strategic planning to ensure the introduction of low carbon technology within our property, manufacturing and logistics aligned to our Net Zero trajectory. This includes the anticipated replacement cycles for legacy infrastructure and lifecycles of vehicles and projected costs are built into the four year financial plan.

Risk

INCREASED COST OF RAW MATERIALS AND PRODUCTS

Risk type	Indicator	Risk rating
M, Transition risks – 1.5°	Production cost.	Medium

Risk/opportunities description
As our suppliers bear the effect of carbon pricing and other sustainability-driven impacts, they could pass on the cost to us, hence increasing our cost of raw materials and products.

Our response
Phased and adapted pricing and margin structure to accommodate cost changes.

Risk

SHIFT IN CUSTOMER/ CONSUMER VALUE

Risk type	Indicator	Risk rating
M, Transition risks – 1.5°	Revenue.	Low

Risk/opportunities description
Customers have demonstrated they will align themselves with brands that reflect their values. Failure to meet these shifting values could cause customers to switch to alternative products or competitors.

Growing awareness of climate issues and change in consumer priorities could provide an opportunity to widen our customer base, and increase revenues, profits and market share.

Our response
Customer satisfaction was ranked the top issue in our materiality assessment in 2024.

We conduct regular consumer monitoring on appetite and attitudes toward sustainable brands and products as well as our ongoing performance metrics such as NPS.

Additionally, we use customer research to validate our approach to circular models to ensure we are developing commercially viable solutions.

Risk type: P Policy and legal · T Technology · M Market · R Reputation · Ph Physical

Scenarios: Transition risks – 1.5° · Physical risks – 4°

Risk rating: High · Medium · Low

Table 1: Summary of our climate risks and opportunities continued

Medium to long term risk and opportunities

Risk

COST OF CAPITAL

Risk type	Indicator	Risk rating
M (Market); Transition risks – 1.5°	Cost of capital.	Low

Risk/opportunities description
As credit ratings begin to incorporate climate change considerations, there is a risk that the cost and availability of capital would increase/ decrease.

Our response
We support ESG inquiries and disclosures to third-party and credit rating agencies as well as engaging shareholders.

Risk

PHYSICAL RISK

Risk type	Indicator	Risk rating
Ph (Physical); Physical risks – 4°	Asset value located in an area of material climate hazard intensity.	Low

Risk/opportunities description
Damage or loss of value to our facilities due to climate hazards.

Our scenario analysis considers heat stress, flooding, drought, fire weather, and windstorms as climate hazards.

Our response
All our own facilities are located in the UK, which is not exposed to as many climate hazards as other countries. Therefore, the overall risk to our facility is considered low to moderate within the short to medium term horizon. Our own facilities including manufacturing and distribution are leased with an average of five years remaining, they are unlikely to see long term climate changes in 2050 unless renewed.

Risk

SUPPLY CHAIN

Risk type	Indicator	Risk rating
Ph (Physical); Physical risks – 4°	% of supply from supplier facilities that are in high-risk areas.	Medium

Risk/opportunities description
The climate hazards considered in our scenario analysis are: heat stress, flooding, drought, fire weather, and windstorm. Any of these hazards could cause disruption in our value chain and disrupt production and delivery.

Our response
Climate or geopolitical disruption of our supply chain is addressed in a similar approach.

Our supplier facilities are spread across the UK, Europe, and Asia. The overall exposure of drought, fire, weather and windstorm to our suppliers' facilities is moderate, whilst the exposure of flooding is considered very high in Asia. We have addressed this with our key partners and have contingency plans in place.

Governance

See full corporate governance framework on page 55.

The Board recognises the crucial role of addressing climate change risks and opportunities for the Group's long-term success. We have established a clear governance framework for climate change and sustainability.

The Board holds overall responsibility for monitoring our progress towards climate-related goals and targets, and has designated the RSC.

The RSC meets at least three times per year to review and assess the Group's sustainability strategy, governance, and performance against targets, as well as review and approve policies related to our focus areas: our planet, our people, and our community.

Climate change remains a central topic in RSC and Board meetings, reflecting its importance in our strategic plan. The Committee's terms of reference are available on the Company's website.

In January 2024, the GLT completed a comprehensive materiality assessment.* The Group Board were independently interviewed as key stakeholders on their views of the topics which were summarised and shared as part of the process. Upon completion, the materiality assessment was presented to the Board and used throughout the Strategy Days held in April 2024.

Climate-related risk is monitored by the Audit and Risk Committee ('ARC') and the Board through regular meetings. The ARC also provides assurance on non-financial metrics. In FY24, they conducted an internal audit of environmental data control systems.

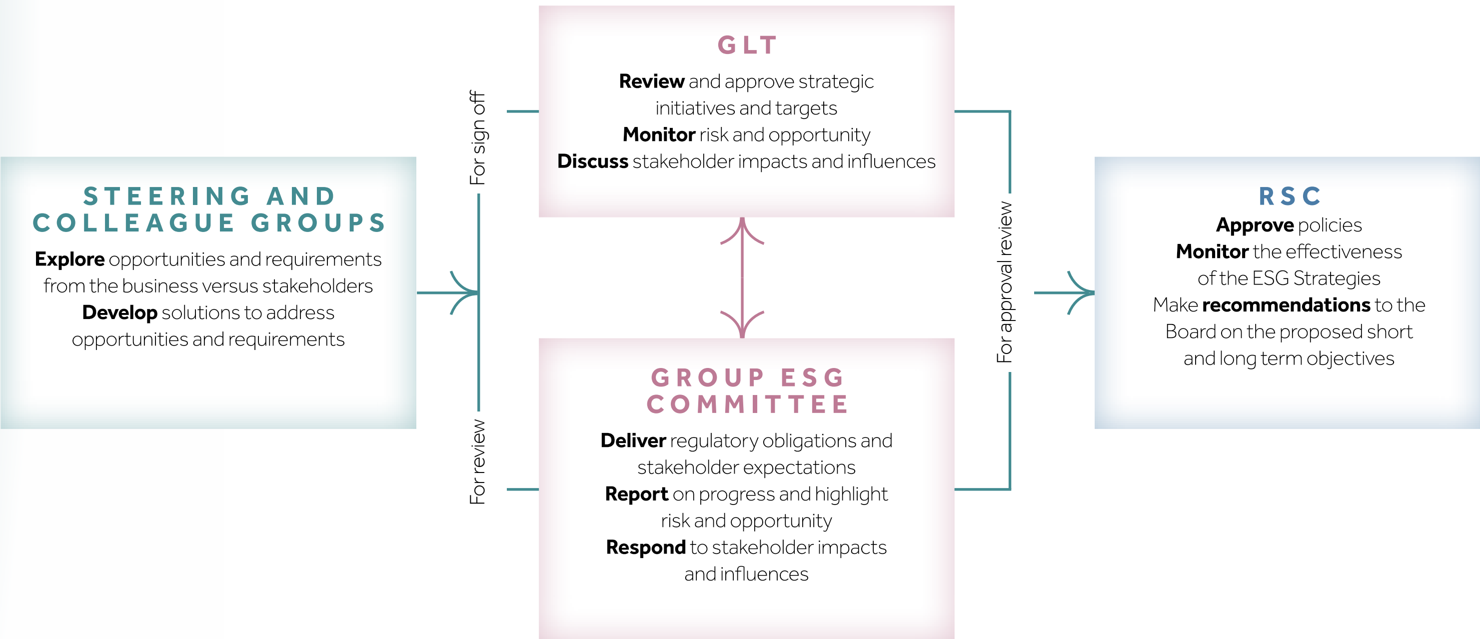
The ESG Committee meets six times per year and reports to the GLT and RSC. Senior management forms part of these forums to ensure they are influencing and monitoring the progress of the climate change objectives. Responsibilities include updating the RSC on climate change and sustainability developments as well as driving the overall strategy of the business and managing its climate-related risks and opportunities.

Management is informed about climate-related matters both internally and externally:

– Internally through regular updates from the ESG Committee and Sustainability team, who ensure governance, including risk management, strategy and implementation, and any financial implications are raised.
– Externally through input from sustainability experts and groups, to ensure our sustainability strategy is relevant and abreast of the continually changing reporting and regulatory landscape.
– Externally through collaboration with the industry bodies and non-profit organisations, such as FSC, Leather Working Group, Circular Change Council, Undaunted (formerly CCCI/Imperial College) and WWF to advocate for circularity, deforestation, and decarbonisation across industry.

* See our Materiality Disclosure at www.dfscorporate.co.uk/media/69987/Materiality-Disclosure.pdf

Governance framework



Ethical business

Our commitment
We are committed to conducting all of our business in an honest and ethical manner, acting professionally, fairly and with integrity in all our business dealings and relationships. We implement effective systems to counter the risk of bribery and corruption.

We apply our policies across all of our operations, and also require all of our suppliers to commit to apply the same or equivalent policies. The Group does not operate in any tax havens or use any tax avoidance schemes.

Our Anti-Bribery Policy and our Tax Strategy are available on our website https://www.dfscorporate.co.uk/governance/policies and our key principles are stated below:

Bribery and corruption
The principle: We will not accept bribery or corruption, in any form or in any place, and we do not offer, give or take a bribe or inappropriate payment, either directly or indirectly.

What this means in practice:
- Offering, giving, taking or promising things that may influence, or affect an organisation or individual in order to gain business, or an advantage, is not allowed in any form.
- Accepting or offering a bribe/kickback payment of any kind is prohibited; a bribe doesn't have to be successful to be corrupt.
- We will never use our charity or sponsorship activities to gain an unfair advantage.
- We expect all colleagues, partners and suppliers to report any breaches, or suspected bribes or corrupt behaviour.

Gifts and hospitality
The principle: Giving or accepting a gift or hospitality should only be done if it can be proved to be of small and modest value. They should never influence the decisions we take.

What this means in practice:
- We don't offer or accept gifts or hospitality as part of contract negotiations or sales transactions.
- Any gifts given or received are modest in value and recorded appropriately.

Business transactions and information
The principle: All business records, information and transactions must be recorded accurately and honestly. We're steadfast in our approach to preventing any kind of fraud, embezzlement, money laundering or other financial crime.

What this means in practice:
- We have robust controls in place to prevent and detect any form of fraud or money laundering.
- The records of our business dealings and finances are accurate and well maintained.
- If we suspect any kind of irregularity in our finances, they are reported straight away to the management team.
- Timesheets and expenses that are submitted for payment are accurate and timely.

Data Privacy Policy and cyber security
The Group's operations depend upon the continued availability and integrity of its IT systems, including the security of customer and other data held by the Group, and risk of attacks is ever increasing. Cyber security and data has been identified as a principal risk. See page 24 for further details on the procedures and system in place to mitigate the risks.

The Group will take all steps necessary to comply with the principles as set out in the GDPR and DPA 2018 and have a formal Data Privacy Policy.

Human rights and modern slavery
The culture and ethos across DFS Group is about doing the right thing. We set clear standards for conduct, which we expect colleagues and suppliers to adhere to. We respect human rights in our business and our supply chain and do not tolerate modern slavery in any form as documented in our Modern Slavery and Human Trafficking Statement on our corporate website: www. dfscorporate.co.uk/esg/modern-slavery-and-human-trafficking-statement

To assist our colleagues in doing the right thing and to raise any concerns or suspicions we have a clear whistleblowing policy and confidential reporting hotline.

As part of managing the risk of modern slavery, we have a supply chain compliance programme in place.

Our training initiatives include:
- An e-learning module on modern slavery which has been deployed to senior and middle managers across the Group. The training provides guidance on spotting the signs of different types of modern slavery and how to report concerns.

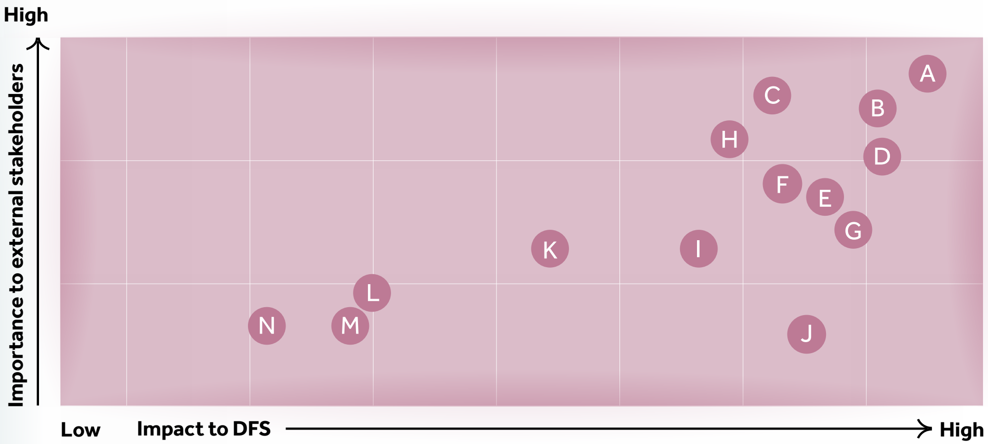
Our commitment
We are committed to acting ethically and will continue to take steps to assess the risk of modern slavery taking place in our supply chain.

To help achieve this we will:
- Continue working with our tier 1 suppliers and manufacturers to ensure compliance with our policies in relation to human rights.
- Continue to assess our training requirements to ensure that they are fit for purpose and deliver training based on this assessment.
- Address any gaps highlighted in the Ardea gap analysis report to strengthen our policies and procedures.
- Strengthen our due diligence processes by undertaking risk mapping and identifying modern slavery risk through procurement.
- Ensure that any new supplier commits to the Group's Supplier Code of Practice/SLA including SMETA (SEDEX Members Ethical Audits) certification.

For more information please see our Group Code of Conduct and the Group's Supplier Code of Practice https://www.dfscorporate.co.uk/media/46609/Group-Code-of-Conduct.pdf
https://www.dfscorporate.co.uk/media/68866/DFS-Supplier-Code-of-Practice-_-V004-_-Live-.pdf

MATERIALITY ASSESSMENT

A materiality assessment is required under TCFD regulations but is also a useful tool to ensure the business includes all stakeholder perspectives in strategic planning and decision-making. In FY24, we refreshed our assessment by interviewing or surveying all stakeholder groups. Of note, there was a significant shift in priorities to social priorities such as fair wages and diversity and equality over environmental concerns. For more information, please see our Materiality Disclosure at www.dfscorporate.co.uk/media/69987/Materiality-Disclosure.pdf.



Topic		Definition
A	**Customer satisfaction and quality**	Measurement used to determine how satisfied customers are with its products and services.
B	**Health, safety and wellbeing**	Programmes, guidelines and procedures to protect the safety, welfare and health of any person engaged in work or employment.
C	**Data security and privacy**	Protection of customer data and adhering to current regulations such as GDPR to reduce the risk and exposure to potential cyber attacks.
D	**Fair wages**	An income earned during normal working hours that meets the basic needs of workers and their families, with some leftover for extra expenses and savings.
E	**Equality and diversity**	Creating an inclusive environment where everyone is welcome, ensuring employees are treated respectfully and have equal opportunities.
F	**Material use, longevity and circularity**	Responsible use of resources by improving the efficiency of materials in our products and re-use where possible while designing out waste by keeping products and materials in use for longer.
G	**Labour conditions**	Labour conditions and workplace standards including human rights, fair wages and benefits, organised labour and freedom of association.
H	**Carbon emissions**	GHG (Greenhouse Gas emissions) produced by the activities and operations and the movement of resources in the supply chain.
I	**Plastic packaging and waste**	The efficiency and recyclability/ reusability to limit waste created in operations.
J	**Energy consumption**	Overall energy efficiency and access to alternative energy sources.
K	**Deforestation and biodiversity loss**	Protection and restoration of the natural capital and biodiversity impacted by harvesting, farming and production of raw materials.
L	**Environment tax**	Tax imposed on activities that have a negative impact on the environment, such as carbon emissions, pollution, or resource depletion (e.g., carbon tax and plastic tax).
M	**Air pollution**	Operational and supply chain activities contributing to air pollution.
N	**Water quality and drought**	Water governance in operations (own and supply chain) to reduce consumption and protect quality.

LOOKING AHEAD

As climate-related considerations become more central to our business, we expect them to become 'business as usual' in our strategy and financial planning. We are developing commercial solutions to provide business resilience during the transition and capitalise on the opportunities highlighted. Investments needed to transition and manage potential impacts will continue to be integrated in financial planning going forward.

TCFD CONSISTENCY INDEX

Pillar	Recommended disclosures	Location within this report
Governance	(a) Board oversight of climate-related risks and opportunities	Page 49
	(b) Role of management in assessing and managing climate-related risks and opportunities	Page 49
Strategy	(a) Climate-related risks and opportunities	Page 45-48
	(b) Impact on the organisation's business, strategy and financial planning	Page 45-48
	(c) Resilience of strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Page 45
Risk management	(a) Processes for identifying and assessing climate-related risks	Page 25 and 45
	(b) Risk management process	Page 25 and 45
	(c) Integration into overall risk management	Page 25 and 45
Metrics and targets	(a) Metrics used to assess climate-related risks and opportunities in line with our strategy and risk management process	Page 42, 43 and 45
	(b) Scope 1, Scope 2 and Scope 3 greenhouse gas (GHG) emissions See www.dfscorporate.co.uk/media/69984/Basis-For-Reporting-FY-24.pdf for our Basis for Reporting	Page 42 and 43
	(c) Targets used to manage climate-related risks, opportunities and performance	Page 34, 41 and 45

This Strategic Report was approved by the Board on 25 September 2024.

On behalf of the Board.

TIM STACEY
Chief Executive Officer

JOHN FALLON
Chief Financial Officer

Governance

DIRECTORS AND OFFICERS

STEVE JOHNSON
Non-Executive Chair R N

Date of joining DFS: December 2018

Experience: Steve has over 25 years' experience in the retail sector, in both public and private equity businesses.

Steve previously served as CEO of Focus Wickes DIY Group and Woolworths, as well as working with several other retailers. Prior to this Steve spent eight years at ASDA having started his career with Bain & Company.

Steve is an experienced Independent Non-Executive Director, was on the Board of Big Yellow PLC until 2020 and was the Senior Independent Director of Lenta Limited until March 2022. Steve has significant retail and M&A experience. Most recently he held the position of Executive Chairman at the Matalan Group before stepping down in July 2022.

Qualifications:
– BA (Engineering) MEng (University of Cambridge)

External appointments:
– No external appointments

Independent:
– Yes

TIM STACEY
Chief Executive Officer S

Date of joining DFS: July 2011

Experience: Tim has been with DFS for over ten years and has an in-depth knowledge of all aspects of the business. Prior to being appointed Group CEO in November 2018, Tim served as the Chief Operating Officer, he was responsible for the showrooms, supply chain and customer service in addition to online operations and international development.

Tim has significant experience in digital retail having joined DFS as Director of Online and Business Development and having led the multi-channel transformation of DFS. He was previously the Multi-Channel Director for Boots.com and Director for Online and Business Development for Alliance Boots.

Tim also has significant experience in M&A, operations, customer services and marketing.

Qualifications:
– BA (Hons) Accounting and Finance (Nottingham Trent University)
– Member of the Institute of Chartered Accountants in England and Wales

External appointments:
– No external appointments

Independent:
– Not applicable

JOHN FALLON
Chief Financial Officer –

Date of joining DFS: November 2022

Experience: Prior to joining DFS, John spent more than 20 years at ASDA, most recently as Group CFO, and played a key role in the recent change of ownership. During his time at ASDA John has gained extensive retail experience across a broad range of roles, including Commercial Finance Director, Group Financial Controller and Internal Audit Director.

Qualifications:
– BA (Hons) in Accounting & Finance (Manchester Metropolitan University)
– Member of the Charted Institute of Management Accountants

External appointments:
– No external appointments

Independent:
– Not applicable

Committee membership key

- A Audit and Risk Committee member
- N Nomination Committee member
- R Remuneration Committee member
- S Responsible and Sustainable Business Committee member
- Denotes Chair
- – None

Contents

DIRECTORS AND OFFICERS CONTINUED

ALISON HUTCHINSON CBE

Senior Independent Non-Executive Director A R N S

Date of joining DFS: May 2018

Experience: Alison has a background in both digital and retail financial services and was previously Group CEO of Kensington Group PLC. Over the last 12 years Alison, as the CEO of The Pennies Foundation charity has worked with the retail industry to establish the fintech charity the Pennies.

Until March 2022, Alison was a Non-Executive Director of Liverpool Victoria Friendly Society Ltd. She previously held several senior management positions, including Marketing Director, at Barclaycard having started her career at IBM. In 2016, Alison received a CBE for her services to the Economy and Charity.

Qualifications:
- B.Sc. Technology & Business Studies (Strathclyde University)

External appointments:
- Chief Executive of The Pennies Foundation charity
- Vice Chair and Senior Independent Non-Executive Director of Yorkshire Building Society
- Senior Independent Non-Executive Director of Foresight Group Holdings Limited

Independent:
- Yes

GILL BARR

Non-Executive Director A R N S

Date of joining DFS: March 2023

Experience: Gill was a Non-Executive Director of Morgan Sindall from 2004 to 2012, PayPoint from 2015 to 2024, McCarthy & Stone from 2019 until it delisted in 2021, N Brown from 2017 to 2023 and Wincanton PLC until it was acquired in April 2024. She is an experienced Remuneration Committee Chair (Morgan Sindall, N Brown, and McCarthy & Stone), skilled at reflecting investor perspectives in remuneration plans that motivate growth and shareholder value.

Gill's executive career focus has been on strategy and customer centric business development. She was Group Marketing Director of The Co-operative Group from 2011 to 2014 and was previously Marketing Director of John Lewis. She spent seven years at Kingfisher PLC where she held a variety of senior marketing and business development roles.

Qualifications:
- B.Sc. Psychology (Aberdeen University)
- MBA London Business School

External appointments:
- No external appointments

Independent:
- Yes

JO BOYDELL

Non-Executive Director A R N

Date of joining DFS: December 2018

Experience: Jo has been the Chief Executive Officer of Travelodge since May 2022, having previously served as the Chief Financial Officer since 2013 and has broad based finance experience in hospitality, leisure and retail.

Prior to joining Travelodge, Jo held senior finance roles across a number of consumer-facing companies including Mothercare, Jessops, Ladbrokes PLC, Hilton Group plc and EMI Group.

Qualifications:
- BA (Hons) Physics (University of Oxford)
- Associate of the Institute of Chartered Accountants in England and Wales
- ICAEW Business & Finance Professional

External appointments:
- Director and Chief Executive Officer of Thame and London Limited, the parent company of the Travelodge Group and for Travelodge Hotels Limited and Director of other subsidiary companies within the group

Independent:
- Yes

BRUCE MARSH

Non-Executive Director A R N S

Date of joining DFS: August 2024

Experience: Bruce has been the Chief Financial Officer of Currys plc since July 2021. Prior to that, Bruce was UK Finance Director of Tesco for seven years where he was involved in the business turnaround and the acquisition of the wholesaler Booker.

Previously he worked for seven years at Kingfisher, first as Group Strategy Director and then as Managing Director of Kingfisher Future Homes. Earlier in his career he held senior finance and general management positions within Dixons Retail plc and McDonalds.

Qualifications:
- B.Sc. Operational Research (Lancaster University)
- Member of the Institute of Chartered Accountants in England and Wales

External appointments:
- Chief Financial Officer of Currys PLC

Independent:
- Yes

LIZ MCDONALD

Group General Counsel and Company Secretary

Date of joining DFS: August 2018

Experience: Liz is a qualified solicitor responsible for the corporate affairs of the Group and leads a team of specialists focused on Legal, Regulatory Compliance, Risk and Health & Safety.

Previously she worked as a General Counsel and Company Secretary. Liz has held leadership roles at Poundworld, My Dentist, the Peel Airports Group, and KCOM Group PLC, having started her career with the Halifax.

Qualifications:
- LLB (Hons) in Law (Manchester Metropolitan University)
- Solicitor
- Admitted by the Law Society in 1996

External appointments:
- No external appointments

Independent:
- Not applicable

Loraine Martins served as a Non-Executive Director throughout the year and resigned on 31 July 2024.

Committee membership key

A Audit and Risk Committee member
N Nomination Committee member
R Remuneration Committee member
S Responsible and Sustainable Business Committee member
Denotes Chair
– None

CORPORATE GOVERNANCE REPORT

STEVE JOHNSON
Chair of the Board
→ Bio on **page 52**

Key activities during FY24

- Monitoring the long term financial planning, budgeting and the operating performance and strategy of the Group, in the context of a challenging trading environment and of external market expectations
- Overseeing the Group's new syndicated financing arrangements
- Overseeing stakeholder communications
- The external Board evaluation led by Gould Consulting
- Overseeing the strategic changes in our manufacturing operations
- Development of the new Remuneration Policy

"In a challenging global and economic environment, our governance framework demonstrated its resilience and supported effective decision-making, enabling the Board to respond quickly and to take decisions that create long-term sustainable value for the benefit of our shareholders and wider stakeholder groups."

Welcome to the Governance section of our 2024 Annual Report.

At DFS, we recognise the importance of effective corporate governance in supporting the long-term success and sustainability of our Company. This report details how the Board has ensured that the Group's activities are underpinned by high standards of corporate governance. In a challenging global and economic environment, our governance framework demonstrated its resilience and supported effective decision-making. This enabled the Board to respond quickly and to take decisions that create long-term sustainable value for the benefit of our shareholders and wider stakeholder groups. Over the coming year we will continue full compliance with the UK Corporate Governance Code 2018 ('the Code') provisions and work to ensure compliance with the new UK Corporate Governance Code 2024.

Our Board in 2024
All our Directors served throughout the year. As you will have seen from my introductory statement on pages 4 and 5 there have been two changes to the Board since the year end. Loraine Martins stepped down from the Board in July, and in August we were pleased to welcome Bruce Marsh to our Board as a Non-Executive Director. Bruce's biography can be found on page 53, demonstrating the wealth of retail experience he brings to the Group.

During the year, we undertook an externally led evaluation of the Board and its Committees. The evaluation, which incorporated a detailed assessment of the views of the Directors and the Group Leadership Team ('GLT'), has provided the basis for the Board Action plan. More detail on this can be found on page 59 of this report.

ESG
Environmental, social and governance ('ESG') continues to be a key focus area for our stakeholders. We continue to make good progress against our targets, achieving most, but with some requiring more work. In June we submitted for validation to the Science Based Targets initiative detailing our route to Net Zero before 2050 aligning with the UK government target. We are already making great strides to ensure our business can make the most of the opportunities of a circular economy to deliver sustainable performance for the Group. Further information on all of our ESG initiatives can be found in our Responsibility and sustainability report on pages 32 to 51.

Our commitment to good governance.
I am pleased to say that we were compliant with the Code throughout the year, and the following pages set out further details. Full details of how the Directors have fulfilled their duties in accordance with Section 172 of the Companies Act 2006 are contained in the Section 172 statement on pages 29 to 31.

2024 AGM
This year our AGM will be held on 22 November 2024 at 2.30pm at our Group Support Centre in Doncaster. The meeting arrangements and the resolutions can be found in the Notice of AGM available on our website: www.dfscorporate.co.uk.

Finally, I want to thank my fellow directors for all of their work in supporting the GLT and our strategy for the future. We are confident that we have the right strategy in place, supported by a robust governance framework. As the economy recovers this will enable us to deliver value for all of our stakeholders over the long term and allow us to respond with agility in the face of emerging challenges.

STEVE JOHNSON
Chairman
25 September 2024

Governance at a glance

Governance framework

Responsible for providing leadership to the Group's business, including setting the Group's purpose, strategy and values and promoting its long-term sustainable success. The Board has adopted a formal schedule of matters reserved for its approval.

The terms of reference for each Committee are documented and agreed by the PLC Board. These terms of reference are reviewed annually and are available on our website www.dfscorporate.co.uk.

DFS Furniture plc Board

Audit and Risk Committee

Oversees financial reporting, internal controls, risk management, compliance and audit.

See committee report on **pages 61 to 64**

Remuneration Committee

Oversees linking remuneration with strategy and determines the levels of remuneration.

See committee report on **pages 67 to 87**

Nomination Committee

Oversees the composition of the Board and succession planning.

See committee report on **pages 65 to 66**

Responsible and Sustainable Business Committee

Oversees the delivery of our ESG strategy.

See committee report on **pages 32 to 51**

Chief Executive

Responsible for the day-to-day running of the Group's business and performance, the development and implementation of strategy and promoting our culture and standards.

Group Leadership Team

Led by the Chief Executive, the members of the GLT are collectively responsible for overseeing and driving the overarching Group financial and operational performance and executing on the strategic initiatives required to deliver the Group's strategy set by the Board.

Group Governance and Risk Committee

Led by the General Counsel and Company Secretary, the Committee is responsible for internal controls relating to legal and regulatory risks.

Group ESG Committee

The Committee is responsible for overseeing the implementation of the People, Planet, Customer and Communities strategy.

A key element of our business success is having good corporate governance so, we have implemented effective frameworks and practices to ensure that high standards of governance, as well as good values and behaviours, are consistently applied throughout the Group.

Role of the Chair and Chief Executive Officer

As Chair, Steve leads the Board, ensuring its effectiveness in all aspects of its role. Tim, the CEO, is responsible for managing the operation of the Group to create value over the long term. There are clear divisions of accountability and responsibility that have been agreed and documented by the Board.

Role of the Chair

- Leading the Board and ensuring its effectiveness.
- Facilitating effective contributions of Non-Executive Directors to the leadership of the Group.
- Ensuring that effective strategic planning for the Group is undertaken.
- Ensuring effective communication between the Board and its investors; promoting a culture of openness and debate.
- Developing the Board Action plan.
- Ensuring the submission to the Board by the Chief Executive Officer of objectives, policies, and strategies for the Group, including the Group business plan and annual budget.

Role of the Chief Executive Officer

- Leading the senior management in managing the performance of the Group.
- Planning and ensuring the effective execution of the Group's strategy.
- Ensuring the effective implementation of the Board's decisions.
- Maintaining an effective framework of internal controls and risk management.
- Leading the climate change and sustainability objectives of the Group.
- Leading and motivating, the GLT, focusing on talent acquisition and retention.
- Managing the Group's relations with all of its stakeholders, the public and the media.

Role of the Senior Independent Director ('SID')

- Acting as a sounding board for the Chair.
- Meeting with the Non-Executive Directors annually, without the Chair being present, and collating feedback on the Chair's performance as part of the annual Board evaluation process.
- Meeting with the Company's shareholders to consider matters where it may be inappropriate to have those discussions with the Chair and/or Executive Directors.

Role of the Company Secretary

- Advising the Board and its Committees on corporate governance policies and procedure, and for the management of Board and Committee meetings.
- Managing the provision of timely, accurate and considered information.
- Advising the Board and representing the Company in legal matters.
- Ensuring that the Directors receive accurate, timely and clear information.

CORPORATE GOVERNANCE REPORT CONTINUED

Diversity Compliance Statement
We confirm that the Company has met the targets set out in LR 9.6.8R(9)(a)(i)-(iii) on board diversity.
The table below sets out the range of gender and ethnicity as they relate to our Board, senior Board positions (CEO, CFO, SID and Chair) and executive management as at 30 June 2024. In line with the Listing Rule definition, 'executive management' consists of the GLT.

Gender identity/sex of members of the Board and executive management 30 June 2024

	Number of Board Directors	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management[1]	Percentage of executive management
Men	3	43%	3	3	62.5%
Women	4	57%	1	2	37.5%
Other categories	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

1. Executive Management excluding the Chief Executive and Chief Financial Officer

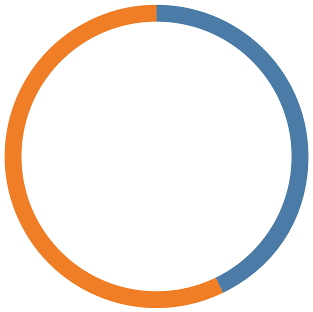
Ethnic background of members of the Board and executive management 30 June 2024

	Number of Board Directors	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management[1]	Percentage of executive management
White British or other White (including minority-white groups)	6	86%	4	5	100%
Mixed/Multiple Ethnic Groups	–	–	–	–	–
Asian/Asian British	–	–	–	–	–
Black/African/Caribbean/ Black British	1	14%	–	–	–
Other ethnic group, including Arab	–	–	–	–	–
Not specified/ prefer not to say	–	–	–	–	–

1. Executive management excluding the Chief Executive and Chief Financial Officer.

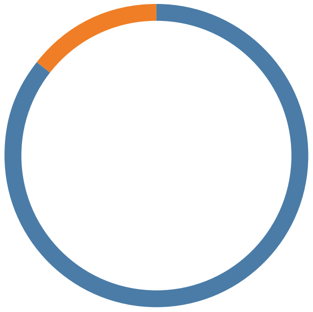
Governance at a glance

Gender diversity



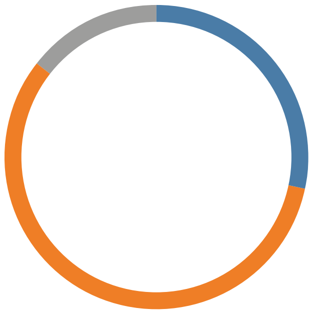
Male – 3
Female – 4

Ethnicity



White – 6
B.A.M.E. – 1

Age



46-55 years – 2
56-65 years – 4
65+ years – 1

Balance of the Board

Chair of the Board – 1
Executive Directors – 2
Non-Executive Directors – 4

Board diversity
The Board Equity, Diversity and Inclusion Policy was updated in March 2024 to align with business best practice.

CORPORATE GOVERNANCE REPORT CONTINUED

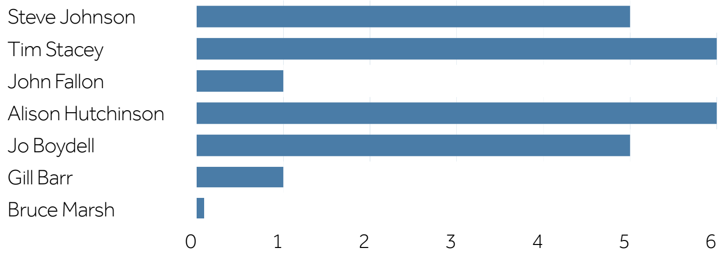
Governance at a glance

Board skills and experience

The Board comprises Directors with a broad range of skills and experience. The chart below provides an overview of the experience around the Board table. The competencies highlighted in the matrix will be considered in relation to the appointment of any new Directors to the Board. The Directors considered the level of experience in each area identified as key to the success of the Group.

Board tenure

The length of time each of the Directors has served on the Board at the date of the report, is shown below.



Appointment, election and re-election

The Board may appoint any person to be a Director, and any Director so appointed shall then be eligible for election by shareholders at the next AGM. Non-Executive Directors' appointments are for an initial period of three years. All Directors stand for annual re-election in compliance with the Code. Neither the Chair nor any Non-Executive Director have been in their position for more than nine years in accordance with the recommendations of the Code.

Independence

The Board reviews the independence of its Non-Executive Directors annually. The Board considers that the Chair was independent on appointment and that all of the Non-Executive Directors are independent.

The Company maintains clear records of the terms of service of the Chairman and Non-Executive Directors to ensure that they continue to meet the requirements of the Code. The Non-Executive Directors' appointment letters anticipate a minimum time commitment of two days per month, recognising that there is always the possibility of an additional time commitment and ad hoc matters arising from time to time, particularly when the Company is undergoing a period of increased activity. The Board considers that each of the Non-Executive Directors have sufficient time to devote to their role and that each Director's contribution is important to the long-term sustainable success of the Company. The Directors' biographies can be found on pages 52 and 53.

CORPORATE GOVERNANCE REPORT CONTINUED

Governance at a glance

Name	Meetings attended	Maximum meetings	Independent	Responsibility and role during 23/24	Date of appointment
CHAIRMAN					
Steve Johnson	8	8	✓		6 December 2018
EXECUTIVE DIRECTORS – At each Board meeting, the Board receives and discusses reports from each of the Executive Directors.					
Tim Stacey CEO	8	8	–	Leading and managing Group performance and strategy to ensure the long-term profitable operation of the Group.	1 November 2018
John Fallon CFO	8	8	–	Leading, managing, and maximising Group financial performance and investor relations.	14 November 2022
NON-EXECUTIVE DIRECTORS					
Alison Hutchinson (SID)	8	8	✓	Overseeing the implementation of the strategy and development of the Group whilst maintaining a system of internal control and risk management. Board Committee members also have further specific responsibilities in relation to reviewing the integrity of financial information, dealing with succession planning and Board diversity, and setting remuneration.	1 May 2018
Jo Boydell	8	8	✓		6 December 2018
Loraine Martins	8	8	✓		28 June 2021
Gill Barr	8	8	✓		1 March 2023
STANDING ATTENDEES					
Liz McDonald (Company Secretary)	8			Advising the Board on all legal, corporate governance and compliance issues.	30 September 2018
ATTENDED BY INVITATION – Members of the GLT are invited to attend Board meetings to present papers and discuss key matters.					
Nick Smith	2			The GLT is led by the CEO and is responsible for executing strategy and the day-to-day management of the business. Their attendance at Board and Committee meetings assists the Directors in gaining a clearer insight into the Group's operations. This process also affords the team the opportunity to bring matters to the attention of the Board.	
Emma Dinnis	1				
Alex Salden	2				
Russ Harte	3				

Committee meetings

Committee	Audit and Risk Committee	Remuneration Committee	Nomination Committee	Responsible and Sustainable Business Committee*
Steve Johnson	3	4	2	3
Tim Stacey	3	4	2	2
Alison Hutchinson	3	4	2	3
John Fallon	3	4	2	3
Jo Boydell	3	4	2	3
Loraine Martins	3	4	2	3
Gill Barr	3	4	2	3

* The Responsible and Sustainable Business Committee ('RSC') comprised Alison Hutchinson, Tim Stacey and Loraine Martins.
** All Directors are invited to Audit and Risk Committee meetings and the Responsible and Sustainable Business Committee meetings, and the Chair of the Board is invited to attend Remuneration Committee meetings. The Chief Executive Officer and Chief Financial Officer are invited to attend both the Remuneration and Nomination Committee meetings where appropriate to do so.

Board meeting attendance

The Board held eight scheduled meetings during the year, including a two day Strategy session held in April 2024 with additional ad hoc meetings held as required. Meetings took place at a number of operational locations to provide an opportunity to promote colleague engagement. During the year the Chair and the Non-Executive Directors met on three occasions without the Executive Directors present, and the Non-Executive Directors met privately with the CEO twice.

The Board has a full programme of Board meetings planned for the year ahead and intends to meet eight times, with additional meetings being held to review important trading periods or strategic matters, as required. All Directors have the right to have their concerns over, or opposition to, any Board decision noted in the minutes. All Directors have access to the Company Secretary and may take independent legal advice.

External appointments

The Executive Directors may accept outside appointments provided that such appointments do not impact their ability to perform their duties as Executive Directors of the Company.

CORPORATE GOVERNANCE REPORT CONTINUED

How the Board operates

Agenda planning is undertaken in advance of every meeting to ensure there is appropriate allocation of time to strike the right balance between regular standing items, such as reports on current trading, financial performance and budgets, the strategic plan, and regulatory and health and safety matters. At the start of the year a schedule of Special Topics is agreed between the CEO and Chairman after a discussion with the wider Board. 'Deep dives' into these Special Topics are provided by members of the GLT throughout the year. These enable the Board to gain a deeper understanding of the strategic direction of the business, exchange views and robustly debate elements of the Company's performance, specific projects or areas of strategic significance. If a Director is unable to attend a meeting, they are consulted prior to the meeting and their views made known to the other Directors. All Board decisions are recorded and any Board decision made outside of a meeting is made by written resolution. The Board has a formal schedule of matters specifically reserved for its decision and approval, a copy of which is available from the Company Secretary, Liz McDonald.

New Directors induction

All new Directors undergo a detailed, tailored induction programme including meetings with the Company's external advisors and with colleagues from across the Group to familiarise the Director with all operations, including those in showrooms, manufacturing sites, distribution centres and our Group Support Centre. When any new Director is appointed, they undergo an induction process as outlined below.

Understand their duties	One-to-one meeting with the Company Secretary to understand the Governance issues which apply to the business
	One-to-one meetings with the rest of the Board, including the Chairman, Executive Directors and other Non-Executive Directors
	Review previous Board and Committee papers, Committee terms of reference and investor presentations etc
	Meeting with External Advisors, including the auditors, brokers and external legal advisors
	Review the corporate governance materials available on Diligent Boards – including Committee terms of reference and the schedule of matters reserved to the Board
Meet the colleagues	One-to-one meetings with the members of GLT and the wider workforce
	Presentations from key functions within the Group
Visit the business	Visiting operational locations including showrooms, factories, support offices and customer distribution centres and meeting with our colleagues from these areas

Directors and their interests

The names of the Directors in office during the year, together with their relevant interests in the share capital of the Company at 26 June 2023 and 30 June 2024, and details of the Directors' share options are set out in the Directors' Remuneration Report on page 83.

Directors' indemnities and conflicts

As at the date of this report, indemnities are in force under which the Company has agreed to indemnify the Directors, to the extent permitted by law, in respect of losses arising out of, or in connection with, the execution of their duties, powers or responsibilities as Directors of the Company. The indemnities do not apply in situations where the relevant Director has been guilty of fraud or wilful misconduct. Under the authority granted to them in the Company's Articles of Association, the Board has considered carefully any situation declared by any Director pursuant to which they have or might have a conflict of interest and, where it considers it appropriate to do so, has authorised the continuation of that situation.

In exercising their authority, the Directors have had regard to their statutory and other duties to the Company. The duties to avoid potential conflicts and to disclose such situations for authorisation by the Board are the personal responsibility of each Director. All Directors are required to ensure that they keep these duties under review and to inform the Company Secretary on an ongoing basis of any change in their respective positions. The Company maintains a related party register to record any conflicts, which is updated annually. Additionally, the Group has purchased Directors' and Officers' liability insurance.

UK Corporate Governance Code 2018

Compliance statement

This Corporate Governance report incorporates reports from the Audit and Risk and Nomination Committees on pages 61 to 66 together with the Strategic report on pages 1 to 51, the Directors' Remuneration report on pages 67 to 87 and the Directors' report on pages 88 to 90. It explains how the Company has applied the relevant provisions and principles of the Code, the Companies (Miscellaneous Reporting) Regulations 2018 ('the Regulations') and the Financial Conduct Authority's Listing Rules and Disclosure and Transparency Rules during the year ended 30 June 2024. A copy of the Code is available on the Financial Reporting Council's website, www.frc.org.uk. The Board confirms that all other provisions of the Code were complied with throughout the entire year.

Board evaluation

The Board undertakes an annual evaluation of its activities and those of its committees. This year an externally led (tri-annual) review of Board effectiveness was carried out by Gould Consulting. Gould Consulting carried out the previous Board evaluation in 2021. The appointment of Gould Consulting was considered helpful to maintain consistency of approach to help build on the work carried out over the previous three years.

Stages of our Board evaluation

Stage 1	Gould Consulting attended the March Board meeting to assess the Board dynamics
Stage 2	Formal online questionnaire provided by Gould Consulting and in person interviews with each Director and the Company Secretary to provide an in depth understanding of Board dynamics
	The Senior Independent Director met with the Executive and Non-Executive Directors in the absence of the Chair, in order to discuss the Chair's performance
Stage 3	Gould Consulting's report was presented to the Board, who requested that the Company Secretary develop an action plan
	The Senior Independent Director fed back to the Chair
	Discussion around the key learnings
Stage 4	The Board approved the action plan for FY25

Results overview

Gould Consulting concluded that the Board and its Committees were performing well and had increased its effectiveness over the last year. The continuity provided by longer-standing Board members and the fresh thinking from newer members had been particularly helpful. The report that was generated was considered at the Nomination Committee when it met in May 2024, including the Chair discussing the strengths and areas of improvement identified. The view was the Board, and its Committees, had performed effectively and had addressed those areas previously identified as requiring further attention. The review found that whilst Board dynamics remain strong, given the changes to the composition of the Board, renewed focus should be on developing the relationships between the Directors and how the Board operates collectively. The conclusion overall was that the Board is operating effectively and that all Board members can contribute freely and play an active role in Board meetings.

CORPORATE GOVERNANCE REPORT CONTINUED

Highlighted strengths

- The Board was felt to be balanced, collaborative and has developed an effective way of working together.
- The quality of debate and challenge was considered to be more confident and insightful than three years ago.
- Boardroom conversations were observed to be collegiate, constructive, and supportive.
- Increased focus on ESG (via formation of the RSC).
- The quality of reporting continues to improve, but more time needs to be spent on the longer term strategy.
- Relationships between the Board and senior management are on the whole positive but would benefit from the Non-Executive Directors spending more time getting under the skin of the organisation.
- Each of the Directors were willing to engage fully in Board conversations. Any risk of 'group think' was low.

Board improvement plan for FY25

- Further enhance reporting of strategic initiatives.
- Review the schedule of Special Topics – to ensure a regular review of the key strategic initiatives.
- Non-Executive Directors to spend more time with management in one to one sessions to ensure a deeper understanding of key areas of the business.
- Increase Non-Executive Director attendance at Voice Forum sessions.
- Elevated focus on Risk and Internal Audit, reconfiguring how these two functions report regularly into the Board.
- Review how the Risk and Internal Audit teams can improve risk management and internal control processes.
- Focus on Board succession planning to address the issue of Board members having similar tenure profiles.

The Board will continue to review its procedures, effectiveness, development and composition during the year ahead. The Chair will use the output of the Board evaluation to further develop the performance of the Board during the year ahead.

Shareholder engagement

The Board actively seeks and encourages engagement with major institutional shareholders and other stakeholders. The Chief Executive Officer and Chief Financial Officer regularly meet with analysts and institutional shareholders to keep them informed of significant developments and to develop an understanding of their views which are discussed with the Board.

In addition to the extensive engagement carried out by the CEO and CFO, the Chairman and Senior Independent Non-Executive Directors make themselves available to shareholders so that any issues and concerns can be communicated to the Board. All Directors are available to meet with shareholders at their request. During the year Gill Barr, Chair of the Remuneration Committee met several major shareholders to seek their views on the new Remuneration policy. The Remuneration policy is designed to support strategy and promote the long term success of the Group. A summary of the new Remuneration Policy and the Remuneration strategy is contained in the Remuneration Committee report at pages 67 to 87. To maintain a clear understanding of market perceptions the Directors regularly review investor relations activity, comments by analysts, communication from major shareholders and advice from the Group's brokers.

Interaction with all shareholders

- Presentations of full-year and interim results to analysts and shareholders; available on the corporate website.
- The Annual Report detailing the Group's strategy, business model and performance over the past financial year and plans for future growth.
- The Annual General Meeting. All shareholders are encouraged to attend and put any questions to the Board.
- The Company's corporate website (www.dfscorporate.co.uk), where investor information is regularly updated.

External auditor

Our external auditor is KPMG LLP and our engagement partner is Gill Hopwood-Bell. We continually assess the independence and expertise of KPMG LLP. Our non-audit services policy can be found on our website and further details are on page 110.

Internal audit

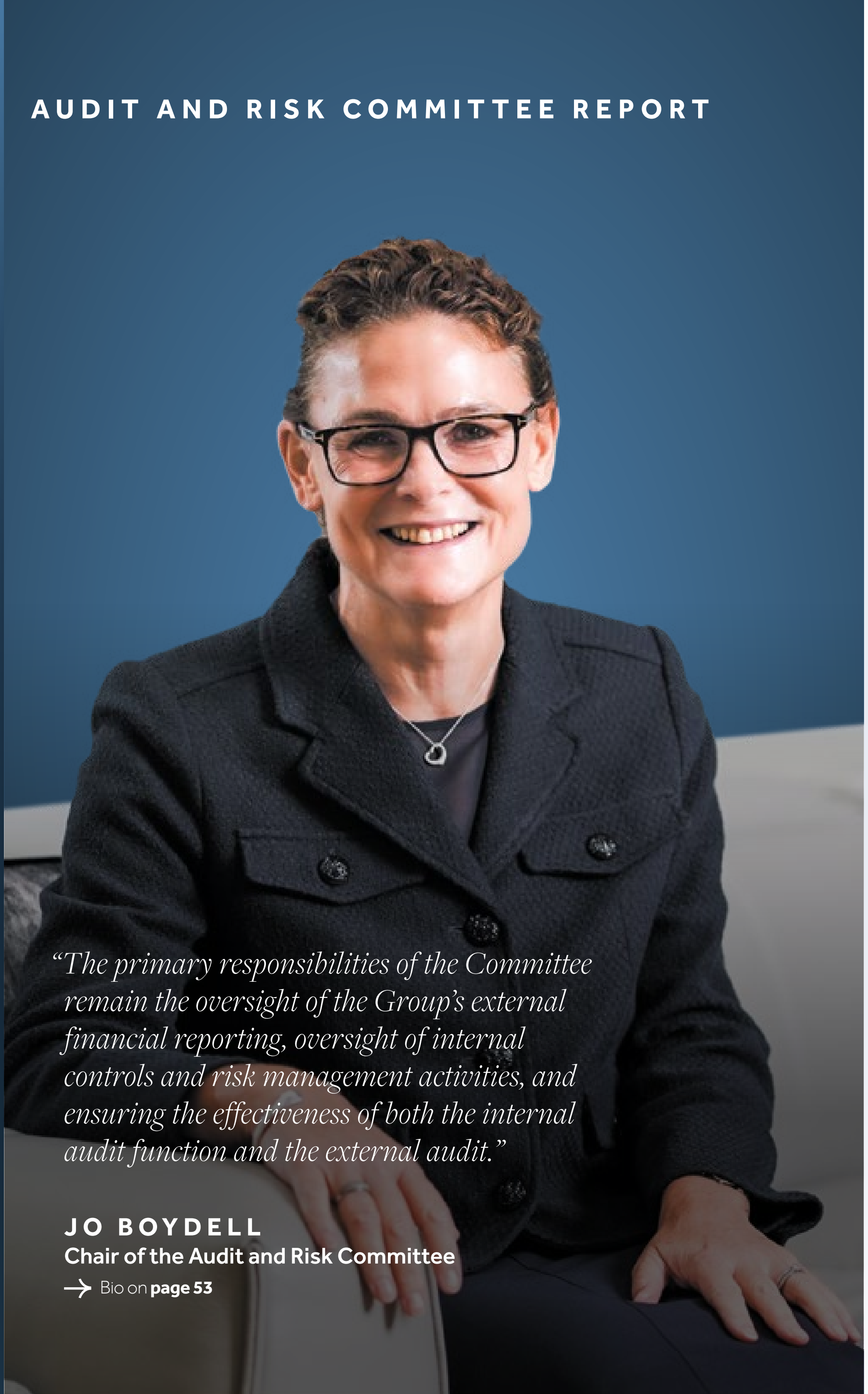
Further details relating to the Internal Audit function are contained within the Audit and Risk Committee report on pages 61 to 64.

DTR Disclosure

The disclosures required under DTR 7.2 of the Disclosure and Transparency Rules are contained in this report, and the Audit and Risk Committee and Nomination Committee reports, except for information required under DTR 7.2.6 which is contained in the Directors' Report on pages 88 to 90.

Signed on behalf of the Board of Directors.

ELIZABETH MCDONALD
Group General Counsel and Company Secretary
25 September 2024



AUDIT AND RISK COMMITTEE REPORT

“The primary responsibilities of the Committee remain the oversight of the Group’s external financial reporting, oversight of internal controls and risk management activities, and ensuring the effectiveness of both the internal audit function and the external audit.”

JO BOYDELL
Chair of the Audit and Risk Committee

→ Bio on **page 53**

On behalf of the Board I am pleased to present this year’s Audit and Risk Committee report.

This report is intended to provide shareholders with an insight into key areas considered by the Committee and an overview of how the Committee has discharged its responsibilities during the year. The Committee plays an important role in ensuring the integrity of financial reporting, the effectiveness of the internal control environment and the operation of our risk management processes.

The Committee continues to ensure that the financial reporting is aligned with the latest requirements and guidance from regulators, that it is fair, balanced and understandable and that all matters disclosed and reported upon meet the needs of our stakeholders. While no significant new financial reporting matters arose in FY24, viability reporting and goodwill impairment assessments have continued to be important focus areas given the weak market growth, Red Sea disruption and other pressures on the macroeconomic environment.

In addition we have continued to formalise and monitor our control environments across the business to strengthen our existing arrangements and to ensure we are well placed to meet the requirements of future changes to the Corporate Governance Code.

At the start of the year the reporting lines for the Risk Management team and Internal Audit were amended to reflect updates to management’s ownership and accountability for management of risk, and to provide clarity over the independence of the audit function.

The Committee continues to conduct regular assessments of the quality and effectiveness of the internal and external audit processes and we have considered a variety of matters aligned with the Group’s principal risks.

I thank my fellow Committee members for their valuable contribution and support during the year, and I welcome any comments or questions from shareholders.

Composition

The members of the Committee are all independent Non-Executive Directors who, together, have extensive commercial, financial and operational experience and skills relevant to the Group and are all independent in character and judgement and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgement.

The Committee continues to be chaired by Jo Boydell, who was appointed to the role in April 2019. The Board considers that, by virtue of her current and recent executive roles, details of which are set out on page 53, Jo has recent and relevant financial experience and the Company complies with the requirements of the Code in this respect. Other Committee members who served during the year are Alison Hutchinson, Loraine Martins and Gill Barr. Loraine Martins stepped down from the Committee on 31 July 2024 and we welcomed Bruce Marsh as a new Non-Executive Director on 1 August 2024.

Biographies of the Independent Non-Executive Directors are included on pages 52 and 53 and a summary of their principal skills and experience is shown on page 57.

Regular attendees at Committee meetings include the Chair of the Board, Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Head of Risk, Group Finance Director, Company Secretary and the external auditor. The Committee held three scheduled meetings in the year. Details of attendance at scheduled Committee meetings can be found on page 58. The Committee Chair also meets with the CFO, Group Finance Director, Head of Internal Audit, Head of Risk and external auditor prior to each Committee meeting and on an ad hoc basis.

AUDIT AND RISK COMMITTEE REPORT CONTINUED

Performance evaluation
The evaluation of the performance of the Audit and Risk Committee was carried out as part of the wider review of Board effectiveness, further details of which can be found in the Corporate Governance report on page 59. There were no significant concerns raised from this review and the Committee was deemed to be operating effectively.

Roles and responsibilities
The Audit and Risk Committee assists the Board in discharging its responsibilities with regard to the oversight of financial reporting, internal controls and risk management, and internal and external audit.

Financial reporting
The ultimate responsibility for reviewing and approving the Annual Report and Accounts and the half-yearly reports remains with the Board.

The Committee reviews the content of the Annual Report and Accounts and advises the Board on whether, taken as a whole, they are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's and Company's position and performance, business model and strategy. This review includes an assessment of the adequacy of the disclosure with respect to going concern and viability reporting and due consideration to laws and regulations, the Task Force on Climate-related Financial Disclosures ('TCFD'), the provisions of the UK Corporate Governance Code and the requirements of the Listing Rules.

In reviewing the Annual Report for the 53 weeks ended 30 June 2024, the Committee considered the balance of the Strategic report with respect to proportional focus on positive and negative results and events, adequate disclosure of risks and the consistency of reporting of financial and other measures. The Committee also considered the extent and prominence of alternative performance measures presented. This additional review by the Audit and Risk Committee, supplemented by advice received from external advisors during the drafting process, assisted the Board in determining that the report was fair, balanced and understandable at the time that it was approved.

The Committee also reviews the content of the Annual Report to ensure the impacts of climate related risks and opportunities are explained and that, taken as a whole, the Annual Report provides a coherent and connected view of climate reporting. Further detail on climate reporting is included in the Responsibility and sustainability report and also outlined in the Risks and uncertainties.

Significant items considered in relation to the financial statements
During the year the Committee reviewed items relating to going concern and viability, impairment, inventory, pensions and provisions. The Committee considered the significant matters below in relation to the financial statements and how these were addressed. This included reviewing papers prepared by management detailing the basis of and rationale for the treatments adopted. The Committee also received reports from and held discussions with the external auditor to ensure that a robust level of challenge had been made to management's assessments and to confirm that there were no significant differences of opinion between management and auditors.

Area of Focus	Action
Presentation of financial statements	Pages 19 and 20
The Group uses Alternative Performance Measures (APM's) and includes additional disclosures, including reconciliations to statutory measures.	The Committee considers it important to consider statutory measures and the APMs when reviewing these financial statements. In particular, items excluded from underlying results were reviewed by the Committee and it is satisfied that the presentation of these items is clear and that there is adequate disclosure of these material non-recurring items. The net non-underlying charge for the year was £10.8m and the most significant items relate to fees for the Group's refinancing activities, costs related to closure of the Group's Berkeley Magna factory and woodmill site, and provision for estimated costs to make good land slippage damage at one of the Group's sites.
Going concern and viability reporting	Page 28
In addition to the going concern statement, the Group is required to make an assessment of its longer term viability. This requires the application of a number of judgements and estimates, particularly given the continuing macroeconomic uncertainty.	The Committee, along with the Group's external auditor, has reviewed management's assessment of the financial liquidity prospects of the Group for the three years from 30 June 2024, being a reasonable period for the assessment of key risks for a retail business given continuing political and economic uncertainties. This review included challenging the base case assumptions and reviewing the downside scenarios and stress tests. The Committee reviewed and challenged management's assessment of expected compliance with the banking covenants and the extension of terms agreed with the banks and concluded that the going concern assumption remains appropriate and that the Board is able to make the viability statement on page 28 of the Strategic Report.
Impairment of goodwill and other intangible assets	Note 10 to the consolidated financial statements
As a result of business acquisitions, the Group has recognised significant balances for goodwill. Goodwill must be tested annually for impairment; other intangible assets are tested when there are indicators that they may be impaired. The assessment of potential impairment requires a number of judgements and estimates to be made in determining the relevant future cash flows and the discount rate to be applied.	The Committee reviewed and challenged the approach taken by management to impairment testing, and assessed the reasonableness of the underlying assumptions and financial forecasts used. The Committee considered the appropriateness of the conclusions reached, and also reviewed the external auditor's report and discussed their observations and findings in this area. The Committee will continue to review the carrying value of intangible assets at least annually, or in the event of any significant changes to the structure or circumstances of the Group.

AUDIT AND RISK COMMITTEE REPORT CONTINUED

Area of Focus	Action
Parent company investments	Note 2 to the Company financial statements
The ultimate parent company of the Group, DFS Furniture plc, holds a significant value of investments in subsidiary companies in the Group. The carrying value of these investments and related intragroup borrowings is supported by the estimated value in use of the underlying trading entities. Assessment of the estimated value in use requires a number of judgements and estimates to be applied.	The Committee reviewed management's assessment of the recoverability of the parent company investments, including the underlying judgements and estimates, and considered the consistency of these with the assessment of the impairment of intangible assets as noted above. The Committee considered the appropriateness of the conclusions reached, and also reviewed the external auditor's report and discussed their observations and findings in this area. The Committee will continue to review the carrying value of the parent company investments at least annually, or in the event of any significant changes to the structure or circumstances of the Group.

In addition to existing requirements, the Committee monitors and considers future corporate reporting developments in order to develop the Group's approach to meet any new requirements. During the year the Group has continued to monitor developments and to work towards anticipated requirements on UK corporate governance reform and this will be an ongoing area of focus for FY25.

Internal control and risk management
Alongside our risk management processes, key components of the Group's internal controls environment include:
- Clearly defined lines of accountability via a Group delegation of authority and underlying business area delegations.
- The Group's Code of Conduct and suite of policies, setting the floor of minimum commitments for our business conduct. These commitments are linked to the Group's principal risks and uncertainties and ensure we act in line with relevant legal and regulatory requirements, as well as industry standards and stakeholder expectations.
- Procedures, operating standards and colleague training for each of our business and key functional areas as appropriate, to support the management of key risks and establishing ways of working within the Board's approved risk appetite. These cover areas ranging from financial reporting, corporate compliance, information security, interest free credit compliance, modern slavery, anti-bribery and ethical sourcing.
- Relevant business areas and functions own these underlying components of our internal controls environment, and are responsible for ensuring control processes and activities are maintained and operate effectively.
- Functional assurance activity also takes place across the business to target key risk areas, overseen by relevant business experts or specialist functional teams, including our Financial Controls, Cyber Security and Financial Conduct Authority Compliance teams.

The GLT conducts a quarterly risk review and a Governance, Risk and Compliance Committee comprising senior management meets monthly to review changes in the regulatory/legal landscape, with key points forming the basis of the Audit and Risk Committee discussion. The risk team regularly assesses and highlights new and emerging risks, changes in rating of principal risks and developments on risk management to the GLT.

The framework of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss, or fraud.

In respect of the Group's financial reporting, the Finance department is responsible for preparing the Group financial statements using a well-established process and ensuring that accounting policies are in accordance with International Financial Reporting Standards. All financial information published by the Group is subject to the approval of the Audit and Risk Committee and the Board.

There have been no failings in the operation of the Group's internal controls during the financial year under review that have materially affected the Group's control over financial reporting. The Committee has maintained oversight of key processes and controls development in the Group. During FY24 significant progress has been made on inventory processes and valuation and the Committee received regular updates to support appropriate action.

As highlighted in the previous annual report, to further formalise alignment to the existing corporate governance requirements, and to ensure we meet upcoming changes to the corporate governance code, a project to enhance the structure, monitoring and reporting of the Group Internal Controls over Financial Reporting commenced during the year, and will align with a wider internal controls project designed to formalise, enhance and monitor the control environment underpinning future disclosures on material controls. This project gives us a structured framework to document, enhance and remediate control gaps that although are not significant to the financial statements are an opportunity to mature our control environment. The Group's goal remains a thorough and orderly approach to compliance.

The Board, with advice from the Audit and Risk Committee, is satisfied that an effective system of internal controls and risk management is in place which enables the Group to identify, evaluate and manage key risks and which accords with the guidance published by the FRC. These processes have been in place since the start of the financial year and up to the date of approval of the accounts. Further details of specific material risks and uncertainties facing the business can be found on pages 21 to 28.

Oversight of Internal Audit
The Committee considers the resources and plans of the Internal Audit function at each meeting. The role of Internal Audit, its reporting line and key responsibilities are contained within an Internal Audit Charter which is approved annually by the Committee, and was last approved at the July 2024 meeting.

Historically the in-house Internal Audit function has provided detailed coverage of the operations of the retail and distribution operations of the business, highlighting trends and significant issues to management through operational audits, which has covered the majority of sites on a two-year cycle. The in-house audit team is supplemented by specialist assurance providers to give coverage on other areas including cyber risk and IT. Following a change in reporting line and separation from the Risk Management function during FY24, internal audit undertook an additional series of risk-based audits under a plan of work approved by the Committee, to provide greater coverage across key risk areas.

A detailed assurance mapping exercise was commenced during the year to support this risk-based planning, and the Committee considers the work of Internal Audit alongside a variety of other assurance sources including internal and externally sourced reviews and the use of specialists as required.

A proportion of the in-house Internal Audit resource is retained to allow the function to respond to changing business needs or emerging issues which sit outside the agreed audit plan. All work of Internal Audit, in-house and externally sourced, planned or otherwise, is summarised and reported to the Audit and Risk Committee.

Summarised reporting of internal audit results is provided to the Governance, Risk and Compliance Committee on a monthly basis and also at each Audit and Risk Committee meeting. In addition, the status of all agreed management actions arising from internal audit work is monitored and reported to the Committee, either through the performance of detailed follow-up reviews for operational audits, or by tracking, reporting and following up individual actions from other audits.

AUDIT AND RISK COMMITTEE REPORT CONTINUED

The status of management actions is shared with the GLT monthly, prior to presentation to the Committee. Common themes emerging from internal audit work are also fed back to operational leadership teams to support controls and process improvements.

Oversight of external audit

Assessment of effectiveness and quality of the external audit process

The Audit and Risk Committee oversees the relationship with the external auditor and considers the re-appointment of the Group's auditor, before making a recommendation to the Board to be put to shareholders.

As part of this responsibility to assess the effectiveness of the external auditors, the Committee approved the audit plan for the financial reporting period of 53 weeks ending 30 June 24 and reviewed the auditor's findings and management representation letters.

In addition to consideration of the audit process, responses to questions from the Committee and the audit findings reported to the Committee, a structured feedback exercise was again undertaken during the year. This exercise collated feedback on a wide range of factors from Non-Executive Directors, senior managers and relevant colleagues from the Finance, Internal Audit and Risk, Legal and Compliance teams. The results of this feedback identified strengths in the audit scoping, governance, quality control and judgement. Relative opportunities remain in communication and fees, although progress was achieved since FY23. These results supported the Committee in its conclusion that KPMG LLP continues to be effective, objective and independent in its role as external auditor.

Appointment of the external auditor

The Group's external auditors were re-appointed in FY22 following a tender process as detailed in previous annual reports. Under current UK corporate governance requirements the external audit provision will be subject to another tender no more than ten years later, ahead of the start of the FY32 audit. The Committee has recommended to the Board the reappointment of KPMG LLP as auditor for the FY25 audit.

Independence and objectivity

The external auditor is required periodically to assess whether, in its professional opinion, it is independent and those views are shared with the Audit and Risk Committee. The Committee has authority to take independent advice as it deems appropriate in order to resolve issues on auditor independence. No such advice has been required to date. There are no contractual obligations in place that restrict the choice of statutory auditor.

In line with regulation, the previous external Audit Partner rotated off the audit at the end of the FY23 audit. The Committee welcomed Gill Hopwood-Bell as the new external audit partner for FY24.

Non-audit services and fees

The Committee regularly reviews the Group's policy on non-audit services, which governs the provision of non-audit services provided by the auditor and, in summary, categorises the types of non-audit services as:

- **Prohibited** – services that have the potential to impair or appear to impair the independence of their audit role;
- **Permissible (subject to approval limits)** – services which primarily relate to work that is outside the required scope of the statutory audit, but is consistent with the role of the external statutory auditor; and
- **Services to be considered on a case-by-case basis** – all other services of an advisory or other nature that do not compromise the independence of the external auditor.

In any event, within each of the Group's legal entities, the cumulative total of non-audit fees paid to the external auditors within each financial year must not exceed 70% of the average audit fee for the last three financial years. The above policy has been adhered to throughout the financial year, during which the only non-audit services provided by the Group's external auditor were an interim review, which is closely related to the audit and is permissible assurance work under the policy. The audit and interim review fees for the year in respect of the Group and its subsidiaries were £0.8m.

Whistleblowing

The Group is committed to the highest standards of openness, honesty, integrity and accountability and, as a result, has a whistleblowing policy in place. This policy is intended to make employees or third parties aware that they should report any serious concerns or suspicions about any wrongdoing or malpractice on the part of any employee of the Group. The process is confidential and reports can be made anonymously and without fear of being treated unfairly after making a report. Examples include fraud, breakdown in internal controls, misleading customers, bribery, modern slavery, dishonesty, money laundering, corruption and breaches of data protection or health and safety.

During FY24 the Group has continued to report and analyse whistleblowing incidents, including outcomes of investigations, trends and highlights are reviewed at the monthly Group Governance, Risk and Compliance Committee and shared with the Audit and Risk Committee.

During the year, there were 24 (FY23: 29) reports received through the whistleblowing process, all of which were fully addressed in accordance with the policy.

Fraud risk

The Committee considered the fraud risk assessment report from Internal Audit and noted that no frauds have been identified during the year that would have a material impact on the Group's financial results.

The responsibilities of the Directors and external auditor are set out on pages 91 and 98. As set out in the Directors' report, the Directors consider the Group's business to be a going concern. The Group's viability statement can be found on page 28.

JO BOYDELL
Chair of the Audit and Risk Committee
25 September 2024

NOMINATION COMMITTEE REPORT

"This year, the Nomination Committee has focused on ensuring that the Board has the necessary skills, experience and diversity of thinking to support the strategy of the Group going forward."

STEVE JOHNSON
Chair of the Nomination Committee

→ Bio on **page 52**

Welcome to the report from the Nomination Committee.

The primary focus this year has been on; reviewing the talent across the Group to ensure that both the Board and the Group Leadership Team has the necessary skills, experience, and diversity of thinking to support the strategy of the Group going forward, the appointment of an additional Non-Executive Director and on the tri-annual external Board Evaluation. Appointments to the Board, as with other positions within the Group, are made on merit according to the balance of skills, experience, diversity, and inclusion offered by prospective candidates. The Committee adopts a formal and transparent procedure for the appointment of new Directors to the Board.

Non-Executive Director appointment
Bruce Marsh joined the Board in August 2024 as a new Independent Non-Executive Director, bringing significant additional retail and finance expertise. Following the decision by Loraine Martins to step down from her role as a Non-Executive Director, the Committee is currently reviewing how we continue to ensure that the colleague voice is heard at Board level. A decision on the role of Designated Non-Executive Director for workforce engagement will be announced in due course. New Board members are always welcomed into the business through a comprehensive induction, coordinated by the Company Secretary.

Key activities during FY24

- Continuing to assess the composition of the Board to ensure it remains well placed to discharge its responsibilities
- Conducting the search for and the appointment of a new Non-Executive Director
- Reviewing the pipeline of talent within the Group Leadership Team and assessing their development needs
- Conducting the external Board evaluation by Gould Consulting
- Reviewing the Board Equity, Diversity & Inclusion Policy in May 2024

Composition
The Code recommends that the majority of the Nomination Committee consists of Non-Executive Directors, independent in character and judgement and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgement. Each of the Non-Executive Directors is a member of the Nomination Committee. The Board considers that each of the Non-Executive Directors are independent. The Chair was independent upon appointment and as such, the Company complies with the Code. The Committee's terms of reference are available on the Company's corporate website at www.dfscorporate.co.uk. Although only members of the Committee have the right to attend Committee meetings, the Chief Executive Officer and the Chief Financial Officer are invited to attend meetings where appropriate. The Nomination Committee will meet as often as it deems necessary but, in accordance with its terms of reference, at least twice a year.

Principal duties
The purpose of the Committee is: (i) to assist the Board by keeping the composition of the Board under review; (ii) to make recommendations within agreed terms of reference (to the Board) on the appointment of Executive and Non-Executive Directors ensuring the Board is sufficiently diverse and has the correct blend of skills, knowledge and experience required to support the Company; (iii) to oversee the succession plans for the Board and senior management; and (iv) to ensure that there are processes in place to secure a diverse pipeline of potential candidates for succession to key management positions and to the Board. The Nomination Committee regularly updates a matrix of the skills brought to the Board by all Directors; both Executive and Non-Executive. Details of the skills and experience of the Directors are shown on page 57.

NOMINATION COMMITTEE REPORT CONTINUED

'Everyone Welcome'

DFS is a Group that lives its values and is committed to having a diverse and inclusive workforce and culture throughout the organisation. Our objective of driving the benefits of a diverse Board, senior management team and wider workforce is underpinned by our Board Equity Diversity & Inclusion Policy, which can be viewed on our corporate website. The Board and GLT believe a diverse and inclusive workforce and a culture where everyone is welcome, is crucial to the long-term success of the Group. I can report that we currently have three female Directors out of our Board of seven directors. The biographies of the Board of Directors can be found at page 52 and 53 of the report. The Committee takes an active interest in the quality and development of talent and capabilities of the GLT ensuring that appropriate opportunities are in place to develop high-performing individuals across Group. This year 12 of our senior leaders undertook our 12 month long Leader Development programme. The programme was developed with a range of external partners to develop an in-depth understanding of culture, corporate governance leadership and key strategic challenges and opportunities. The team were challenged to develop a new approach to improving the sustainability of our products and how we can meet the challenge of Net Zero. Having joined the cohort for a session on corporate governance and the role of a Non-Executive Director, I was impressed by the commitment and enthusiasm of everyone involved.

Board evaluation

As required by the Code, the Board undertakes an annual evaluation of its activities and those of its Committees. This year facilitated by Gould Consulting, the Board conducted an externally led review of its effectiveness. Between March and May 2024, a three-stage process was followed. More information on the process and outcomes is detailed on page 59 of this Corporate Governance report. The performance of the Nomination Committee was reviewed as part of the evaluation process, and I am pleased to report that the evaluation concluded that the Committee continues to operate effectively.

What we will do in 2025

– Continue to assess the Board skills and composition of the Board.
– Look to further strengthen the Board through the appointment of an additional Non-Executive Director to ensure that we have the right blend of skills for the current environment and that we have the right experience and tenure to deliver continuity and succession in the fullness of time.
– Conduct an internally led review of the Board's performance with greater focus on the risk and control environment as we prepare for the new UK Corporate Governance Code 2024.
– Review the frequency of meetings and terms of reference of the Committee.
– Review the Group Leadership Team succession planning and talent management strategy

STEVE JOHNSON
Chair of the Nomination Committee
25 September 2024

DIRECTORS' REMUNERATION REPORT

"It is critical that we can effectively incentivise our senior leaders to make the best long term decisions that successfully deliver our strategy."

GILL BARR
Chair of the Remuneration Committee

→ Bio on **page 53**

On behalf of the Board, I am pleased to present the Remuneration Committee report for the financial year ended 30 June 2024.

Contents of this report

Committee members during FY24

- Gill Barr (Chair)
- Alison Hutchinson
- Jo Boydell
- Loraine Martins

Key activities during FY24

- Review of the Directors' Remuneration Policy and the introduction of the new DFS Group Share Plan
- Consultation with shareholders in relation to the Directors' Remuneration Policy
- Determining outturns for incentives in respect of FY24, taking into consideration the experience of key stakeholders over the period
- Assessing the competitiveness of executive director and executive committee remuneration arrangements
- Setting performance targets for the FY25 annual bonus and performance underpins for the FY25 DFS Group Share Plan awards
- Consideration of market trends and governance updates
- Review of Committee's terms of reference
- Consideration of pay and conditions across the wider workforce

Part A: Annual statement by the Remuneration Committee Chair

The Remuneration Report provides a comprehensive overview of our remuneration framework (including the rationale behind the changes to the Directors' Remuneration Policy), its implementation and its alignment with the business strategy.

Remuneration in context

Against a backdrop of very challenging market conditions, this past year has seen continued and sustained improvements in the capabilities of the Group, evidenced by the fact that we have maintained our market leading position whilst improving gross margin rate and delivering high levels of customer conversion and satisfaction.

However, with market demand levels falling to record lows, continuing supply chain disruption in the Red Sea and the business having to absorb significantly higher costs as a result of high levels of international freight rates and continued elevated interest rates, this has inevitably resulted in disappointing financial results. Given these challenges, the Board concluded that it would not be in the best long term interests of the Group and our shareholders to propose a final dividend.

The business has responded to these challenges by taking decisive action to accelerate a number of cost cutting initiatives while being resolute in protecting and improving our customer facing resources to deliver good outcomes for our customers.

The medium term prospects for upholstered furniture remain strong and we are confident that the our leading market position and strategy will ensure that the business is well positioned to take advantage of the market rebound.

The Remuneration Committee carefully considered the experiences of all key stakeholders, as well as overall Group performance, when making decisions on executive remuneration. We have outlined below the key drivers of our decisions.

DIRECTORS' REMUNERATION REPORT CONTINUED

Remuneration Policy Review
Our existing remuneration policy was approved by shareholders at the 2021 AGM. In line with the normal three-year cycle, we will be seeking shareholder approval for a new remuneration policy (as set out on pages 73 to 80) at the 2024 AGM.

During the year, the Committee conducted a thorough review of our remuneration framework to ensure it continues to be aligned to our strategy. As part of this review, we consulted extensively with our major shareholders (who together hold around 90% of the Issued Share Capital) and the main shareholder representative bodies (IA, ISS and Glass Lewis).

Following this review, and taking into account feedback received from our shareholders, the primary change being proposed is to introduce a restricted share scheme – the DFS Group Share Plan ("DSP") to replace the current performance based LTIP as our long-term incentive plan. Further details around this change are outlined below.

Introduction of the DSP
As highlighted previously, DFS continues to operate in a very challenging market, facing high levels of cost inflation alongside significant increases in interest rates, which places demand in the UK upholstery market under significant pressure and creates a volatile market environment.

Against this backdrop, it is critical that we can effectively incentivise our senior leaders to make the best long-term decisions that will successfully deliver DFS' strategy. This requires them to be able to have the flexibility to respond in an agile way to the dynamic economic context and the Committee considers that the current LTIP, where targets are fixed for three years, limits the degree of flexibility required in this rapidly changing environment. The current market dynamics also make it difficult to set sufficiently robust and motivational three-year targets for a performance based LTIP.

The Remuneration Committee considers that in the current market the DSP is more effective than a performance based long-term incentive plan for the following key reasons:

- The DSP is a more flexible reward framework. The Committee believes that restricted shares will encourage management to make the best long-term decisions for the business while allowing for agility of decision making, enabling management to quickly respond to the ever-changing macroeconomic and consumer environments.
- We believe in the principle that our Executive Directors should be directly aligned with our shareholders. The DSP provides a simple and transparent reward framework which can support the creation of significant long-term equity ownership and through this, alignment with the shareholder experience.
- DSP awards will support the Executive Directors in building a long-term shareholding in the business, which supports retention and motivation of key executives in a challenging talent market.
- We already use restricted shares as a form of long term-reward within the business, and therefore adopting the DSP for our Executive Directors will deliver alignment across the Group.

In developing the new remuneration policy, the Committee carefully considered the purpose of each element of the remuneration package in incentivising our Executive Directors to deliver on the DFS strategy and to provide sustainable shareholder returns. The Committee believes that introducing the DSP alongside our current Annual Bonus, which drives short term performance against DFS' key financial and strategic objectives each year, and shareholding guidelines is the best combination to incentivise our Executive Directors to make the right decisions for the business that will ultimately lead to shareholder value creation.

DSP – design parameters
The proposed DSP is fully aligned with established best practice guidance in the UK listed market, as summarised below:

- Maximum awards under the DSP are based on a "haircut" of 50% from current LTIP award levels, resulting in maximum awards of 87.5% of salary for the CEO and 70% of salary for the CFO. For FY25 we will be further discounting the DSP awards granted to 80% of salary for the CEO and 65% of salary for the CFO to reflect the shareholder experience during the year. Further details are provided below.
- Awards are earned over a vesting period of three years, followed by a two-year post-vesting holding period.
- Awards are subject to robust underpins that are focused on ensuring that DFS continues to deliver on its strategy, maintains robust governance and provides an appropriate safeguard for our shareholders, in line with guidance and best practice. The underpins for FY25 awards are as follows:
  - Performance against DFS' key strategic priorities being at an appropriate level, including those related to our sustainability objectives over the vesting period.
  - Whether there is a material weakness in the underlying financial health or sustainability of the business. Factors such as (but not limited to) revenue, underlying profit, free cash flow and ROCE would be considered.
  - Whether there has been a materially serious reputational event which could have been reasonably foreseen.

At the end of the vesting period the Committee will consider whether or not the underpin has been met. If it is judged that the underpins have not been met, then the Committee will determine what level of scale back to the level of vesting would be appropriate.

In direct response to investor feedback, the Committee has developed an internal dashboard to support the Committee in its assessment of the underpins. This dashboard will allow the Committee to assess how the Company and individuals have performed against a set of key financial and non-financial metrics across the vesting period, further supporting a holistic assessment of performance and adding additional robustness to the process. Detail around the assessment of the underpins will be provided in the relevant Directors' Remuneration Report at the time of vesting.

The views of our shareholders are important to the Committee and we were pleased that on consultation, the majority of our shareholders were supportive of our proposals and understood the rationale behind the proposed introduction of the DSP for DFS at the current time. We thank our shareholders for the time they took to provide their feedback, which helped shape the final proposals.

Pay outcomes in FY24
Group performance summary

- Reflecting challenging macroeconomic conditions, Group loss before tax from continuing operations for the year was £1.7m (FY23: profit of £29.7m)
- Group Revenue from continuing operations for FY24 of £987.1m (FY23: £1,088.9m)
- Delivery of £27.5m of operating cost reductions, growing our full year gross margin rate by +140bps year on year
- Achieved record high post purchase and post delivery customer NPS scores.

Annual Bonus in FY24
The bonus for FY24 was based 50% on profit before tax, 20% on cash flow, 10% on environmental targets, 10% on social targets and 10% on customer NPS. Despite strong performance against the non-financial measures, threshold PBT was not achieved and therefore no bonuses were payable to the Executive Directors.

LTIP vesting in respect of FY24
The 2021 LTIP award was based 50% on Adjusted EPS, 15% on relative TSR growth against the FTSE 250 Index (excluding investment trusts) and 35% on the FTSE 350 General Retailers Index. Adjusted EPS was 1.5p versus a threshold level of 24.8p and so this element did not vest. The relative TSR performance against both peer groups was also below the threshold and therefore the 2021 LTIP award lapsed in full.

The Committee considered that a nil outcome of the annual bonus and LTIP outcome was appropriate in light of overarching business performance and the broader experience of shareholders and therefore no discretion was exercised in relation to these awards.

DIRECTORS' REMUNERATION REPORT CONTINUED

Implementation for FY25

Base salary for FY25

The base salaries for Executive Directors were increased by 2%, effective 1 July 2024, in line with the average increase applied to the majority of our wider workforce.

Annual Bonus for FY25

The bonus opportunity for the Chief Executive Officer will remain at 120% of salary and for the Chief Finance Officer 110% of salary. The FY24 bonus will therefore continue to have a 70% weighting on financial measures (50% Profit Before Tax and 20% Cash Flow) and a 30% weighting on strategic non-financial measures. In recognition of the strategic priorities for the Group over the next year, 15% of the bonus will be based on the delivery of 'Business Critical' objectives, which are linked to the leadership team's successful delivery of specific projects and objectives aiming to facilitate the Group's transformation and enhance its market positioning, financial health, employee engagement and operational effectiveness. The strategic non-financial measures will therefore be based on 5% environment, 15% business critical objectives and 10% customer.

DFS Group Share Plan awards for FY25

Subject to shareholder approval at the 2024 AGM, the intention is to grant awards under the new DFS Group share Plan to the CEO and CFO for FY25. As noted above, the intention is to grant reduced awards of 80% of salary and 65% of salary to the CEO and CFO respectively. This represents a c.55% reduction from the original LTIP award level. The Committee determined that it was appropriate to make this further reduction to align with the shareholder experience, taking into account the withdrawal of the final dividend for FY24.

In line with the new remuneration policy, the award will vest after three years subject to the achievement of robust underpins, as outlined above. A two-year post vesting holding period will also apply.

The intention is that awards will revert to their normal award levels of 87.5% and 70% of base salary for the CEO and CFO for FY26.

Our colleagues

Our colleagues are vital to the success of the Group. I am grateful for all the passion, commitment and hard work shown by all our colleagues across the Group, which is fundamental to our ability to deliver fantastic products and service to our customers.

The Committee continues to be mindful of the wider colleague experience, which is a key consideration in determining the approach to take for our Executive Directors, including as part of the review of the directors' remuneration policy.

A summary of our remuneration philosophy and principles that applies across the Group is set out on page 71.

Resolutions proposed at the 2024 AGM

The new remuneration policy will be presented to shareholders for a binding vote, while the Annual Report on Remuneration will be presented for an advisory vote at the 2024 AGM.

In addition, the new DFS Group Share Plan rules will be presented to shareholders for approval.

I hope that our shareholders will continue to support the decisions we have made.

GILL BARR
Chair of the Remuneration Committee
25 September 2024

Part B: Remuneration at a glance

Implementation of Remuneration Policy in FY24

Base Salary

Tim Stacey received: £496k
John Fallon received: £397k

Pension and benefits

– Pension aligned to wider workforce rate at 4% of salary
– Taxable benefits remain unchanged from prior year and include a company car and private medical insurance (including cover for spouses and dependents)

Annual Bonus

Total bonus payout (% of maximum)
Tim Stacey: 0% John Fallon: 0%

Performance measure	Weighting	Outcome (% of max)
Group profit before tax	50%	**0%**
Group free cash flow	20%	**0%**
Environmental	10%	**100%**
Social (Inclusion)	10%	**96%**
Customer	10%	**100%**
	Total	**0%**
		Profit underpin not met

Payment of the FY24 bonus was subject to achievement of a threshold Group PBT, which was not met. No annual bonus was therefore paid.

2021 Long-Term Incentive Plan

Total LTIP payout (% of maximum)
Tim Stacey: 0% John Fallon: N/A

Performance measure	Weighting	Outcome (% of max)
EPS	50%	**0%**
TSR (FTSE 250)	15%	**0%**
TSR (FTSE 350 General Retailers)	35%	**0%**
	Total	**0%**

Single figures

Element of pay	Tim Stacey	John Fallon
Salary	£496k	£397k
Pension, benefits and other	£27k	£25k
Annual bonus	–	–
LTIP	–	–
Total	**£523k**	**£422k**

Implementation of Remuneration Policy in FY25

Base Salary

Tim Stacey: £510,000 (increase of 2%)
John Fallon: £405,050 (increase of 2%)
Salary increases in line with the majority of the wider workforce

Pension and benefits

– Pension aligned to wider workforce rate at 4% of salary
– No change to taxable benefits

Annual Bonus

Performance measure*	Weighting
Group profit before tax	50%
Group free cash flow	20%
Business critical	15%
Established customer NPS	10%
Environmental	5%

* Targets are deemed commercially sensitive and will be disclosed retrospectively

Bonus opportunity (% of salary)
Tim Stacey: 120% John Fallon: 110%

Key structural features

– 25% of any bonus earned will be deferred into shares for two years
– Committee retains discretion to adjust bonus outcomes to reflect underlying performance of business
– Malus and clawback provisions apply

DFS Group Share Plan

FY25 DSP opportunity (% of salary)
Tim Stacey: 80% John Fallon: 65%

Underpins for 2024 DSP

1. Performance against DFS' key strategic priorities being at an appropriate level, including those related to our sustainability objectives over the vesting period.
2. Whether there is a material weakness in the underlying financial health or sustainability of the business. Factors such as, but not limited to, revenue, underlying profit, free cash flow and ROCE would be considered.
3. Whether there has been a materially serious reputational event which could have been reasonably foreseen.

Details on the Committee's assessment of the underpins will be disclosed in the relevant DRR at the time of vesting.

To support the Committee's assessment of the underpins, an internal dashboard has been developed to provide a clear framework covering key financial and non-financial measures related to the underpins for the 2024 DSP award.

Key structural features

– Shares vesting under the DSP will be subject to a two year holding period
– Committee retains discretion to adjust DSP outcomes to reflect underlying performance of the business as well as the experience of shareholders and other stakeholders
– Malus and clawback provisions apply

Part C: Our remuneration philosophy and workforce reward

Our remuneration philosophy and principles

Our Group values (pictured below) underpin our pay and recognition policies across the organisation and the remuneration principles which are supported in our Directors' remuneration policy.

We believe that our ability to deliver fantastic products and service to our customers comes from the passion and commitment shown by all our people across all parts of the Group. It is hence imperative that we attract, retain and develop the best people, who do what they love, and in return for them to be rewarded fairly. Further detail on how these principles shape our employee value proposition is provided to the right.

DFS Values

THINK CUSTOMER

BE REAL

AIM HIGH

Remuneration principles and 'Your Deal' proposition

Fair, market competitive pay and benefits

Remuneration principles

- To pay a market competitive rate reflecting our employees' role and skills.
- To offer a reward system free from discrimination.
- To enable all employees to share in success.

'Your Deal' proposition

- ✓ Aim to be the **market median payer of remuneration**, recognising good individual performance, whilst balancing fairness with the responsible use of shareholder funds.
- ✓ Pay arrangements are regularly reviewed for **fairness and market competitiveness**.
- ✓ Employees in the UK can **participate in the Sharesave scheme** to build an ownership culture.

Supporting a high performance sales and service culture

Remuneration principles

- To encourage and support a high level of performance and consistent, high quality customer experience.
- To provide access to development opportunities for all colleagues enabling growth within the Group.

'Your Deal' proposition

- ✓ **Building sales capability across our Retail Brands** – We've trained over 200 leaders face to face and over 800 colleagues virtually in an evolved selling model in DFS. In Sofology we've delivered face to face product training to all colleagues and over 400 colleagues in a new customer experience model.
- ✓ **Developing Leaders across the Group** – We've launched our Group Leadership Academy, with over 300 of our leaders enrolled on a series of subjects to build their skills, and have completed our SoDelCo Management Academy with over 5,000 learning hours completed.
- ✓ **Investing in key Leadership talent and succession** – The first cohort of our Leaders Development Programme has supported the development of key leadership team successors with external and internal input.

Aligned to our business strategy and culture

Remuneration principles

- To create an inclusive and diverse working environment.
- To promote the right behaviours through fairness, equity of treatment and in doing the right things in the right way.
- To implement incentive plans that are designed to reward and promote delivery of the Group's business plan and key strategic goals.

'Your Deal' proposition

- ✓ Colleagues continue to **share in our combined success** with performance related bonus schemes.
- ✓ **Introduction of Wealth Wise**, a financial wellbeing offering for everyone in partnership with Schroders.
- ✓ **Aligned our health benefits** across the Group, ensuring fairer access to healthcare for everyone with a reduced contribution rate for Health cashback plans.
- ✓ Established 6x colleague networks to **support in building a more inclusive workplace** where everyone feels a sense of belonging.
- ✓ **Continuation of our 'Your Deal' benefits portal**, where colleagues can access discounts and savings with a number of high street retailers, purchase additional holidays and buy new technology interest free, via a salary sacrifice scheme.

DIRECTORS' REMUNERATION REPORT CONTINUED

Remuneration framework

Our reward framework aims to foster alignment across the group and is informed by our remuneration philosophy and values outlined on the previous page.

Element of reward	Base salary	Pension and Benefits	Annual bonus and recognition awards	DFS Group Share Plan and SAYE
Group Leadership Team (5 colleagues)	Set at market competitive levels.	Comprehensive benefits offering aligned to market practice. Average employer pension contribution is 4% of salary.	Based on a combination of financial and non-financial objectives, aiming to reward and incentivise strategic delivery and strong individual performance.	Participation in the DFS Group Share Plan offered to our top leadership and key talent, aligning their interests with those of our shareholders in the long term.
Heads of divisions and functions (86 colleagues)				
Managers (109 colleagues)			Colleagues in operational areas across the Group (in retail showrooms, manufacturing sites and in the Sofa Delivery Company) have access to variable pay and bonuses based on a combination of individual and team performance.	All employees in the UK may participate in the Group's Sharesave plan which offers employees the chance to become 'owners' of the Group.
All employees (4,522 colleagues)				

Spotlight on inclusivity and diversity

We remain committed to our longer-term ambition to become representative of the customers we serve and the communities we live and work in. We continue to make progress within our cultural transformation work, building a workplace where everyone feels truly welcome. The conversation around equality, diversity and inclusion is strong, and colleagues are truly engaged in understanding the part they play.

On an organisational level, we are addressing the gender pay gap and preparing to report similarly in both the areas of Disability and Ethnicity, with a focus on gathering sensitive colleague information to enable us to provide necessary data and insights. To further our work in all these areas, we:

- **Undertake regular colleague surveys** to understand how people are feeling, with specific **research done via our 364 Women's network** to discover how our female colleagues feel about working for us.
- Have a task team focused on **revising our Recruitment Policy and training our Hiring Managers** to remove any bias from the process and ensure fair consideration of candidates from underrepresented groups.
- Use attrition rates to calculate opportunity, have set longer term targets to **achieve a 50/50 gender representation in showroom management**.
- Have **partnered with Diversity in Retail** to offer women and people from ethnic minority backgrounds places on external development programmes.
- **Built strong and effective governance** around our Inclusion Steering Committee and Colleague Networks to drive action and momentum.

Gender pay gap reporting

In line with UK legislation, we published our Gender Pay Gap Report for 2023, demonstrating further progress overall across the Group, and the report is available online at dfscorporate.co.uk.

We are confident that we pay our colleagues equally for equivalent roles, regardless of gender. However, the majority male representation in our leadership population results in a remaining gender pay gap that we continue to address.

Our analysis for 2023 shows Group level reductions in both the mean and median gender pay gap figures. The mean gender pay gap was 4.1%, a fall of a further 2.7% against last year's figure; the median figure was 4.4%, falling 0.7% in comparison to the 2022 analysis. This reflects the work done to increase female representation in leadership.

As a Group, our workforce is 35% female, largely due to our manufacturing and logistics populations which systemically attracts a male audience due to the nature of the roles. However, we have made significant improvements in female management in these business areas, with a conscious effort made to promote and develop women internally, and to shortlist more women for consideration when recruiting.

Our ongoing Diversity and Inclusion agenda places focus on building a workplace where women can thrive, with initiatives such as policy reviews, leadership development programmes and activities that help us to progress with a more modern and inclusive culture. Further information on our plans can be found within our Gender Pay Report on page 37.

Part D: Remuneration policy

The following section sets out the 2024 directors' remuneration policy ("2024 Policy") which is to be subject to a binding shareholder vote at the AGM in November 2024. The 2024 Policy will take effect from the date of approval and is intended to apply for up to three years from the date of approval.

The 2024 Policy has been prepared in accordance with Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in 2013, the provisions of the current Code and the Listing Rules.

Remuneration Principles

As outlined in the Remuneration Committee Chair's statement, during the year the Committee undertook a detailed review of the directors' remuneration policy, including remuneration principles. The Committee concluded that the Group's remuneration principles remain appropriate, and that the revised 2024 Policy continues to be in line with these principles. The remuneration principles are set out below:

- Attract, motivate and retain Executives and senior management in order to deliver the Group's strategic goals and business outputs.
- Encourage and support a high-performance sales and service culture ensuring good customer outcomes.
- Reward delivery of the Group's business plan and key strategic goals.
- Adhere to the principles of good corporate governance and appropriate risk management.
- Align employees with the interests of shareholders and other external stakeholders and encourage widespread equity ownership amongst the Group.

Overview of key changes

The primary change proposed under the 2024 Policy is the introduction of restricted shares under the DFS Group Share Plan ("DSP") to replace the existing LTIP. The context in which the changes have been made and associated rationale are set out in the Remuneration Committee Chair's letter on pages 67 to 69. Other minor changes have been made to improve the operation of the 2024 Policy, to increase clarity and to align with market practice.

Executive remuneration policy table

Element	Purpose	Operation	Maximum Opportunity	Performance measures/ assessment and recovery provisions
Base salary	To provide competitive fixed remuneration that will attract and retain key employees and reflect their experience and position in the Group	Salaries are normally reviewed annually, and any change will generally take effect from 1 April. When determining the salary of the Executives, the Committee takes into consideration: – the performance of the individual Executive Director; – the individual Executive Director's experience and responsibilities as well as progression within the role; – pay and conditions throughout the Group, including the level of salary increases awarded to other employees; and – the levels of base salary for similar positions with comparable status, responsibility and skills, in organisations of broadly similar size and complexity.	Increases as a percentage of salary are generally consistent with the range awarded across the Group. Increases in salary above this level may be made in certain circumstances, such as a change in responsibility, a significant increase in the role's scale or the Group's size and complexity or if there is a material misalignment to market practice. Where increases are awarded above the range across the Group, the Committee will provide an explanation in the relevant Annual Report on Remuneration. Individuals who are recruited or promoted to the Board may have their salaries set deliberately below market levels initially. In such cases, subsequent increases in salary may be higher than the general increase for employees until the target positioning is achieved.	A broad assessment of individual and business performance is used as part of the salary review. No recovery provisions apply.

DIRECTORS' REMUNERATION REPORT CONTINUED

Element	Purpose	Operation	Maximum Opportunity	Performance measures/ assessment and recovery provisions
Benefits	To provide competitive benefits to attract and retain high calibre employees.	Reviewed periodically to ensure benefits remain market competitive. Benefits currently include but are not limited to: – Car, car allowance and fuel allowance; – Life insurance; – Directors' & Officers' liability insurance; – Private medical insurance (including cover for spouses and dependents); – Professional subscriptions; – Critical illness cover; and – Staff discounts. Other minor benefits may be provided from time to time, including seasonal gifts. The Company may settle any tax incurred on benefits provided or expenses reimbursed. Where an Executive Director is required to relocate to perform their role, appropriate one-off or ongoing benefits may be provided (e.g. housing, schooling etc).	Benefit values vary year-on-year depending on premiums and the maximum potential value is the cost of the provision of these benefits.	No performance or recovery provisions apply.

Element	Purpose	Operation	Maximum Opportunity	Performance measures/ assessment and recovery provisions
Pension	To provide a competitive Company contribution that enables effective retirement planning.	Pension is provided by way of a contribution to a personal pension scheme and/or cash allowance in lieu of pension benefits.	Pension contributions for Executive Directors are aligned to the pension provision available for the wider workforce, which is currently 4% of base salary. Where pension contribution is taken as a salary supplement the amount will normally be reduced by the associated Employer's National Insurance contribution such that there is no cost to the Company from this alternative.	No performance or recovery provisions apply.

Element	Purpose	Operation	Maximum Opportunity	Performance measures/ assessment and recovery provisions
Annual bonus	Incentivises the achievement of annual objectives which support the Group's short-term performance goals.	Bonuses are normally determined following the year end. Normally, 25% of any bonus earned is deferred into Company shares for two years under the Deferred Bonus Plan, with the balance paid in cash. The Committee may award dividend equivalents, ordinarily paid in shares, on deferred shares that vest.	The maximum Annual Bonus opportunity in respect of a financial year is 120% of salary. Normally, no payment will be made for threshold performance and up to 65% of maximum will be paid for achievement of on-target performance for the financial performance measures. Other vesting schedules may be applied for non-financial targets.	The performance period is normally one financial year, with pay-outs determined by the Committee following the year end, based on achievement against targets which would normally include a range of financial and non-financial targets. Performance measures will be selected by the Committee annually and may include financial, strategic and personal objectives. Financial targets will normally account for no less than 50% of the weighting. The Committee will normally determine the performance targets and measurement weightings annually to ensure that they support the business strategy and objectives for the relevant year. At the end of the year, the Committee reviews the appropriateness of the formulaic outcome and retains the discretion to adjust the outcome if considered appropriate taking into account factors including, but not limited to, the underlying performance of the business and shareholder and stakeholder experience. Malus and clawback provisions apply to Annual Bonus awards at the discretion of the Committee. See notes below table for further details.
DFS Group Share Plan	The DFS Group Share Plan ("DSP") provides a simple long-term incentive that incentivises Executive Directors to deliver sustainable long-term returns to shareholders, execute the Company's long-term strategy, retain key individuals and align their interests with shareholders.	Under the DSP the Committee may award annual grants of restricted share awards in the form of nil-cost options or conditional shares or in such other form that the Committee determines has a similar economic effect. DSP awards under the plan will ordinarily vest three years from the date of grant of the award, subject to performance underpins. A two-year holding period will normally apply following the three-year vesting period for DSP awards granted to the Executive Directors. Upon vesting, sufficient shares can be sold to pay tax. Participants may be entitled to dividend equivalents, ordinarily paid in shares, representing the dividends paid on DSP awards that have vested.	The Committee will determine the grant level each year. The maximum value of award that may normally be granted in respect of a financial year is 87.5% of base salary.	The performance underpins that apply to the DSP may be based around a combination of key financial, strategic and sustainability measures. Performance underpins will be set taking into account the business strategy and to ensure failure is not rewarded. Performance against the underpins will normally be assessed over the three year vesting period. If the Company does not meet one or more of the performance underpins at the date of vesting, then the Committee would consider whether it was appropriate to scale back the number of shares that vest under the award. At the end of the vesting period, the Committee reviews the appropriateness of the vesting outcome and retains the discretion to adjust the outcome if considered appropriate taking into account factors including, but not limited to, the underlying performance of the business and shareholder and stakeholder experience. In accordance with the rules of the DSP, malus and clawback provisions apply at the discretion of the Committee. See notes below table for further details.

DIRECTORS' REMUNERATION REPORT CONTINUED

Element	Purpose	Operation	Maximum Opportunity	Performance measures/ assessment and recovery provisions
Minimum shareholding guidelines	To ensure that Executive Directors' interests are aligned with those of shareholders over a longer time horizon.	Executive Directors are expected to build or maintain (as relevant) a minimum shareholding of 200% of base salary in the Company. Executive Directors are not required to purchase shares to satisfy this requirement. Executive Directors are normally expected to maintain a shareholding equivalent to the in-employment shareholding requirement immediately prior to departure (or the actual share- and award-holding on departure, if lower) for two years following ceasing to be an Executive Director. The Committee has the discretion to operate the shareholding policy flexibly, including waiving requirements in certain circumstances (e.g. compassionate circumstances).	Not applicable.	No performance measures or recovery provisions apply.
All-employee incentives	Encourages all employees to become shareholders and thereby align interests with shareholders.	Eligible employees may participate in the SAYE and Share Incentive Plan or local country equivalents. Executive Directors are entitled to participate on the same terms as all employees. In the event DFS were to introduce another all employee plan, the Committee retains the discretion to allow Executive Directors to participate on the same basis as other employees.	Maximum participation levels would be in line with those for other staff and where relevant, are set in line with relevant UK legislation or other relevant legislation.	Not applicable.

NOTES TO THE REMUNERATION POLICY TABLE

Pre-existing remuneration arrangements

The Committee reserves the right to make any remuneration payments and payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the 2024 Policy set out above where the terms of the payment were agreed: (i) Before the 2024 Policy set out above came into effect, provided that the terms of the payment were consistent with the shareholder approved directors' remuneration policy in force at the time they were agreed; or (ii) At a time where the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company.

Decision making process

As outlined in the Remuneration Committee Chair's statement, during the year, the Committee undertook a thorough review of the directors' remuneration policy and its implementation, to ensure it continues to incentivise the execution of strategy and the delivery of sustainable long-term shareholder value. In setting the 2024 Policy, the Committee followed a robust process, which included engagement and consultation with investors and proxy advisers regarding the content of the 2024 Policy, taking into account the needs of the business, alongside evolving market and best practice. The Committee considered input from both management and our independent advisers while ensuring that conflicts of interest were appropriately managed.

Performance measures and targets

When selecting performance measures and underpins, as relevant, for our incentive plans, our primary reference is the business strategy and Key Performance Indicators. We also consider market practice both in our sector and general industry. We seek to choose measures that create balanced incentives and that promote sustained, responsible growth and motivate the right behaviours.

The annual bonus plan targets are set primarily in reference to the latest business plan and budget. We also take into consideration market and economic forecasts, analyst consensus and practice in our sector and general industry. Our annual bonus plan targets are set at a challenging level which reflect the scale and the challenge implicit in our financial budgets.

We seek to ensure that pay-out levels are commensurate with overall group and individual performance.

The performance underpins for the FY25 DSP awards were chosen to ensure DFS continues to deliver on its strategy, maintains robust governance and provides an appropriate safeguard for our shareholders, in line with guidance and best practice.

Performance measures and underpins for annual bonus and DSP awards respectively are generally disclosed in advance in the annual report. Annual bonus targets and outcomes will be disclosed in the annual report for the following year.

The Committee's assessment of performance against the DSP underpins will be set out in the annual report at the time of vesting.

DIRECTORS' REMUNERATION REPORT CONTINUED

Discretion
The Committee has discretion in several areas of the 2024 Policy as set out in this report. The Committee may also exercise operational and administrative discretions under relevant plan rules approved by shareholders as set out in those rules.

In line with common market practice, the Committee retains the discretion as to the operation and administration of these incentive plans, including with respect to:
– who participates;
– the timing of grant and/or payment;
– the size of an award and/or payment (within the plan limits approved by shareholders);
– the manner in which awards are settled;
– discretion to adjust the performance conditions and/or underpins/targets applying to an incentive and/or set different measures and alter weightings for incentives if events occur (e.g. material divestment of a Group business or changes to accounting standards) which cause the Committee to determine that an adjustment or amendment is appropriate so that the conditions achieve their original purpose; and
– discretion relating to the measurement of performance in certain circumstances (e.g. a variation of share capital, change of control, special dividend, distribution or any other corporate event which may affect the current or future value of an award); determination of a good leaver (in addition to any specified categories) for incentive plan purposes, based on the plan rules and the appropriate treatment under the plan rules.

All discretions available under share plan rules will be available under this 2024 Policy, except where explicitly limited under this 2024 Policy.

In the event of a temporary base salary reduction, the Committee retains the discretion to apply the limits in the 2024 Policy table relating to pension, Annual Bonus and share incentives to the base salary prior to any such reduction. Where such temporary base salary or fee reductions are made, the Committee reserves the ability (either in part or in full) to reimburse at a later date taking into account all factors deemed relevant (e.g. underlying financial health of the Group).

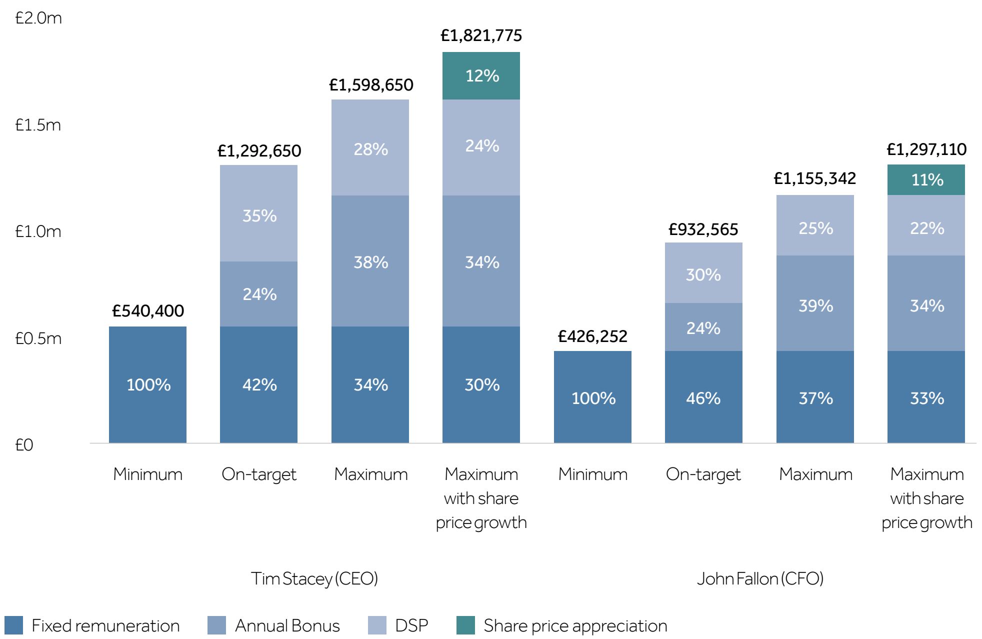
Malus and clawback
Malus and clawback provisions apply to all variable incentive schemes, including the annual bonus and DSP.

Malus may apply before the determination of the bonus, before the vesting of any deferred component under the bonus and before the vesting of any LTIP or DSP award. Clawback may apply up until three years after the date of any cash bonus payment and up until three years after the date of vesting of the LTIP and DSP awards. Malus and clawback will continue to apply following cessation of employment.

Circumstances where malus and/or clawback could apply include, but are not limited to:
– material underperformance by the Participant;
– material brand and/or reputational damage to the Company or business unit;
– material misstatement of the Company's accounts or financial results;
– gross misconduct by the Participant (as determined by the Board);
– fraud;
– an event, act or omission that the Board determines constitutes, or is reasonably anticipated to result in, corporate failure;
– the Board determining that:
  • any financial results or other measures of performance used within the Board's assessment of performance were misstated, misleading or incorrect; or
  • an error was made in determining the extent to which an Award Vested;
– a failure of risk management; or
– any other reason as determined by the Committee.

Illustrations of application of policy
The charts below seek to demonstrate how pay varies with performance for the Executive Directors based on the 2024 Policy. The charts show an estimate of the remuneration that could be received by Executives Directors under the 2024 Policy set out in this report. Each of the bars is broken down to show how the total under each scenario is made up of fixed elements of remuneration, the annual bonus and the DSP.

Remuneration scenarios



DIRECTORS' REMUNERATION REPORT CONTINUED

Assumptions used in determining the level of pay-out under given scenarios are as follows:

Element	Minimum	On-target	Maximum	Maximum plus 50% share price growth
Base pay (fixed)	**CEO:** £510,000 **CFO:** £405,050			
Pension (fixed)	4% of salary			
Benefits (fixed)	Estimated based on FY24 figures			
Annual bonus	Nil	50% of maximum	**CEO:** 120% of salary **CFO:** 110% of salary	100% of maximum
DSP	Nil	100% of maximum	**CEO:** 87.5% of salary **CFO:** 70% of salary	100% of maximum plus 50% share price growth

Approach to Recruitment and Promotions

The Committee aims to pay no more than is necessary to attract appropriately skilled and experienced individuals. The ongoing remuneration package for any new Executive Director would normally be in line with that set out in the 2024 Policy table.

For a new Executive Director who is an internal appointment, the Company may also continue to honour contractual commitments made prior to appointment to the Board even if those commitments are otherwise inconsistent with the directors' remuneration policy in force when the commitments are satisfied. Any relevant incentive plan participation may either continue its original terms or the performance targets and/or measures may be amended to reflect the individual's new role, as the Committee considers appropriate.

Element	Description
Base salary and benefits	– The salary level will be set taking into account a number of factors including market factors, the individual's experience and responsibilities, the individual's previous salary and remuneration package, the salary policy for the wider Group, the salary for the previous incumbent and for existing Executive Directors. – This may mean that the Executive Director is recruited on a salary below the market rate with a view that it would be increased (potentially by above workforce level increases) over a number of years, subject to performance. – Benefits may be provided in line with DFS' benefits policy as set out in the executive remuneration policy table.
Pension	– An Executive Director will be able to receive either a contribution to a personal pension scheme and/or cash allowance in lieu of pension benefits in line with DFS' policy as set out in the executive remuneration policy table.
Annual bonus	– An Executive Director will be eligible to participate in the Annual Bonus as set out in the executive remuneration policy table.
DSP	– An Executive Director will be eligible to participate in the DSP as set out in the executive remuneration policy table.
Maximum variable remuneration	– The Committee has discretion to offer any other remuneration component or award which it feels is appropriate taking into account the specific circumstances of the recruitment, subject to the limit on variable remuneration set out below. – The maximum normal annual variable remuneration level (excluding any awards granted as compensation for forfeited remuneration) for an Executive Director is 207.5% of salary (i.e., in line with the aggregate of the Annual Bonus and DSP limit)
Share buy-outs/ replacement awards	– Where an individual forfeits outstanding variable pay opportunities or contractual rights, or forfeits the opportunity to earn a bonus, at a previous employer as a result of appointment, the Committee may offer compensatory payments or awards, in such form as the Committee considers appropriate, taking into account all relevant factors including the form of awards, expected value and vesting timeframe of forfeited opportunities. – When determining any such buy-out, the guiding principle would be that awards would generally be on a like-for-like basis unless this is considered by the Committee not to be practical or appropriate. – To facilitate any buy-out awards outlined above, in the event of recruitment, the Committee may grant awards to a new Executive Director relying on the exemption in the Listing Rules which allows for the grant of awards to facilitate, in unusual circumstances, the recruitment of an Executive Director without seeking prior shareholder approval or under any other appropriate Company incentive plan.

DIRECTORS' REMUNERATION REPORT CONTINUED

Executive Director Service Contracts

When setting notice periods, the Committee has regard to market practice and corporate governance best practice. The table below summarises the service contracts for our Executive Directors.

	Date of contract	Notice period
Tim Stacey	24 May 2022	12 months (Executive) or 12 months (Company)
John Fallon	14 November 2022	12 months (Executive) or 12 months (Company)

All service contracts are available for viewing at the Company's registered office and at the AGM. The Executive Directors may accept outside appointments subject to approval of the Board and provided that such appointments do not in any way prejudice their ability to perform their duties as Executive Directors of the Company. The Executive Directors concerned may retain fees paid for these services.

Payments for Loss of Office

When determining any loss of office payment for a departing director the Committee will seek to minimise cost to the Company whilst complying with the contractual terms and seeking to reflect the circumstances in place at the time. The Committee reserves the right to make additional payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement or compromise of any claim arising in connection with the termination of an Executive Director's office or employment. The Committee may also provide benefits in connection with or for a reasonable period post termination, for example relocation costs for a director who had relocated for the role or outplacement support.

Executives may receive base salary, pension contribution and benefits for the duration of their contractual notice period, or may receive a payment in respect of these amounts in lieu of notice, except for certain circumstances such as termination for gross misconduct.

Executive Directors may at the Committee's discretion be eligible for an annual bonus for the financial year of cessation. Any annual bonus awarded would normally be based on performance during the year as determined by the Committee and pro-rated. Any annual bonus awarded will normally be deferred in line with the approach set out in the executive remuneration policy table, however, the Committee retains discretion to disapply the deferral and pay the annual bonus in cash.

For good leavers (in accordance with the definition in the plan rules), outstanding Deferred Bonus Plan awards will generally continue and vest at the normal date. Awards would normally vest in full but may be pro-rated at the Committee's discretion. If a participant ceases employment for any other reason, their awards will lapse in full on the date of such cessation.

For good leavers (in accordance with the definition in the plan rules), outstanding LTIP and DSP awards will generally continue and vest at the normal vesting date, subject to the Committee's assessment of performance against the underpins, with awards pro-rated. However, the Committee retains discretion to allow vesting on cessation and to not pro-rate awards for time if it considers the circumstances warrant this action. If a participant ceases employment for any other reason, awards will lapse in full on the date of cessation. Unless otherwise determined by the Committee and except in the event of the participant's death, any applicable post-vesting holding period will continue to apply post cessation of employment.

In a change of control unless otherwise determined by the Board, outstanding Deferred Bonus Plan awards, LTIP awards and DSP awards will vest. Unless otherwise determined by the Board, LTIP and DSP awards vesting will be subject to an assessment of achievement of the performance against the relevant performance conditions/underpins to date and subject to time pro-rating. However, the Committee retains discretion to not pro-rate awards for time or consider performance conditions/underpins if it considers the circumstances warrant this action.

Consideration of Employee Remuneration and Shareholders

Consideration of shareholder views

The Committee takes the views of the shareholders seriously and these views are considered in shaping the 2024 Policy and practice. Shareholder views are considered when evaluating and setting remuneration strategy and the Committee welcomes an open dialogue with its shareholders on all aspects of remuneration. The Committee consulted its major shareholders (who together hold around 90% of the Issued Share Capital) and the main shareholder representative bodies (IA, ISS and Glass Lewis) on the proposed 2024 Policy for which we are seeking shareholder approval at the 2024 AGM.

The Committee will continue to maintain an open and constructive dialogue with its major shareholders and the representative bodies and where appropriate, will always seek to consult with them where appropriate.

Consideration of employee views and employment conditions elsewhere in the Group

In setting the 2024 Policy for directors, the pay and conditions of other employees of the Group are taken into account, including any base salary increases awarded. The Committee is provided with data on the remuneration structure for management level tiers below the Executive Directors and uses this information to ensure consistency and fairness of approach throughout the Company.

Formal consultation on the remuneration of Executive Directors is not undertaken with employees. However, currently a survey on employee engagement is undertaken annually and includes discussion on parts of the Group's remuneration approach and the Designated Non-Executive Director has discussed Executive Director Remuneration with the Group wide Employee Voice Forum.

The Policy described above applies specifically to Executive Directors of the Company. The Committee believes that the structure of management and employee reward should be linked to the Group's strategy and performance.

DIRECTORS' REMUNERATION REPORT CONTINUED

Non-Executive Director Remuneration Policy Table

The Chair and the Executive Directors of the Board are responsible for setting the remuneration of the Non-Executive Directors, other than the Chair whose remuneration is determined by the Committee and recommended to the Board.

The table below sets out the key elements of the remuneration policy for Non-Executive Directors:

Purpose
- To provide competitive fixed remuneration that will attract and retain key employees and reflect their experience and position in the Group

Operation
- Fee levels are reviewed at appropriate intervals considering independent advice, the time commitment required of Non-Executive Directors and fees paid at other companies of comparable size and complexity.
- The fees paid to the Chair and the fees of the other Non-Executive Directors aim to be competitive with other fully listed companies which the Committee (in the case of the Chair) and the Board (in respect of the Non-Executive Directors) consider to be of equivalent size and complexity.
- Non-Executive Directors may receive a base fee and additional fees to reflect additional Board responsibilities such as for the role of Senior Independent Director or membership and/or Chairmanship of certain committees and may also receive additional fees in respect of additional time commitments incurred.
- Non-Executive Directors also receive reimbursement of reasonable expenses (and any tax thereon) incurred undertaking their duties and or Company business.
- Non-Executive Directors do not receive any variable remuneration element.
- Non-Executive Directors are entitled to staff discount on Group merchandise on the same basis as other employees and may also receive seasonal gifts and other benefits if considered appropriate and the Company may settle tax on benefits provided.

Maximum opportunity
- Any increase in Non-Executive Director fees may be above the level awarded to other employees, given that they may be reviewed periodically and may need to reflect any changes to time commitments or responsibilities.
- The Company will pay reasonable expenses incurred by the Chairman and Non-Executive Directors.

Performance measures/assessment and recovery provisions
- Non-Executive Director fees are not performance related.

The Company's policy when setting fees for the appointment of new Non-Executive Directors is to apply the policy which applies to current Non-Executive Directors.

Non-Executive Director fees will be kept under review and to the extent there are any increases to fees these will generally be in line with those awarded to the wider workforce. Fees for the non-Executive Directors are paid via payroll and are subject to PAYE.

Letters of appointment

The Non-Executive Directors do not have service contracts but are appointed under letters of appointment which provide for a review after an initial three-year term and are terminable by either the Non-Executive Director or the Company with three month's prior written notice. Each Non-Executive Director is subject to annual re-election at the Company's AGM.

The table below sets out the dates that each Non-Executive Director seeking election/re-election at the 2024 AGM was first appointed as a Group Director.

	Date of appointment
Alison Hutchinson	1 May 2018
Jo Boydell	6 December 2018
Steve Johnson	6 December 2018
Gill Barr	1 March 2023
Bruce Marsh	1 August 2024

Part E: Annual Report on Remuneration for the Financial Year ended 30 June 2024

Single total figure of remuneration for Executive Directors – audited

The remuneration of Executive Directors showing the breakdown between components, with comparative figures for the prior financial year, is shown below. Figures provided have been calculated in accordance with the Regulations.

Name	Year	Base salary £'000	Taxable Benefits £'000	Bonus £'000	LTIP £'000	Pension £'000	Other[1] £'000	Total Fixed £'000	Total Variable £'000	Total £'000
Tim Stacey	**2024**	**496**	**10**	**–**	**–**	**17**	**–**	**523**	**–**	**523**
	2023	453	11	170	–	30	1	495	170	665
John Fallon	**2024**	**397**	**5**	**–**	**–**	**14**	**6**	**422**	**–**	**422**
	2023	240	–	80	–	8	38	286	80	366

1. Other benefits for Tim Stacey in FY23 represented a fuel card payment. For John Fallon, the FY24 amount represented a car allowance supplement, and the FY23 amount represented a payment which was the equivalent of 26 days of employment at his previous employer (£27,000) which was agreed as part of his joining arrangements, and a car allowance supplement of £11,000.

Taxable benefits

Taxable benefits comprise car, private medical insurance (including cover for spouses and dependents), relevant professional subscriptions, seasonal gifts and reimbursement of home telephone line and telephone expenses – the value of which has been included in the Taxable Benefits column.

Pension

Pension contributions for Executive Directors are aligned to the pension provision for the wider workforce, which is currently 4% of base salary. Where pension contribution is taken as a salary supplement the amount is reduced by the associated Employer's National Insurance contribution such that there is no cost to the company from this alternative.

Annual Bonus outturn for FY24 – Audited

As disclosed in last year's report, the FY24 bonus was based 70% on financial measures (50% Profit before tax, 20% Free Cash Flow) and 30% on Strategic non-financial 'ESC' measures (Environmental 10%, Social – Inclusion 10%, Customer – Average NPS 10%). Payment of the FY24 bonus was subject to the achievement of a threshold Group PBT, which was not met. As a result, no bonus was awarded to Tim Stacey or John Fallon. No discretion was exercised in respect of the bonus outcome.

Performance against objectives

Performance measure	Weighting	Threshold (0%)	Target	Maximum (100%)	Actual	Outcome (% of max)
Group underlying profit before tax and brand amortisation	50%	£27.2m	£32.0m	£36.8m	£10.5m	0%
Group free cash flow	20%	£16.0m	£18.8m	£21.6m	(£10.0m)	0%
Environmental – supplier commitments to achieve Net Zero by June 2029	10%	Commitments from suppliers covering 15% of total Scope 3 emissions	Commitments from suppliers covering 20% of total Scope 3 emissions	Commitments from suppliers covering 25% of total Scope 3 emissions	59%	100%
Social (inclusion) – Engagement score: I can bring my whole self to work	5%	75%	80%	85%	83%	92%
Social (inclusion) – Engagement score: My manager is supportive of creating a place where everyone is welcome	5%	76%	81%	86%	86%	100%
Customer – Average Established Net Promoter Score (DFS)	5%	23	24	25	26.5	100%
Customer – Average Established Net Promoter Score (Sofology)	5%	11	12	13	29.0	100%
Bonus outcome (% maximum)					Tim Stacey	0%
					John Fallon	0%

LTIP awards vesting in relation to performance in FY24 – audited

The 2021 award was granted on 11 October 2021 and was assessed against the performance targets at the end of FY24. The 2021 LTIP award was based 50% on EPS and 50% based on TSR (compared to both the FTSE 250 and FTSE 350 General Retailers). The performance targets for these measures were not met and therefore this award will lapse.

LTIP award	Performance conditions	Weighting (% award)	Detail	Threshold performance	Stretch performance	Max performance	Actual performance	Vesting %
2021 LTIP	EPS	50%	Reported underlying EPS	24.8p	26.1p	28.7p	1.5p	0%
	TSR	15%	TSR (FTSE 250 Index)	Index	–	Index + 10% p.a.	Below Index	0%
		35%	TSR (FTSE 350 General Retailers)	Index	–	Index + 10% p.a.	Below Index	0%
Total vesting								0%

For threshold performance 20% of awards vest. For maximum performance 100% of awards vest. For stretch performance on the EPS performance condition, 60% of awards vest. Vesting is on a straight-line basis between these points.

The final level of vesting of these awards was 0%. No discretion was exercised in respect of award vesting levels.

DIRECTORS' REMUNERATION REPORT CONTINUED

Scheme interests awarded in FY24 (2023 awards) – audited

Details of LTIP awards and Deferred Bonus Awards granted during FY24 are set out in the table below. The Deferred Bonus Awards related to the annual bonus earned in respect of FY23.

Director	Scheme	Type of award	Number of shares awarded	Value of award at date of grant (£)	Value of award as % of salary
CEO – Tim Stacey	LTIP[1]	Nil cost option	860,120	877,322	175%
	Deferred Bonus Award[2]	Nil cost option	41,606	42,022	8%
CFO – John Fallon	LTIP[1]	Nil cost option	546,486	557,416	140%
	Deferred Bonus Award[2]	Nil cost option	19,538	19,733	5%

1. The number of shares granted was based on a share price of £1.02. This was the average of the closing share price on the three days prior to the date of grant (16 October 2023). The award will vest, subject to the achievement of performance conditions which are set out below and assessed over the period of three financial years ending with FY26, on 20 October 2026.
2. Grant of deferred shares in relation to the FY23 bonus. The number of shares granted was based on a share price of £1.02 (which was the closing share price on the day immediately prior to the grant on 20 October 2023).

Performance conditions for FY24 (2023 award) LTIP

The performance conditions for the 2023 LTIP award are set out below. Vesting for performance between the targets is calculated on a straight-line basis.

Adjusted EPS (45%)

Percentage of this portion of the Award vesting

Nil	20%	60%	100%
Less than 17.9p	19.2p	22.2p	26.7p or more

Relative TSR (45%)

Percentage of this portion of the Award vesting

Weighting	Nil	20%	100%
13.5% (FTSE 250 Index Excluding Investment Trusts)	Below FTSE 250 Index	Equal to FTSE 250 Index	10% p.a. above the FTSE 250 Index
31.5% (FTSE 350 General Retailers Index)	Below FTSE 350 General Retailers Index	Equal to FTSE 350 General Retailers Index	10% p.a. above the FTSE 350 General Retailers Index

ESG (10%)

Percentage of this portion of the Award vesting

Weighting	Nil	20%	100%
5% (Scope 1 Carbon intensity reduction, aligned to the Net Zero Roadmap – intensity per £m Gross Sales)	More than 7.5	7.5	7 or less
5% (Reduction in use of virgin content in plastic packaging – supplier engagement)	Less than 30%	30%	50%

SAYE awards – audited

No Directors were granted SAYE options during FY24.

Dilution

The Company monitors the levels of share grants and the impact of these on the ongoing requirement for shares. In accordance with guidelines set out by the Investment Association ('IA') the Company can issue a maximum of 10% of its issued share capital in a rolling 10-year period to employees under all its share plans.

Payment to past directors – audited

There were no payments to past Directors.

Payment for loss of office – audited

There were no payment for loss of office.

Single figure remuneration table for Non-Executive Directors – audited

The remuneration of Non-Executive Directors showing the breakdown between components, with comparative figures for the prior year, is shown below. Figures provided have been calculated in accordance with the Regulations.

Director		Fees	Other	Total
Gill Barr[1]	**2024**	**66**	**–**	**66**
	2023	21	–	21
Alison Hutchinson	**2024**	**77**	**–**	**77**
	2023	74	–	74
Jo Boydell	**2024**	**66**	**–**	**66**
	2023	64	–	64
Steve Johnson[2]	**2024**	**202**	**–**	**202**
	2023	148	–	148
Loraine Martins	**2024**	**56**	**–**	**46**
	2023	54	–	54

1. Gill Barr was appointed to the Board on 1 March 2023.
2. Steve Johnson was appointed as Chair of the Board on 4 November 2022.

Non-Executive Director fees in FY25

Non-Executive Directors' fees, including the Chair fee, were increased by 2% in July 2024 which is in line with the average base salary increase for the wider workforce. The fee structure and levels applying for FY25 are set out below:

Chair fee	£205,500
Senior Independent Director and Chair of the Responsibility and Sustainability Committee fee	£77,840
Chair of Audit/Remuneration Committee fee	£67,120
Basic Non-Executive Director fee	£57,120

DIRECTORS' REMUNERATION REPORT CONTINUED

Shareholding and other interests at 30 June 2024 – audited

Directors' share interests and, where applicable, achievement of shareholding requirements are set out below. In order that their interests are aligned with those of shareholders, Executive Directors are expected to build up and maintain (as relevant) a personal shareholding which for FY24 was equal to 200% of their base salary in the Company over a five-year period from appointment.

Shares no longer subject to performance conditions (e.g. deferred bonus awards, LTIP shares within the holding period and DSP awards) will count towards the requirement on a net of tax basis.

Director	Number of beneficially owned shares[1]	Number of shares under the Deferred Bonus Plan	% of salary held	Shareholding requirement met	Subject to conditions	Not subject to conditions	Vested but unexercised	Unvested SAYE awards	Total at 30 June 2024
Tim Stacey	684,173	101,817	160%	No	1,593,566	–	–	–	2,379,556
John Fallon	72,383	19,538	22%	No	895,175	–	–	–	987,096
Steve Johnson	70,666	–	–	–	–	–	–	–	70,666
Gill Barr	15,557	–	–	–	–	–	–	–	15,557
Jo Boydell	21,926	–	–	–	–	–	–	–	21,926
Alison Hutchinson	69,833	–	–	–	–	–	–	–	69,833
Loraine Martins	16,911	–	–	–	–	–	–	–	16,911
Total	**951,449**	**121,355**	**–**	**–**	**2,488,741**	**–**	**–**	**–**	**3,561,545**

1. Beneficial interests include shares held directly or indirectly by connected persons.

At 20 September 2024 there had been no movement in Directors' shareholdings and share interests from 30 June 2024.

Outstanding share awards

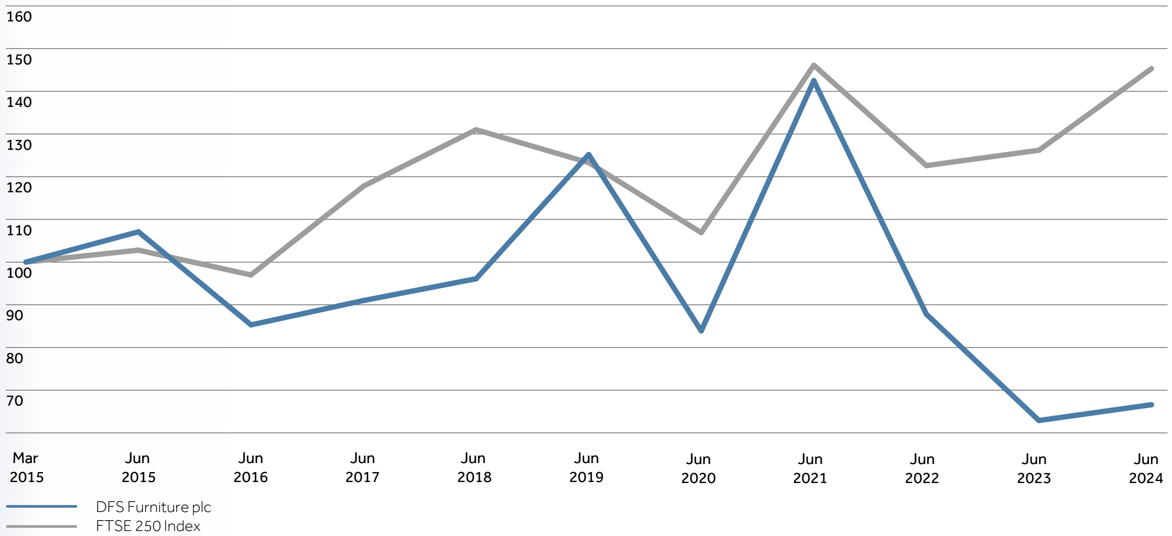
The following share awards remain outstanding as at 30 June 2024 for the Executive Directors:

Director	Type of award	Date of grant	Number of awards	Award vested	Awards lapsed	Outstanding awards	Market price on date of grant[1]	Normal vesting date
Tim Stacey	2021 LTIP	11/10/21	251,908	–	251,908	–	£2.62	11/10/24
	2021 LTIP	12/11/21	39,169	–	39,169	–	£2.81	12/11/24
	2022 LTIP[2]	12/10/22	733,446	–	–	733,446	£1.08	12/10/25
	2023 LTIP	16/10/23	860,120	–	–	860,120	£1.02	16/10/26
	2021 DBP	21/10/21	31,911	–	–	31,911	£2.69	21/10/24
	2021 DBP	20/12/21	28,300	–	–	28,300	£2.69	21/12/24
	2023 DBP	20/10/23	41,606	–	–	41,606	£1.02	20/10/26
John Fallon	2022 LTIP[2]	14/12/22	348,689	–	–	348,689	£1.48	12/10/25
	2023 LTIP	16/10/23	546,486	–	–	546,486	£1.02	16/10/26
	2023 DBP	20/10/23	19,538	–	–	19,538	£1.02	20/10/26

1. The share price for calculation is the average of the closing share price on the three days prior to the grant for any LTIP awards, and the closing share price on the day prior to the grant for any DBP awards.
2. The performance conditions applicable to the 2022 LTIP awards are set out on page 92 of the 2023 Annual Report.

Total Shareholder Return

The chart illustrates the Group's Total Shareholder Return performance against the FTSE 250 Index since 5 March 2015, the date of IPO, to the end of FY24 (30 June 2024). This peer group represents the Company's key market for investment capital.



Chief Executive's Remuneration For the Last Ten Years

The table below indicates the total single figure of remuneration for the CEO since IPO, along with the annual bonus payout and LTIP vesting level as a percentage of the maximum opportunity.

	FY24	FY23	FY22	FY21	FY20	FY19		FY18	FY17	FY16	FY15
CEO	**Tim Stacey**	Tim Stacey	Tim Stacey	Tim Stacey	Tim Stacey	Tim Stacey[1]	Ian Filby	Ian Filby	Ian Filby	Ian Filby	Ian Filby
Single Figure (£'000)	**523**	665	496	1,999	568[3]	464	374	673	666	804	790
Annual Bonus (% of max)	**0%**	31.1%	0%	100%	0%[2]	26.2%	32.2%	36%	37.5%	71.9%	85.2%
LTIP vesting (% of max)	**0%**	0%	0%	100%	0%	28.6%	28.6%	0%	0%	n/a	n/a

1. Tim Stacey became CEO and Executive Director on 1 November 2018.
2. The Committee applied downward discretion to override the formulaic outcome of the FY20 annual bonus to zero.
3. Tim Stacey's single figure for FY20 includes an award under the DFS Restricted Share Plan which was made to the CEO prior to his appointment as an Executive Director. The award had a value of £97.7k and vested on 16 November 2019.

DIRECTORS' REMUNERATION REPORT CONTINUED

Percentage change in the Directors' remuneration

The table below compares the percentage increase in Directors' pay with the wider employee population. The Company considers DFS employees other than those whose remuneration includes piecework or commission, and excluding the Executive Directors, to be an appropriate comparator group.

		FY19–FY20			FY20–FY21			FY21–FY22			FY22–FY23			FY23–FY24		
Annual % change		Base salary	Benefits	Annual bonus	Base salary	Benefits	Annual bonus	Base salary	Benefits	Annual bonus	Base salary	Benefits	Annual bonus	Base salary	Benefits	Annual bonus[1]
CEO	Tim Stacey	2%	41%	-100%	10%	-6%	100%	3%	-82%	-100%	0%	61%	100%	10.3%	-9%	-100%
CFO	John Fallon	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	4.5%	n/a	-100%
Non-Executive Directors	Gill Barr	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0%	n/a	n/a	4.5%	n/a	n/a
	Alison Hutchinson	17%	n/a	n/a	2%	n/a	n/a	3%	n/a	n/a	0%	n/a	n/a	4.5%	n/a	n/a
	Jo Boydell	81%	n/a	n/a	2%	n/a	n/a	3%	n/a	n/a	0%	n/a	n/a	4.5%	n/a	n/a
	Steve Johnson	79%	n/a	n/a	2%	n/a	n/a	3%	n/a	n/a	0%	n/a	n/a	4.5%	n/a	n/a
	Jane Bednall	n/a	n/a	n/a	2%	n/a	n/a	3%	n/a	n/a	0%	n/a	n/a	4.5%	n/a	n/a
	Loraine Martins	n/a	n/a	n/a	n/a	n/a	n/a	3%	n/a	n/a	0%	n/a	n/a	4.5%	n/a	n/a
Employee pay		0%	n/a	n/a	2%	n/a	n/a	3%	n/a	-100%	0%	n/a	100%	5.0%	n/a	-66%

In line with the regulations, this analysis is extended up to a five year period. Notes on the percentage change in remuneration for previous years are provided in prior years' annual reports.

1. Annual bonus was paid to the wider employee population for FY24.

DIRECTORS' REMUNERATION REPORT CONTINUED

Relative Importance of spend on pay

The table below sets out the overall spend on pay for all employees compared with the returns distributed to shareholders.

Significant distributions	FY24	FY23	% change
Employee remuneration	**£200.0m**	£202.5m	-1%
Distributions to shareholders (dividends and share buybacks)	**£9.4m**	£43.0m	-78%

The above figures are taken from notes 4, 21 and 22 to the financial statements.

CEO pay ratio

This is the fifth year that we have disclosed the Group's CEO pay ratio.

As in prior years, the Company has adopted Option B: Gender Pay Gap data, as this approach was considered to remain appropriate due to data availability and to allow consistency with prior year comparison. The Committee will continue to determine the most appropriate methodology (Option A, B or C) to be used each year, by considering the robustness of the calculation methodology as well as the availability of data and operational time constraints.

The relevant employees at each quartile for each year were identified in April (2024 and 2023) using our Gender Pay Gap data. The pay and benefits data for the relevant 25th, 50th and 75th percentile employees is taken from the 12-month period ending in June 2023 (financial year FY23) and June 2024 (financial year FY24). The pay and benefits figure includes:

- all earnings paid through the payroll, e.g. salary, bonus, long term incentives
- the value of the employer pension contributions
- any other taxable benefits, e.g. private medical, company car etc
- no elements of pay were omitted and there was no departure from the single figure methodology.

Pay and benefits for the relevant employees have been calculated on a full-time equivalent basis and there was no reliance on estimates.

The lower quartile, median and upper quartile employees were identified from the gender pay gap data where the hourly pay for employees was ranked. A sample of 10 employees' pay and benefits either side of the initially identified employees was reviewed to ensure that the appropriate representative employees are selected.

The table below compares the single total figure of remuneration for the CEO with that of employees who are paid at the 25th, 50th and 75th percentile of the employee population.

CEO Pay Ratio Data

Year	Method	25th percentile	50th percentile	75th percentile
2024	Option B	22:1	16:1	12:1
2023	Option B	27:1	18:1	18:1
2022	Option B	20:1	15:1	12:1
2021	Option B	76:1	66:1	61:1
2020	Option B	24:1	20:1	16:1

2024	25th percentile	50th percentile	75th percentile
Salary	£23,319	£32,130	£37,148
Total pay and benefits	**£24,097**	**£33,559**	**£42,368**

The year-on-year change in pay ratio reflects the incentive outturns for the CEO in 2024 being lower than the incentive outturns in 2023.

In line with the regulations, this analysis will be extended up to ten years in the future. The Committee considers pay ratios as one of many reference points when considering remuneration. Throughout DFS, pay is positioned to be fair and market competitive in the context of the relevant talent market for each role.

Internal and external support for the Committee

The Chairman, the CEO and the CFO attend meetings at the invitation of the committee but are not present when their own remuneration is being discussed. The Company Secretary acts as Secretary to the Committee. The Committee is supported by the Group People Director, Finance and Company Secretarial functions.

Willis Towers Watson was retained as advisers to the Committee to 10 November 2023. During the year, the Committee undertook a competitive tender process and appointed Deloitte LLP as its adviser, effective 11 November 2023.

Deloitte LLP is a founding member of the Remuneration Consultants Group and a signatory to the Code of Conduct for Remuneration Consultants. The Committee is comfortable that Deloitte LLP provides objective and independent remuneration advice and has no conflicts of interest with the Group that may impair its independence. The Committee is satisfied that the Deloitte engagement team which provide remuneration advice to the Committee do not have connections with DFS Furniture plc or its Directors that may impair their independence.

The Committee reviewed the potential for conflicts of interest and judged that there were appropriate safeguards against such conflicts.

The total fees paid to Willis Towers Watson in respect of services to the Committee during the year amounted to £42,650. Total fees payable to Deloitte LLP in respect of services to the Committee during the year amounted to £104,950. Deloitte LLP also provided tax and financial advisory services in the period.

DIRECTORS' REMUNERATION REPORT CONTINUED

UK Corporate Governance Code: Provision 40

When determining the Executive Directors' Remuneration Policy and practices, the Committee considered the following factors as set out in the Code:

Clarity	The Committee seeks to maintain an open dialogue with shareholders in order to communicate our approach to remuneration. As part of the Remuneration Policy review, the Committee consulted its major shareholders (who together hold around 90% of the Issued Share Capital). Our Policy is set out in a transparent manner and we are committed to simple and concise disclosure of our Remuneration Policy and practices.
Simplicity	Our remuneration arrangements aim to be simple in nature, with our Policy retaining transparency, alignment with strategy and simplicity to aid in understanding by participants.
Risk	The Committee seeks to structure our incentive arrangements in a manner that does not encourage inappropriate risk taking, with a strong focus on the long term success and sustainability of the business. Discretion can be applied to the vesting outcomes of the Annual Bonus, LTIP and DSP to reflect Company and/or individual performance. Structural features of our Policy such as the deferral of any annual bonus paid, the post vesting holding period under the LTIP and DSP, and our shareholding requirement (including post-cessation shareholding requirements) provide a clear link to the wider shareholder experience. Malus and clawback provisions apply to the Annual Bonus, LTIP and DSP, to allow for adjustment in the event of risk management failures.
Predictability	Our Remuneration Policy contains details of the maximum opportunity levels under the Annual Bonus and DSP, with actual outcomes dependent on performance against the predetermined measures and targets applying to the Annual Bonus, and the underpins as applicable to the DSP. The remuneration outcomes under the different performance scenarios (on-target and maximum) are clearly set out alongside an estimate of potential maximum outcome if the share price increased by 50%. See Charts on page 77.
Proportionality	The remuneration policy is designed to create a strong link between our strategy and performance. Our holding periods and bonus deferral, alongside the Committee's ability to apply discretion to incentive outcomes ensures an appropriate alignment between incentive outcomes and long term Company performance.
Alignment to culture	Our incentive plans are aligned with our strategic focus on long-term sustainable performance. Our focus on values and behaviours has been reflected in the design of our remuneration policy. The Committee is mindful of the pay and conditions of our workforce when considering executive pay.

Statement of voting

The table below sets out the outcome of the advisory vote on the resolution for approval of the Annual report on remuneration at the 2023 AGM and the binding vote on the resolution for approval of the Directors' Remuneration Policy at the 2021 AGM:

Resolution	Votes For	%	Votes Against	%	Total votes	% of issued capital voted	Votes withheld
Annual report on remuneration (2023)	150,434,822	70.50%	62,961,819	29.50%	213,396,641	91.14%	1,800
Remuneration Policy (2021)	232,954,298	98.12%	4,469,570	1.88%	237,423,868	91.89%	274

At the AGM held on 10 November 2023, Resolution 3 seeking approval for the Directors' Remuneration Report was supported by a clear majority of shareholders with 70.50% of votes cast in favour and 29.50% of votes cast against, resulting in less than 80% support overall.

In advance of the meeting, the Chair of Remuneration Committee and other members of the Board, communicated with holders of 80% of our shares and offered them an opportunity to engage ahead of the AGM.

The Committee acknowledges that whilst the majority of shareholders were supportive of the Directors' Remuneration Report, a small number of shareholders were not supportive of the resolution due to the increase in the CEO's base salary by an amount greater than the workforce average increase. While the Committee is aware of and recognises sensitivities around salary increases, we believe the adjustment was in the interests of DFS and its shareholders and was necessary to motivate and retain the CEO, who is critical to delivering DFS' transformational agenda.

Following the 2023 AGM, the Committee commenced a review of its remuneration strategy in preparation for putting a Remuneration Policy to shareholders at the forthcoming AGM in November. As part of this the Committee Chair consulted extensively with shareholders and the main proxy bodies and incorporated feedback received into the final proposals.

GILL BARR
Chair of the Remuneration Committee
25 September 2024

DIRECTORS' REPORT

The Directors' Report includes information required to be disclosed under the Companies Act 2006 ('the Act'), the UK Corporate Governance Code ('the Code'), the Financial Conduct Authority's Listing Rules ('Listing Rules') and the Disclosure and Transparency Rules ('DTRs').

DFS Furniture PLC ('the Company') is the holding company of the DFS Group of companies ('the Group'). The Company has no overseas subsidiaries but operates branches in the Republic of Ireland.
The Directors present their Annual Report and audited financial statements for the 53 weeks ended 30 June 2024, in accordance with section 415 of the Companies Act 2006. Both the Strategic report and the Directors' report have been drawn up and presented in accordance with and in reliance upon applicable English company law, and the liabilities of the Directors in connection with those reports shall be subject to the limitations and restrictions provided by such law. The Strategic report and this Directors' report together with sections of the Corporate governance report incorporated by reference, together form the Management report for the purpose of DTR 4.1.8R. The Directors' report fulfils the requirements of the corporate governance statement for the purposes of DTR 7.2.3R.

The relevant sections of the Annual Report:

Directors

The membership of the Board and biographical details of the Directors are provided on pages 52 and 53. Details of Directors' beneficial and non-beneficial interests in the shares of the Company are shown on page 83.

Director	Position	Service in the year ended 30 June 2024
Steve Johnson[1]	Chair	Served throughout the year
Tim Stacey	Chief Executive Officer	Served throughout the year
John Fallon	Chief Financial Officer	Served throughout the year
Alison Hutchinson	Senior Independent Non-Executive Director	Served throughout the year
Gill Barr	Independent Non-Executive Director	Served throughout the year
Jo Boydell	Independent Non-Executive Director	Served throughout the year
Loraine Martins	Independent Non-Executive Director	Served throughout the year. Resigned 31 July 2024
Bruce Marsh[1]	Independent Non-Executive Director	Appointed 1 August 2024

1. Bruce Marsh was appointed to the Board of Directors post year end

Board

All of the Directors are appointed or replaced in accordance with the Company's Articles of Association (the 'Articles'), the Act and the Code. The Board is permitted to appoint new directors to fill a vacancy. Any director appointed by the Board must stand for election at the following annual general meeting, in compliance with the Code. All directors submit themselves for re-election on an annual basis.

The Executive Directors serve under rolling contracts, details of which are set out on page 79 of the Directors' remuneration report. The Non-Executive Directors are appointed under letters of appointment, for an initial three-year term which may be extended by mutual agreement and are terminable by either the Non-Executive Director or the Company with three month's prior written notice or six months' notice from either party in the case of the Chair. Each Non-Executive Director is subject to annual re-election at the Company's AGM.

The table below sets out the dates that each Non-Executive Director seeking election/re-election at the 2024 AGM was first appointed.

Non- Executive Director	Date of appointment
Alison Hutchinson	1 May 2018
Jo Boydell	6 December 2018
Steve Johnson	6 December 2018
Gill Barr	1 March 2023
Bruce Marsh	1 August 2024

The Directors' service contracts and the letters of appointment are available for inspection by shareholders at the Company's registered office and will be available for inspection at the Company's AGM. Following recommendations from the Nomination Committee, the Board considers that all Directors continue to be effective, committed to their roles and able to devote sufficient time to discharge their responsibilities.

DIRECTORS' REPORT CONTINUED

All of the directors proposed by the Board for election or re-election are being unanimously recommended for their skills, experience and the contribution they bring to Board deliberations. During the year, no director had any material interest in any contract of significance to the Group's business. Their interests in the shares of the Company, including those of any connected persons, are outlined in the Directors' Remuneration Report on page 83. The Board exercise all the powers of the Company subject to the Articles, the Act and shareholder resolutions.

A formal schedule of matters reserved for the Board has been approved by the Board.

Directors' responsibilities
The directors' responsibilities for the financial statements contained within this Annual Report and Accounts and the directors' confirmations as required under DTR 4.1.12 are set out on page 91.

Directors' indemnities and insurance
The Company has made qualifying third-party indemnity provisions (as defined in the Act) for the benefit of its directors during the year; these provisions remain in force at the date of this Directors' Report. In accordance with the Articles, and to the extent permitted by law, the Company may indemnify its directors out of its own funds to cover liabilities incurred as a result of their office. The Group holds directors' and officers' liability insurance cover for any claim brought against directors or officers for alleged wrongful acts in connection with their positions, to the point where any culpability for wrongdoing is established. The insurance provided does not extend to claims arising from fraud or dishonesty.

Annual General Meeting ('AGM')
The Company's next AGM will take place on 22 November 2024 at the DFS Group Support Centre, 1 Rockingham Way, Redhouse Interchange, Adwick-le-Street, Doncaster, DN6 7NA at 2.30pm. The Annual Report and Accounts and Notice of the AGM, including the resolutions to be proposed, will be sent to shareholders at least 21 clear days prior to the date of the meeting. Shareholders are invited to submit questions prior to the meeting by emailing the Company Secretary Liz McDonald liz.mcdonald@dfs.co.uk.

Shareholder and voting rights
All members who hold ordinary shares are entitled to attend and vote at the AGM. Voting on all resolutions at the 2024 AGM will be by way of a poll. On a poll, every member present in person or by proxy has one vote for every ordinary share held or represented. The Notice of Meeting specifies the deadlines for exercising voting rights. To encourage shareholders to participate in the AGM process, the Company offers electronic proxy voting through the CREST service and all resolutions will be proposed and voted on at the meeting on an individual basis by shareholders or their proxies. The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and voting rights. There are no restrictions on the transfer of ordinary shares in the Company other than certain restrictions imposed by laws and regulations (such as insider trading laws and market requirements relating to closed periods) and requirements of internal rules and procedures whereby directors and certain employees of the Company require prior approval to deal in the Company's securities. The Company's Articles may only be amended by a special resolution at a General Meeting.

Dividends
On 19 March 2024 the Board announced its FY24 interim results and an interim dividend of 1.1p The Board has not proposed a final dividend for the year ended 30 June 2024. Details of the final and interim dividends for the year are included in the below table.

1.1p interim dividend	(FY23: 1.5 per share)
0.0p proposed final dividend	(FY23: 3.0p per share)
Total dividend of 1.1p per share for FY24	(FY23: 4.5p per share)

Substantial Shareholders
As at 18 September 2024, the Company has been notified of the following holdings of voting rights in its shares under DTR Rule 5. The information provided below was correct at the date of notification. These holdings are likely to have changed since the Company was notified; however, notification of any change is not required until the next notifiable threshold is crossed.

Investor	Number of Ordinary Shares	% voting rights	Date of notification
J O Hambro Capital Management Limited	23,348,196	9.97	6 Aug 2024
Adriana S.A.	21,960,922	9.02	15 Sep 2022
Cobas Asset Management	14,048,830	6.00	21 Jun 2024
Janus Henderson Group plc	13,579,229	5.80	9 Dec 2022
Aviva Investors	14,723,644	6.29	1 Dec 2023
Abrdn plc	12,184,099	5.20	2 Nov 2023

Takeover directive information
Following the implementation of the European Directive on Takeover Bids by certain provisions of the Companies Act 2006, the Company is required to disclose certain additional information in the Directors' Report. This information is set out below:

Capital Structure
The Company has only one class of shares, being Ordinary Shares of £0.10 pence each. The shares of the Company have been traded on the main market of the London Stock Exchange throughout the 53 weeks ended 30 June 2024. The Company has an issued share capital of 236,000,000 ordinary shares of £0.10p each (2023: 240,678,120). The voting rights of the Company's shares are identical, with each share carrying the right to one vote. Holders of Ordinary Shares of the Company are entitled to participate in authorised dividends and to receive notice and to attend and speak at general meetings. On 30 June 2024, the Company held 1,855,580 Ordinary Shares in treasury (2023: 6,533,700). As at 18 September 2024 the Company held 1,855,580 shares in Treasury and therefore the total number of ordinary shares with voting rights in the Company is 234,144,420.

Details of the movements in issued share capital during the year are provided in note 22 to the Group financial statements.

Under the Company's Share Dealing code, senior executives may be restricted as to when they can trade in the Company's shares. The Directors are not aware of any agreements between holders of the Company's shares that may result in the restriction of the transfer of securities or on voting rights. No shareholder holds securities carrying any special rights or control over the Company's share capital.

Details of employee share schemes are provided in note 25 to the Group financial statements.

As at 30 June 2024, the EBT held 3,456,074 shares.

Information required by Listing Rule 9.8.4R
Details of long-term incentive schemes as required by Listing Rule 9.4.3R are located in the Directors' Remuneration Report on pages 67 to 87. There is no further information required to be disclosed under Listing Rule 9.8.4R.

Authority to purchase own shares
At the AGM on 10 November 2023, the Company was authorised to purchase a maximum of 10% of the Company's issued share capital. This authority will expire at the close of the next AGM on 22 November 2024 unless revoked, varied, or renewed prior to that meeting.. The Company will seek the usual renewal of this authority to purchase its own shares at the AGM in November 2024

Authority to allot shares
At the AGM on 10 November 2023, the Company was granted a general authority by its shareholders to allot shares up to an aggregate nominal amount of £7,804,814 (or up to £15,609,628 in connection with an offer by way of a rights issue). The Company did not allot any further shares during the year. (2023: nil). The Company will seek the usual renewal of this authority at the AGM 2024.

Change of control
All of the Company's share incentive scheme rules, contain provisions, which may cause options and awards granted under these schemes to vest and become exercisable in the event of a change of control. The Company is not a party to any significant agreements which take effect, alter, or terminate, solely upon the

DIRECTORS' REPORT CONTINUED

event of a change of control in the Company following a takeover bid. However, in the event of a change of control of the Company, the Company is obliged to give written notice to its lenders. Each individual lender then has the right to give written notice to the Company to demand early repayment of its outstanding loans to that lender and to cancel that lender's commitments in full.

There are no agreements between the Company and its Directors or employees providing for additional compensation for loss of office or employment (whether through resignation, redundancy or otherwise) that occurs because of a takeover bid.

Significant agreements
The Company does not have any contractual or other relationships with any single party which are essential to the business of the Group and, therefore, no such relationships have been disclosed.

Colleague involvement – Everyone's Welcome
The DFS Group strategy is "Everyone's Welcome". It is embedded in the Group values that all colleagues are able to be themselves at work, whatever their background, preferences or views.

The Group has a communication programme in place to provide colleagues with information on matters of concern to them. This includes regular updates from the Group Leadership team via the Workplace system and regular meetings with line managers. There is a colleague Voice forum in place in UK & Republic of Ireland. The Voice forum forms the basis of the colleague listening network and enables colleague feedback to be received effectively and consistently across the Group. The Voice forums make valuable contributions to business development programmes and provide input on a wide range of business and people topics.

Whilst our approach is designed around all colleagues, from all backgrounds, all levels and all business areas, we have particular focus on the experience and representation of women and colleagues from ethnic minority backgrounds.

Details of colleagues' involvement in the Group's share plans are disclosed in the Remuneration Report on pages 67 to 87.

Employment of disabled people
In the event that colleagues need adjustments to be made to support their employment then every effort will be made to do so. The Group is committed to providing equal opportunities in recruitment, training, development and promotion. We encourage applications from individuals with all forms of disabilities. All efforts are made to retain disabled colleagues in our employment, including making any reasonable adjustments to their roles. Every endeavour is made to find suitable alternative employment and to retrain and support the career development of any employee who becomes disabled whilst serving the Group.

Research and development
Research and innovation remain key to our product offering, enabling the development of better products for our customer base. Further details are provided in the Chair's statement on page 5.

Donations
The Group does not make donations to political organisations or independent election candidates.

Public Policy
We do not take part in any direct lobbying or public policy activity.

Treasury and risk management
The Company's approach to treasury and financial risk management, including its use of hedging instruments, is explained in the Risks and Uncertainties section on page 23 and note 24 to the annual financial statements.

Independent auditors
In accordance with section 489 of the Companies Act 2006,("the Act") the Audit and Risk Committee has recommended that a resolution is to be proposed at the AGM for the reappointment of KPMG LLP as auditor of the Group. The Directors who held office at the date of this report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each such Director has taken the reasonable steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of the information. The confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Act.

Subsequent events
Between 30 June and the date of this report Loraine Martins stepped down from the Board of Directors and on 1 August 2024 Bruce Marsh was appointed to the Board of Directors.

Whilst the Group expects to stay within its existing borrowing facility covenants, in September 2024 the Group agreed a widening of covenants with its lenders, which provides additional headroom in the event of unanticipated downside scenarios that result in a further decline in market volumes and lower EBITDA. Further details are provided in the Financial review on page 18.

Information on greenhouse gas emissions
The information on greenhouse gas emissions that the Company is required to disclose is set out in the Responsibility and Sustainability Report on pages 42 to 43. This information is incorporated into this Directors' report by reference and is deemed to form part of this Directors' report.

Disclaimer
This Directors' report, Strategic report and the financial statements contain certain forward-looking statements with respect to the financial condition, results, operations, and business of DFS Furniture plc. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts.

Nothing in this Directors' report or the Strategic report or in the financial statements should be construed as a profit forecast. This document also contains non-financial information and data. While reasonable steps have been taken to ensure that this is correct, it has not been externally audited or verified unless specifically stated in this document.

Going concern
In adopting the going concern basis for preparing the financial statements, the directors have considered the business activities as set out on pages 1 to 51, the financial position of the Group, its cash flows, liquidity position and borrowing facilities as set out in the Financial Review on pages 16 to 18, the Group's financial risk management objectives and exposures to liquidity and financial risks as set out in note 24 to the financial statements, as well as the Group's risks and uncertainties as set out on pages 21 to 28.

Based on the Group's cash flow forecasts, the Board expects the Group to have adequate resources to continue in operation, meet its liabilities as they fall due, retain sufficient available cash and not breach the covenant applicable to its borrowing facilities for the foreseeable future, being a period of at least 12 months from the approval of the financial statements. The Board therefore considers it appropriate for the Group to adopt the going concern basis in preparing its financial statements. At 18 September 2024, £63.0m of the revolving credit facility remained undrawn, in addition to cash in hand, at bank of £5.7m.

Long term viability statement
The directors have assessed the prospects of the Company over a three-year period to June 2027. This has taken into account the business model, strategic aims, risk appetite, and principal risks and uncertainties, along with the Company's current financial position. Based on this assessment, the directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three-year period under review. See our approach to assessing long term viability on page 28.

The Directors' report was approved by the Board of Directors on 25 September 2024 and signed on its behalf by:

ELIZABETH MCDONALD
Group General Counsel & Company Secretary
25 September 2024

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with UK-adopted international accounting standards and applicable law and have elected to prepare the parent Company financial statements in accordance with UK accounting standards and applicable law, including FRS 101 Reduced Disclosure Framework.

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 Group and parent Company and of the Group's profit or loss for that period. In preparing each of the Group and parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with UK-adopted international accounting standards;
- for the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the parent Company financial statements;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In accordance with Disclosure Guidance and Transparency Rule ("DTR") 4.1.16R, the financial statements will form part of the annual financial report prepared under DTR 4.1.17R and 4.1.18R. The auditor's report on these financial statements provides no assurance over whether the annual financial report has been prepared in accordance with those requirements.

Responsibility statement of the directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the strategic report/directors' report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

TIM STACEY
Chief Executive Officer

JOHN FALLON
Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF DFS FURNITURE PLC

1. Our opinion is unmodified

We have audited the financial statements of DFS Furniture plc ("the Company") for the period ended 30 June 2024 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement, the Company Balance Sheet, Company Statement of Changes in Equity, and the related notes, including the accounting policies in Note 1 to both the Group and parent Company financial statements

In our opinion:

– the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 June 2024 and of the Group's loss for the period then ended;
– the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
– the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
– the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit and Risk Committee.

We were first appointed as auditor by the directors on 27 April 2010, prior to the Company becoming a public interest entity. The period of total uninterrupted engagement is for the 10 financial periods ended 30 June 2024 as a public interest entity and 14 financial periods in total. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview

Materiality: group financial statements as a whole	£2.5m (2023: £2.5m) 0.25% of Group revenue (2023: 3.8% of profit before tax from continuing operations normalised to exclude non-underlying items and averaged over a period of three years)	
Coverage	100% of Group revenue (2023: 98% of Group profit before tax from continuing operations excluding non-underlying items)	
Key audit matters		vs 2023
Recurring risks	Going Concern	↑
	Impairment of Goodwil	↑
	Recoverability of parent company's investment in subsidiaries and amounts due from group companies	↔

INDEPENDENT AUDITOR'S REPORT CONTINUED

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, which are unchanged from 2023, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
Going Concern	**Disclosure Quality:**	
Refer to page 22 (Principle Risks), page 28 (Viability Reporting), page 62 (Audit and Risk Committee Report), page 90 (Director's report) and page 104 (accounting policies).	The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group and parent Company. The judgement is based on evaluation of the inherent risks to the Group's and the parent Company's business model and how those risks might affect the Group's and parent Company's financial resources or ability to continue to operate over a period of at least a year from the date of the approval of the financial statements. The risks most likely to adversely affect the Group's and parent Company's available financial resources and metrics relevant to debt covenants over this period are: – The current geopolitical and macro-economic climate impacting the demand for the Group's products, including reduced customer demand for furniture, current UK housing market status, increases in the cost of living and rising inflation. – The recent Red Sea related shipping disruption and increased freight costs. The risk for our audit was whether or not those risks were such that they amounted to a material uncertainty that may have cast significant doubt about the ability to continue as a going concern. Had there been a material uncertainty, then the fact would have been required to be disclosed.	We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by assessing the directors' sensitivities over the level of available financial resources and covenant thresholds indicated by the Group's financial forecasts taking account of severe, but plausible, adverse effects that could arise from these risks individually and collectively. Our procedures included: – **Funding assessment:** We assessed the committed level of finance, and its expiry through inspection of financing documentation, to determine the level of finance available to the Group and its associated covenants; – **Covenant compliance:** We considered covenant compliance both in the financial period, through validation of the period end covenant certificate, and in the going concern forecast period taking into account the extension of covenants granted by the lenders in line with the viability reporting on page 28; – **Historical comparisons:** We compared historical forecast results against actual cash flows achieved in the previous and current financial periods in order to assess the directors' track record of forecast accuracy; – **Benchmarking assumptions:** We benchmarked the key assumptions, including bookings growth, freight costs and cost saving initiatives behind the cash flow forecasts to third party evidence, including analyst reports and market data where available; – **Sensitivity analysis:** We considered the sensitivities over the level of available financial resources, including associated covenant compliance, indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively, considering additional beneficial contractual arrangements made subsequent to the year end. This included evaluating the Directors' plausible downside scenarios, a combination of those scenarios and stress tests following the covenant extension; – **Evaluation of directors' intent:** We evaluated the achievability of the actions the directors consider they would take to improve the position should the risks materialise, including reductions in non-essential capital expenditure and reductions in dividends by taking into account the extent to which the directors can control the timing and outcome of these; and – **Assessing transparency:** We considered whether the going concern disclosure in note 1 to the consolidated financial statements and note 1 to the parent Company financial statements gives a full and accurate description of the directors' assessment of going concern, including the identified risks, dependencies, and related sensitivities through our specific entity understanding and industry and market analysis. **Our results** – We found the going concern disclosure in note 1 to the consolidated financial statements and note 1 to the parent Company financial statements without any material uncertainty to be acceptable (2023: acceptable).

INDEPENDENT AUDITOR'S REPORT CONTINUED

	The risk	Our response
Impairment of Goodwill (£508.3 million; 2023: £508.3 million) Refer to page 62 (Audit and Risk Committee Report), page 106 (accounting policy) and pages 119 and 120 (financial disclosures).	**Forecast-based assessment:** There is a risk that the business may not meet expected growth projections in order to support the carrying value of goodwill held relating to the DFS Trading and Sofology cash generating units ('CGUs'). This risk has increased in the period in light of the current economic climate and financial performance of the Group. Goodwill is significant and at risk of irrecoverability due to continuing weak demand in the furniture retail market. The directors considered the recoverability of the goodwill balance through a value in use calculation that had underlying assumptions of varying sensitivities. The estimated recoverable amount is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows. The effect of these matters is that, as part of our risk assessment, we determined that the value in use of DFS Trading and Sofology CGUs have a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. In conducting our final audit work, we concluded that reasonably possible changes to the value in use of the Sofology CGU would not be expected to result in a material impairment. The financial statements (note 10) disclose the sensitivity estimated by the Group for the DFS Trading CGU.	We performed the tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. Our procedures included: – **Historical comparisons:** We compared the previous forecasts for each CGU against actual outcomes to assess the historical reliability of the Group's forecasting; – **Benchmarking assumptions:** We compared each CGU's trading forecasts against current trading performance and anticipated growth in the furniture retail sector, comparing to industry analyst reports and our own internal economic outlook analysis, and applied our knowledge of the Group and retail sector in investigating any significant deviations in order to challenge assumptions included in the forecasts; – **Sensitivity analysis:** We performed sensitivity analysis on individual key assumptions and in combined scenarios over order intake, profit margins, terminal growth rate and discount factor in order to assess the level of sensitivity of the value in use to these assumptions; – **Our sector experience:** We assessed and challenged the discount rate by obtaining the inputs used in the discount rate calculations, benchmarking against our own expectations, and comparing the overall rate to an expected range based on our own benchmarks; – **Comparing valuations:** We compared the sum of the discounted cash flows for all CGUs to the Group's market capitalisation, adjusted for debt and surplus assets, to assess the reasonableness of those cashflows and the reasonableness of the carrying value of those CGUs; and – **Assessing transparency:** We considered the adequacy of the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions, and specifically the sensitivity estimated by the Group for the DFS Trading CGU, assessing whether they reflected the risks inherent in the recoverable amount of goodwill. **Our results** – We found the Group's conclusion that there is no impairment of goodwill to be acceptable (2023 result: acceptable).

INDEPENDENT AUDITOR'S REPORT CONTINUED

	The risk	Our response
Recoverability of parent Company's investment in subsidiaries and receivables from other group companies Parent Company's investment in subsidiaries: £237.8 million; (2023 £254.5 million) Amounts due from group companies: £275.0 million; (2023 £275.0 million) Refer to page 63 (Audit and Risk Committee Report), page 137 (accounting policy) and page 138 (financial disclosures).	**Low risk, high value:** The carrying amount of the parent Company's investments in subsidiaries and the amounts due from group companies balance represents 46% (2023: 48%) and 54% (2023: 52%) of the parent Company's total assets respectively. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent Company financial statements, this is considered to be the area that had the greatest effect on our overall parent Company audit.	We performed the tests below rather than seeking to rely on any of the Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. Our procedures included: – **Tests of detail:** We compared the carrying amount of 100% of investments with the relevant subsidiaries' draft balance sheet to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessed whether those subsidiaries have historically been profit-making; – We compared the debt adjusted market capitalisation to the investment and intra-group receivables balance to assess impairment indicators. – We assessed 100% of the total amounts due from group companies balance to identify, with reference to the relevant debtors' draft balance sheet, whether they have a positive net asset value and therefore coverage of the debt owed, as well as assessing whether those debtor companies have historically been profit-making; – **Assessing subsidiary audits:** Considering the results of our work on all scoped in subsidiaries' profits and net assets, we assessed the liquidity of the assets and therefore the ability of the subsidiary to fund the repayment of the amount due from group companies. **Our results** – We found the Company's conclusion that there is no impairment of the investments in subsidiaries and the amounts due from group companies to be acceptable (2023: acceptable).

INDEPENDENT AUDITOR'S REPORT CONTINUED

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £2.5m (2023: £2.5m), determined with reference to a benchmark of Group revenue of which it represents 0.25%. The benchmark in the previous year was Group profit before tax from continuing operations normalised to exclude non-underlying items ("PBTCO") and averaged over a period of three years of which it represented 3.8%. We selected Group revenue as the benchmark in the current period because of the current pressure on PBTCO, driven by the challenging macro-economic environment. The Group's strategic transformation programme is aimed at adapting to this new environment and working towards improving profits.

Materiality for the parent Company financial statements as a whole was set at £1.6m (2023: £1.6m), determined with reference to a benchmark of Company total assets, of which it represents 0.3% (2023: 0.3%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality for the group was set at 65% (2023: 75%) of materiality for the financial statements as a whole, which equates to £1.62m (2023: £1.88m). We applied this percentage in our determination of performance materiality based on the level of identified misstatements and control deficiencies during the prior period as well as the level of turnover of senior management and key financial reporting personnel.

Performance materiality for the parent company was set at 75% (2023: 75%) of materiality for the financial statements as a whole, which equates to £1.2m (2023: £1.2m). We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit and Risk Committee any corrected or uncorrected identified misstatements exceeding £0.125m (2023: £0.125m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 9 (2023: 9) reporting components, we subjected 4 (2023: 4) to full scope audits for group purposes. We conducted reviews of financial information (including enquiry) at a further 5 (2023: 5) non-significant components as, while these were not individually financially significant to the group, we considered the impact of these in aggregate.

The components within the scope of our work accounted for the percentages illustrated opposite.

The work on all scoped-in components (2023: all scoped-in components),including the audit of the parent company, was performed by the Group team.

The Group team set the component materialities, which ranged from £1.0m to £2.0m (2023: £0.7m to £2.0m), having regard to the mix of size and risk profile of the Group across the components.

The remaining 1% (2023: 2%) of Group loss before tax (2023:profit before tax) and 9% (2023: 9%) of total Group assets is represented by 5 (2023: 5) reporting components, none of which individually represented more than 5% (2023: 4%) of any of total Group revenue, Group loss before tax (2023:profit before tax) or Group total assets. For the residual components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The scope of the audit work performed was predominately substantive as we placed limited reliance upon the Group's internal control over financial reporting.

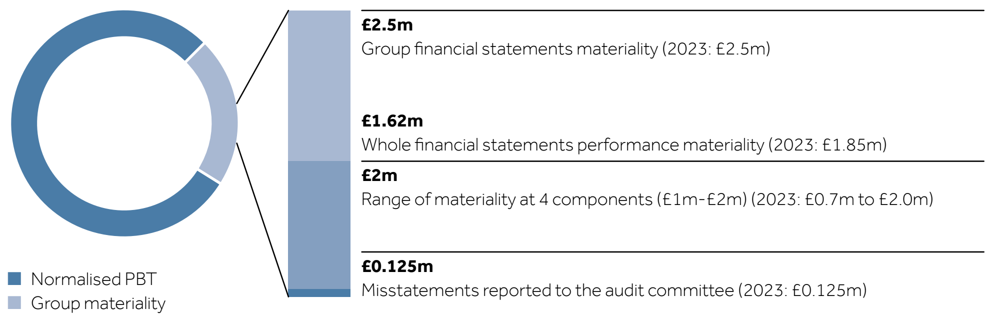
4. Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the parent Company or to cease their operations, and as they have concluded that the Group's and the parent Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least 12 months from the date of approval of the financial statements ("the going concern period").

An explanation of how we evaluated management's assessment of going concern is set out in the related key audit matter in section 2 of this report.

Normalised Group profit before tax
£9.1m (2023: £29.2m)

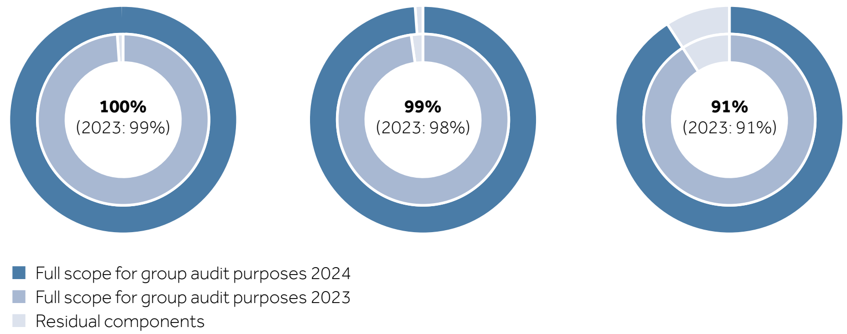
Group materiality
£2.5m (2022: £2.5m)



Group revenue

Group profit before tax from continuing operations excluding non-underlying items

Group total assets from continuing operations



Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or parent Company's ability to continue as a going concern for the going concern period;
- we have nothing material to add or draw attention to in relation to the directors' statement in note 1 to the consolidated financial statements and note 1 to the parent Company's financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and parent Company's use of that basis for the going concern period. We found the Group going concern disclosures in note 1 of the consolidated financial statements and note 1 to the parent Company's financial statements to be acceptable; and
- the related statement under the Listing Rules set out on page 90 is materially consistent with the financial statements and our audit knowledge.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the parent Company will continue in operation.

5. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of Directors, the Audit and Risk Committee, Internal Audit, general counsel and Company Secretary as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board of Directors, Audit and Risk Committee, Responsible and Sustainable Business Committee, Remuneration Committee and Nomination Committee minutes.
- Considering the Long Term Incentive Plan, Deferred Bonus Scheme, Restricted Share Plan and Save As You Earn remuneration incentive schemes and performance targets for management.
- Using analytical procedures to identify any unusual or unexpected relationships.
- Consultation with our own forensic professionals regarding the identified fraud risk and the design of the audit procedures planned in response to these. This involved the forensic professionals attending the Risk Assessment and Planning Discussion and discussion between the engagement partner, engagement quality control reviewer and the forensic professional.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that Group and component management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates such as impairment and provisions assumptions. On this audit we do not believe there is a fraud risk related to revenue recognition because there is little opportunity to fraudulently misstate revenue based on the high volume of low value transactions. Furthermore, there is not sufficient incentive or motivation to create a fraud risk in relation to cash sales as the level of cash paid at stores is immaterial.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of some of the Group-wide fraud risk management controls set out on page 63 within the Audit and Risk Committee report.

We also performed procedures including:

- Identifying journal entries to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included unusual postings to revenue; unusual cash journals; manual journal entries posted by users with less than five postings in the period; manual entries posted in period thirteen; unusual postings to borrowings; postings made by or referencing specific employees.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements, in particular the current regulatory focus on Consumer Duty with regards to the provision of interest-free credit and product aftercare insurance.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, data protection laws, anti-bribery, employment law, pension regulations, regulatory capital and liquidity and certain aspects of company legislation recognising the financial and regulated nature of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any.

Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and,

INDEPENDENT AUDITOR'S REPORT CONTINUED

accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of emerging and principal risks and longer-term viability

We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the Viability Reporting on page 28 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Risks and Uncertainties disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- the directors' explanation in the Viability Reporting of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the Viability Reporting, set out on page 28 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and parent Company's longer-term viability.

Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- the section of the annual report describing the work of the Audit and Risk Committee, including the significant issues that the Audit and Risk Committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.

We are required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in this respect.

7. We have nothing to report on the other matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

8. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 91, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; 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; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The Company is required to include these financial statements in an annual financial report prepared under Disclosure Guidance and Transparency Rule 4.1.17R and 4.1.18R. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with those requirements.

9. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

GILL HOPWOOD-BELL
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE

25 September 2024

Financial Statements

CONSOLIDATED INCOME STATEMENT *FOR 53 WEEKS ENDED 30 JUNE 2024 (52 WEEKS ENDED 25 JUNE 2023)*

	Note	53 weeks to 30 June 2024 Underlying £m	53 weeks to 30 June 2024 Non-underlying £m	53 weeks to 30 June 2024 Total £m	52 weeks to 25 June 2023 Underlying £m	52 weeks to 25 June 2023 Non-underlying £m	52 weeks to 25 June 2023 Total £m
Gross sales[1]	1, 2	**1,311.8**	**–**	**1,311.8**	1,423.6	–	1,423.6
Revenue	2	**987.1**	**–**	**987.1**	1,088.9	–	1,088.9
Cost of sales		**(436.3)**	**–**	**(436.3)**	(496.7)	–	(496.7)
Gross profit		**550.8**	**–**	**550.8**	592.2	–	592.2
Selling and distribution costs		**(342.9)**	**–**	**(342.9)**	(364.6)	–	(364.6)
Administrative expenses		**(65.9)**	**(8.9)**	**(74.8)**	(70.2)	0.5	(69.7)
Operating profit/(loss) before depreciation, amortisation and impairment	3	**142.0**	**(8.9)**	**133.1**	157.4	0.5	157.9
Depreciation		**(77.8)**	**–**	**(77.8)**	(80.5)	–	(80.5)
Amortisation		**(13.7)**	**–**	**(13.7)**	(11.6)	–	(11.6)
Impairment		**(0.3)**	**–**	**(0.3)**	(2.0)	–	(2.0)
Operating profit/(loss)	2, 3	**50.2**	**(8.9)**	**41.3**	63.3	0.5	63.8
Finance income	5	**0.4**	**–**	**0.4**	0.2	–	0.2
Finance expenses	5	**(41.5)**	**(1.9)**	**(43.4)**	(34.3)	–	(34.3)
Profit/(loss) before tax		**9.1**	**(10.8)**	**(1.7)**	29.2	0.5	29.7
Taxation	6	**(5.7)**	**2.7**	**(3.0)**	(6.6)	(0.1)	(6.7)
Profit/(loss) for the period from continuing operations		**3.4**	**(8.1)**	**(4.7)**	22.6	0.4	23.0
Profit/(loss) for the period from discontinued operations	29	**–**	**0.3**	**0.3**	(0.3)	3.5	3.2
Profit/(loss) for the period		**3.4**	**(7.8)**	**(4.4)**	22.3	3.9	26.2
Earnings per share							
Basic	7						
– from continuing operations		**1.5p**	**(3.5)p**	**(2.0)p**	9.6p	0.2p	9.8p
– from discontinued operations		**–**	**0.1p**	**0.1p**	(0.2)p	1.5p	1.3p
Total		**1.5p**	**(3.4)p**	**(1.9)p**	9.4p	1.7p	11.1p
Diluted	7						
– from continuing operations		**1.5p**	**(3.5)p**	**(2.0)p**	9.5p	0.2p	9.7p
– from discontinued operations		**–**	**0.1p**	**0.1p**	(0.2)p	1.5p	1.3p
Total		**1.5p**	**(3.4)p**	**(1.9)p**	9.3p	1.7p	11.0p

1. Refer to pages 19 and 20 for APM definitions.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *FOR 53 WEEKS ENDED 30 JUNE 2024 (52 WEEKS ENDED 25 JUNE 2023)*

	53 weeks to 30 June 2024 £m	52 weeks to 25 June 2023 £m
(Loss)/profit for the period	**(4.4)**	26.2
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss:		
Effective portion of changes in fair value of cash flow hedges	**5.1**	(8.7)
Net change in fair value of cash flow hedges reclassified to profit or loss		
Recognised in cost of sales	**(1.3)**	(13.7)
Income tax on items that are or may be reclassified subsequently to profit or loss	**(1.3)**	5.9
Other comprehensive income for the period, net of income tax	**2.5**	(16.5)
Total comprehensive income for the period	**(1.9)**	9.7
Total comprehensive income for the period attributable to owners of the parent		
– from continuing operations	**(2.2)**	6.5
– from discontinued operations	**0.3**	3.2
	(1.9)	9.7

CONSOLIDATED BALANCE SHEET
AT 30 JUNE 2024 (25 JUNE 2023)

	Note	30 June 2024 £m	25 June 2023 £m
Non-current assets			
Property, plant and equipment	8	**83.8**	97.4
Right of use assets	8, 9	**315.0**	312.6
Intangible assets	10	**532.9**	536.7
Deferred tax assets	13	**10.8**	15.5
		942.5	962.2
Current assets			
Inventories	14	**59.0**	55.8
Other financial assets	12	**0.1**	0.7
Trade and other receivables	15	**12.0**	11.1
Current tax assets		**6.1**	2.7
Cash and cash equivalents (excluding bank overdrafts)		**26.8**	26.7
		104.0	97.0
Total assets		**1,046.5**	1,059.2
Current liabilities			
Bank overdraft		**(2.6)**	–
Trade payables and other liabilities	16	**(209.3)**	(224.9)
Lease liabilities	9	**(75.1)**	(84.1)
Provisions	20	**(9.7)**	(6.2)
Other financial liabilities	17	**(1.2)**	(6.7)
		(297.9)	(321.9)
Non-current liabilities			
Interest bearing loans and borrowings	18	**(187.4)**	(165.8)
Lease liabilities	9	**(326.6)**	(327.3)
Provisions	20	**(5.6)**	(6.9)
Other financial liabilities	17	**–**	(0.2)
		(519.6)	(500.2)
Total liabilities		**(817.5)**	(822.1)
Net assets		**229.0**	237.1
Equity attributable to owners of the Company			
Share capital	22	**23.6**	24.1
Share premium	22	**40.4**	40.4
Merger reserve	22	**18.6**	18.6
Capital redemption reserve	22	**360.1**	359.6
Treasury shares	22	**(2.9)**	(10.1)
Employee Benefit Trust shares	22	**(5.9)**	(6.6)
Cash flow hedging reserve	22	**(1.1)**	(4.9)
Retained earnings		**(203.8)**	(184.0)
Total equity		**229.0**	237.1

These financial statements were approved by the board of directors on 25 September 2024 and were signed on its behalf by:

TIM STACEY
Chief Executive Officer

JOHN FALLON
Chief Financial Officer

Company registered number: 07236769

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £m	Share premium £m	Merger reserve £m	Capital redemption reserve £m	Treasury shares £m	Employee Benefit Trust shares £m	Cash flow hedging reserve £m	Retained earnings £m	Total equity £m
Balance at 26 June 2022	**25.9**	**40.4**	**18.6**	**357.8**	**(4.9)**	**(6.9)**	**17.5**	**(179.5)**	**268.9**
Profit for the year	–	–	–	–	–	–	–	26.2	26.2
Other comprehensive income/(expense)	–	–	–	–	–	–	(22.4)	5.9	(16.5)
Total comprehensive income for the year	–	–	–	–	–	–	(22.4)	32.1	9.7
Dividends	–	–	–	–	–	–	–	(12.1)	(12.1)
Purchase of own shares	–	–	–	–	(30.9)	–	–	–	(30.9)
Employee Benefit Trust shares issued	–	–	–	–	–	0.3	–	(0.3)	–
Settlement of share based payments	–	–	–	–	–	–	–	(0.3)	(0.3)
Share based payments	–	–	–	–	–	–	–	1.8	1.8
Cancellation of treasury shares	(1.8)	–	–	1.8	25.7	–	–	(25.7)	–
Balance at 25 June 2023	**24.1**	**40.4**	**18.6**	**359.6**	**(10.1)**	**(6.6)**	**(4.9)**	**(184.0)**	**237.1**
Profit for the year	–	–	–	–	–	–	–	(4.4)	(4.4)
Other comprehensive income/(expense)	–	–	–	–	–	–	3.8	(1.3)	2.5
Total comprehensive income for the year	–	–	–	–	–	–	3.8	(5.7)	(1.9)
Dividends	–	–	–	–	–	–	–	(9.4)	(9.4)
Employee Benefit Trust shares issued	–	–	–	–	–	0.7	–	(0.7)	–
Share based payments	–	–	–	–	–	–	–	3.2	3.2
Cancellation of treasury shares	(0.5)	–	–	0.5	7.2	–	–	(7.2)	–
Balance at 30 June 2024	**23.6**	**40.4**	**18.6**	**360.1**	**(2.9)**	**(5.9)**	**(1.1)**	**(203.8)**	**229.0**

CONSOLIDATED CASH FLOW STATEMENT *FOR 53 WEEKS ENDED 30 JUNE 2024 (52 WEEKS ENDED 25 JUNE 2023)*

	Note	53 weeks to 30 June 2024 £m	52 weeks to 25 June 2023 £m
Net cash from operating activities	26	**115.9**	121.7
Investing activities			
Proceeds from sale of property, plant and equipment		**1.4**	1.3
Interest received		**0.4**	0.2
Acquisition of property, plant and equipment	8	**(11.6)**	(20.4)
Acquisition of other intangible assets	10	**(10.0)**	(14.5)
Net cash used in investing activities		**(19.8)**	(33.4)
Financing activities			
Interest paid		**(18.8)**	(10.5)
Interest paid on lease liabilities	9	**(24.8)**	(23.5)
Payment of lease liabilities	9	**(67.6)**	(61.6)
Net (repayment)/drawdown of senior revolving credit facility	27	**(28.0)**	72.0
Drawdown of senior secured notes	27	**50.0**	–
Purchase of treasury shares		**–**	(30.9)
Ordinary dividends paid		**(9.4)**	(12.1)
Net cash used in financing activities		**(98.6)**	(66.6)
Net (decrease)/increase in cash and cash equivalents	27	**(2.5)**	21.7
Cash and cash equivalents at beginning of period	27	**26.7**	5.0
Cash and cash equivalents (including bank overdraft) at end of period	27	**24.2**	26.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 30 JUNE 2024

1 Accounting policies
DFS Furniture plc ('the Company') is a company incorporated and domiciled in England, in the United Kingdom (Company number: 07236769). The address of the registered office is 1 Rockingham Way, Redhouse Interchange, Adwick-Le-Street, Doncaster, South Yorkshire, DN6 7NA.

The consolidated financial statements consolidate those of the Company and its subsidiaries (together referred to as 'the Group'). The parent company financial statements present information about the Company as a separate entity and not about its group.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements. Judgements made by the directors, in the application of these accounting policies that have a material effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 1.20.

1.1 Basis of preparation
The consolidated financial statements have been prepared and approved by the directors in accordance with international accounting standards in accordance with UK-adopted international accounting standards ('UK-adopted IFRS'). The financial statements are prepared on the historical cost basis except for certain financial instruments and share based payment charges which are measured at their fair value. The financial statements are for the 53 weeks to 30 June 2024 (last year 52 weeks to 25 June 2023).

The Company has elected to prepare its parent company financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101'); these are presented on pages 135 to 139.

Going concern
The financial statements are prepared on a going concern basis, which the directors believe to be appropriate for the following reasons.

The Company heads a group which has a £200.0m revolving credit facility with a consortium of lending banks maturing in September 2027 with a further 16 month extension option for £175.0m of the facility, and £50.0m of private placement debt, £25.0m of which matures in September 2028 and £25.0m in September 2030. At 18 September 2024, £63.0m of the revolving credit facility remained undrawn, in addition to cash in hand, at bank of £5.7m.

Covenants applicable to both the revolving credit facility and the private placement debt are: 3.0x net debt/EBITDA and 1.5x fixed charge cover, and are assessed on a six-monthly basis at June and December. Recent discussions with the consortium of lending banks have resulted in a modification to the covenants to 3.9x net debt/EBITDA and 1.3x fixed charge cover for the half yearly assessment at H1 FY25, 3.7x and 1.3x for the FY25 year end assessment, with leverage returning to 3.0x and fixed charge increasing to 1.4x for the H1 FY26 assessment.

The Directors have prepared cash flow forecasts and performed a going concern assessment for the Group covering a period of at least twelve months from the date of approval of these financial statements (the 'going concern assessment period'), which indicate that the Group will be in compliance with the agreed covenants. These forecasts include a number of assumptions in relation to: market size (assumed to grow by 2% in FY25, from an already low base relative to pre-pandemic levels) and the resulting order intake volumes for the Group; inflationary impacts on gross margin and other costs; sector-wide manufacturing and supply chain capacities; and achievement of cost savings in line with the Group's strategic plans.

The Directors have also prepared severe but plausible downside sensitivity scenarios which cover the same going concern assessment period as the base case. These scenarios include significantly reduced customer spending, impacts on gross margin and other costs from inflationary cost pressures, and a combination of these scenarios. The Directors have also performed reverse stress testing analysis to confirm that circumstances resulting in a covenant breach were beyond those considered plausible.

As part of this analysis, the Directors have considered mitigating actions within the Group's control which could reduce the impact of these severe but plausible downside scenarios. These mitigating actions include reducing discretionary operating expenditure, a pause on expansionary capital investment, a reduction or pause in dividend payments, and other measures to protect cash balances. These forecast cash flows, considering the ability and intention of the Directors to implement mitigating actions should they need to, indicate that there remains sufficient headroom in the forecast period for the Group to operate within the committed facilities and to comply with all relevant revised banking covenants during the going concern assessment period.

The Directors have considered all of the factors noted above, including the inherent uncertainty in forecasting the impact of the current economic and political environment, and are confident that the Group has adequate resources to continue to meet all liabilities as and when they fall due for at least twelve months from the date of approval of these financial statements. Accordingly, the financial statements are prepared on a going concern basis.

1.2 Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control exists when the Group is exposed to or has rights to variable returns from its investment with the investee and has the ability to affect those returns through its power over the investee. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the date that control commences until the date that control ceases. The acquisition method is used to account for the acquisition of subsidiaries. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

1.3 Climate change
As noted in the Responsibility and sustainability report the Group is committed to addressing climate-related risks and is focused on reducing its environmental impact.

The potential impact of climate change has been considered in the preparation of these financial statements, including in the carrying values of goodwill and tangible assets, the measurement of financial instruments, and in relation to the Group's going concern and viability assessments. No material impact was noted on the consolidated financial statements in relation to climate change. The potential impact will continue to be assessed on an ongoing basis.

1.4 Gross sales and revenue
Revenue is measured at the fair value of the consideration receivable by the Group for the provision of goods to external customers, being the total amount payable by the customer ('gross sales') less: value added and other sales taxes, the costs of obtaining interest free credit on behalf of customers and the amounts payable to third parties relating to products for which the Group acts as an agent. For products where the Group acts as an agent, the amount recognised in revenue is the net fee receivable by the Group.

Many of the Group's customers choose to take advantage of the interest-free credit that the Group makes available. This credit is provided by external finance houses, who pay the Group the gross sales value of the customer order on delivery, less a fee for taking responsibility for payment collection and bearing the full credit risk for any future default by the customer. The fee due to the finance house varies depending on the amount borrowed by the customer, the length of the repayment term and the applicable SONIA rate at the time of the transaction.

In calculating reported revenue in accordance with IFRS the Group is required to deduct these fees from the value of the customer order. Reported revenue will therefore vary depending on the proportion of customers who choose to take up the interest free credit offer, the average duration of the interest free loan period and the prevailing interest rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
AT 30 JUNE 2024

For the purposes of managing its business the Group focuses on gross sales, which is defined as the total amount payable by customers, inclusive of VAT and other sales taxes and prior to any accounting adjustments for interest-free credit fees or aftercare product costs. The directors believe gross sales is a more transparent measure of the activity levels and performance of its stores and online channels as it is not affected by customer preferences on payment options. Accordingly gross sales is presented in this annual report in addition to statutory revenue, with a reconciliation between the two measures provided in note 2 to the financial statements.

Both gross sales and revenue are stated net of returns and sales allowances, and are recognised when goods have been delivered to the customer, the revenue and costs in respect of the transaction can be measured reliably and collectability is reasonably assured. Receipt of goods by the customer represents the completion of the Group's performance obligation under the sales contract and payment is received prior to or immediately after delivery. Expected future costs of satisfying the Group's obligations under long-term product guarantees offered to customers are determined at the time of the sale, provided for separately (note 20) and charged to cost of sales.

1.5 Government grants
Government grants are recognised where there is reasonable assurance that the Group will comply with all attached conditions and that the grant will be received.

When the grant relates to an expense item, it is recognised as a deduction from the related expense within the period it becomes receivable.

1.6 Expenses
Non-underlying items
Items that are material in size, unusual or non-recurring in nature are disclosed separately in the income statement in order to provide an indication of the Group's underlying business performance. The principal items which may be included as non-underlying are:
- significant profit or loss on the disposal of non-current assets;
- significant impairment charges;
- significant non-recurring tax charges or credits;
- costs associated with significant corporate, financial or operating restructuring, including acquisitions; and
- initial costs of establishing operations in new geographical territories.

Material finance income or expenses associated with significant changes in the Group's borrowings are disclosed separately as non-underlying items below operating profit.

Royalty payments
Royalties payable to brand partners on sales of branded products are charged to cost of sales when the related product is delivered to the customer.

Finance income and expenses
Finance expenses comprise interest payable, finance charges on lease liabilities recognised in profit or loss using the effective interest method and unwinding of the discount on provisions and other liabilities measured at present value. Finance income comprises interest receivable on funds invested, dividend income, and net foreign exchange gains and losses.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the Group's right to receive payments is established.

1.7 Employee benefits
Defined contribution plans
Payments to defined contribution pension plans are recognised as an expense in the income statement as they fall due.

Short-term benefits
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Share based payments
The fair value of equity settled share based payments is recognised as an expense over the vesting period of the related awards, with a corresponding increase in equity. Fair values are calculated using option pricing models appropriate to the terms and conditions of the awards. The amount charged as an expense is regularly reviewed and adjusted to reflect the achievement of service and non-market based performance conditions.

1.8 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 a business combination, or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

At interim reporting periods the tax charge is calculated in accordance with IAS 34, adjusted for material non-taxable items.

Deferred tax assets are recognised on deductible temporary differences only to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

1.9 Foreign currency
Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement except for effective differences arising on qualifying cash flow hedges, which are recognised directly in other comprehensive income.

1.10 Business combinations
Business combinations are accounted for by applying the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

Goodwill is initially measured at cost, being the excess of the acquisition cost over the Group's interest in the assets and liabilities recognised. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Acquisitions prior to 31 July 2011 (date of transition to IFRSs)
IFRS 1 grants certain exemptions from the full requirements of Adopted IFRSs in the transition period. The Group and Company elected not to restate business combinations that took place prior to 31 July 2011. In respect of acquisitions prior to transition, goodwill is included at 31 July 2011 on the basis of its deemed cost, which represents the amount recorded under UK GAAP which was broadly comparable save that goodwill was amortised. On transition, amortisation of goodwill ceased as required by IFRS 1.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
AT 30 JUNE 2024

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

– buildings	50 years
– plant and equipment	3 to 10 years
– motor vehicles	4 years
– leasehold improvements	the period of the lease, or useful life if shorter

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

1.12 Leases
At the inception of a contract, the Group assesses whether a contract is, or contains, a lease under IFRS 16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Lease liability – initial recognition
The Group recognises right of use assets and lease liabilities at the lease commencement date. The lease liabilities are recognised at the present value of future lease payments discounted at the incremental borrowing rate applicable to the lease.

Lease payments included in the measurement of the lease liability comprise the following:
- fixed payments, including in-substance fixed payments; and
- amounts expected to be payable under a residual value guarantee.

Lease liability – subsequent measurement
The lease liability is subsequently increased by the interest cost arising from the unwind of the discount, and decreased by the cash lease payments made.

Lease liability – remeasurement
The lease liability is remeasured if:
- there is a change in either the lease term or the assessment of an option to purchase the underlying asset. In these circumstances, the lease liability is remeasured using a revised discount rate; or
- there is a change in the amounts expected to be payable under a residual guarantee or if there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments. In these circumstances, the discount rate remains unchanged, unless the change in lease payments results from a change in floating interest rates.

In both scenarios, the carrying value of the right of use asset will generally be adjusted by the amount of the remeasurement of the lease liability, to the extent that the right of use asset will be reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.

From time to time, a lease may expire without a new lease being agreed. In such circumstances, if the Group has not served or received notice under the terms of the lease, it may continue to occupy the store whilst a new lease is agreed, referred to as a 'holdover arrangement'. Most of the store portfolio is protected by the Landlord and Tenant Act (1954), under which, as tenant, the Group has an automatic right to a new lease subject to certain specific grounds under which the landlord can cancel. In a holdover arrangement, the lease typically continues on a rolling basis on the same financial terms as the previous lease until new terms are formally agreed. The Group accounts for holdover arrangements as a modification to the expired lease, assuming a lease extension of a period equivalent to the average length of time that, in the Group's experience, leases enter a holdover arrangement for, with no change to lease payments.

Right of use asset – initial recognition
IFRS 16 defines a right of use asset as an asset which represents a lessee's right to use an underlying asset for the lease term. Generally, right of use assets are initially measured at an amount equal to the lease liability.

Right of use asset – subsequent measurement
Right of use assets are subsequently measured at initial carrying value:
- less any accumulated depreciation and any accumulated impairments losses; and
- adjusted for any remeasurement of the lease liability.

The right of use asset is subsequently depreciated on a straight line basis from the commencement date to the end of the lease term. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Practical expedients and exemptions used
The Group has opted to apply the following practical expedients and exemptions:
- use of a single discount rate to a portfolio of leases with reasonably similar characteristics; and
- recognising lease payments on short term (less than 12 months) leases and low value leases as an expense.

1.13 Intangible assets and goodwill
Goodwill
Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units and is not amortised but is tested annually for impairment.

Other intangible assets
Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and accumulated impairment losses. Implementation costs associated with software and cloud computing arrangements are only capitalised where they relate to an identifiable asset under the control of the Group.

Amortisation
Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. Estimated useful lives are as follows:

– computer software and website costs	3 years
– acquired brand names	10 to 20 years

1.14 Inventories
Inventories are stated at the lower of cost and net realisable value and include goods in transit where ownership of the goods transfers upon shipment. The cost of finished goods manufactured by the Group includes direct materials, direct labour and appropriate overhead expenditure.

1.15 Impairment
The carrying amounts of the Group's tangible and intangible assets other than goodwill are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time, or when an indicator of impairment is identified.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
AT 30 JUNE 2024

1.16 Provisions
A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Details of provisions recognised are in note 20 and the related significant estimates and judgements in note 1.20.

1.17 Non-derivative financial instruments
Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables
Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less allowances for expected credit losses.

Trade and other payables
Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances, call deposits and restricted cash of £0.3m (2023: £0.6m). Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

Interest-bearing borrowings
Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

1.18 Derivative financial instruments and hedging
Derivative financial instruments
Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Cash flow hedges
On adoption of IFRS 9, the Group made the election to continue to apply the hedge accounting requirements of IAS 39 to all of its hedging relationships. Therefore, where a derivative financial instrument is designated as a hedge of the variability in cash flows of a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised in other comprehensive income and presented within the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the income statement.

When the forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated cumulative gain or loss remains in the hedging reserve and is reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss.

For other cash flow hedges the associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the Group revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

1.19 Profit or loss from discontinued operations
A discontinued operation is a component of the Group that either has been disposed of, abandoned, or is classified as held for sale. A discontinued operation represents a separate major line of the business or geographical area of operation. Profit or loss from discontinued operations comprises the post-tax profit or loss of discontinued operations and the post-tax gain or loss recognised on the measurement to fair value less costs to sell of the disposal group(s) constituting the discontinued operation (see also note 29). When an operation is classified as a discontinued operation, the comparative Consolidated Income Statement is restated as if the operation had been discontinued from the start of the comparative period.

1.20 Significant areas of estimation and judgement
In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions that affect the value of reported assets, liabilities, revenues and expenses. The estimates and associated assumptions are based on historical experience and other relevant factors, but may differ from actual results. The following significant area of judgement or estimation arose in the current financial statements:

Goodwill impairment
Goodwill is tested annually for impairment by comparing its carrying value to a calculation of the value in use of the relevant cash-generating units. This exercise requires estimates to be made of future cash flows arising from each cash-generating unit and the appropriate discount rate to apply. Further details of the key assumptions underlying the calculation are provided in note 10. The Directors are satisfied that no impairment exists at 30 June 2024, however a reasonably possible change in the estimates used in the assessment could result in the recognition of an impairment within the next twelve months.

The following are other areas of important estimates and judgements relating to material balances in the Group's financial statements, but which do not meet the IFRS-defined criteria of a significant estimate:

Going concern
In making the assessment of going concern for the Group and the Company, the Directors consider a number of assumptions and estimates relating to the future performance of the Group, as detailed in note 1.1 of the consolidated financial statements and note 1 of the Company financial statements. The Directors are satisfied that no severe but plausible change in these estimates would result in a change in the going concern assessment of the Group or the Company and therefore it is not considered a significant estimate as at 30 June 2024.

Customer guarantees
The Group maintains a provision for its obligations under long term product guarantees offered to its customers. In determining the value of this provision estimates are made of the number of future claims that will be received and the cost of satisfying those claims. Further details are provided in note 20. The Directors are satisfied that no reasonably possible change in these estimates would result in a material difference to the value of the provision and therefore it is not considered a significant estimate as at 30 June 2024.

Net realisable value of inventories
As detailed in note 14, the Group makes estimates of applicable selling prices to determine the net realisable value of inventories. The Directors are satisfied that no reasonably possible change in these estimates would result in a material difference to the value of the provision and therefore it is not considered a significant estimate as at 30 June 2024.

1.21 New accounting standards
There are no new standards, amendments to existing standards or interpretations that are effective for the first time in the period ended 30 June 2024 that have a material impact on the Group's results.

A number of new, but not yet effective, standards, amendments to existing standards, and interpretations have been published by the IASB. None of these have been adopted early and therefore have not been applied by the Group in these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
AT 30 JUNE 2024

2 Segmental Analysis

The Group's operating segments under IFRS 8 have been determined based on management accounts reports reviewed by the Group Leadership Team. Segment performance is assessed based upon brand contribution. Brand contribution is defined as underlying EBITDA (being earnings before interest, tax, depreciation, amortisation, impairments and non-underlying items) excluding property costs and central administration costs.

The Group reviews and manages the performance of its operations on a retail brand basis, and the identified reportable segments and the nature of their business activities are as follows:

DFS: the retailing of upholstered furniture and related products through DFS and Dwell branded stores and websites.

Sofology: the retailing of upholstered furniture and related products through Sofology branded stores and website.

Other segments comprises the manufacture of upholstered furniture and the supply of contract logistics.

Segment revenue and profit – continuing operations

	External gross sales		Inter-segment sales		Total gross sales	
	53 weeks to 30 June 2024 £m	52 weeks to 25 June 2023 £m	**53 weeks to 30 June 2024 £m**	52 weeks to 25 June 2023 £m	**53 weeks to 30 June 2024 £m**	52 weeks to 25 June 2023 £m
DFS	**1,047.0**	1,125.5	**–**	–	**1,047.0**	1,125.5
Sofology	**264.8**	298.1	**–**	–	**264.8**	298.1
Other segments	**–**	–	**198.2**	215.6	**198.2**	215.6
Eliminations	**–**	–	**(198.2)**	(215.6)	**(198.2)**	(215.6)
Gross sales	**1,311.8**	1,423.6	**–**	–	**1,311.8**	1,423.6

	53 weeks to 30 June 2024 £m	52 weeks to 25 June 2023 £m
Total segments gross sales	**1,311.8**	1,423.6
Less: value added and other sales taxes	**(207.3)**	(226.2)
Less: costs of interest free credit and aftercare products	**(117.4)**	(108.5)
Revenue	**987.1**	1,088.9
Of which:		
Furniture sales	**935.1**	1,033.3
Commission on sales of aftercare products	**52.0**	55.6
Revenue	**987.1**	1,088.9

53 weeks to 30 June 2024 – continuing operations

	DFS £m	Sofology £m	Other Segments £m	Eliminations £m	Total £m
Revenue	**786.5**	**200.6**	**198.2**	**(198.2)**	**987.1**
Cost of sales	**(376.0)**	**(90.5)**	**(56.1)**	**86.3**	**(436.3)**
Gross profit	**410.5**	**110.1**	**142.1**	**(111.9)**	**550.8**
Selling & distribution costs (excluding property costs)	**(224.3)**	**(58.8)**	**(114.1)**	**81.3**	**(315.9)**
Brand contribution (segment profit)	**186.2**	**51.3**	**28.0**	**(30.6)**	**234.9**
Property costs					**(27.0)**
Underlying administrative expenses					**(65.9)**
Underlying EBITDA					**142.0**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
AT 30 JUNE 2024

2 Segmental Analysis continued

52 weeks to 25 June 2023 – continuing operations

	DFS £m	Sofology £m	Other Segments £m	Eliminations £m	Total £m
Revenue	858.5	230.4	215.6	(215.6)	1,088.9
Cost of sales	(424.8)	(106.8)	(61.6)	96.5	(496.7)
Gross profit	433.7	123.6	154.0	(119.1)	592.2
Selling & distribution costs (excluding property costs)	(229.0)	(64.5)	(129.3)	88.4	(334.4)
Brand contribution (segment profit)	204.7	59.1	24.7	(30.7)	257.8
Property costs					(30.2)
Underlying administrative expenses					(70.2)
Underlying EBITDA					157.4

	Note	**53 weeks to 30 June 2024 £m**	52 weeks to 25 June 2023 £m
Underlying EBITDA		**142.0**	157.4
Non-underlying items	3	**(8.9)**	0.5
Depreciation, amortisation and impairments		**(91.8)**	(94.1)
Operating profit		**41.3**	63.8
Finance income		**0.4**	0.2
Finance expenses		**(41.5)**	(34.3)
Non-underlying financing costs	5	**(1.9)**	–
(Loss)/profit before tax		**(1.7)**	29.7

A geographical analysis of revenue is presented below:

	53 weeks to 30 June 2024 £m	52 weeks to 25 June 2023 £m
United Kingdom	**967.4**	1,067.7
Republic of Ireland	**19.7**	21.2
Total revenue	**987.1**	1,088.9

	Additions to non-current assets		Depreciation, amortisation and impairment	
	53 weeks to 30 June 2024 £m	52 weeks to 25 June 2023 £m	**53 weeks to 30 June 2024 £m**	52 weeks to 25 June 2023 £m
DFS	**35.5**	42.7	**67.5**	70.1
Sofology	**12.2**	11.4	**18.0**	17.6
Other segments	**7.9**	6.0	**6.3**	6.4
Total Group	**55.6**	60.1	**91.8**	94.1

Additions to non-current assets include both tangible and intangible non-current assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
AT 30 JUNE 2024

3 Operating profit – continuing operations

Group operating profit is stated after charging/(crediting):

	53 weeks to 30 June 2024 £m	52 weeks to 25 June 2023 £m
Net foreign exchange losses	**0.8**	1.6
Depreciation on tangible assets (including depreciation on right of use assets)	**77.8**	80.5
Amortisation of intangible assets	**13.7**	11.6
Impairments	**0.3**	2.0
Net gain on disposal of property, plant and equipment	**–**	(0.8)
Net gain on disposal of right of use assets	**(0.6)**	(1.2)
Cost of inventories recognised as an expense	**435.9**	509.1
Write down of inventories to net realisable value	**0.3**	2.0
Other costs of sales	**0.1**	(14.4)
Release of provisions (note 20)	**(3.4)**	(0.9)
Government grants received (business rates relief)	**–**	(0.2)
Operating lease rentals	**–**	0.2

Non-underlying items

	53 weeks to 30 June 2024 £m	52 weeks to 25 June 2023 £m
Restructuring costs	**6.5**	–
Land slippage costs	**3.1**	–
Release of lease guarantee costs	**(0.7)**	(0.5)
	8.9	(0.5)

The release of the lease guarantee provision relates to the property provisions detailed in note 20.

Auditor's remuneration

	53 weeks to 30 June 2024 £m	52 weeks to 25 June 2023 £m
Audit of these financial statements	**0.3**	0.3
Audit of the financial statements of Group subsidiaries	**0.5**	0.5
Amounts receivable by the Company's auditor and its associates in respect of:		
All other services	**0.1**	0.1
	0.9	0.9

During the period, an amount of £51,400 was receivable by the Company's auditor in respect of the review of the Group's interim financial statements (2023: £49,500) and £nil in respect of other audit related assurance services (2023: £35,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
AT 30 JUNE 2024

4 Staff numbers and costs – continuing operations
The average number of persons employed by the Group during the period, analysed by category, was as follows:

	Number of employees	
	53 weeks to 30 June 2024	52 weeks to 25 June 2023
Production	**881**	1,016
Warehouse and transport	**1,341**	1,356
Sales and administration	**2,871**	3,167
	5,093	5,539

The aggregate payroll costs of these persons were as follows:

	53 weeks to 30 June 2024 £m	52 weeks to 25 June 2023 £m
Wages and salaries	**173.5**	177.4
Social security costs	**16.8**	17.5
Other pension costs	**6.5**	5.8
	196.8	200.7
Share based payment expense (equity settled)	**3.2**	1.8
	200.0	202.5

Aggregate remuneration payable to directors in respect of qualifying services was as follows:

	53 weeks to 30 June 2024 £m	52 weeks to 25 June 2023 £m
Emoluments	**1.4**	1.6
Pension contributions	**–**	–
Gain on exercise of share options	**–**	–

Two directors accrued retirement benefits under pension schemes in the period (2023: three). All of the directors' pension contributions were to defined contribution schemes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
AT 30 JUNE 2024

5 Finance income and expense

	53 weeks to 30 June 2024 £m	52 weeks to 25 June 2023 £m
Finance income		
Interest income on bank deposits	**0.4**	0.2
Total finance income	**0.4**	0.2

	53 weeks to 30 June 2024 £m	52 weeks to 25 June 2023 £m
Finance expense		
Interest payable on senior revolving credit facility	**(12.6)**	(10.4)
Interest payable on senior secured notes	**(3.5)**	–
Bank fees	**(0.4)**	(0.4)
Unwind of discount on provisions	**(0.2)**	(0.1)
Interest on lease liabilities	**(24.8)**	(23.4)
Total underlying finance expense	**(41.5)**	(34.3)
Non-underlying items:		
Refinancing costs	**(1.9)**	–
Total finance expense	**(43.4)**	(34.3)

Non-underlying finance costs of £1.9m relate to the refinancing of the Group's credit facilities in September 2023. This includes the write off of unamortised underwriting fees associated with the old revolving credit facility and professional fees incurred in relation to the arrangement of the new revolving credit facility and senior secured loan notes.

6 Taxation

Recognised in the income statement

	53 weeks to 30 June 2024 £m	52 weeks to 25 June 2023 £m
Current tax		
Current period	**2.4**	5.7
Adjustments for prior years	**(2.8)**	0.1
Current tax (credit)/expense	**(0.4)**	5.8
Deferred tax		
Origination and reversal of temporary differences	**(0.5)**	2.4
Deferred tax rate change	**–**	0.4
Adjustments for prior years	**3.9**	(1.5)
Deferred tax expense	**3.4**	1.3
Total tax expense in income statement	**3.0**	7.1
Total tax expense in income statement		
– from continuing operations	**3.0**	6.7
– from discontinued operations	**–**	0.4
	3.0	7.1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
AT 30 JUNE 2024

6 Taxation continued

Reconciliation of effective tax rate

	53 weeks to 30 June 2024 £m	52 weeks to 25 June 2023 £m
Profit before tax for the period from continuing and discontinued operations	**(1.4)**	33.3
Tax using the UK corporation tax rate of 25% (2023: 20.5%)	**(0.4)**	6.9
Non-deductible expenses	**1.9**	2.3
Tax exempt revenues	**–**	(1.0)
Effect of tax rates in foreign jurisdictions	**(0.1)**	(0.4)
Recognition of previously unrecognised tax losses	**0.1**	–
Adjustments in respect of share options	**0.4**	0.3
Adjustment in respect of prior years	**1.1**	(1.4)
Impact of change in tax rate on deferred tax balances	**–**	0.4
Total tax expense	**3.0**	7.1

The Finance Act 2021, which was substantively enacted in May 2021, included provisions to increase the rate of UK corporation tax from 19% to 25% with effect from 1 April 2023 resulting in the 2023 tax rate of 20.5%.

Deferred taxation is measured at tax rates that are expected to apply in the periods in which temporary timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Accordingly, a tax rate of 25% has been applied when calculating deferred tax assets and liabilities at 30 June 2024 (25% at 25 June 2023).

Income tax recognised in other comprehensive income

	53 weeks to 30 June 2024 £m	52 weeks to 25 June 2023 £m
Effective portion of changes in fair value of cash flow hedges	**(0.2)**	(1.8)
Net change in fair value of cash flow hedges reclassified to profit or loss	**1.5**	(3.0)
Impact of change in tax rate on deferred tax balances	**–**	(1.1)
	1.3	(5.9)

The Group is monitoring developments in relation to the Organisation for Economic Co-operation and Development (OECD)/G20 Base Erosion and Profit Shifting (BEPS) project ('Pillar Two model rules'). The first accounting period for which these rules will apply to the Group is the period ending 29 June 2025. The Group may be required to pay a top up tax in the UK on profits earned in jurisdictions where the effective rate of tax is less than 15%. Profits arising in the Republic of Ireland are taxed at 12.5%, so an additional 2.5% tax would be payable on these profits. As such, any top up tax payable under the Pillar Two model rules is not expected to have a material impact on the Group's overall income tax charge.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
AT 30 JUNE 2024

7 Earnings per share

Statutory earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the financial period attributable to ordinary equity holders of the parent company by the weighted average number of ordinary shares outstanding during the period. The weighted average number of shares reflects the movements in share capital detailed in note 22 and the impact of movements in treasury shares held by the Company. Changes in the Company's capital structure with no corresponding change in resources are reflected as if they had occurred at the beginning of the earliest period presented.

Diluted earnings per share is calculated using the same net profit or loss for the financial period attributable to ordinary equity holders of the parent company, but increasing the weighted average number of ordinary shares by the dilutive effect of potential ordinary shares. Potential ordinary shares arise from employee share based payment arrangements (note 25). Where share based payments are subject to performance conditions, they are included as potential ordinary shares to the extent that the performance conditions have been met at the reporting date. Details of share based payment vesting conditions are provided in the Director's Remuneration Report.

	53 weeks to 30 June 2024 pence	52 weeks to 25 June 2023 pence
Basic earnings/(loss) per share		
– from continuing operations	**(2.0)**	9.8
– from discontinued operations	**0.1**	1.3
Total basic earnings/(loss) per share	**(1.9)**	11.1
Diluted earnings/(loss) per share		
– from continuing operations	**(2.0)**	9.7
– from discontinued operations	**0.1**	1.3
Total diluted earnings/(loss) per share	**(1.9)**	11.0

	53 weeks to 30 June 2024 £m	52 weeks to 25 June 2023 £m
(Loss)/profit for the period attributable to equity holders of the parent company		
– from continuing operations	**(4.7)**	23.0
– from discontinued operations	**0.3**	3.1
	(4.4)	26.1

	53 weeks to 30 June 2024 No.	52 weeks to 25 June 2023 No.
Weighted average number of shares in issue for basic earnings per share	**230,566,306**	235,470,857
Dilutive effect of employee share based payment awards	**–**	1,783,365
Weighted average number of shares in issue for diluted earnings per share	**230,566,306**	237,254,222

Where a loss has been recorded, the potential ordinary shares would be anti-dilutive, and therefore in this situation the weighted average number of shares used does not include the dilutive effect of share based payment awards.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
AT 30 JUNE 2024

7 Earnings per share continued

Underlying earnings per share

Underlying basic earnings per share and underlying diluted earnings per share are calculated by dividing the profit for the period attributable to ordinary equity holders of the parent company, as adjusted to exclude the effect of non-underlying items, by the applicable weighted average numbers of ordinary shares.

	53 weeks to 30 June 2024 £m	52 weeks to 25 June 2023 £m
Continuing operations		
(Loss)/profit for the period attributable to equity holders of the parent company	**(4.7)**	23.0
Non-underlying (profit)/loss after tax	**8.1**	(0.4)
Underlying profit for the period attributable to equity holders of the parent company from continuing operations	**3.4**	22.6

	53 weeks to 30 June 2024 £m	52 weeks to 25 June 2023 £m
Discontinued operations		
Profit/(loss) for the period attributable to equity holders of the parent company	**0.3**	3.1
Non-underlying (profit)/loss after tax	**(0.3)**	(3.5)
Underlying loss for the period attributable to equity holders of the parent company from discontinued operations	**–**	(0.4)

	53 weeks to 30 June 2024 No.	52 weeks to 25 June 2023 No.
Weighted average number of shares in issue for basic earnings per share	**230,566,306**	235,470,857
Dilutive effect of employee share based payment awards	**452,561**	1,783,365
Weighted average number of shares in issue for diluted earnings per share	**231,018,867**	237,254,222

	3 weeks to 30 June 2024 pence	52 weeks to 25 June 2023 pence
Underlying basic earnings/(loss) per share		
– from continuing operations	**1.5**	9.6
– from discontinued operations	**–**	(0.2)
Total underlying basic earnings per share	**1.5**	9.4
Underlying diluted earnings/(loss) per share		
– from continuing operations	**1.5**	9.5
– from discontinued operations	**–**	(0.2)
Total underlying diluted earnings per share	**1.5**	9.3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
AT 30 JUNE 2024

8 Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Motor vehicles £m	Right of use assets £m	Total £m
Cost					
Balance at 26 June 2022	21.9	182.5	8.7	510.2	723.3
Reclassifications	(8.3)	49.3	8.8	8.3	58.1
Additions	0.1	20.4	0.1	25.0	45.6
Remeasurements	–	–	–	7.0	7.0
Disposals	(0.2)	(15.7)	(5.1)	(26.1)	(47.1)
Balance at 25 June 2023	13.5	236.5	12.5	524.4	786.9
Additions	1.4	10.2	–	30.7	42.3
Remeasurements	–	–	–	29.8	29.8
Disposals	(0.5)	(23.2)	(5.4)	(11.1)	(40.2)
Balance at 30 June 2024	**14.4**	**223.5**	**7.1**	**573.8**	**818.8**
Depreciation and impairments					
Balance at 26 June 2022	2.1	97.7	7.4	172.2	279.4
Reclassifications	(1.7)	49.3	8.8	1.7	58.1
Depreciation charge for the period	0.4	20.9	0.8	58.4	80.5
Impairments	–	–	–	2.0	2.0
Disposals	(0.2)	(15.3)	(5.1)	(22.5)	(43.1)
Balance at 25 June 2023	0.6	152.6	11.9	211.8	376.9
Depreciation charge for the period	1.9	19.6	0.5	55.8	77.8
Impairments	–	–	–	0.3	0.3
Disposals	(0.1)	(20.4)	(5.4)	(9.1)	(35.0)
Balance at 30 June 2024	**2.4**	**151.8**	**7.0**	**258.8**	**420.0**
Net book value					
At 26 June 2022	19.8	84.8	1.3	338.0	443.9
At 25 June 2023	12.9	83.9	0.6	312.6	410.0
At 30 June 2024	**12.0**	**71.7**	**0.1**	**315.0**	**398.8**

At 30 June 2024 the Group had contracted capital commitments of £7.9m (2023: £9.1m) for which no provision has been made in the financial statements.

Plant and equipment includes leasehold improvements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
AT 30 JUNE 2024

9 Leases

Right of use assets

	Property £m	Vehicles £m	Equipment £m	Total £m
Cost				
At 26 June 2022	485.7	22.6	1.9	510.2
Reclassifications	8.3	–	–	8.3
Additions	16.3	8.7	–	25.0
Remeasurements	7.0	–	–	7.0
Disposals	(24.0)	(2.1)	–	(26.1)
At 25 June 2023	493.3	29.2	1.9	524.4
Additions	20.9	9.8	–	30.7
Remeasurements	29.8	–	–	29.8
Disposals	(8.8)	(2.3)	–	(11.1)
At 30 June 2024	**535.2**	**36.7**	**1.9**	**573.8**
Depreciation and impairment				
At 26 June 2022	161.2	9.6	1.4	172.2
Reclassifications	1.7	–	–	1.7
Depreciation charge for the period	53.7	4.5	0.2	58.4
Disposals	(20.5)	(2.0)	–	(22.5)
Impairments	2.0	–	–	2.0
At 25 June 2023	198.1	12.1	1.6	211.8
Depreciation charge for the period	50.1	5.6	0.1	55.8
Disposals	(7.3)	(1.8)	–	(9.1)
Impairments	0.3	–	–	0.3
At 30 June 2024	**241.2**	**15.9**	**1.7**	**258.8**
Net book value				
At 26 June 2022	324.5	13.0	0.5	338.0
At 25 June 2023	295.2	17.1	0.3	312.6
At 30 June 2024	**294.0**	**20.8**	**0.2**	**315.0**

Amounts recognised in the consolidated balance sheet:

	30 June 2024 £m	25 June 2023 £m
Current lease liabilities	**75.1**	84.1
Non-current lease liabilities	**326.6**	327.3

For more information on the maturity of the Group's lease liabilities, see note 24.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
AT 30 JUNE 2024

9 Leases continued

Amounts recognised in the consolidated income statement:

	53 weeks to 30 June 2024 £m	52 weeks to 25 June 2023 £m
Interest on lease liabilities	**(24.8)**	(23.5)
Variable lease payments not included in the measurement of lease liabilities	**(0.3)**	(0.3)
Income from subleasing right of use assets	**0.3**	0.4
Expenses relating to short term leases and low value leases	**–**	(0.3)

Amounts recognised in the consolidated cash flow statement:

	53 weeks to 30 June 2024 £m	52 weeks to 25 June 2023 £m
Total cash outflow for lease liabilities	**92.4**	85.1

Non-cancellable short term lease rentals are payable as follows:

	30 June 2024 £m	25 June 2023 £m
Less than one year	**–**	0.6

The Group has entered into short term leases in respect of warehouses and equipment.

At 30 June 2024, future rentals receivable under non-cancellable leases where the Group is the lessor were £1.8m (2023: £2.4m).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
AT 30 JUNE 2024

10 Intangible assets

	Computer software £m	Brand names £m	Goodwill £m	Total £m
Cost				
Balance at 26 June 2022	55.3	14.8	509.3	579.4
Reclassification	0.9	–	–	0.9
Additions	14.5	–	–	14.5
Disposals	(0.1)	–	–	(0.1)
Balance at 25 June 2023	70.6	14.8	509.3	594.7
Additions	10.0	–	–	10.0
Disposals	(0.2)	–	–	(0.2)
Balance at 30 June 2024	**80.4**	**14.8**	**509.3**	**604.5**
Amortisation and impairments				
Balance at 26 June 2022	37.6	7.0	1.0	45.6
Reclassification	0.9	–	–	0.9
Amortisation charge for the period	10.2	1.4	–	11.6
Disposals	(0.1)	–	–	(0.1)
Balance at 25 June 2023	48.6	8.4	1.0	58.0
Amortisation charge for the period	12.3	1.4	–	13.7
Disposals	(0.1)	–	–	(0.1)
Balance at 30 June 2024	**60.8**	**9.8**	**1.0**	**71.6**
Net book value				
At 26 June 2022	17.7	7.8	508.3	533.8
At 25 June 2023	22.0	6.4	508.3	536.7
At 30 June 2024	**19.6**	**5.0**	**508.3**	**532.9**

Goodwill

The carrying amount of goodwill is allocated to the following cash generating units:

	Goodwill	
	30 June 2024 £m	25 June 2023 £m
DFS Trading Limited	**479.9**	479.9
Sofology Limited	**28.4**	28.4
	508.3	508.3

Goodwill is tested annually for impairment on the basis of value in use. The key assumptions underlying the calculations are those regarding expected future sales volumes, changes in selling prices and direct costs and the discount rate applied. The inputs applied in respect of these key assumptions are based on management experience and external inputs in relation to market outlook.

Cash flow forecasts are prepared from the latest financial results and internal budgets for the next four years, which take into account external macroeconomic indicators as well as internal growth expectations for each cash generating unit. Selling prices and related costs are based on past practice and expected future changes in the market. The base case forecast assumes market growth of 2% in FY25, followed by continued low single digit annual growth in subsequent years. The base case also reflects a cautious assessment of the anticipated growth in the Group's market share driven by delivery of our strategic initiatives. Revenue is assumed in line with order intake, keeping order bank levels relatively consistent across the assessment period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
AT 30 JUNE 2024

10 Intangible assets continued

Gross margin percentage for FY25 is expected to be ahead of FY24 through more effective sourcing and the annualised impact of price increases already implemented. Other costs reflect anticipated inflationary increases and benefits from specific cost saving initiatives. Capital expenditure is assumed to remain in line with planned investments and strategic initiatives.

A terminal value was then calculated on the basis of the four year plan and an estimated long-term growth rate for the UK upholstery furniture sector of 2.0% (2023: 2.0%). These cash flow forecasts were then discounted at pre-tax discount rates of 14.0% to 15.1% (2023: 13.3% to 14.6%). The discount rates are estimated based on the Group's weighted average cost of capital (derived from market indices of risk-free rates, market risk premia, peer group analysis and the Group's own borrowing costs), risk adjusted for an individual unit's circumstances. The Group incurs certain overhead costs in respect of support services provided centrally to the CGUs. Such support services include Finance, Human Resources, Legal, IT and central management support in respect of stewardship and governance. These overhead costs have been allocated to the CGUs using relative CGU EBITDA as a proxy for the time spent in supporting the CGU.

For DFS and Sofology, the value in use calculations showed a significant headroom between the calculated value in use and the carrying value of goodwill in the financial statements. A number of sensitivities were then applied to the base case model to assess whether any reasonably possible changes in assumptions could cause an impairment that would be material to these consolidated financial statements. This analysis applied a number of challenging scenarios, including possible shortfalls in revenue or gross margin compared to plan, a decrease in the long term growth rate of the UK upholstery market and changes in applicable discount rates. On the basis of this analysis the Directors concluded that a reasonably possible change in these assumptions would not lead to an impairment being recognised.

Further analysis was then applied to consider simultaneous shortfalls in revenue and in gross margin compared to plan at the reasonably possible levels outlined above. The outcome of this simultaneous shortfall scenario was that in the event of these reasonably possible scenarios occurring simultaneously, an impairment to the DFS Trading Limited goodwill would result. Under the base case, recoverable amount exceeds carrying value by £159.8m. If order intake were to fall 4.0% below expectation, and gross margin were to fall 0.8% points below expectation, an impairment of £44.7m would occur. No reasonably possible scenarios result in an impairment of the Sofology Limited goodwill.

11 Investments in subsidiaries

The following companies are incorporated in England & Wales, with the exception of Coin Retail Limited (Jersey) which is incorporated in Jersey. They are all wholly owned by the Group and have been consolidated in these financial statements.

	Principal activity
Diamond Holdco 2 Limited[1]	Intermediate holding company
Diamond Holdco 7 Limited[1]	Intermediate holding company
DFS Furniture Holdings plc[1]	Intermediate holding company
DFS Furniture Company Limited[1]	Intermediate holding company
DFS Trading Limited[1]	Furniture retailer
Sofology Limited[3]	Furniture retailer
Sofaworks Limited[1]	Dormant
Haydock Furniture Limited[3]	Dormant
The Sofa Delivery Company Limited[1]	Contract logistics
The Sofa Manufacturing Company Limited[1]	Dormant
The Sofa Servicing Company Limited[1]	Dormant
Coin Retail Limited (Jersey)[2]	Intermediate holding company
Coin Furniture Limited[1]	Furniture retailer
DFS Spain Limited[1]	Furniture retailer

Registered offices:
1 Rockingham Way, Redhouse Interchange, Adwick-le-Street, Doncaster DN6 7NA
2 26 New Street, St Helier, Jersey, JE2 3RA
3 Ashton Road, Golborne, Warrington, WA3 3UL

Coin Furniture Limited (Company number 08586227) and DFS Spain Limited (Company number 09668511) are exempt from the requirement of the Companies Act relating to the audit of individual financial statements by virtue of s479A of the Companies Act 2006. DFS Furniture plc will guarantee the debts and liabilities of these entities in accordance with Section 479C of the Companies Act 2006.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
AT 30 JUNE 2024

12 Other financial assets

	30 June 2024 £m	25 June 2023 £m
Current		
Foreign exchange contracts	**0.1**	0.7

Foreign exchange contracts comprise forward contracts which are used to hedge exchange risk arising from the Group's overseas purchases (note 24).

13 Deferred tax

Deferred tax assets and liabilities are attributable to the following:

	30 June 2024 £m	25 June 2023 £m
Fixed asset timing differences	**1.8**	4.4
IFRS 16	**7.8**	7.8
Remeasurement of derivatives to fair value	**0.3**	3.0
Brand names	**(1.1)**	(1.5)
Share based payments	**0.5**	0.7
Other temporary differences	**1.5**	1.1
Net tax assets	**10.8**	15.5

The deferred tax movement in the period is as follows:

	53 weeks to 30 June 2024 £m	52 weeks to 25 June 2023 £m
At start of period	**15.5**	10.8
(Charged)/credited to the income statement:		
Fixed asset timing differences	**(2.6)**	0.8
Unwind of IFRS 16 transition impact	**(1.4)**	(2.8)
Tax losses carried forward	**–**	(0.4)
Brand names	**0.4**	0.4
Share based payments	**(0.2)**	–
Derivatives	**–**	1.5
Other temporary differences	**0.4**	(0.7)
Recognised in the statement of comprehensive income	**(1.3)**	5.9
At end of period	**10.8**	15.5

Deferred tax assets on losses of £4.7m (2023: £4.7m) have not been recognised as they relate to tax losses carried forward that arose in a jurisdiction in which the Group no longer trades, so are not anticipated to be utilised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
AT 30 JUNE 2024

14 Inventories

	30 June 2024 £m	25 June 2023 £m
Raw materials and consumables	**6.7**	8.9
Finished goods and goods for resale	**62.8**	62.8
	69.5	71.7
Write-down to net realisable value	**(10.5)**	(15.9)
	59.0	55.8

In applying its accounting policy for inventory, the Group identifies those items where there is a risk that net realisable value does not exceed cost, due to either the age or condition of the item. An estimate of the net realisable value of such items is made based on the sale of similar items in the past, taking into account expected future opportunities for sale, and their carrying value reduced by an appropriate provision.

15 Trade and other receivables

	30 June 2024 £m	25 June 2023 £m
Trade receivables	**6.7**	7.7
Prepayments	**4.0**	3.0
Accrued income	**0.1**	0.1
Other receivables	**1.2**	0.3
	12.0	11.1

No interest is charged on trade receivables; the Group bears no credit risk in respect of amounts due from retail customers under interest free credit arrangements. The Group has assessed the expected credit loss as very low and therefore has made no provision for impairment. Prepayments and accrued income do not include impaired assets.

16 Trade payables and other liabilities

	30 June 2024 £m	25 June 2023 £m
Current		
Payments received on account	**40.9**	39.1
Trade payables	**100.4**	97.6
Other creditors including other tax and social security	**26.1**	34.7
Accruals	**41.9**	53.5
	209.3	224.9

Payments on account represent contract liabilities under IFRS 15, which will be realised through revenue in the subsequent financial year. Trade payables do not bear interest and are paid within agreed credit terms. For more information on lease liabilities, see note 1.12.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
AT 30 JUNE 2024

17 Other financial liabilities

	30 June 2024 £m	25 June 2023 £m
Non-current		
Foreign exchange contracts	**–**	0.2
Current		
Foreign exchange contracts	**1.2**	6.7

Foreign exchange contracts comprise forward contracts which are used to hedge exchange risk arising from the Group's overseas purchases (note 24).

18 Other interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate and foreign currency risk, see note 24.

	30 June 2024 £m	25 June 2023 £m
Senior revolving credit facility	**139.0**	167.0
Senior secured notes	**50.0**	–
Unamortised issue costs	**(1.6)**	(1.2)
	187.4	165.8

The Group has a £200.0m revolving credit facility and £50.0m of senior secured notes.

The revolving credit facility bears interest at a rate of credit spread adjusted SONIA plus 3.10% and is repayable in September 2027 with the option of a 16 month extension subject to mutual agreement with the consortium of lending banks. The revolving credit facility is secured on a first priority basis with fixed and floating charges over substantially all of the assets of the Group.

The senior secured notes comprise two tranches: £25.0m maturing in September 2028 and £25.0m maturing in September 2030.

For more information on the maturity of the Group's lease liabilities, see note 24.

19 Employee benefits

Defined contribution pension plans

The Group operates a number of defined contribution pension plans under which contributions by the employees and the Group are administered by trustees in funds separate from the Group's assets. The costs of these schemes are charged to the income statement as they become payable under the rules of the scheme. The total pension cost of the Group for the period was £6.5m (2023: £5.8m).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
AT 30 JUNE 2024

20 Provisions

	Guarantee provision £m	Property provisions £m	Other provisions £m	Total £m
Balance at 25 June 2023	7.5	4.6	1.0	13.1
Provisions made during the period	7.3	4.0	0.5	11.8
Provisions used during the period	(5.3)	(0.3)	(0.3)	(5.9)
Provisions released during the period	(2.6)	(0.8)	(0.3)	(3.7)
Balance at 30 June 2024	6.9	7.5	0.9	15.3
Current	5.8	3.3	0.6	9.7
Non-current	1.1	4.2	0.3	5.6
	6.9	7.5	0.9	15.3

The Group offers a long-term guarantee on its upholstery products and in accordance with accounting standards a provision is maintained for the expected future cost of fulfilling these guarantees on products which have been delivered before the reporting date. In calculating this provision the key areas of estimation are the number of future claims, average cost per claim and the expected period over which claims will arise (nearly all claims arise within two years of delivery). The Group has considered the sensitivity of the calculation to these key areas of estimation, and determined that a 10% change in either the average cost per claim or the number of expected future calls would change the value of the calculated provision by £0.5m. The directors have therefore concluded that reasonably possible variations in estimate would not result in a material difference.

Property provisions relate to potential obligations under lease guarantees offered to former subsidiary companies, the majority of which expire in 2025, and wear and tear costs for Group properties based on anticipated lease expiries and renewals, which will predominantly be utilised more than five years from the reporting date, and a provision for the best estimate of the costs of rectification of an area of land slippage at one of the Group's manufacturing facilities.

Other provisions relate to payment of refunds to customers for payment protection insurance policies and other regulatory costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
AT 30 JUNE 2024

21 Dividends

The following dividends were recognised and paid during the period:

	Pence per ordinary share	53 weeks to 30 June 2024 £m	52 weeks to 25 June 2023 £m
Final dividend for FY22	3.7p	**–**	8.6
Interim ordinary dividend for FY23	1.5p	**–**	3.5
Final dividend for FY23	3.0p	**6.9**	–
Interim ordinary dividend for FY24	1.1p	**2.5**	–
		9.4	12.1

The Directors do not recommend the payment of a final dividend in respect of the financial period ended 30 June 2024.

22 Capital and reserves

Share capital

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Ordinary shares of £0.10 each	Number of shares '000	Ordinary shares £m
Allotted, called up and fully paid		
At the start of the financial period	240,678	24.1
Cancelled during the financial period	(4,678)	(0.5)
At the end of the financial period	**236,000**	**23.6**

On 3 May 2024 4,678,120 ordinary shares which had been held in treasury were cancelled.

Share premium

The share premium account represents the surplus of consideration received for issued ordinary share capital over its nominal value. This arose on the issue of ordinary shares on 11 March 2015.

Merger reserve

The merger reserve arose on the issue of shares in the Company in exchange for minority interests in the issued share capital of a subsidiary company on 10 March 2015.

Capital redemption reserve

The capital redemption reserve represents the par value of cancelled treasury shares.

Treasury shares

Where the Company purchases the Company's equity share capital into treasury (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of.

4,678,120 treasury shares (2023: 17,958,600) were cancelled on 3 May 2024. None of the Company's own ordinary shares (2023: nil) were used to satisfy employee share based payment awards during the year. At 30 June 2024 the company had 1,855,580 ordinary shares held in treasury (2023: 6,533,700).

Employee Benefit Trust shares

The Employee Benefit Trust holds ordinary shares which are issued for the purpose of satisfying future employee share based payments awards and is consolidated into the Group financial statements.

During the period ended 30 June 2024 the Company used 412,104 shares from the Employee Benefit Trust to satisfy employee share based payments awards (2023: 172,800). At 30 June 2024 the Employee Benefit Trust held 3,456,074 of the Company's ordinary shares (2023: 3,686,178).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
AT 30 JUNE 2024

23 Financial instruments: categories and fair value[1]

	30 June 2024 £m	25 June 2023 £m
Financial assets		
Derivatives in designated hedging relationships	**0.1**	0.7
Loans and receivables	**7.9**	8.0
Cash	**26.8**	26.7
Financial liabilities		
Derivatives in designated hedging relationships	**(1.2)**	(6.9)
Senior revolving credit facility	**(137.4)**	(165.8)
Senior secured notes	**(50.0)**	–
Bank overdraft	**(2.6)**	–
Finance lease obligations	**(401.7)**	(412.2)

All derivatives are categorised as Level 2 under the requirements of IFRS 7 as they are valued using techniques based significantly on observed market data.

The Directors have reviewed for expected credit losses and consider the amount of any such losses to be immaterial.

1. The Directors consider that the fair values of each category of the Group's financial instruments are materially the same as their carrying values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
AT 30 JUNE 2024

24 Financial instruments: risk management
The objectives, policies and processes governing the treasury activities of the Group are reviewed and approved by the Board. The Group's documented treasury policy includes details of authorised counterparties, instrument types and transaction limits and principles for the management of liquidity, interest and foreign exchange risks. As part of its strategy for the management of these risks the Group uses derivative financial instruments. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Liquidity risk
The Group manages its cash and borrowing requirements to ensure that it has sufficient liquid resources to meet its obligations as they fall due while making efficient use of the Group's financial resources.

The table below shows the maturity analysis of the undiscounted remaining contractual cash flows (including interest) of the Group's financial liabilities:

30 June 2024	Less than 1 year £m	1 to 2 years £m	2 to 5 years £m	Over 5 years £m	Total £m
Trade and other payables	**142.3**	**–**	**–**	**–**	**142.3**
Lease liabilities	**80.9**	**78.3**	**180.0**	**141.5**	**480.7**
Senior revolving credit facility	**11.6**	**11.6**	**152.7**	**–**	**175.9**
Senior secured notes	**4.3**	**4.3**	**36.1**	**27.6**	**72.3**
Other liabilities	**11.7**	**2.1**	**0.7**	**0.8**	**15.3**
	250.8	**96.3**	**369.5**	**169.9**	**886.5**
Derivatives: net settled	**–**	**–**	**–**	**–**	**–**
Derivatives: gross settled	**–**	**–**	**–**	**–**	**–**
Cash in flows	**(105.6)**	**(10.3)**	**–**	**–**	**(115.9)**
Cash out flows	**109.2**	**8.1**	**–**	**–**	**117.3**
Total cash flows	**254.4**	**94.1**	**369.5**	**169.9**	**887.9**

25 June 2023	Less than 1 year £m	1 to 2 years £m	2 to 5 years £m	Over 5 years £m	Total £m
Trade and other payables	151.1	–	–	–	151.1
Lease liabilities	77.2	74.2	179.1	156.0	486.5
Senior revolving credit facility	13.0	13.0	173.2	–	199.2
Other liabilities	6.2	2.7	1.6	2.6	13.1
	247.5	89.9	353.9	158.6	849.9
Derivatives: net settled	–	–	–	–	–
Derivatives: gross settled	–	–	–	–	–
Cash in flows	(119.1)	(12.0)	–	–	(131.1)
Cash out flows	128.2	9.8	–	–	138.0
Total cash flows	256.6	87.7	353.9	158.6	856.8

Interest rate risk management
The Group's operating profit is affected by the cost of providing interest free credit to its customers. This cost is in turn impacted by interbank lending rates, including SONIA. While the relationship is not wholly direct, an increase in SONIA of one percentage point would reduce the Group's reported revenue by 0.7%.

The Group is also exposed to interest rate risk on its senior revolving credit facility, which bears interest at a floating rate of credit spread adjusted SONIA plus a margin (3.10% at 30 June 2024); no related interest rate hedging was in place as at 30 June 2024. Based on drawn amounts under the facility at that date, an increase of one percentage point in SONIA would increase the Group's annual interest cost by £1.4m.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
AT 30 JUNE 2024

24 Financial instruments: risk management continued

Foreign exchange risk management

The Group is exposed to the risks of exchange rate fluctuations on the purchase of products denominated in foreign currencies. Currency requirements are assessed by analysis of historic purchasing patterns by month, adjusted as appropriate to take into account current trading expectations. The Group's treasury policy allows for the use of forward foreign exchange contracts to hedge the exchange rate risk arising from these anticipated future purchases up to 24 months in advance. These contracts are designated as cash flow hedges.

The table below summarises the forward foreign exchange contracts outstanding at the period end:

	30 June 2024		25 June 2023	
	Notional amount £m	Fair value £m	Notional amount £m	Fair value £m
Derivatives in designated hedging relationships				
US Dollar	**117.3**	**(1.2)**	137.9	(6.2)

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	30 June 2024 £m	25 June 2023 £m	30 June 2024 £m	25 June 2023 £m
US Dollar	**14.5**	12.9	**(18.5)**	(18.8)
Euro	**5.8**	3.0	**(1.4)**	(0.2)

Foreign currency sensitivity analysis

The Group's primary foreign currency exposures are to US Dollars and the Euro. The table below illustrates the hypothetical sensitivity of the Group's reported profit and closing equity to a 10% weakening of these currencies against Sterling, assuming all other variables were unchanged. The sensitivity rate of 10% represents the directors' assessment of a reasonably possible change, based on historic volatility.

The analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The analysis assumes that exchange rate fluctuations on currency derivatives that form part of an effective cash flow hedge relationship affect the cash flow hedging reserve in equity.

Positive figures represent an increase in profit or equity.

	Income statement		Equity	
	53 weeks to 30 June 2024 £m	52 weeks to 25 June 2023 £m	53 weeks to 30 June 2024 £m	52 weeks to 25 June 2023 £m
US Dollar	**0.4**	0.6	**(11.6)**	(13.2)
Euro	**(0.4)**	(0.3)	**–**	–

A 10% strengthening of the above currencies against the Sterling at the period end would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

IFRS 9 requires the Group to ensure that hedge accounting relationships are aligned with the Group's risk management objectives and strategy and to apply a qualitative and forward-looking approach to assessing hedge effectiveness. The Group determines the existence of an economic relationship between the hedging instrument and the hedged item based on the currency, amount and timing of their respective cash flows. The Group assesses whether the derivative designated in each hedging relationship is expected to be and, has been, effective in offsetting cash flows of the hedged item using the hypothetical derivative method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
AT 30 JUNE 2024

24 Financial instruments: risk management continued

In these hedge relationships, the main sources of ineffectiveness are:

– the effect of counterparties and the Group's own credit risk on the fair value of the forward foreign exchange contracts, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in exchange rates; and
– changes in the timing of the hedged transactions.

Financial risk management

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's investment securities.

Investments of cash, borrowings and derivative instruments are transacted only through counterparties meeting the credit rating and investment criteria specified in the Group's treasury policy. The Group's exposure and the credit ratings of its counterparties are regularly reviewed. Concentrations of risk are mitigated through the use of multiple counterparties and by counterparty limits which are reviewed and approved by the Board. The Group considers that expected credit losses on derivative assets arising from the default of counterparties are not material.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

Capital management

The capital structure of the Group consists of debt, as analysed in note 27, and equity attributable to the equity holders of the parent company, comprising issued capital, reserves and retained earnings as shown in the consolidated statement of changes in equity. The Group manages its capital with the objective that all entities within the Group continue as going concerns while maintaining an efficient structure to minimise the cost of capital. The Group is not restricted by any externally imposed capital requirements.

25 Share based payments

The Group has four share based payment schemes in operation:

Long Term Incentive Plan (LTIP)

The LTIP is a discretionary executive reward plan that allows the Group to grant conditional share awards or nil-cost options to selected executives at the discretion of the Remuneration Committee. The scheme is focused on the senior leadership roles in the Group, including Executive Directors. The maximum value of LTIP awards granted to an individual is 150% of base salary, although the Remuneration Committee may in exceptional circumstances increase this to 300%.

LTIP awards vest after a three year performance period subject to the achievement of performance measures based on earnings per share, total shareholder return targets and ESG targets. Further information on LTIP performance targets and awards made to Directors is given in the Directors' Remuneration Report on pages 67 to 87.

Based on the scheme rules, the Group may settle the vested shares in cash sum equivalent to the market value of the shares and this decision is driven solely at the discretion of the Board. During the year, no LTIP shares vested, so no cash payments were made to participating employees (2023: £nil). As there is no present obligation that the Group will settle future awards in cash, the Group will continue to recognise the LTIP as an equity settled scheme.

Deferred bonus scheme (DBS)

25% of any bonus earned by the Executive Directors is granted as a deferred award under the Deferred Bonus Plan. The deferred award ordinarily has a vesting period of three years, and its vesting is conditional on the participant's continued employment with the Group at the end of the vesting period unless they are a 'good leaver'.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
AT 30 JUNE 2024

25 Share based payments continued

Restricted Share Plan (RSP)

The RSP is also a discretionary reward plan under which conditional share awards or nil-cost options may be granted to individuals in key executive roles in the Group, excluding Executive Directors and other recipients of LTIP awards. Awards may not exceed 50% of an individual's salary for a particular financial year.

RSP awards vest after a three year performance period (other than those granted shortly after Admission vested in July 2017). For awards granted on or after 1 July 2019, 50% of awards made to each individual are subject to either an earnings per share or underlying profit before tax performance target; remaining awards are not subject to other performance conditions.

Based on the scheme rules,the Group may settle the vested shares in cash sum equivalent to the market value of the shares and this decision is driven solely at the discretion of the Board. During the year, the Group settled none of the vested RSP shares by offering cash payments to participating employees (2023: £0.3m). As there is no present obligation that the Group will settle future awards in cash, the Group will continue to recognise the RSP as an equity settled scheme.

Save as You Earn (SAYE)

SAYE schemes are currently available to all employees in the UK and Republic of Ireland, with invitations to participate generally issued on an annual basis and subject to HMRC rules. The current maximum monthly savings limit for the schemes is £500. Options are granted at the prevailing market share price less a discount of 20% and vest three years from the date of grant.

The movements in outstanding awards under each of the schemes are summarised below:

	53 weeks ended 30 June 2024				52 weeks ended 25 June 2023			
	LTIP No.	**DBS No.**	**RSP No.**	**SAYE No.**	LTIP No.	DBS No.	RSP No.	SAYE No.
Outstanding at the beginning of the period	**2,567,546**	**60,211**	**3,765,977**	**10,925,424**	1,982,263	93,938	2,692,875	4,116,029
Granted	**2,034,223**	**61,144**	**2,678,998**	**4,627,564**	1,547,809	–	2,422,628	10,102,311
Forfeited	**(108,699)**	**–**	**(626,562)**	**(341,719)**	(526,237)	(33,727)	(535,072)	(283,551)
Exercised	**–**	**–**	**(402,385)**	**(38,425)**	–	–	(399,060)	–
Lapsed	**(558,357)**	**–**	**(402,323)**	**(495,001)**	(436,289)	–	(415,394)	(30,622)
Cancelled	**–**	**–**	**–**	**(3,674,755)**	–	–	–	(2,978,743)
Outstanding at the end of the period	**3,934,713**	**121,355**	**5,013,705**	**11,003,088**	2,567,546	60,211	3,765,977	10,925,424
Weighted average remaining contractual life (months)	**19.2**	**9.7**	**20.0**	**23.1**	18.8	15.9	20.4	28.1
Weighted average share price at exercise	**–**	**–**	**£1.02**	**£1.14**	–	–	£1.15	–

At 30 June 2024 the weighted average exercise price of outstanding SAYE options was £0.90 (2023: £1.01) and the range of exercise prices was £0.82 to £2.18 (2023: £0.88 to £2.18). At 30 June 2024 there were 455,755 (2023: 408,057) exercisable SAYE options, with a weighted average exercise price of £1.62 (2023: £1.88). There were no exercisable LTIP, DBP or RSP options at 30 June 2024 (2023: nil).

25 Share based payments continued

Fair value calculations

The LTIP, DBS, RSP and SAYE awards are all accounted for as equity-settled under IFRS 2. The fair value of LTIP awards which are subject to a market based performance condition (total shareholder return) is calculated using a stochastic (Monte Carlo) option pricing model. RSP awards, SAYE awards and LTIP awards subject to a non-market based performance condition (earnings per share) are valued using a Black-Scholes option pricing model. The inputs to these models for awards granted during the financial period are detailed below:

	LTIP	DBS	RSP	SAYE
Grant date	16 October 2023	20 October 2023	16 October 2023	28 November 2023
Share price at date of grant	£1.00	£1.08	£1.00	£1.08
Exercise price	Nil	Nil	Nil	£0.82
Volatility	34.6% to 39.1%[1]	–[2]	–[2]	36.7%
Expected life	3 years	3 years	3 years	3.4 years
Risk free rate	4.3% to 4.5%[1]	–[2]	–[2]	4.3%
Dividend yield	–[3]	–[3]	4.5%	4.2%
Fair value per share				
Market based performance conditions	£0.43 to £0.48[1]	–	–	–
Non-market based performance condition	£1.00[1]	£1.05	£0.87	–
No performance condition	–	–	£0.87	£0.35

1. The LTIP grant included a number of required holding periods, giving a range of volatility and fair values.
2. Volatility and risk free rates do not impact the fair value calculation for awards with no exercise price or market based performance condition
3. LTIP and DBS participants are entitled to receive dividend equivalents on unvested awards therefore dividend yield does not impact the fair value calculation

Expected volatility is calculated over the period of time commensurate with the relevant performance period or holding period. Expected life has been assumed to equate to the vesting period of the awards.

The total share based payment expense included in administration costs in respect of the above schemes was £3.2m (2023: £1.8m).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
AT 30 JUNE 2024

26 Net cash from operating activities

	Note	53 weeks to 30 June 2024 £m	52 weeks to 25 June 2023 £m
(Loss)/profit for the period		**(4.4)**	26.2
Adjustments for:			
Income tax expense	6	**3.0**	7.1
Finance income	5	**(0.4)**	(0.2)
Finance expenses	5	**41.5**	34.3
Exceptional financing costs	5	**1.9**	–
Depreciation of property, plant and equipment	8	**22.0**	22.1
Depreciation of right of use assets	9	**55.8**	58.4
Amortisation of intangible assets	10	**13.7**	11.6
Impairment of assets	8	**0.3**	2.0
Loss/(gain) on sale of property, plant and equipment	3	**2.0**	(0.8)
Gain on disposal of right of use assets	3	**(0.6)**	(1.2)
Settlement of share based payments		**–**	(0.3)
Share based payment expense	25	**3.2**	1.8
Foreign exchange impact on cash flow hedges		**(1.3)**	1.4
(Increase)/decrease in trade and other receivables		**(0.9)**	13.2
(Increase)/decrease in inventories		**(3.2)**	8.6
Decrease in trade and other payables		**(15.9)**	(55.8)
Increase/(decrease) in provisions		**2.2**	(6.0)
Net cash from operating activities before tax		**118.9**	122.4
Tax paid		**(3.0)**	(0.7)
Net cash from operating activities	26	**115.9**	121.7

27 Net debt

	25 June 2023 £m	Cash flow £m	Other non-cash changes £m	30 June 2024 £m
Cash in hand, at bank	26.7	0.1	–	**26.8**
Bank overdraft	–	(2.6)	–	**(2.6)**
Cash and cash equivalents (including bank overdraft)	26.7	(2.5)	–	**24.2**
Senior revolving credit facility	(165.8)	28.0	0.4	**(137.4)**
Senior secured notes	–	(50.0)	–	**(50.0)**
Lease liabilities	(411.4)	92.4	(82.7)	**(401.7)**
Total net debt	(550.5)	67.9	(82.3)	**(564.9)**

	26 June 2022 £m	Cash flow £m	Other non-cash changes £m	25 June 2023 £m
Cash in hand, at bank	17.3	9.4	–	26.7
Bank overdraft	(12.3)	12.3	–	–
Cash and cash equivalents (including bank overdraft)	5.0	21.7	–	26.7
Senior revolving credit facility	(93.5)	(72.0)	(0.3)	(165.8)
Lease liabilities	(445.4)	61.6	(27.6)	(411.4)
Total net debt	(533.9)	11.3	(27.9)	(550.5)

Non-cash changes include the addition of leases within the period, lease remeasurements, disposals of leases, lease interest and the prepayment of debt issue costs net of amortisation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
AT 30 JUNE 2024

28 Related parties

Key Management Personnel

At 30 June 2024, Directors of the Company held 0.4% of its issued ordinary share capital (2023: 0.4%), and a further 0.1% (2023: 0.1%) was held by other key management personnel. The compensation of key management personnel (including the Directors) is as follows:

	53 weeks to 30 June 2024 £m	52 weeks to 25 June 2023 £m
Emoluments	**4.2**	3.5
Share based payments expense	**0.3**	0.1
Company contributions to money purchase schemes	**0.1**	0.1
	4.6	3.7

A number of key management personnel hold positions in other companies that result in them having control or significant influence over these companies. During the year, one such relationship existed with an entity which the Group conducts business. The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions with other companies with no relationship with members of key management, and were conducted on an arm's length basis.

The aggregate value of transactions related to key management personnel and entities over which they have, or had during the year, control or significant influence was £4.8m (2023: £4.3m), and the outstanding balance at the year end was £0.8m (2023: £0.6m).

From time to time key management personnel or their related parties may buy goods from the Group. These purchases are on the same terms and conditions as those entered into by other Group employees or customers.

29 Discontinued operations

During the period to 26 June 2022 the Group took the decision to exit its operations in the Netherlands and Spain. The cessation of these operations was completed in the year ended 25 June 2023, with the order book at the point of closure being delivered during that year. The revenues and expenses of the discontinued operations were therefore eliminated from the consolidated income statement for the Group's continuing operations and are shown as a separate single post-tax line item. Prior to being classified as discontinued operations, these operations were included within the DFS segment of the Group's segmental analysis.

Results from discontinued operations:

	53 weeks to 30 June 2024			52 weeks to 25 June 2023
	Underlying £m	Non-underlying £m	Total £m	Total £m
Revenue	–	–	–	2.0
Cost of sales	–	–	–	(1.1)
Gross profit	–	–	–	0.9
Selling and distribution costs	–	–	–	(1.1)
Administrative expenses	–	**0.3**	**0.3**	3.8
Operating (loss)/profit before depreciation, amortisation and impairment	–	**0.3**	**0.3**	3.6
Depreciation	–	–	–	–
Impairment	–	–	–	–
Operating (loss)/profit	–	**0.3**	**0.3**	3.6
Finance expenses	–	–	–	–
(Loss)/profit before tax	–	**0.3**	**0.3**	3.6
Taxation	–	–	–	(0.4)
(Loss)/profit for the period from discontinued operations	–	**0.3**	**0.3**	3.2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
AT 30 JUNE 2024

29 Discontinued operations continued

Non-underlying items from discontinued operations:

	53 weeks to 30 June 2024 £m	52 weeks to 25 June 2023 £m
Closure credits	**(0.3)**	(3.8)

Closure credits relate to the release of provisions made in FY22 for costs associated with the closure of these operations where the actual costs incurred were lower than had been expected when the provision was made.

Cash flows from discontinued operations:

	52 weeks to 25 June 2023 £m	52 weeks to 25 June 2023 £m
Net cash from operating activities	**–**	(0.6)
Net cash used in investing activities	**–**	–
Net cash used in financing activities	**–**	(0.4)
Net decrease in cash and cash equivalents	**–**	(1.0)
Cash and cash equivalents at beginning of period	**0.3**	1.3
Net cash and cash equivalents (including bank overdraft) at end of period	**0.3**	0.3

30 Subsequent events

As detailed in the Financial review on page 18, whilst the Group expects to stay within the covenants applicable to its borrowing facilities, in September 2024 a temporary widening of covenants was agreed which provides additional headroom in the event of unanticipated downside scenarios that result in a further decline in market volumes and lower EBITDA.

The amended leverage covenant widens to 3.9x at H1 FY25 and 3.7x at FY25 period end, before returning to 3.0x at H1 FY26. The amended fixed charge cover covenant widens to 1.3x at H1 FY25, 1.3x at FY25 period end and 1.4x at H1 FY26, before returning to 1.5x at FY26.

COMPANY BALANCE SHEET
AT 30 JUNE 2024

	Note	30 June 2024 £m	25 June 2023 £m
Non-current assets			
Investments	2	**257.7**	254.5
Amounts due from group companies	3	**275.0**	275.0
		532.7	529.5
Current liabilities			
Amounts due to group companies	4	**(72.8)**	(63.3)
Net assets		**459.9**	466.2
Capital and reserves			
Called up share capital	5	**23.6**	24.1
Share premium	5	**40.4**	40.4
Merger reserve	5	**18.6**	18.6
Capital redemption reserve	5	**360.1**	359.6
Treasury shares	5	**(2.9)**	(10.1)
Shares held by employee benefit trust	5	**(5.9)**	(6.6)
Retained earnings		**26.0**	40.2
Equity shareholders' funds		**459.9**	466.2

The Company's profit for the period was £nil (2023: £70.0m).

These financial statements were approved by the board of directors on 25 September 2024 and were signed on its behalf by:

TIM STACEY
Chief Executive Officer

JOHN FALLON
Chief Financial Officer

Company registered number: 07236769

COMPANY STATEMENT OF CHANGES IN EQUITY
AT 30 JUNE 2024

	Share capital £m	Share premium £m	Merger reserve £m	Capital redemption reserve £m	Treasury shares £m	Shares held by employee benefit trust £m	Retained earnings £m	Total equity £m
Balance at 26 June 2022	**25.9**	**40.4**	**18.6**	**357.8**	**(4.9)**	**(6.9)**	**6.8**	**437.7**
Profit for the period	–	–	–	–	–	–	70.0	70.0
Other comprehensive income	–	–	–	–	–	–	–	–
Total comprehensive income for the period	–	–	–	–	–	–	70.0	70.0
Dividends paid	–	–	–	–	–	–	(12.1)	(12.1)
Purchase of own shares	–	–	–	–	(30.9)	–	–	(30.9)
Cancellation of treasury shares	(1.8)	–	–	1.8	25.7	–	(25.7)	–
Employee Benefit Trust shares issued	–	–	–	–	–	0.3	(0.3)	–
Settlement of share based payments	–	–	–	–	–	–	(0.3)	(0.3)
Share based payments	–	–	–	–	–	–	1.8	1.8
Balance at 25 June 2023	**24.1**	**40.4**	**18.6**	**359.6**	**(10.1)**	**(6.6)**	**40.2**	**466.2**
Profit for the period	–	–	–	–	–	–	–	–
Other comprehensive income	–	–	–	–	–	–	–	–
Total comprehensive income for the period	–	–	–	–	–	–	–	–
Dividends paid	–	–	–	–	–	–	**(9.5)**	**(9.5)**
Cancellation of treasury shares	**(0.5)**	–	–	**0.5**	**7.2**	–	**(7.2)**	–
Employee Benefit Trust shares issued	–	–	–	–	–	**0.7**	**(0.7)**	–
Share based payments	–	–	–	–	–	–	**3.2**	**3.2**
Balance at 30 June 2024	**23.6**	**40.4**	**18.6**	**360.1**	**(2.9)**	**(5.9)**	**26.0**	**459.9**

NOTES TO THE COMPANY FINANCIAL STATEMENTS
AT 30 JUNE 2024

1 Accounting policies

Basis of preparation

The financial statements are prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards ("UK-adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006. The Company has applied the exemption available under FRS101 in respect of the following disclosures:

- a cash flow statement and related notes;
- comparative period reconciliations;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management; and
- the impact of new but not yet effective IFRSs.

As the consolidated accounts of the Company include the equivalent disclosures, the Company has also taken the exemption available under FRS 101 in respect of IFRS 2 Share Based Payments disclosures of group settled share based payments. Under Section 408 of the Companies Act 2006, the Company is not required to present its own profit and loss account. The Company's profit for the period was £nil (2023: £70.0m).

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Going concern

The Company heads a group which has a £200.0m revolving credit facility with a consortium of lending banks maturing in September 2027 and £50.0m of private placement debt, £25.0m of which matures in September 2028 and £25.0m in September 2030. At 18 September 2024, £63.0m of the revolving credit facility remained undrawn, in addition to cash in hand, at bank of £5.7m. The Directors have considered the projected trading and cash flow forecasts for the Company, including the inherent uncertainty in forecasting the impact of the current economic and political environment, and are confident that the Company has adequate resources to continue to meet all liabilities as and when they fall due for the foreseeable future and at least twelve months from the date of approval of these financial statements. Accordingly, the financial statements are prepared on a going concern basis.

Investments

Investments are stated at cost, less any accumulated impairment losses. Carrying values of investments in subsidiary companies are reviewed at each reporting date to determine whether there is any indication of impairment. If any such exists, then the investment's recoverable amount is estimated based on a value in use calculation. An impairment loss is recognised if the carrying amount of the investment exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Amounts due from and to group companies

Amounts receivable from or payable to other companies within the Company's group are recognised initially at fair value and subsequently measured at amortised cost less allowances for expected credit losses.

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 a business combination, or items recognised directly in equity or other comprehensive income. Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Share based payments

Awards (options or conditional shares) granted by the Company over its own shares to the employees of subsidiary companies are recognised in the Company's own financial statements as an increase in the cost of investment in subsidiaries. The amount recognised is equivalent to the equity-settled share based payment charge recognised in the consolidated financial statements. The corresponding credit is recognised directly in equity.

Treasury shares

Where the Company purchases the Company's equity share capital into treasury (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of.

Audit fees

Amounts receivable by the Company's auditor, and its associates in respect of services to the Company and its associates, other than the audit of the Company's financial statements have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements.

Directors' remuneration and staff numbers

The Company has no employees other than the Directors, who did not receive any remuneration for their services directly from the Company in either the current or preceding period. See note 28 in the consolidated financial statements for Key Management Personnel compensation.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED
AT 30 JUNE 2024

2 Investments

	Shares in subsidiary undertakings	
	53 weeks to 30 June 2024 £m	52 weeks to 25 June 2023 £m
Cost and net book value		
At the start of the financial period	**254.5**	252.7
Additions	**3.3**	1.8
At the end of the financial period	**257.8**	254.5

Details of the Company's investments are given in note 11 to the consolidated financial statements. Additions in the current and prior period relate to capital contributions made in respect of share based payments schemes for the Group's employees. As a consequence of the Company's share price at 30 June 2024, a value in use calculation was performed to test the carrying value of the investments for impairment. The key assumptions used were in line with those set out in note 10 to the consolidated financial statements. The value in use calculations assessed the value in use of equity only, and showed a significant headroom between the calculated value in use and the carrying value of the investments in the Company financial statements. A number of sensitivities were then applied to the base case model to assess whether any reasonably possible changes in assumptions could cause an impairment that would be material to these Company financial statements. On the basis of this analysis the Directors concluded that a reasonably possible change in assumptions would not lead to an impairment being recognised.

Coin Furniture Limited (Company number 08586227) and DFS Spain Limited (Company number 09668511) are exempt from the requirement of the Companies Act relating to the audit of individual financial statements by virtue of s479A of the Companies Act 2006. DFS Furniture plc will guarantee the debts and liabilities of these entities in accordance with Section 479C of the Companies Act 2006.

3 Debtors

	30 June 2024 £m	25 June 2023 £m
Amounts due from subsidiary undertakings (non-interest bearing, repayable on demand)	**275.0**	275.0

Amounts due from subsidiary undertakings have been classified as non-current assets as they are not expected to be settled within the next 12 months. The Company has assessed the expected credit loss as very low and has therefore made no provision for impairment.

4 Creditors: amounts due in less than one year

	30 June 2024 £m	25 June 2023 £m
Amounts due to subsidiary undertakings (non-interest bearing, repayable on demand)	**72.8**	63.3

5 Capital and reserves

Share capital

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

	Number of shares '000	Ordinary shares £m
Ordinary shares of £0.10 each		
Allotted, called up and fully paid		
At the start of the financial period	240,678	24.1
Cancelled during the financial period	(4,678)	(0.5)
At the end of the financial period	236,000	23.6

On 3 May 2024 4,678,120 ordinary shares which had been held in treasury were cancelled.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED
AT 30 JUNE 2024

5 Capital and reserves continued

Share premium
The share premium account represents the surplus of consideration received for issued ordinary share capital over its nominal value. This arose on the issue of ordinary shares on 11 March 2015.

Merger reserve
The merger reserve arose on the issue of shares in the Company in exchange for minority interests in the issued share capital of a subsidiary company on 10 March 2015.

Capital redemption reserve
The capital redemption reserve represents the par value of cancelled treasury shares.

Treasury shares
Where the Company purchases the Company's equity share capital into treasury (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of.

4,678,120 treasury shares (2023: 17,958,600) were cancelled on 3 May 2024. None of the Company's own ordinary shares (2023: nil) were used to satisfy employee share based payment awards during the year. At 30 June 2024 the company had 1,855,580 ordinary shares held in treasury (2023: 6,533,700).

Employee Benefit Trust shares
The Employee Benefit Trust holds ordinary shares which are issued for the purpose of satisfying future employee share based payments awards and is consolidated into the Group financial statements.

During the period ended 30 June 2024 the Company used 172,800 shares from the Employee Benefit Trust to satisfy employee share based payments awards (2023: 172,800). At 30 June 2024 the Employee Benefit Trust held 3,456,074 of the Company's ordinary shares (2023: 3,686,178).

FINANCIAL HISTORY
AT 30 JUNE 2024

		FY24	FY23	FY22	FY21 Restated[1]	FY20
				IFRS 16		
Gross sales	£m	**1,311.8**	1,423.6	1,474.6	1,359.4	935.0
Revenue	£m	**987.1**	1,088.9	1,149.8	1,060.2	724.5
Underlying EBITDA	£m	**142.0**	157.4	175.9	224.0	61.9
Underlying profit/(loss) before tax excluding brand amortisation	£m	**10.5**	30.6	60.3	109.2	(63.1)
Profit/(loss) before tax from continuing operations	£m	**(1.7)**	29.7	58.5	102.6	(81.2)
Basic earnings per share from continuing operations	p	**(2.0)**	9.8	17.3	35.8	(31.4)
Ordinary dividends per share	p	**1.1**	4.5	7.4	7.5	–
Special dividends per share	p	**–**	–	10.0	–	–
Purchase of own shares	£m	**–**	30.9	4.4	–	1.1
Total shareholder return	%	**-17.3**	-28.3	-37.9	+71.4	-32.5

1. Restated to exclude operations becoming discontinued in FY22.

SHAREHOLDER INFORMATION

Contacts

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Peel Hunt Limited & Jefferies International Limited

Shareholder enquiries

The Company's registrar is Equiniti. They will be pleased to deal with any questions regarding your shareholding or dividends. Please notify them of your change of address or other personal information. Their address details are:

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Equiniti helpline: 0371 384 2030. Overseas holders should contact +44 (0)121 415 7047.

Lines are open 8.30am to 5.30pm, Monday to Friday (excluding public holidays).

Shareholders are able to manage their shareholding online and facilities include electronic communications, account enquiries, amendment of address and dividend mandate instructions.

Electronic communications

Shareholders will receive annual report and accounts and other documentation electronically, unless they tell our registrar that they would like to continue to receive printed materials. This is in line with best practice and underpins our commitment to reduce waste. Shareholders may view shareholder communications online instead of receiving them in hard copy. Shareholders may elect to receive notifications by email whenever shareholder communications are added to the website by visiting www.shareview.co.uk and registering online.

For institutional investor enquiries, please contact:
Teneo
The Carter Building
11 Pilgrim Street
London
EC4V 6RN
+44 (0)20 7353 4200

Annual General Meeting 2024

This year's AGM will be held at 2.30pm on 22 November 2024 at DFS Group Support Centre, 1 Rockingham Way, Redhouse Interchange, Adwick-le-Street, Doncaster, DN6 7NA.

Financial calendar

FY24 full year results	25 September 2024
Annual General Meeting	22 November 2024

Company registration number

07236769

Registered address

1 Rockingham Way
Redhouse Interchange
Adwick-le-Street
Doncaster
DN6 7NA

Corporate website

www.dfscorporate.co.uk

NOTES

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