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

CORPORATE GOVERNANCE REPORT CONTINUED

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

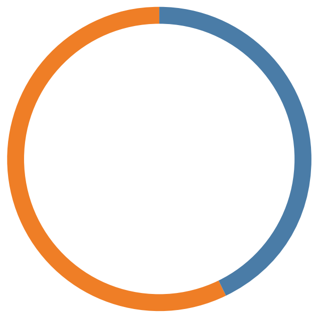
Ethnic background of members of the Board and executive management 30 June 2024

	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.

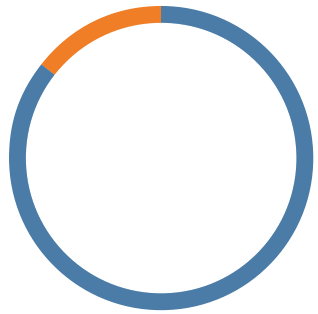
Governance at a glance

Gender diversity



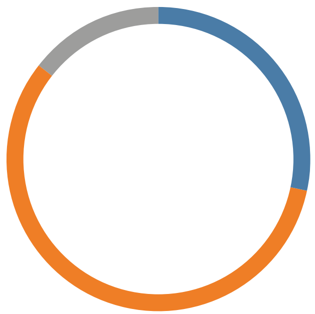
Male – 3
Female – 4

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

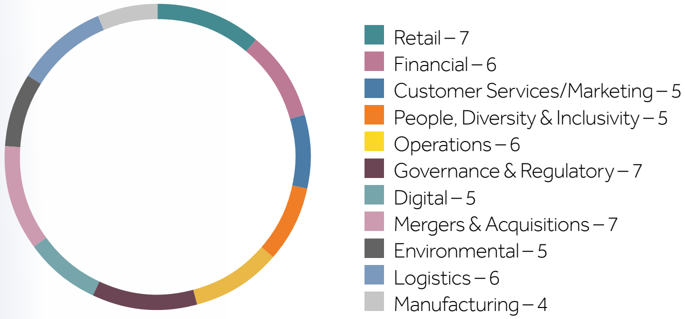
The Board Equity, Diversity and Inclusion Policy was updated in March 2024 to align with business best practice.

CORPORATE GOVERNANCE REPORT CONTINUED

Governance at a glance

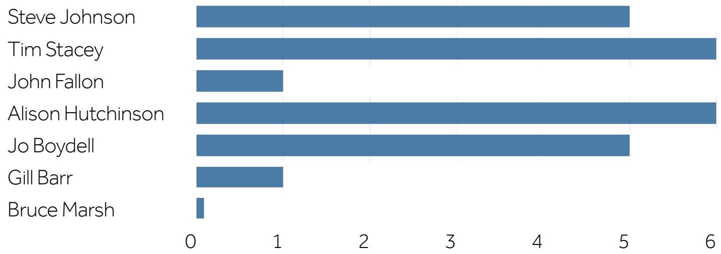
Board skills and experience

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.

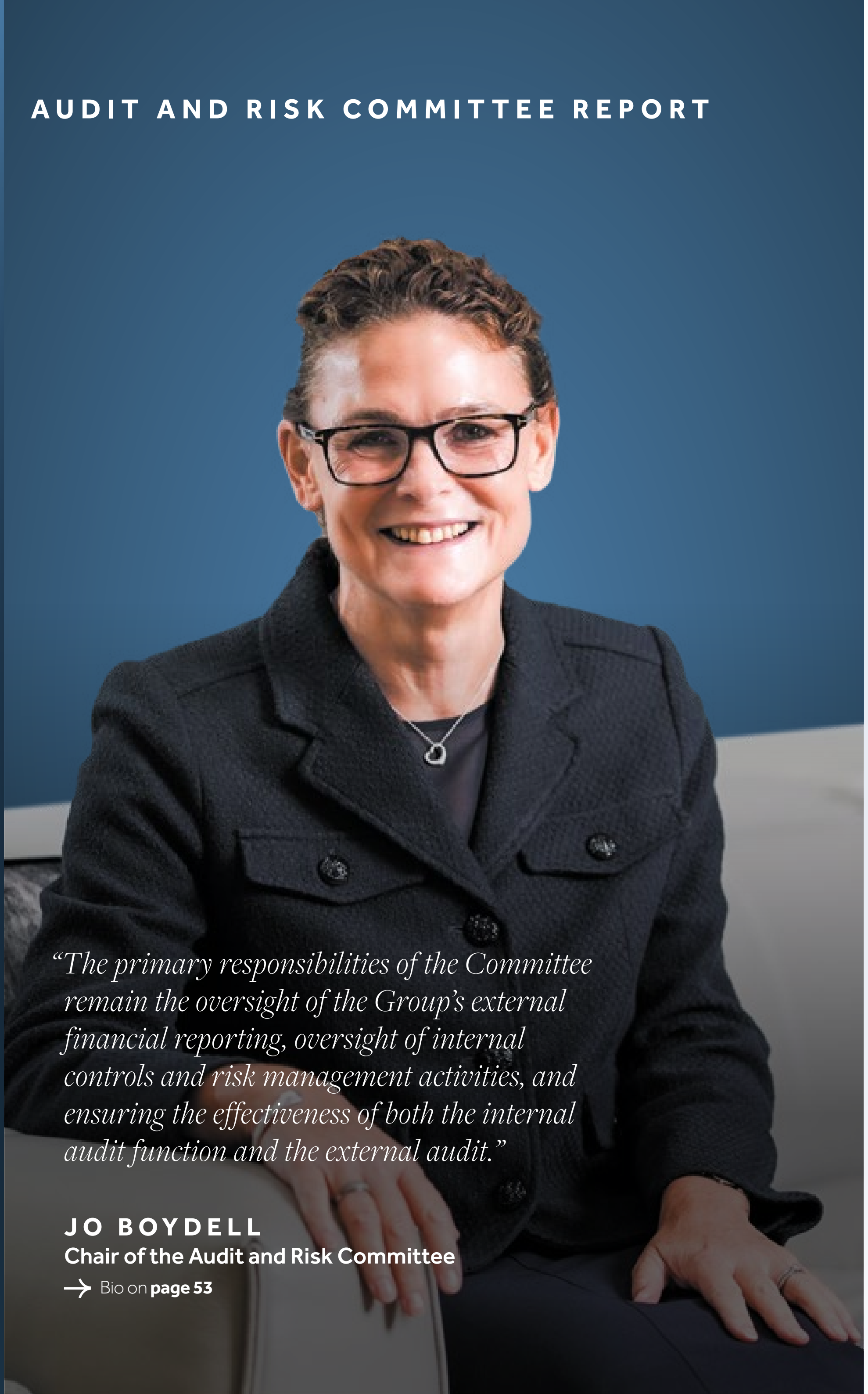
DTR Disclosure

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

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

Fair, market competitive pay and benefits

- 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.

Supporting a high performance sales and service culture

- 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.

Aligned to our business strategy and culture

- 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

Fair, market competitive pay and benefits:

- ✓ 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:

- ✓ **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:

- ✓ 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.

DIRECTORS' REMUNERATION REPORT CONTINUED

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.

DIRECTORS' REMUNERATION REPORT CONTINUED

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.

Element	Purpose	Operation	Maximum Opportunity	Performance measures/ assessment and recovery provisions
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.

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.

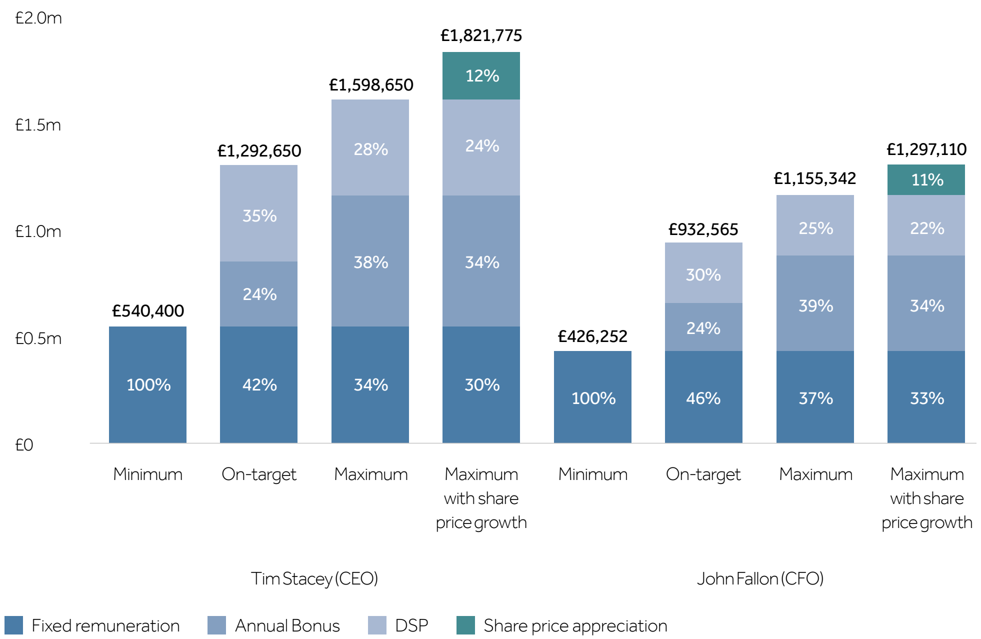
Circumstances where malus and/or clawback could apply include, but are not limited to:

- 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.

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

DIRECTORS' REMUNERATION REPORT CONTINUED

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:

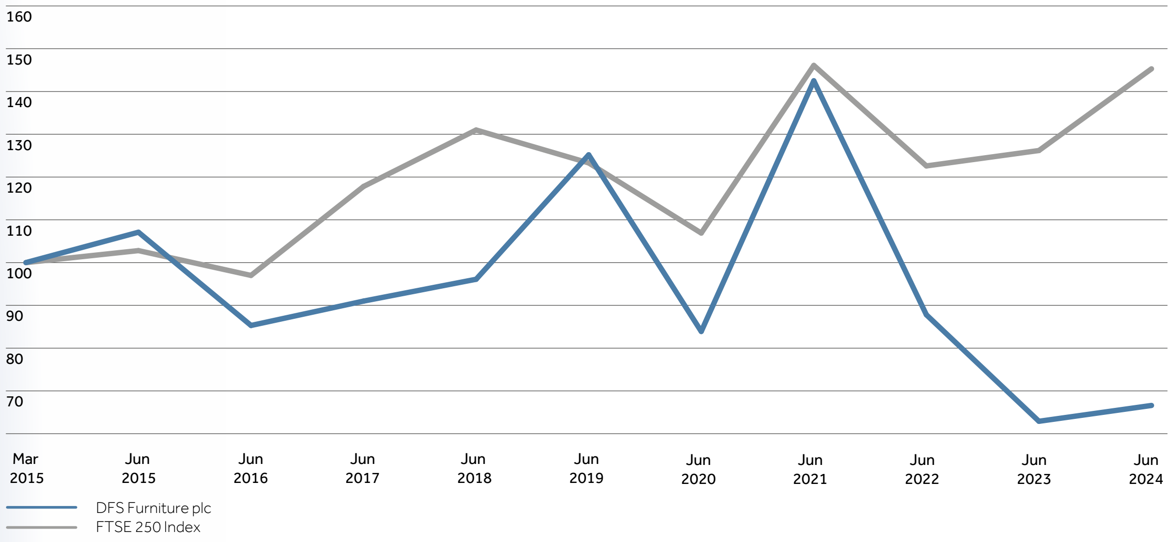
Director	Type of award	Date of grant	Number of awards	Award vested	Awards lapsed	Outstanding awards	Market price on date of grant[1]	Normal vesting date
Tim Stacey	2021 LTIP	11/10/21	251,908	–	251,908	–	£2.62	11/10/24
	2021 LTIP	12/11/21	39,169	–	39,169	–	£2.81	12/11/24
	2022 LTIP[2]	12/10/22	733,446	–	–	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.

DIRECTORS' REMUNERATION REPORT CONTINUED

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.

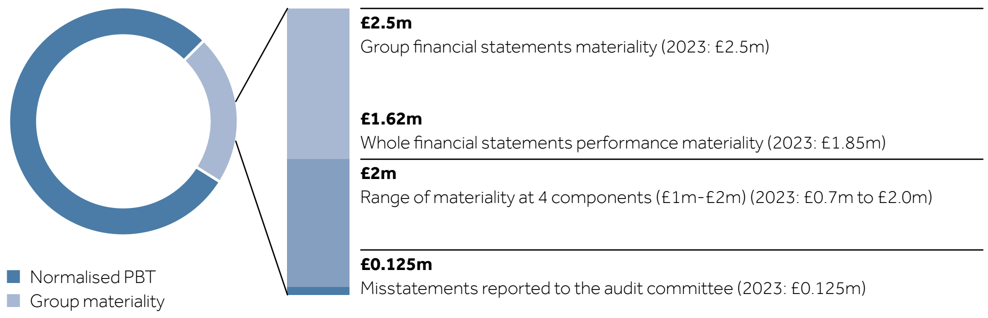
4. Going concern

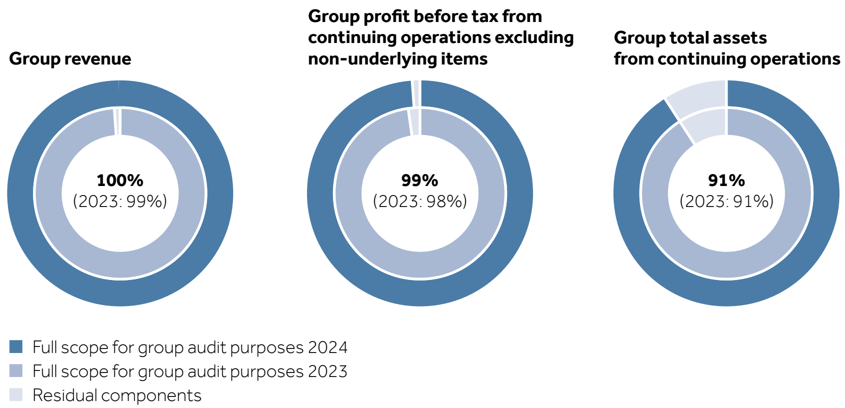
The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the parent Company or to cease their operations, and as they have concluded that the Group's and the parent Company's financial position means that this is realistic. They have 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)





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
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25 September 2024