

CHAIR'S STATEMENT

Building for the future

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

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

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

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

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

Financial results

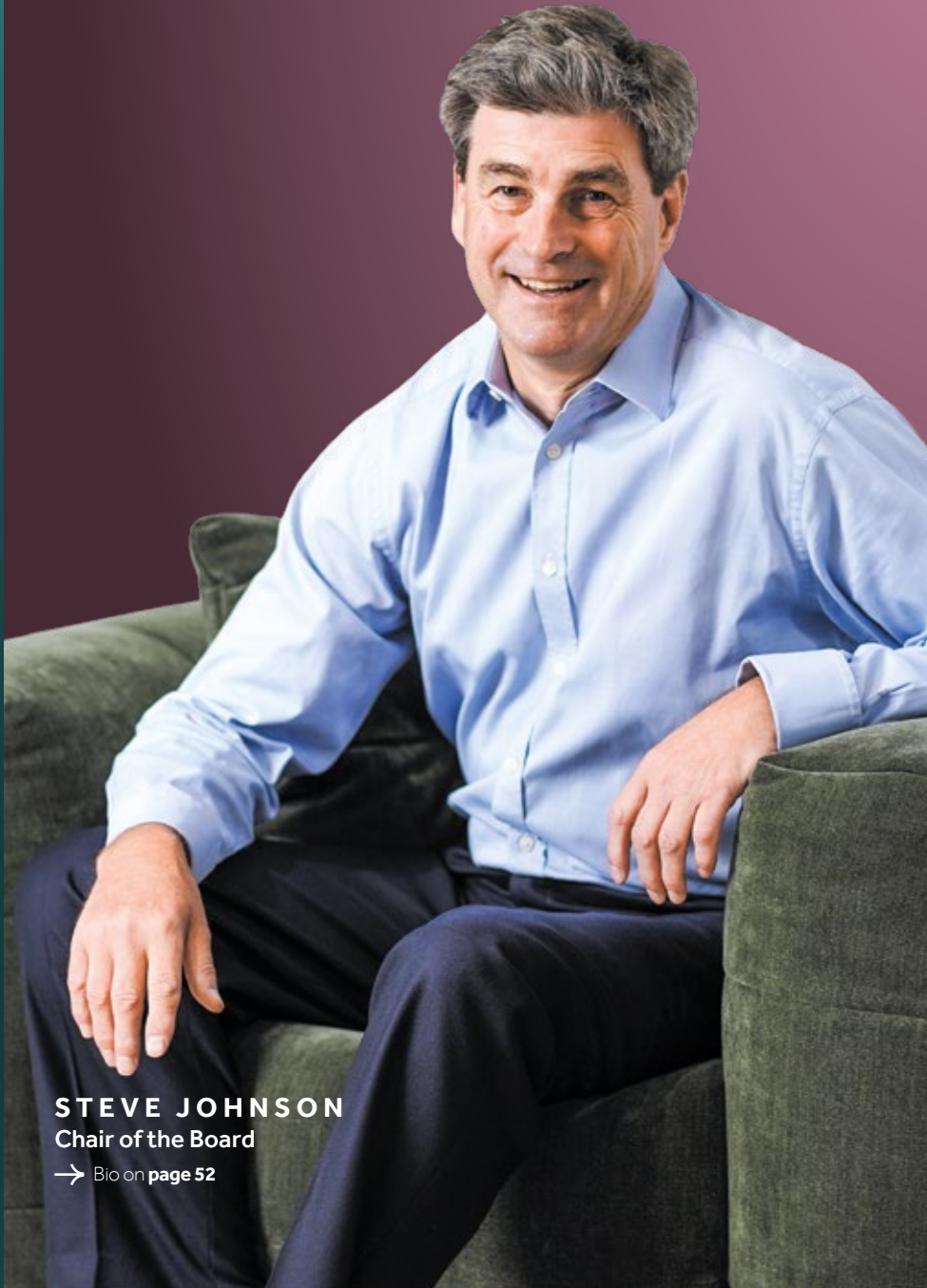
Whilst overall our financial results are disappointing, we recognise they are an inevitable result of the market backdrop during the year being significantly more challenging than we expected before the year began.

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

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

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

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



STEVE JOHNSON
Chair of the Board

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CHAIR'S STATEMENT CONTINUED

Strategic focus

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

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

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

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

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

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

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

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

Culture and purpose

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

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

Environmental, social and governance ('ESG')

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

Board changes

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

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

Governance and reporting

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

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

Dividend

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

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

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

Looking ahead

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

STEVE JOHNSON

Chair of the Board

25 September 2024

Group revenue

£987.1m

Underlying profit before tax and brand amortisation¹

£10.5m

Loss before tax

£1.7m

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