

DFS Furniture plc

Preliminary Full Year Results FY25

Strategic execution drives significant profit growth and reduction in leverage

Customer proposition never been in better shape

Board confident in the growth prospects of the Group

DFS Furniture plc ('the Group'), the market leading retailer of living room and upholstered furniture in the United Kingdom, today announces its preliminary results for the 52 weeks ended 29 June 2025 (prior year comparative period is the 53 weeks ended 30 June 2024).

£m	FY25	FY24	Change
<u>52 weeks vs 52 weeks</u>			
Like for like order intake growth YoY ¹	+10.2%	(1.8%)	n/a
<u>52 weeks vs 53 weeks</u>			
Reported order intake growth YoY ¹	+8.7%	n/a	n/a
Gross sales ²	£1,388.3m	£1,311.8m	+5.8%
Revenue	£1,030.3m	£987.1m	+4.4%
Gross margin	56.5%	55.8%	+0.7%pts
Underlying PBT(A)²	£30.2m	£10.5m	£19.7m
Reported profit/(loss) before tax	£32.9m	(£1.7m)	£34.6m
Underlying basic EPS	9.2p	1.5p	+7.7p
Reported basic EPS	10.5p	(1.9p)	+12.4p
Net bank debt ²	£107.0m	£164.8m	£57.8m
Bank leverage ^{2, 3}	1.4x	2.5x	1.1x

Strategic and operational highlights

Market leading customer proposition: Market share gains, record established customer net promoter scores and achievement of our £50m Cost to Operate programme one year ahead of expectations driven by our focus on three key enablers:

- **Leveraging our scale, expertise and vertical integration:** High profile exclusive brand partnership ranges now over 40% of dfs brand sales, cost of goods optimisation driving gross margin progression and continual improvements in our manufacturing and Sofa Delivery Company logistics operations are increasing our efficiency
- **Utilising data and technology:** Focusing on technology-led product innovation to remain agile to evolving consumer trends and investing in our proprietary data and insights platform is enhancing the customer experience
- **Harnessing our unique culture:** our dedicated and loyal colleagues are vital to our success – our investment in our people and progress on our diversity and inclusion agenda is helping drive improved colleague engagement scores and reduce attrition

Financial overview

- Resilient trading performance with strong like for like (52 week vs 52 week) Group order intake growth, up +10.1%¹ in H1 and 10.3% in H2 in a subdued market with both the dfs and Sofology brands gaining market share⁴
- Revenue up +4.4% YoY, lower than the reported order intake growth of +8.7% due to investment in our interest free credit offer to drive demand in the weak market as well as the impact of Easter falling later in the year and a shift in customer orders to ranges with longer lead times. As a result, the Group ended the year with a resilient order bank
- Gross margins expanded by +70bps reflecting continued focus on optimising the commercial proposition and improved cost of goods
- Underlying profit performance, PBTu(A)² up £19.7m YoY to £30.2m, slightly above previous guidance (£25m-£29m)
- Strong free cash flow generation of £57.8m reducing net bank debt² to £107.0m (FY24: £164.8m) and bank leverage^{2, 3} to 1.4x (FY24 2.5x)
- While our financial position has strengthened due to improved profit performance and disciplined cash management, our current leverage remains outside our target range of 0.5x-1.0x and the macro environment remains uncertain. As a result, the Board has taken the decision not to recommend a FY25 dividend
- We will continue to focus on reducing our debt levels, maintaining strong discipline on capital investment and bringing our leverage into our target range.

Current trading and outlook

Trading through the first 12 weeks of the new financial period is in line with our expectations

- We are comfortable with consensus⁵ and are planning for profit growth in FY26, despite our expectation for a subdued market in the near term, driven by our compelling customer proposition, further gross margin progression and continued cost discipline
- A decision will be made at our FY26 interim results on the payment of an interim dividend based on profit and leverage outturn for the full year and future outlook
- Longer term the Board remains confident in achieving our medium term £1.4bn full year revenue and 8% PBT targets

Tim Stacey, Group Chief Executive Officer said:

“I believe that our customer proposition has never been in better shape and that all elements of our vertically integrated business model are working efficiently and effectively, leading to record net promoter scores. Through focusing on what we can control and executing our strategy we have grown profits and cash flows in a weak market environment. This would not have been possible without the passion and dedication of our colleagues and I would like to sincerely thank them all for their hard work and support for our business.

“The market demand drivers for the upholstery sector remain delicately balanced. Consumer confidence remains below the long term average and inflation remains elevated but housing transactions have been recovering, consumer savings levels are relatively high and interest rates look set to fall.

“Given the market share gains that we have made in the last few years, the recovery in our gross margins and the significant reduction in our cost base, despite inflation, I am optimistic about the future. We will continue to focus on what we can control and, even in a subdued market, we expect to grow our profit before tax in FY26 and further strengthen our balance sheet. When the market recovers we are well positioned to achieve strong growth and importantly profit and cash conversion and remain committed to achieving our medium term targets of £1.4bn revenue and 8% PBT margins.”

¹ Full year order intake growth measured on a 52 week vs 52 week basis (“like for like”) was 10.2%

To avoid the distorting impact caused by a different number of winter sale trading days in each trading period H1 YoY order intake growth (+10.1%) has been measured using weeks 1-25 of each trading period. H2 YoY (+10.3%) has been measured using the most comparable 27 weeks.

FY24 was a 53 week reporting period, reported order intake growth measured on a 52 vs 53 week basis is 8.7% year on year.

FY24 order intake growth calculated by comparing first 52 weeks of the 53 week FY24 period to the 52 week FY23 period

² Definitions and reconciliations of KPIs including Alternative Performance Measures (“APMs”) are provided at the end of this statement in note 12 to the condensed consolidated financial statements

³ Banking covenant leverage calculated using IAS17 calculated EBITDA

⁴ Proprietary Lloyds banking data covering 13 specialist upholstery retailers

⁵ Company compiled market consensus profit before tax and brand amortisation: £39.4m

FY25 Results Presentation

A webcast for analysts and investors will be held at 9.00am (UK time) today to announce the FY25 results. Virtual presentation link:

<https://linklaters-events.webex.com/linklaters-events/j.php?MTID=m477dfd03e7c14181395bc6817307ce22>

Webinar number: 2375 395 8228 Password: *FAuSJP7z@44* (32875779 when dialling from a phone or video system)

A copy of the presentation will be made available at: <https://www.dfscorporate.co.uk/>

Enquiries:

DFS (enquiries via Teneo)

Tim Stacey (Group CEO)
Marie Wall (Interim Group CFO)
Phil Hutchinson (Investor Relations)
investor.relations@dfs.co.uk

Teneo

James Macey-White
Jessica Reid
Ayo Sangobowale
+44 (0)20 7353 4200
85fs.dfs@teneo.com

CHAIR'S STATEMENT

This year our revenue performance has improved significantly compared to the prior year as both our retail brands successfully implemented our growth initiatives and grew their market share despite the subdued market for upholstered furniture in the UK. We believe that the outlook for the Group remains positive despite the challenging economic and geopolitical environment that we operate in.

We have maintained our focus on disciplined cost management and continued to improve our gross margins. Delivery against our £50m cost saving plan has helped limit operating cost increases to 2% year on year despite significant inflationary headwinds due to the well-publicised increases in the National Minimum Wage and National Insurance as well as volume related variable cost increases.

The medium-term prospects for the upholstered furniture market remain strong and we are optimistic that our market leading position and our long-term growth strategy will ensure the business is well positioned to take advantage as the market recovers.

We will continue to actively manage our cost base in FY26 in the face of a significant increase in business rates in April 2026 and an expected further increase to the National Minimum Wage. The savings we have made to date demonstrate our ability to remain agile and reshape our operations in light of prevailing market conditions.

A retailer is nothing without its colleagues and its customers. At DFS Group we have built a dedicated and highly capable team of colleagues who have demonstrated a consistent ability to deliver a product and service proposition that continues to be highly valued by our customers. This underpins our belief that our two retail brands can continue to grow their market share.

Financial results

We were pleased that full year underlying PBT(A)¹ of £30.2m was above the top end of guidance (£25m to £29m) and an increase of £19.7m year on year. Reported PBT was £32.9m (FY24: loss of £1.7m). Our profit performance was driven by strong trading, gross margin rate progression and continued cost discipline.

In an environment of low consumer confidence, the Board and the Group Leadership Team have been focused on achieving the optimum near term financial results whilst ensuring that the Group remains primed to respond to a better market and strengthening our balance sheet to ensure that we can invest for the future.

Leverage¹ at year end was 1.4x (FY24 year end 2.5x) which showed a considerable improvement against prior year, although remaining above our stated target level of 0.5x-1.0x. Bringing the level down towards our target using the twin levers of absolute debt reduction and profit improvement remains a key focus for the coming year.

Strategic focus

During the year we undertook a restructure of the leadership team in our two retail brands, creating new Group Marketing, Commercial and Customer Services functions to sit alongside the existing Group functions which support our brands. These changes support our existing pillars and platforms strategy, provide greater clarity and consistency, and allow the Group to make better use of its scale.

We continue to leverage our two market-leading complementary retail brands, dfs and Sofology; they appeal to different customer segments and allow us to target a wide section of the market with creative direction managed by each brand team. Each brand curates its own ranges, supported by specialist in-house design teams. The focus on innovation continued during the year with further enhancements to our product ranges, incorporating new technology into several more ranges to appeal to a broader group of customers. This approach is exemplified by our Cinesound® technology which turns home entertainment into a 4D immersive experience, packed with state-of-the-art

features, including vibration pads and powered head and footrests. The customer response has been incredibly positive with these high-end products rapidly becoming a key differentiator for us in the market.

The dfs team has also focused on developing our wider Home offering, especially in beds, building stronger relationships direct with suppliers, with a focus on both quality and improving the delivery time to our customers.

We have continued 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. We were pleased to open our new Sofology store in Carlisle shortly after year end, in August 2025.

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 our people

Our colleagues and their contribution to our culture and values are what make DFS Group great. They are dedicated, enthusiastic and proud of our market-leading position. They put the customer first in everything they do and work hard to deliver outcomes informed by our values.

The market challenges facing retailers over the last few years are well understood and the actions taken to manage our cost base, improve our customer NPS scores, build our market share to a record high and return the Group to a more stable financial position have required the dedication and commitment of all our colleagues.

We rely on their skills, knowledge and experience, competence, agility, and passion for our business to continue to innovate and to continue to deliver for all our customers in this challenging economic environment. My thanks on behalf of the Board go to all of them.

Sustainability

We are pleased that during the year our publicly committed net zero plans were approved by the Science Based Targets initiative, validating both our 2050 and near-term decarbonisation targets. Given the vertically integrated nature of our Group our journey to net zero will not be linear. In some areas progress is dependent on the development of innovative technologies but we are pleased with the progress we are making, and we remain committed to our ambitious targets.

Governance and board changes

Good governance is critical for all businesses. At times of continued geopolitical and economic uncertainty, it plays a particularly key role in building and retaining trust among a diverse base of stakeholders. DFS Group operates to a high level of governance and the Board will maintain this approach going forward.

Having welcomed Bruce Marsh to our Board at the start of the financial year, in October we announced John Fallon had taken the decision to step down as our CFO. We thank John and wish him the best for the future. In January we welcomed Marie Wall to the Board as our Interim Chief Financial Officer. Marie is an experienced leader who has previously held senior finance roles at listed FMCG and retail businesses including Imperial Brands PLC, Wolseley PLC and Dixons Carphone PLC. She brings expertise in retail and finance transformation and has created value and strengthened our finance team. Then in February we were pleased to be joined by Tony Buffin, our new Non-Executive Director. Tony has significant retail experience that is directly relevant to the Group's long-term strategy and will help to accelerate growth in our brands and develop our Home offering.

In April Jo Boydell announced her intention to retire from the Board at the close of the AGM in November. Jo was appointed to the Board in December 2018 and served as Audit and Risk Committee Chair from April 2019 until the appointment of Bruce Marsh. We thank Jo for her wise counsel and significant contribution to DFS Group and wish her all the very best for the future.

All the Directors continue to visit different areas of the Group spending time in our showrooms, customer distribution centres, factories and design studios as well as with individual members of the Group Leadership Team and the Employee Voice Forum. This helps to ensure that all of the Non-Executive Directors have a thorough understanding of the business and that the Non-Executives' contributions to Board discussions are well informed and constructive in helping them ensure the views of the wider stakeholder population are considered in any decision.

Dividend

At the time of the interim results in March 2025 the Board confirmed that due to the ongoing economic headwinds and the Group's net debt position being outside our target range it would not approve the payment of an interim ordinary dividend.

Given the continuing economic uncertainty the Board has concluded that to build further resilience the focus should be on further reducing net debt and has therefore concluded that it would not be appropriate to propose a final dividend. We recognise that this decision may be disappointing for some of our shareholders. However, we believe that it is in the best long-term interests of the Group.

Looking ahead

The Group has developed a unique position at the heart of British homemaking over the past 55 years. We are the UK's largest upholstery retailer and manufacturer. This, coupled with our in-house two person delivery and service teams, clear strategy, great leadership team, market-leading position, innovative products and the strength of our brands will allow us to take advantage of opportunities to deliver on the expectations of customers and shareholders and continue to provide a rewarding place for our colleagues to build their careers.

As detailed in the Chief Executive's outlook statement, the market for upholstery remains delicately balanced and whilst the Group is not immune to the impact of the continuing political uncertainty, the Board considers that the Group is well placed to manage these challenges and remains optimistic about the future.

I am proud of the Group's achievements in FY25 and remain confident in the plans that we have for the year ahead.

Annual general meeting

We continue to encourage all shareholders to attend our Annual General Meeting, which will be held in Doncaster on 14 November 2025. This provides a great opportunity to hear from and speak with members of the Board and Group Leadership Team.

STEVE JOHNSON

Chair of the Board

25 September 2025

¹ Definitions and reconciliations of KPIs including Alternative Performance Measures ("APMs") are provided at the end of this statement in note 12 to the condensed consolidated financial statements.

CHIEF EXECUTIVE'S REVIEW

Our customer propositions and operating platforms have never been in better shape with all elements of our vertically integrated business model working together, efficiently and effectively, leading to record market share¹, record customer satisfaction scores and high levels of colleague engagement. Through focusing on what we can control and executing our strategy we have delivered a resilient performance, growing profits and free cash flow in a weak market environment.

I am pleased to report that FY25 was a year where we accelerated our momentum by focusing our energies and efforts on what we can control and relentlessly executing our strategy. Our customer propositions are in great shape across both our dfs and Sofology retail brands leading to strong Group order intake growth, up +10.2% year on year, and continued market share growth in another year where market demand has remained weak.

The brands have been supported by our operational platforms working efficiently and effectively. Strong performance across the customer journey from our commercial and product design teams, our marketing teams, our retail brands, our manufacturing operations, The Sofa Delivery Company logistics business and our service teams have collectively resulted in us achieving record established customer NPS scores. This has been achieved by the hard work of our fantastic, passionate and dedicated colleagues and our investment in data and technology which provides insight, improved decision making and operational efficiency.

All of this has led to revenue and profit growth with underlying profit before tax and brand amortisation² (uPBT(A)) slightly ahead of expectations, up nearly £20m year on year to £30.2m, and reported PBT up £34.6m year on year to £32.9m. In addition we have generated good levels of free cash flow enabling us to reduce our net bank debt by £57.8m and strengthen our balance sheet.

Stepping back, our Group has evolved considerably over the last five years. We have simplified our structures, developed Group platforms to leverage expertise and scale benefits, continued to grow our market share and we have what I believe is a unique culture that binds and energises our people to help us win with customers and look after each other. As a result, the Group is strongly positioned to capitalise on our growth opportunities and any market recovery.

Strategic update

Our ambition is to profitably and sustainably grow our dfs and Sofology retail brands and step change our share of the non-upholstery Home market through leveraging our Sourcing and Manufacturing, Technology and Data, People and Culture and The Sofa Delivery Company logistics platforms.

The strategic progress we are making is the result of our focus in three key areas:

Leveraging our scale and vertical integration

Through leveraging our scale and vertical integration we provide a differentiated customer experience and drive greater efficiency.

The Group has a 39% market share by value³ with sales densities in DFS Group over three times that of our nearest competitor. Given our scale, well known brands want to work with us to develop unique and exclusive sofa ranges. We have created a unique proposition in dfs through working on an exclusive basis with high quality brand partners that resonate strongly with the consumer such as French Connection, Joules and Country Living. Our recently launched partnerships with Ted Baker (FY24) and La-Z-Boy (FY25) and new ranges with existing partner brands such as the Joules Gilmorton are all performing well and our exclusive brand sales mix has reached a record high of over 40% of total dfs brand sales.

Our sales volumes and demand forecasting capability have enabled us to work with our third party suppliers to efficiently and effectively service customers that value obtaining products at speed.

Our suppliers also offer new ranges to us first to sell on an exclusive basis and as we are a major customer our scale enables us to source efficiently and deliver industry leading gross margins. We have grown our gross margins 70 basis points in FY25 and through recently combining the commercial buying teams of the dfs and Sofology brands under one leader we can share best practices and further leverage our scale in the future. We have a highly skilled and creative design team that research and identify emerging trends in the wider home categories that can be applied to our sector. We have the ability to develop a prototype, test, and put new ranges on our showroom floors in as little as six weeks enabling us to be first to market.

Interest free credit ('IFC') is a key feature of the UK upholstery market. Given our scale, we are a major customer of our IFC lending partners enabling us to offer a market leading proposition. This year we offered IFC on a 48 month term to customers in key periods to drive demand in the weak market environment and increase average order values contributing to our strong order intake performance, ahead of the market¹.

Our vertical integration enables us to capture value across the supply chain. We produce around 20% of what we sell in our UK factories and our scale enables us to operate them efficiently. They provide the benefits of being able to offer short lead times and insight to optimise cost pricing for ranges sourced from third parties. This year we have improved the efficiency of our factories whilst further enhancing quality.

The Sofa Delivery Company, our logistics operation, is the largest two person sofa delivery company in the UK. It delivers for both our retail brands using the same infrastructure and we offer a seven day a week installation and delivery service which is focused on providing great customer service, including the removal and recycling of all packaging waste. This is evidenced by record post-delivery NPS scores achieved at the same time as reducing our delivery cost per order despite inflationary headwinds.

Utilising data and technology

Through utilising data and technology we drive insight, innovation, better decisions and a continuous improvement approach to operational efficiency.

We have made significant progress over the last three years in simplifying how we store, access and connect data and gain insight through developing a data hub that sources data from around 85 sources. A good example of how we are utilising data is in The Sofa Delivery Company where we have powerful dashboards that enable us to drill down in detail to drive performance. For instance, we can review the individual performance of each delivery vehicle by the hour and review the reasons for failed deliveries to identify root causes. Having this knowledge has helped us deliver a 10% efficiency improvement and reduce failed deliveries to record lows.

The Sofa Delivery Company uses machine learning through its proprietary software that carries out dynamic real time route scheduling to optimise van fill and doorstep time ensuring we maximise the use of our assets and provide great customer service.

Another example is in retail where we are able to significantly improve our overall store by store performance through the use of store level dynamic balanced scorecards which improve visibility and provide real time insight across our people, processes, customer and financial lenses. We are also utilising data in marketing to improve our efficiency of spend and our team recently won the Bloomreach 'Data Driven Leader' award, recognising our effective and impactful use of customer data and analytics.

We utilise cutting edge technology to improve the customer experience and operational performance. Our proprietary Intelligent Lending Platform (ILP) now has multiple IFC lending partners operating across both dfs and Sofology enabling high first time acceptance rates and management of subsidy costs, shortening transaction times, enabling in store conversion uplift in busy periods. ILP also

enables fully digitised processing with no colleague intervention making the customer journey seamless, offering customers the credit that is right for them.

We have continued to innovate with more technology included in our sofas such as wireless charge points, wine coolers, speakers and vibrating seats such as in our Cinesound® ranges and our recently patented heated seats.

We continually look to improve the customer journey and provide a seamless experience across all channels. This year we have been enhancing both retail brands' websites. The dfs brand has recently launched a personalised homepage that changes content displayed based on where the customer is in their journey, providing inspirational content for those early in the journey and returning users to their previous product selections. This personalized approach has proven to be a hit with customers, reducing bounce rate, improving click through rate and conversion.

We have made numerous enhancements to the Sofology website including improved image zoom to provide a detailed view of fabrics, autoplay video content to capture customer attention and improved 3D augmented reality coverage.

We have begun to utilise artificial intelligence ('AI') across a number of areas in the business. We are utilising a CRM platform in Sofology to develop AI driven email marketing campaigns to improve personalisation of individual communications by tailoring them to the customer's online and offline interactions. There are early indications that this has yielded a significant conversion rate and average order value increase. In addition, we have recently published a case study with our digital creative and activation platform on the use of AI for both media effectiveness and image generation, as our work to push our digital capability continues. The advancements we are making with our media partners led to global first trials with Pinterest and a Digital Out Of Home award with JCDecaux.

In our customer service operations we are enhancing colleague written emails by using AI to draft written responses to customer service tickets which has helped reduce resolution times and increase colleague productivity. Finally, our in-house creative production capability will continue to provide us with leading CGI (over 125,000 product images produced) and video technology across the Group, and a recent 'Inside Out' award nomination globally recognises our in-house creative excellence.

Harnessing our unique culture to drive performance

We fully recognise that delivering an exceptional customer experience requires a dedicated and passionate workforce. It's the commitment and talent of our people that truly drive our business forward. That is why I feel so strongly about, and take great pride in, the unique culture we have cultivated across our Group.

We aim to lead our people with an open and empathetic leadership style, supported by customer centric, aspiring values which drives high engagement levels and ultimately our performance. We assess colleague engagement levels through our 'Your Say' survey and we've made good progress with colleague engagement stepping forwards 11.6%pts year on year.

Expertise in our sector is important. In manufacturing, from sewing to frame assembly, quality and efficiency are critical. Equally, our retail teams need to engage effectively with customers to encourage them to shop with us – because the overall experience truly matters, and in The Sofa Delivery Company, high service levels are imperative as the sofa delivery is usually our last touch point with the customer.

We invest in our colleagues to help equip them with the right skills and to develop and progress. I'm very proud of our Leadership Development Programme which 12 leaders completed in 2024 with a further 21 taking part in the 2025 cohort. In addition our Group Leadership Academy, which offers opportunities for colleague development and strengthens our future leader pipeline, has proved popular with more than 500 managers attending workshops.

To help ensure colleagues stay with us we want to create an environment where everyone feels welcome, valued and respected. Diversity in our teams helps us in many ways from obtaining differing perspectives, increasing creativity and innovation and being better able to serve a wider customer base. Our six colleague networks, which each have senior leadership representation, help us connect like minded people and help us to activate change and engagement initiatives identified in our inclusion agenda. We are constantly seeking to raise standards and this year we achieved the 'strategic level' in the Diversity in Retail inclusion maturity curve.

We also want to ensure that our people can work for us whilst managing their busy lifestyles. Recognising this, we adapted our retail model to increase the availability of part time roles and in FY25 the part time mix in both brands grew over 4%pts with dfs's part time mix now over 58%. This model is facilitated by our workforce management system that predicts footfall and sales six weeks ahead, helping us to plan to have the right number of colleagues at peak times and maximise conversion. We are also working towards equal gender representation in our business and are making progress with 41% of senior leadership roles now held by female colleagues.

As a result of our strategic progress we have delivered against our three key financial areas:

Growth – We achieved strong and consistent performance across the year with like-for-like order intake growth of +10.1% in H1 and +10.3% in H2 with both brands gaining share in a market that was slightly down year on year¹. The dfs brand's like-for-like order intake growth of 8.7% was driven by new product development, our industry leading IFC offer and great customer service with established customer NPS at a record level of 54.1. Sofology grew order intake by +16.2% as a result of a significant volume uplift with the range development and price changes made at the end of FY24 proving very effective.

Gross margin – Our gross margin rate stepped on another 70 basis points year on year to 56.5% as we target a return to our target and pre-pandemic average of 58%. Margins improved as a result of product margin progression supported by cost of goods savings that more than offset headwinds from elevated freight rates.

Cost to Operate programme – We achieved £25.5m of cost savings in FY25 which means cumulatively we have now surpassed our £50m annual savings target, a year ahead of expectation. The Group now has a more efficient cost base and we have retained operational capacity to capitalise on any market recovery.

Our progress in these areas has led to profit growth with underlying PBT(A)² up £19.7m to £30.2m. We delivered strong free cash flow² generation in the year of £57.8m supported by working capital inflows arising from our negative working capital model and from disciplined investment choices. As a result we have strengthened our balance sheet through significantly reducing debt and our leverage² has improved from 2.5x to 1.4x.

Sustainability

We are committed to reducing our impact on the environment and I am pleased to report that we have obtained validation from the Science Based Targets initiative of our emissions reduction target to cut emissions by 90% across Scope 1, 2 and 3 by 2050. Our emissions are heavily weighted to Scope 3 and we launched an 'In This Together' engagement campaign with our suppliers to set their own science-based targets. We sought buy-in to cover 20% of our Scope 3 emissions and surpassed this by achieving support for 59%. I would like to thank our suppliers for working collaboratively with us on our journey.

Tackling our Scope 1 emissions is proving challenging due to the significant investment required to upgrade our legacy electricity infrastructure and the limited availability of electric/hydrogen heavy goods vehicles on the market. However, we remain committed to our reduction path and are working to address these challenges over the next few years.

We are already making good progress to ensure our business can make the most of the opportunities of a circular economy and deliver sustainable performance and are working to ensure responsible and sustainable use of materials through transparency and traceability. All these endeavours will support the future EU requirement to provide a Digital Product Passport with every product, a requirement which we have started work on, with a pilot in FY25.

Future growth

The Group has evolved considerably in the last five years. We have simplified our structure by removing sub-scale loss making entities such as the Sofa Workshop brand and international operations in Spain and the Netherlands.

We have developed The Sofa Delivery Company to achieve scale economies and provide a market leading delivery and installation service, right sized UK manufacturing, and created Group functions since the Sofology acquisition to create centres of excellence. The Group is well positioned for future profitable growth through a number of avenues:

- **Innovation:** Supported by innovative new product development, leveraging our scale to offer great value for money, providing leading customer service through our experienced colleagues and creating a seamless customer journey, enabled by technology.
- **Footprint expansion:** Sofology new showroom roll out of one to two showrooms per year, increasing the estate from 57 to between 65 and 70 showrooms. We know the target locations and there is relatively low cannibalisation when opening near dfs showrooms.
- **58% gross margins:** We are targeting a return to our pre-pandemic gross margins of 58%. Recent organisational design changes will enable better buying opportunities and margin growth will be further supported by self help and any Bank of England base rate reductions and freight rate normalisation.
- **Core sofa market recovery:** Market volumes are c.20% below pre-pandemic levels. Market recovery is linked to consumer confidence and the housing market and when the recovery comes, the operational leverage in the business is expected to result in high profit growth with revenue to profit drop through at around 40%.
- **Growth of share in the £5bn non-upholstery Home market (beds and mattresses, dining and other living room furniture):** We have established the foundations to enable future growth in the non-upholstery Home market including the roll out of a warehouse management system, the expansion of some of our exclusive upholstery brand partnerships to bed frames and consolidated supply to improve gross margins. We have recently started to invest in digital marketing to increase customer awareness of our Home proposition and we are targeting an incremental £100m of revenue in the medium term.
- **Business development opportunities:** We are currently trialling providing a two person delivery service to third party retailers through The Sofa Delivery Company infrastructure. We believe that there will be additional opportunities especially with seasonal furniture retailers and lower volume sofa retailers to provide a great customer service and maximise utilisation of our assets, generating incremental revenue.

Conclusion and outlook

I believe that our customer proposition has never been in better shape and that all elements of our vertically integrated business model are working together efficiently and effectively, leading to record NPS scores. Through focusing on what we can control and executing our strategy we have grown profits and free cash flow in a weak market environment. This would not have been possible without

the passion and dedication of our colleagues and I would like to sincerely thank them all for their hard work and support for our business.

The market demand drivers for the upholstery sector remain delicately balanced. Consumer confidence is below the long-term average and inflation remains elevated but housing transactions have been recovering, consumer savings levels are relatively high and interest rates look set to fall.

Given the market share gains that we have made in the last few years, the recovery in our gross margins and the significant reduction in our cost base, despite inflation, I am optimistic about the future. We will continue to focus on what we can control and, even in a subdued market, we expect to grow our profit before tax in FY26 and further strengthen our balance sheet. When the market recovers we are well positioned to achieve strong growth and importantly profit and cash conversion and remain committed to achieving our medium term targets of £1.4bn revenue and 8% PBT margin.

TIM STACEY

Chief Executive Officer

25 September 2025

¹ Proprietary banking data covering 13 specialist upholstery retailers.

² Definitions and reconciliations of KPIs including Alternative Performance Measures ("APMs") are provided at the end of this statement in note 12 to the condensed consolidated financial statements.

³ GlobalData calendar year 2024 market share (August 2025).

FINANCIAL REVIEW

FY25 was a year of profitable growth, delivering strong cash returns and building balance sheet resilience. This was achieved in a challenging market that remained in decline¹ amidst ongoing macro uncertainty.

The Group achieved over 10% like for like order intake growth, 4.4% revenue growth, 70 basis points of gross margin expansion and tightly managed its cost base in an ongoing inflationary environment. All of these factors contributed to underlying profit before tax and brand amortisation² increasing £19.7m to £30.2m. Reported profit before tax increased by a greater extent than the underlying result, from a loss of £1.7m to a profit of £32.9m due to recognition of a non-underlying credit in the current year compared with non-underlying charges in the prior year. These are explained later in the report.

We have continued to focus on strengthening the Group's balance sheet through reducing our debt level. Our strong performance for the year has driven significant free cash flow² generation, resulting in net bank debt² decreasing by £57.8m to £107.0m and bank leverage² decreasing from 2.5x at the previous year end to 1.4x as we make good progress towards our 0.5x-1.0x target range.

Looking forward, the Group is well placed to grow profit and generate high levels of free cash flow given its market leading position, ongoing momentum on strategic initiatives, the underlying operational gearing in the business and our negative working capital profile.

Basis of reporting

The financial year ended 29 June 2025 represents a 52 week trading period. FY24 was a 53 week reporting period. All information presented is on a 52 week vs 53 week basis with the exception of order intake growth where we also refer to a 'like for like' comparison of 52 weeks vs 52 weeks to aid the readers understanding of performance.

Order intake

The Group achieved strong levels of growth in a market that was marginally down in value terms year on year¹. Momentum was maintained across both halves of the year, with order intake relatively consistent at +10% like for like growth.

Sofology performed very well in the period. The range and pricing changes implemented at the end of the last financial year have had a positive impact leading to stronger conversion rates and like for like order intake growth of +16.2%. The dfs brand also performed well, with like for like order intake growing by +8.7%, as the continued expansion of our exclusive brands resonated well with customers. These brands are enhancing our customer proposition, with perceived quality and on-trend designs contributing to growth in both average order value and order volumes.

Order intake growth measured on a 52 week vs 53 week basis was 1.5%pts lower than the like for like growth at +8.7%, reflecting the impact of the 53rd week in FY24.

Order intake growth:

	Order intake YoY
dfs	8.7%
Sofology	16.2%
Group like for like (52 weeks vs 52 weeks)	10.2%
<i>Group reported (52 weeks vs 53 weeks)</i>	<i>8.7%</i>

Gross sales and revenue

Gross sales² increased +5.8% year on year which was lower than the reported order intake growth of +8.7%. This was due to two factors. Firstly, Easter fell later in the year meaning some orders placed in this high demand period could not be manufactured and delivered in the financial year and secondly there was a shift in customer orders to ranges with longer lead times. As a result, the Group ended the year with a resilient order bank.

Gross sales² and revenue growth by brand:

	FY25 (52 wks) £m	FY24 (53 wks) £m	YoY (52 weeks vs 53 weeks)
dfs	1,091.3	1,047.0	4.2%
Sofology	297.0	264.8	12.2%
Gross sales	1,388.3	1,311.8	5.8%
Revenue	1,030.3	987.1	4.4%

Reported revenue growth is stated after deducting VAT, the cost of providing warranty products and interest free credit subsidy costs from Gross sales. Revenue growth at 4.4% was lower than Gross sales growth and was driven by the decision in dfs to offer customers extended (48 month) interest free credit in key promotional periods to increase affordability and drive conversion and sales in the weak market environment.

Gross margin

Gross margin % of revenue improved by 70 basis points year on year to 56.5%, representing a third consecutive year of growth and good progress towards our 58% target whilst maintaining our value proposition for customers. Gross profit increased £30.9m year on year as a result of the revenue growth and the margin rate improvement.

Gross profit and margin FY24 to FY25:

	£m	% of revenue
FY24 gross profit and margin	550.8	55.8%
Volume	23.0	n/a
Product margin	14.6	1.4%
FX	5.2	0.5%
Freight	(11.9)	(1.2%)
FY25 gross profit and margin	581.7	56.5%

The increase in sales volume drove an incremental £23.0m of gross margin year on year.

The gross margin rate improvement resulted from strong progress on our commercial product margins in combination with favourable FX. Together these more than offset the adverse impact from freight rates linked to the closure of the Red Sea to shipping lines in FY24.

Our product margins improved 140 basis points or £14.6m through further range optimisation, product design optimisation and savings from our Cost to Operate programme which contributed £10.5m to the growth. The Cost to Operate savings include the benefit from right sizing our own manufacturing operations in FY24 and consolidating supply across our external manufacturing partners, enabling us to ensure we are sourcing products from the right partners to optimise quality and reduce cost of

goods. In addition, we improved processes to clear through cancelled orders and damaged items more efficiently.

We benefited from an FX tailwind in FY25 linked to an improved USD rate applied to our Far East purchases. The average USD/GBP rate paid through the period was 5 cents favourable year on year resulting in a £5.2m/50 basis point rate benefit year on year.

Freight rates remained elevated over most of the year and averaged over twice the amount of the prior year, resulting in a 120 basis point margin rate reduction. It is worth noting that every \$1,000 movement in freight rate per container impacts our annual freight cost charge by c.£7m–£8m a year.

We are encouraged that our current gross margin would be at our 58% target if freight rates were at long-term average levels and interest rates were at market consensus expectations of c.3.5%.

Operating costs

Underlying operating costs include selling and distribution, administration, depreciation, amortisation and impairment costs. These totalled £514.7m, an increase of £14.1m year on year, representing a percentage cost of revenue of 50.0% (FY24: 50.7%). The improved ratio is testament to the success of our Cost to Operate programme which has mitigated inflationary headwinds.

Underlying operating cost breakdown FY25 vs FY24:

£m	FY25	FY24	Total
Selling, distribution and admin costs	(424.5)	(408.8)	(15.7)
Depreciation, amortisation and impairment	(90.2)	(91.8)	1.6
Underlying operating costs	(514.7)	(500.6)	(14.1)

The absolute operating cost increase is primarily driven by volume related costs which have increased with the growing revenues of the Group, wage and NIC inflation, achievement of financial bonus targets, and discrete investment behind commercial initiatives like new exclusive brands, to continue to position the business for ongoing growth through the cycle.

These cost increases have been partially offset by £15.0m of savings through our Cost to Operate programme and lower depreciation, amortisation and impairment charges.

In FY24, the business took a more disciplined approach to capital spend prioritisation in response to the more challenging market conditions. The Group continued this approach in FY25, as we prioritised reducing our debt. This lower recent level of capital investment is the main driver of the reduction in depreciation, amortisation and impairment charges of £1.6m.

Cost to Operate programme

We have had another good year of sustainably reducing our cost base through our Cost to Operate programme. This delivered £25.5m of savings in FY25 bringing cumulative savings to £53.0m, marking the achievement of our £50m target one year ahead of expectation.

Cumulative savings from Cost to Operate programme:

£m	FY25	FY24	Total
COGS	10.5	4.9	15.4
Operating and property costs	15.0	22.6	37.6
Total saving	25.5	27.5	53.0

In FY25 we achieved in year cost of goods savings of £10.5m and £15.0m of operating and property cost savings.

The operating and property cost savings result from improving the efficiency of our operations in our retail and customer service teams, The Sofa Delivery Company logistics operation and Group support functions through restructuring to leaner operating models, improving and streamlining processes, improved procurement and utilising data and insightful dashboards to drive operational efficiency. A lasting outcome of the programme is that there is a much stronger cost culture embedded within the business that we will continue to benefit from going forward and we have line of sight to additional cost savings that we expect will partially offset future inflationary headwinds.

Finance costs

Underlying finance costs of £38.2m (FY24: £41.1m) are lower year on year primarily as a result of utilising a high level of free cash flow generation to reduce our net bank debt. Our average funding cost of c.8% has remained relatively flat year on year.

Underlying finance costs:

£m	FY25	FY24	YoY
Lease interest	(24.2)	(24.6)	0.4
Debt and other interest	(14.0)	(16.5)	2.5
Underlying finance costs	(38.2)	(41.1)	2.9

Profits, tax and earnings per share

Underlying profit before tax and brand amortisation² was £30.2m, an increase of £19.7m resulting from the sales growth, gross margin expansion and good cost control. This reflects a strong profit drop through of 46% of the year on year revenue increase and highlights the operational leverage in the business.

Reported profit before tax increased from a loss of £1.7m in FY24 to a profit of £32.9m in FY25. The year on year growth is higher than the underlying profit increase due to the recognition of a non underlying credit in FY25 and a non underlying charge in FY24, as detailed below.

Underlying profit before tax and brand amortisation to reported profit before tax reconciliation:

	FY25	FY24	YoY
Underlying profit before tax and brand amortisation	30.2	10.5	19.7
Brand amortisation	(1.4)	(1.4)	—
Non-underlying charges	4.1	(10.8)	14.9
Reported profit before tax	32.9	(1.7)	34.6

Non-underlying items

In FY25 a £4.1m non-underlying credit was recognised and in FY24 a non-underlying £10.8m charge was realised.

Non-underlying items breakdown:

	FY25		FY24	
Credit/(Cost)	Income statement	Cash	Income statement	Cash
Fair value lease adjustment	4.7	n/a	n/a	n/a
Restructuring costs	(0.7)	(0.7)	(6.5)	(4.1)
Land slippage costs	(0.5)	—	(3.1)	(0.2)
Release of lease guarantee	0.6	n/a	0.7	n/a
Refinancing costs	n/a	n/a	(1.9)	(0.8)
	4.1	(0.7)	(10.8)	(5.1)

The FY25 credit has arisen from the release of acquisition-related fair value lease adjustments (£4.7m) relating to properties where the rent has since been renegotiated and now represents a market rate, and a £0.6m credit in relation to a non-cash lease guarantee provision release associated with former subsidiary companies (FY24: £0.7m credit). The fair value lease adjustment relates to negotiations that took place in previous periods, and should have been recorded at the time of the negotiation, but as it is not material to those individual previously reported periods it has been corrected in the current period. These credits were partially offset by £0.7m of restructuring costs associated with the Cost to Operate programme (FY24: £6.5m) and a £0.5m increase in the anticipated cost to remediate land slippage identified in FY24 at one of our manufacturing sites (FY24: £3.1m).

Tax

The tax charge recognised in the financial statements is £8.7m (FY24 £3.0m) and the effective tax rate of 26.4% is 1.4% higher than the statutory rate of 25.0% due to disallowable depreciation on non-qualifying assets.

The Group updates its Tax Strategy Statement each year, which is published on the Group's website, in compliance with its duty under the Finance Act 2016, which sets out details of the Group's attitude to tax planning and tax risk.

EPS

Underlying basic earnings per share was 9.2 pence (FY24: 1.5 pence) and basic earnings per share was 10.5 pence (FY24: loss of 1.9 pence). There was no material change in the weighted average number of shares in issue.

Cash flow, net debt, return on capital and debt facilities

Free cash flow generated in FY25 was £57.8m, an increase of £82.3m year on year driven by stronger trading and working capital inflows, lower interest and lower non underlying charges.

Summary cash flow and net bank debt FY25 vs FY24:

£m	FY25	FY24	YoY
Underlying EBITDA ¹	157.2	142.0	15.2
Capital expenditure	(20.9)	(21.6)	0.7
Interest	(14.0)	(18.4)	4.4
Tax	(3.7)	(3.0)	(0.7)
Principal and interest paid on lease liabilities	(88.7)	(92.4)	3.7
Working capital	24.9	(17.8)	42.7
Other ²	3.7	1.2	2.5
Underlying free cash flow	58.5	(10.0)	68.5
Non-underlying items	(0.7)	(5.1)	4.4
Free cash flow	57.8	(15.1)	72.9
Shareholder returns	—	(9.4)	9.4
Free cash flow after shareholder returns	57.8	(24.5)	82.3

Closing net bank debt	(107.0)	(164.8)	57.8
------------------------------	----------------	----------------	-------------

1. Underlying operating profit before depreciation, amortisation and impairment.
2. Other of £3.7m for FY25 and £1.2m for FY24 includes losses/gains on disposal of assets, FX revaluations, share based payments expense and adjustment for non-underlying P&L charge/credit.

Our strong free cash flow generation has been supported by our disciplined approach to capital investment with cash capital expenditure levels well below historical levels. Maintenance capital has been maintained at our historical level of c.1.5%-2.0% of sales and growth investment has been focused on lower risk, short payback projects. In FY25 expenditure focused on showroom enhancements to showcase new exclusive ranges such as Ted Baker and La-Z-Boy in dfs and creation of additional selling space through installation of mezzanines in some showrooms. We continue to invest in technology and data to ensure our front and mid office systems are supporting both a great customer experience and efficient operations as noted in the CEO statement.

We expect to incur relatively low levels of capital expenditure, up slightly year on year to £24m–£28m reflecting at least one new Sofology showroom and additional showroom refurbishments. Interest costs reduced £4.4m to £14.0m reflecting lower average levels of net bank debt in the period and non-recurrence of refinancing costs in FY24.

Corporation tax payments of £3.7m were low relative to our profit performance due to utilisation of historical overpayments.

Lease liability payments reduced by £3.7m. The prior year was impacted by additional payments falling into the longer 53 week accounting period.

The majority of our sales are made to order and as such we operate with a negative working capital model with customer deposits and final payments occurring before payments fall due to our suppliers. The improved trading performance in the final quarter along with one fewer VAT payments (reversing the adverse impact in the 53 week FY24 period) has resulted in a total working capital inflow of £24.9m.

Finally, total cash flow for the year is supported by not making a dividend payment, having not declared a final dividend in respect of FY24 or an interim dividend in respect of FY25.

Return on capital employed

Our return on capital employed (ROCE) of 16.3% has increased from 10.8% in FY24. This increase was driven by a combination of higher profit performance and reduced capital employed resulting from a lower tangible asset and right of use asset base. We expect returns to continue growing over the medium term supported firstly by improved profitability from growing our market share, improving our gross profit margin and maintaining a disciplined focus on costs and secondly our negative working capital model.

Debt facilities and banking covenants

At the end of the year the Group had in place £250m of debt facilities comprising a £200m unsecured revolving credit facility ('RCF') and £50m of US private placement notes. A 16 month extension to the RCF was agreed in December 2024 with a maturity date of January 2029. The Group's existing debt facilities have a staggered maturing profile as follows: £250m is available until September 2027 reducing to £225m until September 2028, £200m until January 2029 and £25m until September 2030. We expect these facilities to provide sufficient liquidity and a solid foundation for the future.

The debt facilities are subject to half yearly covenant tests of 3.0x maximum leverage³ (net debt/EBITDA) and 1.5x minimum fixed charge cover³ (both measured on an IAS 17 basis).

In September 2024 we agreed temporarily widened covenants⁴ with our lenders to provide additional headroom in the event of an unanticipated market downside scenario. These have not been utilised and we have remained comfortably within the covenants applicable to the standard terms throughout the financial year. Our bank leverage has reduced from 2.5x last year to 1.4x and our fixed charge cover also improved significantly, both falling well within the ongoing standard covenant limits.

Capital allocation and dividends

The Group's capital allocation priorities are for the Group to operate with net debt levels (excluding capitalised lease obligations) of between 0.5x–1.0x of trailing 12 month EBITDA, to invest to maintain the Group's asset base and support future growth, to pay ordinary dividends with a dividend cover of 2.25x–2.75x earnings per share and to make special returns when leverage is expected to fall below the lower end of the leverage target range.

While our financial position has strengthened due to improved profit performance and disciplined cash management, our current leverage remains outside our target range of 0.5x–1.0x. Given the continuing economic uncertainty, the Board has determined that to build further balance sheet resilience the focus should be on further reducing net debt and has therefore concluded that it would not be appropriate to propose a final dividend. We will continue to maintain strong capital discipline to bring our leverage into our target range.

The Board remains committed to returning to the dividend register and providing sustainable shareholder returns. A decision will be made in March 2026 on the payment of a FY26 interim dividend based on profit and leverage outturn expectations for the full year and the future outlook for the business.

Capital allocation	Framework	FY25 commentary
Leverage (excluding property leases)	0.5x – 1.0x	Expect to continue operating outside the Group's target leverage range in the near-term Making progress towards reducing the ratio and deleveraging remains a high priority
Organic investment	Strategic organic capital investment to deliver attractive returns	Our maintenance capital requirements currently represent c.1.5%-2.0% of revenue In the near-term expect to continue to incur prudent levels of capital expenditure, up from the very low levels of the last 24 months to £24m-£28m to pursue growth opportunities where the risk adjusted returns are attractive
Dividend	Dividend payout ratio of 2.25x – 2.75x	No FY25 dividend A decision will be made on the payment of a FY26 interim dividend based on expected profit and leverage outturn for the full year and future outlook
Supplementary shareholder returns	When the Group is operating below its target leverage, it will consider special dividends / buybacks	No supplementary returns expected given the Group will be operating above its target leverage ratio in the short term

Looking forward

The Group's performance and position have improved significantly in FY25 reflecting the strength of our strategic execution.

Given demand drivers for our sector are delicately balanced, as referenced in the CEO statement, we continue to plan prudently with a focus on generating increased profits through the strength of our commercial initiatives and ongoing cost discipline and building balance sheet resilience through strong cash management.

Looking further ahead we remain confident about the Group's prospects and achieving our medium-term targets.

MARIE WALL

Interim Chief Financial Officer

25 September 2025

¹ Proprietary banking data covering 13 specialist upholstery retailers.

² Definitions and reconciliations of KPIs including Alternative Performance Measures ("APMs") are provided at the end of this statement in note 12 to the condensed consolidated financial statements.

³ Bank leverage calculated as net debt divided by last 12 months EBITDA. Net debt is net bank debt plus a proportion of finance leased assets. Fixed charge cover is calculated as last 12 months EBITDA_{Rent} divided by rent + interest.

⁴ The widened leverage covenant is 3.7x at FY25 period end before returning to 3.0x at H1 FY26 and the widened fixed charge cover covenant is 1.3x at FY25 period end and 1.4x at H1 FY26, before returning to 1.5x at FY26 period end.

Consolidated income statement

	Note	52 weeks to 29 June 2025			53 weeks to 30 June 2024		
		Underlying £m	Non- underlying £m	Total £m	Underlying £m	Non- underlying £m	Total £m
Gross sales¹	2	1,388.3	-	1,388.3	1,311.8	-	1,311.8
Revenue	2	1,030.3	-	1,030.3	987.1	-	987.1
Cost of sales		(448.6)	-	(448.6)	(436.3)	-	(436.3)
Gross profit		581.7	-	581.7	550.8	-	550.8
Selling and distribution costs		(353.2)	-	(353.2)	(342.9)	-	(342.9)
Administrative expenses		(71.3)	(0.6)	(71.9)	(65.9)	(8.9)	(74.8)
Operating profit before depreciation and amortisation	3	157.2	(0.6)	156.6	142.0	(8.9)	133.1
Depreciation		(75.9)	4.7	(71.2)	(77.8)	-	(77.8)
Amortisation		(13.0)	-	(13.0)	(13.7)	-	(13.7)
Impairment		(1.3)	-	(1.3)	(0.3)	-	(0.3)
Operating profit/(loss)	2, 3	67.0	4.1	71.1	50.2	(8.9)	41.3
Finance income	4	0.4	-	0.4	0.4	-	0.4
Finance expenses	4	(38.6)	-	(38.6)	(41.5)	(1.9)	(43.4)
Profit/(loss) before tax		28.8	4.1	32.9	9.1	(10.8)	(1.7)
Taxation		(7.7)	(1.0)	(8.7)	(5.7)	2.7	(3.0)
Profit/(loss) for the period from continuing operations		21.1	3.1	24.2	3.4	(8.1)	(4.7)
Profit/(loss) for the period from discontinued operations		-	-	-	-	0.3	0.3
Profit/(loss) for the period		21.1	3.1	24.2	3.4	(7.8)	(4.4)
Earnings per share							
Basic	5						
- from continuing operations		9.2p	1.3p	10.5p	1.5p	(3.5)p	(2.0)p
- from discontinued operations		-	-	-	-	0.1p	0.1p
Total		9.2p	1.3p	10.5p	1.5p	(3.4)p	(1.9)p
Diluted	5						
- from continuing operations		9.0p	1.3p	10.3p	1.5p	(3.5)p	(2.0)p
- from discontinued operations		-	-	-	-	0.1p	0.1p
Total		9.0p	1.3p	10.3p	1.5p	(3.4)p	(1.9)p

¹ Refer to note 12 to the condensed consolidated financial statements for definitions and reconciliations of alternative performance measures

Consolidated statement of comprehensive income

	52 weeks to 29 June 2025 £m	53 weeks to 30 June 2024 £m
Profit for the period	24.2	(4.4)
Other comprehensive income		
<i>Items that are or may be reclassified subsequently to profit or loss:</i>		
Effective portion of changes in fair value of cash flow hedges	(10.7)	5.1
Net change in fair value of cash flow hedges reclassified to profit or loss		
- recognised in cost of sales	4.6	(1.3)
Income tax on items that are/may be reclassified subsequently to profit or loss	1.8	(1.3)
Other comprehensive expense for the period, net of income tax	(4.3)	2.5
Total comprehensive income for the period	19.9	(1.9)
Total comprehensive income for the period attributable to owners of the parent		
- from continuing operations	19.9	(2.2)
- from discontinued operations	-	0.3
	19.9	(1.9)

Consolidated balance sheet

	Note	29 June 2025 £m	30 June 2024 £m
Non-current assets			
Property, plant and equipment		75.2	83.8
Right of use assets		276.9	315.0
Intangible assets		531.2	532.9
Deferred tax assets		11.6	10.8
		894.9	942.5
Current assets			
Inventories		56.6	59.0
Other financial assets		-	0.1
Trade and other receivables		15.8	12.0
Current tax assets		2.4	6.1
Cash and cash equivalents		13.9	26.8
		88.7	104.0
Total assets		983.6	1,046.5
Current liabilities			
Bank overdraft		(13.9)	(2.6)
Trade payables and other liabilities		(231.8)	(209.3)
Lease liabilities		(64.2)	(75.1)
Provisions	9	(13.0)	(9.7)
Other financial liabilities		(8.1)	(1.2)
		(331.0)	(297.9)
Non-current liabilities			
Interest bearing loans and borrowings	10	(105.3)	(187.4)
Lease liabilities		(288.7)	(326.6)
Provisions	9	(6.1)	(5.6)
Other financial liabilities		(0.3)	-
		(400.4)	(519.6)
Total liabilities		(731.4)	(817.5)
Net assets		252.2	229.0
Equity attributable to equity holders of the parent			
Share capital		23.6	23.6
Share premium		40.4	40.4
Merger reserve		18.6	18.6
Capital redemption reserve		360.1	360.1
Treasury shares		(2.9)	(2.9)
Employee Benefit Trust shares		(5.2)	(5.9)
Cash flow hedging reserve		(7.2)	(1.1)
Retained earnings		(175.2)	(203.8)
Total equity		252.2	229.0

Consolidated statement of changes in equity

	Share capital £m	Share premium £m	Merger reserve £m	Capital redemption reserve £m	Treasury shares £m	Employee Benefit Trust shares £m	Cash flow hedging reserve £m	Retained earnings £m	Total equity £m
Balance at 25 June 2023	24.1	40.4	18.6	359.6	(10.1)	(6.6)	(4.9)	(184.0)	237.1
Profit for the period	-	-	-	-	-	-	-	(4.4)	(4.4)
Other comprehensive income/(expense)	-	-	-	-	-	-	3.8	(1.3)	2.5
Total comprehensive income for the period	-	-	-	-	-	-	3.8	(5.7)	(1.9)
Dividends	-	-	-	-	-	-	-	(9.4)	(9.4)
Employee Benefit Trust shares issued	-	-	-	-	-	0.7	-	(0.7)	-
Share based payments	-	-	-	-	-	-	-	3.2	3.2
Cancellation of treasury shares	(0.5)	-	-	0.5	7.2	-	-	(7.2)	-
Balance at 30 June 2024	23.6	40.4	18.6	360.1	(2.9)	(5.9)	(1.1)	(203.8)	229.0
Profit for the period	-	-	-	-	-	-	-	24.2	24.2
Other comprehensive income/(expense)	-	-	-	-	-	-	(6.1)	1.8	(4.3)
Total comprehensive income for the period	-	-	-	-	-	-	(6.1)	26.0	19.9
Employee Benefit Trust shares issued	-	-	-	-	-	0.7	-	(0.7)	-
Share based payments	-	-	-	-	-	-	-	2.8	2.8
Tax recognised directly in equity	-	-	-	-	-	-	-	0.5	0.5
Balance at 29 June 2025	23.6	40.4	18.6	360.1	(2.9)	(5.2)	(7.2)	(175.2)	252.2

Consolidated cash flow statement

	52 weeks to 29 June 2025 £m	53 weeks to 30 June 2024 £m
Profit for the period	24.2	(4.4)
<i>Adjustments for:</i>		
Income tax expense	8.7	3.0
Finance income	(0.4)	(0.4)
Finance expenses	38.6	41.5
Exceptional financing costs	-	1.9
Depreciation of property, plant and equipment	17.2	22.0
Depreciation of right of use assets	54.0	55.8
Amortisation of intangible assets	13.0	13.7
Impairment of assets	1.3	0.3
Loss on sale of property, plant and equipment	0.3	2.0
Gain on disposal of right of use assets	(0.8)	(0.6)
Share based payment expense	2.8	3.2
Foreign exchange impact on cash flow hedges	1.1	(1.3)
Increase in trade and other receivables	(3.8)	(0.9)
Decrease/(increase) in inventories	2.4	(3.2)
Increase/(decrease) in trade and other payables	22.5	(15.9)
Increase in provisions	3.8	2.2
Net cash from operating activities before tax	184.9	118.9
Tax paid	(3.7)	(3.0)
Net cash from operating activities	181.2	115.9
Investing activities		
Proceeds from sale of property, plant and equipment	0.2	1.4
Interest received	0.4	0.4
Acquisition of property, plant and equipment	(9.0)	(11.6)
Acquisition of PPE - right of use assets	(0.6)	-
Acquisition of other intangible assets	(11.3)	(10.0)
Net cash used in investing activities	(20.3)	(19.8)
Financing activities		
Interest paid	(14.4)	(18.8)
Interest paid on lease liabilities	(24.2)	(24.8)
Payment of lease liabilities	(64.5)	(67.6)
Net (repayment)/drawdown of borrowings	(82.0)	(28.0)
Drawdown of private placement debt	-	50.0
Purchase of treasury shares	-	-
Ordinary dividends paid	-	(9.4)
Net cash used in financing activities	(185.1)	(98.6)
Net decrease in cash and cash equivalents	(24.2)	(2.5)
Cash and cash equivalents at beginning of period	24.2	26.7
Cash and cash equivalents (including bank overdrafts) at end of period	-	24.2

Notes to the condensed consolidated financial statements

1 Basis of preparation

The condensed consolidated financial statements have been prepared and approved by the Directors in accordance with UK adopted international accounting standards and applicable law. The financial information is derived from the Group's consolidated financial statements for the period ended 29 June 2025. The financial statements are prepared on the historical cost basis except for certain financial instruments and share based payment charges which are measured at their fair value. The financial statements are for the 52 weeks to 29 June 2025 (last year 53 weeks to 30 June 2024) and were approved by the Directors on 25 September 2025.

The financial information set out above does not constitute the Company's statutory accounts for the periods ended 29 June 2025 or 30 June 2024 but is derived from those accounts. Statutory accounts for the period ended 30 June 2024 have been delivered to the registrar of companies, and those for the period ended 29 June 2025 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Going concern

The financial statements are prepared on a going concern basis, which the Directors believe to be appropriate for the following reasons.

In December 2024 the Group's revolving credit facility (RCF) was extended by 16 months to January 2029. The Group's existing debt facilities are available as follows: £250m to September 2027, £225m to September 2028, £200m to January 2029 and £25m to September 2030.

At 18 September 2025, the last practicable date prior to approval of the annual report, £125.0m of the revolving credit facility remained undrawn, in addition to cash in hand, at bank of £6.4m.

Covenants applicable to both the revolving credit facility and the private placement debt are: 3.0x net debt/EBITDA and 1.5x fixed charge cover, and are assessed on a six-monthly basis at June and December. Temporarily widened covenants were agreed with the consortium of lending banks to 3.7x net debt/EBITDA and 1.3x fixed charge cover for the FY25 year end assessment, with leverage returning to 3.0x and fixed charge increasing to 1.4x for the H1 FY26 assessment.

The Directors have prepared cash flow forecasts and performed a going concern assessment for the Group covering a period of at least twelve months from the date of approval of these financial statements (the 'going concern assessment period'), which indicate that the Group will be in compliance with the agreed covenants. These forecasts include a number of assumptions in relation to: market size (assumed to grow by 2% in FY26, from an already low base) and the resulting order intake volumes for the Group; inflationary impacts on gross margin and other costs; sector-wide manufacturing and supply chain capacities; and achievement of cost savings in line with the Group's strategic plans.

The Directors have also prepared severe but plausible downside sensitivity scenarios which cover the same going concern assessment period as the base case. These scenarios include significantly reduced customer spending, impacts on gross margin and other costs from inflationary cost pressures, and a combination of these scenarios. The Directors have also performed reverse stress testing analysis to confirm that circumstances resulting in a covenant breach were beyond those considered plausible.

As part of this analysis, the Directors have considered mitigating actions within the Group's control which could reduce the impact of these severe but plausible downside scenarios. These mitigating actions include reducing discretionary operating expenditure, a pause on expansionary capital investment, and other measures to protect cash balances. These forecast cash flows, considering the ability and intention of the Directors to implement mitigating actions should they need to, indicate that there remains sufficient headroom in the forecast period for the Group to operate within the committed facilities and to comply with all relevant banking covenants during the going concern assessment period.

1 Basis of preparation (continued)

The Directors have considered all of the factors noted above, including the inherent uncertainty in forecasting the impact of the current economic and political environment, and are confident that the Group has adequate resources to continue to meet all liabilities as and when they fall due for at least twelve months from the date of approval of these financial statements. Accordingly, the financial statements are prepared on a going concern basis.

2 Segmental Analysis

The Group's operating segments under IFRS 8 have been determined based on management accounts reports reviewed by the Group Leadership Team. Segment performance is assessed based upon brand contribution. Brand contribution is defined as underlying EBITDA (being earnings before interest, tax, depreciation, amortisation, impairments and non-underlying items) excluding property costs and central administration costs.

The Group reviews and manages the performance of its operations on a retail brand basis, and the identified reportable segments and the nature of their business activities are as follows:

DFS: the retailing of upholstered furniture and related products through DFS branded stores and website.

Sofology: the retailing of upholstered furniture and related products through Sofology branded stores and website.

Other segments comprises the manufacture of upholstered furniture and the supply of contract logistics.

2 Segmental Analysis *(continued)*

Segment revenue and profit - continuing operations

	External gross sales		Inter-segment sales		Total gross sales	
	52 weeks to 29 June 2025	53 weeks to 30 June 2024	52 weeks to 29 June 2025	53 weeks to 30 June 2024	52 weeks to 29 June 2025	53 weeks to 30 June 2024
	£m	£m	£m	£m	£m	£m
DFS	1,091.3	1,047.0	-	-	1,091.3	1,047.0
Sofology	297.0	264.8	-	-	297.0	264.8
Other segments	-	-	195.5	198.2	195.5	198.2
Eliminations	-	-	(195.5)	(198.2)	(195.5)	(198.2)
Gross sales	1,388.3	1,311.8	-	-	1,388.3	1,311.8

	52 weeks to 29 June 2025	53 weeks to 30 June 2024
	£m	£m
Total segments gross sales	1,388.3	1,311.8
Value added and other sales taxes	(222.5)	(207.3)
Interest free credit subsidy	(108.8)	(92.4)
Cost of aftercare products	(26.7)	(25.0)
Revenue	1,030.3	987.1
<i>Of which:</i>		
Furniture sales	977.5	935.1
Sales of aftercare products	52.8	52.0
Revenue	1,030.3	987.1

52 weeks to 29 June 2025 - continuing operations

	DFS £m	Sofology £m	Other £m	Eliminations £m	Total £m
Revenue	804.6	225.7	195.5	(195.5)	1,030.3
Cost of sales	(383.1)	(98.1)	(48.5)	81.1	(448.6)
Gross profit	421.5	127.6	147.0	(114.4)	581.7
Selling & distribution costs (excluding property costs)	(234.8)	(62.0)	(109.8)	84.6	(322.0)
Brand contribution (segment profit)	186.7	65.6	37.2	(29.8)	259.7
Property costs					(31.2)
Underlying administrative expenses					(71.3)
Underlying EBITDA					157.2

2 Segmental Analysis *(continued)*

Segment revenue and profit - continuing operations *(continued)*

53 weeks to 30 June 2024 - continuing operations

	DFS £m	Sofology £m	Other £m	Eliminations £m	Total £m
Revenue	786.5	200.6	198.2	(198.2)	987.1
Cost of sales	(376.0)	(90.5)	(56.1)	86.3	(436.3)
Gross profit	410.5	110.1	142.1	(111.9)	550.8
Selling & distribution costs (excluding property costs)	(224.3)	(58.8)	(114.1)	81.3	(315.9)
Brand contribution (segment profit)	186.2	51.3	28.0	(30.6)	234.9
Property costs					(27.0)
Underlying administrative expenses					(65.9)
Underlying EBITDA					142.0

	52 weeks to 29 June 2025 £m	53 weeks to 30 June 2024 £m
Underlying EBITDA	157.2	142.0
Non-underlying items	(0.6)	(8.9)
Depreciation & amortisation	(85.5)	(91.8)
Operating profit	71.1	41.3
Finance expenses	(38.2)	(41.1)
Non-underlying financing costs	-	(1.9)
Profit before tax	32.9	(1.7)

A geographical analysis of revenue is presented below:

	52 weeks to 29 June 2025 £m	53 weeks to 30 June 2024 £m
United Kingdom	1,012.2	967.4
Europe	18.1	19.7
Total revenue	1,030.3	987.1

2 Segmental Analysis *(continued)*

	Additions to non-current assets		Depreciation, amortisation and impairment	
	52 weeks to 29 June 2025 £m	53 weeks to 30 June 2024 £m	52 weeks to 29 June 2025 £m	53 weeks to 30 June 2024 £m
DFS	20.6	35.5	61.3	67.5
Sofology	4.2	12.2	18.3	18.0
Other segments	3.5	7.9	5.9	6.3
Total Group	28.3	55.6	85.5	91.8

Additions to non-current assets include both tangible and intangible non-current assets.

3 Operating profit - continuing operations

Group operating profit is stated after charging/(crediting):

	52 weeks to 29 June 2025 £m	53 weeks to 30 June 2024 £m
Net foreign exchange (gains)/losses	(1.6)	0.8
Depreciation on tangible assets (including depreciation on right of use assets)	71.2	77.8
Amortisation of intangible assets	13.0	13.7
Impairments	1.3	0.3
Net loss on disposal of property, plant and equipment	0.3	-
Net gain on disposal of right of use assets	(0.8)	(0.6)
Cost of inventories recognised as an expense	456.4	435.9
Release of provisions (note 9)	(0.5)	(3.4)
<i>Non-underlying items</i>		
	52 weeks to 29 June 2025 £m	53 weeks to 30 June 2024 £m
Restructuring costs	0.7	6.5
Land slippage costs	0.5	3.1
Release of lease guarantee provision	(0.6)	(0.7)
Fair value lease adjustment	(4.7)	-
	(4.1)	8.9

Restructuring costs include redundancy costs associated with further integrating Sofology into the Group.

Land slippage costs relate to costs of remediation works required to an area of land slippage identified at one of our manufacturing sites.

The release of the lease guarantee provision relates to the property provisions detailed in note 9.

The fair value lease adjustment arises from the release of acquisition-related fair value lease adjustments relating to properties where the rent has since been renegotiated and now represents a market rate. It relates to negotiations that took place in previous periods, and should have been recorded at the time of the negotiation, but as it is not material to individual previously reported periods it has been corrected in the current period.

4 Finance income and expense - continuing operations

	52 weeks to 29 June 2025 £m	53 weeks to 30 June 2024 £m
Finance income		
Interest income on bank deposits	0.3	0.4
Interest on corporation tax	0.1	-
Total finance income	0.4	0.4
Finance expense		
Interest payable on senior revolving credit facility	(8.7)	(12.6)
Interest payable on senior secured notes	(4.3)	(3.5)
Bank fees	(1.4)	(0.4)
Unwind of discount on provisions	-	(0.2)
Interest on lease liabilities	(24.2)	(24.8)
Total underlying finance expense	(38.6)	(41.5)
Non-underlying items:		
Refinancing costs	-	(1.9)
Total finance expense	(38.6)	(43.4)

5 Earnings per share

	52 weeks to 29 June 2025 pence	53 weeks to 30 June 2024 pence
Basic earnings/(loss) per share		
- from continuing operations	10.5	(2.0)
- from discontinued operations	-	0.1
Total basic earnings per share	10.5	(1.9)
Diluted earnings/(loss) per share		
- from continuing operations	10.3	(2.0)
- from discontinued operations	-	0.1
Total diluted earnings per share	10.3	(1.9)

	52 weeks to 29 June 2025 £m	53 weeks to 30 June 2024 £m
Profit/(loss) attributable to equity holders of the parent company		
- from continuing operations	24.2	(4.7)
- from discontinued operations	-	0.3
	24.2	(4.4)

	52 weeks to 29 June 2025 No.	53 weeks to 30 June 2024 No.
Weighted average number of shares for basic earnings per share	230,954,285	230,566,306
Dilutive effect of employee share based payment awards	4,018,845	-
Weighted average number of shares for diluted earnings per share	234,973,130	230,566,306

Where a loss has been recorded, the potential ordinary shares would be anti-dilutive, and therefore in this situation the weighted average number of shares used does not include the dilutive effect of share based payment awards.

5 Earnings per share (continued)

Underlying earnings per share

Underlying basic earnings per share and underlying diluted earnings per share are calculated by dividing the profit for the period attributable to ordinary equity holders of the parent company, as adjusted to exclude the effect of non-underlying items, by the applicable weighted average numbers of ordinary shares.

	52 weeks to 29 June 2025 £m	53 weeks to 30 June 2024 £m
Continuing operations		
Profit/(loss) for the year attributable to equity holders of the parent company	24.2	(4.7)
Non-underlying (profit)/loss after tax	(3.1)	8.1
Underlying profit for the period attributable to equity holders of the parent company from continuing operations	21.1	3.4

	52 weeks to 29 June 2025 £m	53 weeks to 30 June 2024 £m
Discontinued operations		
Profit for the year attributable to equity holders of the parent company	-	0.3
Non-underlying (profit)/loss after tax	-	(0.3)
Underlying loss for the period attributable to equity holders of the parent company from discontinued operations	-	-

	52 weeks to 29 June 2025 No.	53 weeks to 30 June 2024 No.
Weighted average number of shares for basic earnings per share	230,954,285	230,566,306
Dilutive effect of employee share based payment awards	4,018,845	452,561
Weighted average number of shares for diluted earnings per share	234,973,130	231,018,867

	52 weeks to 29 June 2025 pence	53 weeks to 30 June 2024 pence
Underlying basic earnings per share		
- from continuing operations	9.2	1.5
- from discontinued operations	-	-
Total underlying basic earnings per share	9.2	1.5
Underlying diluted earnings per share		
- from continuing operations	9.0	1.5
- from discontinued operations	-	-
Total underlying diluted earnings per share	9.0	1.5

6 Dividends

	Pence per ordinary share	52 weeks to 29 June 2025 £m	53 weeks to 30 June 2024 £m
Final dividend for FY23	3.0p	-	6.9
Interim ordinary dividend for FY24	1.1p	-	2.5
		-	9.4

The Directors do not recommend the payment of a final dividend in respect of the financial period ended 29 June 2025.

7 Financial instruments

All derivatives are categorised as Level 2 under the requirements of IFRS 13 as they are valued using techniques based significantly on observed market data.

The Directors have reviewed for expected credit losses and consider the amount of any such losses to be immaterial.

The Directors consider that the fair values of each category of the Group's financial instruments are materially the same as their carrying values.

8 Capital expenditure

For the 52 weeks to 29 June 2025, additions of property, plant and equipment (including those acquired under finance leases) totalled £17.0m (2024: £42.3m).

At 29 June 2025 the Group had contracted capital commitments of £2.6m (2024: £7.9m) for which no provision has been made in the financial statements.

9 Provisions

	Guarantee provision £m	Property provisions £m	Other provisions £m	Total £m
Balance at 30 June 2024	6.9	7.5	0.9	15.3
Provisions made during the period	7.7	2.1	1.7	11.5
Provisions used during the period	(6.3)	(0.9)	-	(7.2)
Provisions released during the period	-	(0.2)	(0.3)	(0.5)
Balance at 29 June 2025	8.3	8.5	2.3	19.1
Current	7.0	4.0	2.0	13.0
Non-current	1.3	4.5	0.3	6.1
	8.3	8.5	2.3	19.1

The Group offers a long-term guarantee on its upholstery products and in accordance with accounting standards a provision is maintained for the expected future cost of fulfilling these guarantees on products which have been delivered before the reporting date. An expectation of future claims under the warranty is made, based on past experience of the proportion of items where a claim has been made, and the expected average cost per claim. In calculating this provision the key areas of estimation are the number of future claims, average cost per claim and the expected period over which claims will arise (nearly all claims arise within two years of delivery). The Group has considered the sensitivity of the calculation to these key areas of estimation, and determined that a 10% change in either the average cost per claim or the number of expected future calls would change the value of the calculated provision by £0.6m. The Directors have therefore concluded that reasonably possible variations in estimate would not result in a material difference.

Property provisions relate to potential obligations under lease guarantees offered to former subsidiary companies, the majority of which expire in FY26, wear and tear costs for Group properties based on anticipated lease expiries and renewals and experience of costs incurred in relation to similar properties, which will predominantly be utilised more than five years from the reporting date, and a provision for the best estimate of the costs of rectification of an area of land slippage at one of the Group's manufacturing facilities. Uncertainties exist in relation to the timing and value of the rectification costs for the land slippage. In calculating the provision management has assumed that the costs will be as per the best estimate available from external sources.

Other provisions relate to payment of future refunds to customers, refunds to customers for payment protection insurance policies and other regulatory costs and insurance provisions..

10 Net debt

	30 June 2024 £m	Cash flow £m	Other non-cash changes £m	29 June 2025 £m
Cash in hand, at bank	26.8	(12.9)	-	13.9
Bank overdraft	(2.6)	(11.3)	-	(13.9)
Cash and cash equivalents	24.2	(24.2)	-	-
Senior revolving credit facility	(137.4)	82.0	0.1	(55.3)
Senior secured loan notes	(50.0)	-	-	(50.0)
Finance lease liabilities	(401.7)	88.7	(39.9)	(352.9)
Total net debt	(564.9)	146.5	(39.8)	(458.2)

	25 June 2023 £m	Cash flow £m	Other non-cash changes £m	30 June 2024 £m
Cash in hand, at bank	26.7	0.1	-	26.8
Bank overdraft	-	(2.6)	-	(2.6)
Cash and cash equivalents	26.7	(2.5)	-	24.2
Senior revolving credit facility	(165.8)	28.0	0.4	(137.4)
Senior secured loan notes	-	(50.0)	-	(50.0)
Finance lease liabilities	(411.4)	92.4	(82.7)	(401.7)
Total net debt	(550.5)	67.9	(82.3)	(564.9)

Non-cash changes include the addition of leases within the period, lease remeasurements, disposals of leases, lease interest and the prepayment of debt issue costs net of amortisation.

11 Annual General Meeting

The Annual General Meeting will be held on 14 November 2025 at 1 Rockingham Way, Redhouse Interchange, Adwick-le-Street, Doncaster, DN6 7NA. The Annual Report and Accounts and Notice of Meeting will be sent to shareholders and copies will be available from the Company's registered office: 1 Rockingham Way, Redhouse Interchange, Adwick-le-Street, Doncaster, DN6 7NA and on the Company's website at www.dfscorporate.co.uk.

12 Alternative Performance Measures

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

The Directors consider that these APMs provide useful additional information to support understanding of underlying trends and business performance. In particular, APMs enhance the comparability of information between reporting periods by adjusting for non-underlying items. APMs are therefore used by the Group's Directors and management for internal performance analysis, planning and incentive setting purposes in addition to external communication of the Group's financial results.

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

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

APM	Definition	Rationale
Gross sales	Amounts payable by external customers for goods and services supplied by the Group, including the cost of interest free credit and aftercare services (for which the Group acts as an agent), delivery charges and value added and other sales taxes. See note 2 for a reconciliation from gross sales to revenue.	Key measure of overall sales performance which unlike IFRS revenue is not affected by the extent to which customers take up the Group's interest free credit offering.
Brand contribution	Gross profit less selling and distribution costs, excluding property and administration costs.	Measure of brand-controllable profit as it excludes shared Group costs.
Adjusted EBITDA	Earnings before interest, taxation, depreciation and amortisation adjusted to exclude impairments.	A commonly used profit measure.
Non-underlying items	Items that are material in size, unusual or non-recurring in nature which the Directors believe are not indicative of the Group's underlying business performance.	Clear and separate identification of such items facilitates understanding of underlying trading performance.
Underlying EBITDA	Earnings before interest, taxation, depreciation and amortisation from continuing operations, adjusted to exclude impairments and non-underlying items.	Profit measure reflecting underlying trading performance.
Underlying profit before tax and brand amortisation - uPBT(A)	Profit before tax from continuing operations adjusted for non-underlying items and amortisation associated with the acquired brands of Sofology and Dwell.	Profit measure widely used by investors and analysts.
Underlying earnings per share	Post-tax earnings per share from continuing operations as adjusted for non-underlying items.	Exclusion of non-underlying items facilitates year on year comparisons of the key investor measure of earnings per share.
Net bank debt	Balance drawn down on interest-bearing loans, with unamortised issue costs added back, less cash and cash equivalents (including bank overdrafts).	Measure of the Group's cash indebtedness which supports assessment of available liquidity and cash flow generation in the reporting period.
Cash EBITDA	Net cash from operating activities before tax less movements on working capital and provisions balances and payments made under lease obligations, adding back non-underlying items before tax.	Measure of the non-underlying operating cash generation of the business, normalised to reflect timing differences in working capital movements.
Free cash flow	The movement in cash and cash equivalents, excluding the impact of drawdowns/repayments of financing arrangements, dividends and the cost of purchasing own shares.	Measure of the cash return generated in the period and a key financial target for Executive Director remuneration.
Leverage (gearing)	The ratio of period end net bank debt to cash EBITDA for the previous twelve months.	Key measure which indicates the relative level of borrowing to operating cash generation, widely used by investors and analysts.
Underlying return on capital employed (underlying ROCE)	Underlying post-tax operating profit from continuing activities, expressed as a percentage of the sum of: property, plant & equipment, computer software, right of use assets and working capital.	Represents the post-tax return the Group achieves on the investment it has made in its business.

12 Alternative Performance Measures (continued)

Reconciliations to IFRS measures

Adjusted EBITDA	Note	FY25 £m	FY24 £m
Operating profit from continuing operations	2	71.1	41.3
Depreciation	3	71.2	77.8
Amortisation	3	13.0	13.7
Impairments	3	1.3	0.3
Adjusted EBITDA from continuing operations		156.6	133.1

Underlying EBITDA	Note	FY25 £m	FY24 £m
Adjusted EBITDA from continuing operations		156.6	133.1
Non-underlying operating items	3	0.6	8.9
Underlying EBITDA from continuing operations		157.2	142.0

Underlying profit before tax and brand amortisation – uPBT(A)	Note	FY25 £m	FY24 £m
Profit before tax from continuing operations	2	32.9	(1.7)
Non-underlying items	3	(4.1)	10.8
Amortisation of brand names		1.4	1.4
Underlying profit before tax and brand amortisation		30.2	10.5

Net bank debt	FY25 £m	FY24 £m
Interest bearing loans and borrowings	105.3	187.4
Unamortised issue costs	1.7	1.6
Cash and cash equivalents (including bank overdraft)	-	(24.2)
Net bank debt	107.0	164.8
Closing net bank debt	(107.0)	(164.8)
Less: Opening net bank debt	164.8	140.3
Movement in net bank debt	57.8	(24.5)

Free cash flow	Note	FY25 £m	FY24 £m
Net decrease in cash and cash equivalents		(24.2)	(2.5)
Net repayment of senior revolving credit facility		82.0	28.0
Drawdown of private placement debt		-	(50.0)
Dividends paid	6	-	9.4
Free cash flow		57.8	(15.1)

12 Alternative Performance Measures (continued)

Leverage	FY25 £m	FY24 £m
Net bank debt (A)	107.0	164.8
Net cash from operating activities before tax	184.9	118.9
<i>add back:</i>		
Pre-tax non-underlying items	(4.1)	10.5
<i>less:</i>		
Movement in trade and other receivables	3.8	0.9
Movement in inventories	(2.4)	3.2
Movement in trade and other payables	(22.5)	15.9
Movement in provisions	(3.8)	(2.2)
Payment of lease liabilities	(64.5)	(67.6)
Payment of interest on lease liabilities	(24.2)	(24.8)
Cash EBITDA (B)	67.2	54.8
Leverage (A/B)	1.6x	3.0x
IAS 17 bank covenant difference	(0.2x)	(0.5x)
Bank leverage	1.4x	2.5x

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

Underlying return on capital employed from continuing operations	FY25 £m	FY24 £m
Operating profit from continuing operations	71.1	41.3
Non-underlying items	(4.1)	8.9
Pre-tax return	67.0	50.2
<i>Adjusted effective tax rate¹</i>	26.7%	25.0%
Tax adjusted return (A)	49.1	37.7
Property, plant and equipment	75.2	83.8
ROU assets	276.9	315.0
Computer software	19.3	19.6
	371.4	418.4
Inventories	56.6	59.0
Trade receivables	10.5	6.7
Prepayments	4.7	4.0
Accrued income	0.2	0.1
Other receivables	0.4	1.2
Payments received on account	(50.4)	(40.9)
Trade payables	(91.6)	(100.4)
Working capital	(69.6)	(70.3)
Total capital employed (B)	301.8	348.1
Underlying ROCE (A/B)	16.3%	10.8%

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

This preliminary results statement, the full text of the Stock Exchange announcement and the results presentation can be found on the Company's website at www.dfscorporate.co.uk

This report contains statements that constitute forward-looking statements relating to the business, financial performance and results of the Company and the industry in which the Company operates. These statements may be identified by words such as "may", "will", "shall", "anticipate", "believe", "intend", "project", "goal", "expectation", "belief", "estimate", "plan", "target", or "forecast" and similar expressions for the negative thereof; or by forward-looking nature of discussions of strategy, plans or intentions; or by their context. No representation is made that any of these statements or forecasts will come to pass or that any forecast results will be achieved. All statements regarding the future are subject to inherent risks and uncertainties and various factors that would cause actual future results, performance or events to differ materially from those described or implied in these statements. Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future. Further, certain forward-looking statements are based upon assumptions of future events which may not prove to be accurate and neither the Company nor any other person accepts any responsibility for the accuracy of the opinions expressed in this interim report or the underlying assumptions. Past performance is not an indication of future results and past performance should not be taken as a representation that trends or activities underlying past performance will continue in the future. The forward-looking statements in this interim report speak only as at the date of this interim report and the Company expressly disclaims any obligation or undertaking to release any updates or revisions to these forward-looking statements to reflect any change in the Company's expectations in regard thereto or any change in events, conditions or circumstances on which any statement is based after the date of this interim report or to update or to keep current any other information contained in this interim report or to provide any additional information in relation to such forward-looking statements. Undue reliance should not therefore be placed on such forward-looking statements.