

# LEADING

# WITH DESIGN

DFS Furniture plc  
Annual Report and Accounts 2025



dfs

sofology

THE SOFA DELIVERY CO

# WELCOME MESSAGE FROM THE CEO

→ Read more in the Chief Executive's report on page 8

I am pleased to share our 2025 Annual Report, a year marked by strategic progress and an improved financial result. Despite a challenging market environment, the Group delivered profit and free cash flow growth through focusing on what we can control; we grew our market share, our gross margins and improved the efficiency of our cost base. At the same time we achieved record net promoter scores.

I want to sincerely thank our colleagues for their truly outstanding and consistently high level of determination and dedication to deliver at their best for the Group and for their help in getting us to our strongest ever position in terms of market share.



**Tim Stacey**  
Chief Executive Officer

## OUR PURPOSE AND VALUES

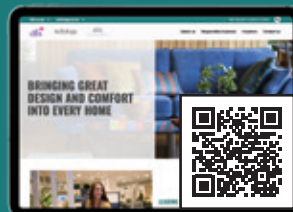
Our purpose is to bring great design and comfort into every home, in an affordable, responsible and sustainable manner. Our customers and our people are at the heart of everything we do, and our culture is rooted in our core values:

Think customer  
Be real  
Aim high

## OUR WEBSITE

We are pleased to announce the launch of our newly redesigned corporate website, built to provide a more engaging, transparent, and accessible experience for all our stakeholders. Visit to find out more about our performance.

[dfscorporate.co.uk](https://dfscorporate.co.uk)





## HIGHLIGHTS

## OUR 2025 PERFORMANCE

Good strategic progress driving profit growth and strong cash returns in a subdued market.

## FINANCIAL HEADLINES

Definitions and reconciliations of Alternative Performance Measures ('APMs') can be found on pages 26 and 27. Throughout this report, references to income statement measures including revenue, EBITDA<sup>1</sup>, profit before tax, and underlying profit before tax and brand amortisation<sup>1</sup> are in respect of continuing operations.

## Group revenue

**£1,030.3m**



## Profit/(loss) before tax

**£32.9m**

Underlying profit before tax, excluding amortisation of brand names<sup>1</sup>

**£30.2m**



## Underlying earnings per share

**9.2p**



## Earnings/(loss) per share

**10.5p**



## OPERATIONAL AND STRATEGIC HIGHLIGHTS

Execution of our strategy consolidating our position as the clear market leader.

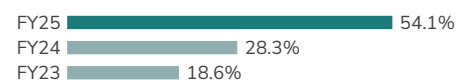
- Exclusive brand partnership ranges resonating well with the customer, with La-Z-Boy partnership launched in the period.
- Sofology range refresh and promotional mechanics driving significant order intake growth.
- Strong performance across all areas of our vertically integrated group; record established customer NPS scores achieved.
- £50m Cost to Operate programme delivered a year ahead of plan.

Post-purchase NPS<sup>2</sup>

**91.8%**

Established customer NPS<sup>2</sup>

**54.1%**



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## Shareholder Information

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1. Refer to pages 26 and 27 for APM definitions.

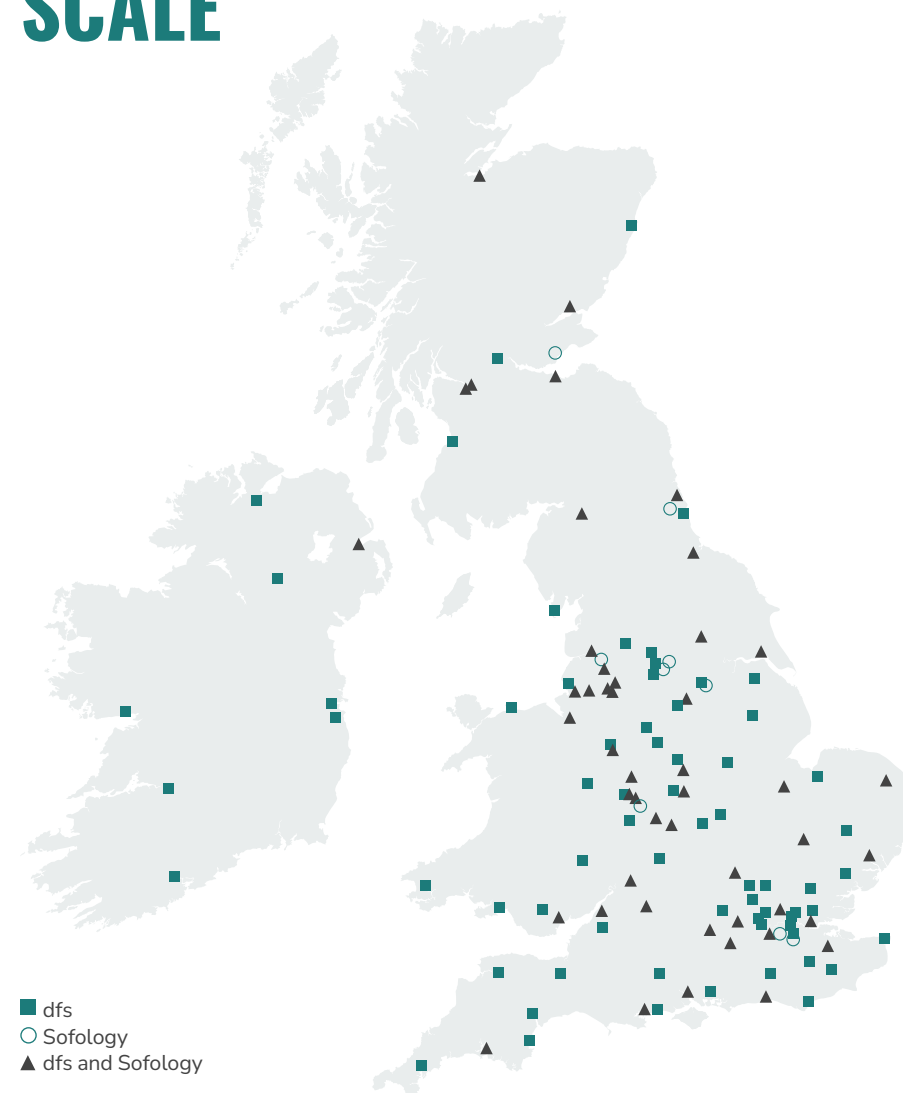
2. Net Promoter Scores for the dfs brand.

## AT A GLANCE

# BRINGING GREAT DESIGN AND COMFORT INTO EVERY HOME

We are the leading sofa retailing group in the UK – we operate across two retail brands, offering a differentiated service and innovative product ranges, that have broad appeal across different customer segments and demographics.

## OUR UNPARALLELED SCALE





## AT A GLANCE CONTINUED

## OUR BRANDS



- dfs is the leading retailer of sofas in the UK with over 55 years' heritage.
- It operates 115 showrooms in the UK and Republic of Ireland, and a leading web platform.
- Our dfs retail brand is synonymous with upholstery and has become part of the national culture. In fact dfs is the most searched for term in the category with over 50% of the UK population spontaneously aware of the brand.
- dfs has a track record of working with top home and fashion brands, to co-create exclusive product designs and style for our customers. These sit alongside our exclusive in-house brands providing great customer choice.
- dfs is the largest sofa manufacturer in the UK.

FY25 brand revenue

**£804.6m**

FY25 number of showrooms

**115**

- Sofology is the third largest retailer of sofas in the UK.
- It trades through 57 showrooms and its website.
- Our Sofology retail brand appeals to a style conscious customer, willing to invest their time and money on their perfect sofa. The average order value for Sofology is 20% higher than the retail park average.

FY25 brand revenue

**£225.7m**

FY25 number of showrooms

**57**

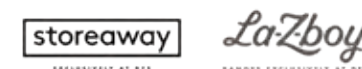
THE SOFA DELIVERY CO

- Our Group-wide logistics platform is one of several key infrastructure components supporting our retail brands.
- It is the largest two person sofa delivery business in the UK.

Delivery vehicles

**240**

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



## PURPOSE DRIVEN APPROACH

### OUR PURPOSE

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

### OUR VISION

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

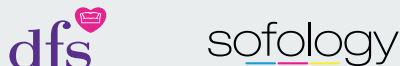
### OUR STRATEGY DELIVERS...

#### AFFORDABLE...

##### Our unparalleled scale

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

##### Our retail brands



→ See pages 2 to 3

##### Our platforms

Technology and data



→ See page 17

Sourcing and manufacturing



Logistics



##### Our exceptional people

People and culture



→ See page 38

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

##### Our culture and values

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

→ See pages 10 and 77

##### Business model

Our business model continues to deliver on our objectives in challenging market conditions and creates value for all our stakeholders.

→ See pages 14 to 15

##### Our markets

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

→ See pages 12 to 13

##### Governance

Our Board sets the Group's purpose and strategy to promote our long-term sustainable success.

→ See page 55

##### Risk management

We are focused on effectively mitigating the risks and uncertainties that may impact our business operations and strategic development.

→ See page 28

##### Responsibility and sustainability

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

→ See pages 36 to 52

#### FOR OUR...

Customers

Colleagues

Communities

Suppliers

Environment

Investors

## OUR FUNDAMENTALS

# DELIVERING SUSTAINABLE GROWTH

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

# 1

## CLEAR MARKET LEADER

With 39%<sup>1</sup> of the sofa retailing market, the DFS Group is over three times the size of our nearest competitor. This market leadership enables significant economies of scale benefits.

1. GlobalData August 2025.

# 2

## INTEGRATED RETAIL BUSINESS

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

# 3

## SUSTAINABLE BUSINESS MODEL

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

# 4

## HOME MARKET OPPORTUNITY

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

## SUSTAINABLE GROWTH

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



## CHAIR'S STATEMENT



**Steve Johnson**  
Chair of the Board  
→ Read Steve's profile  
on page 56

# CRAFTING COMFORT, BUILDING CONFIDENCE

The outlook for the Group remains positive despite the challenging economic and geopolitical environment.

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)<sup>1</sup> 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.

Leverage<sup>1</sup> 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.

1. Refer to pages 26 and 27 for APM definitions.

## CHAIR'S STATEMENT CONTINUED

### 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. This is described in more detail in the Responsible business report on page 36.

### 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 Boyde 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

## CHIEF EXECUTIVE'S REPORT



**Tim Stacey**  
Chief Executive  
Officer

→ Read Tim's profile  
on page 56

# GOOD STRATEGIC PROGRESS DRIVING PROFIT GROWTH

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 share<sup>1</sup>, 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 amortisation<sup>2</sup> (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.

1. Proprietary banking data covering 13 specialist upholstery retailers.
2. Refer to pages 26 and 27 for APM definitions.



## CHIEF EXECUTIVE'S REPORT CONTINUED

### 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 value<sup>1</sup> 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 market<sup>2</sup>.

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 personalised 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 JCDcaux.

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

2. Proprietary banking data covering 13 specialist upholstery retailers.

## CHIEF EXECUTIVE'S REPORT CONTINUED

## STRATEGIC UPDATE CONTINUED

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 year<sup>1</sup>. 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.



1. Proprietary banking data covering cash transactions from 13 specialist upholstery retailers.

## CHIEF EXECUTIVE'S REPORT CONTINUED

### STRATEGIC UPDATE CONTINUED

Our progress in these areas has led to profit growth with underlying PBT(A)<sup>1</sup> up £19.7m to £30.2m. We delivered strong free cash flow<sup>1</sup> 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 leverage<sup>1</sup> 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.

→ For further details on sustainability see pages 36 to 52

### 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. Refer to pages 26 and 27 for APM definitions.



## MARKET REVIEW

# WE ARE THE LEADING SOFA RETAILER IN THE UK

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



## LARGE POTENTIAL CUSTOMER BASE

The Group has a specialist focus on the retail upholstered furniture segment. The UK upholstery furniture market was estimated by GlobalData to be valued at £3.0bn (incl. VAT) in the calendar year 2024. As a Group, we view the beds and mattresses segment as a key opportunity increasing our total addressable market by approximately £3bn.

## CLEAR LEADER IN THE SEGMENT

The Group, through its dfs and Sofology brands, is the clear leader in the upholstered furniture market, with 39%<sup>1</sup> market share by value in calendar year 2024. This market remains highly fragmented and we see further opportunities to grow our market share. We see four broad categories of companies actively competing in the upholstered furniture retail market: specialist chains such as dfs, Sofology, ScS and Furniture Village; independents that are typically single store operations; predominantly online furniture retailers such as Wayfair; and larger general merchandise or homeware retailers such as Amazon, Argos, Dunelm, Ikea, John Lewis and Next.

We believe the integration of digital and physical is the right long-term approach to serve our customers.

Our well-invested 'integrated retail' business model allows us to adapt to changing consumer shopping habits, and positions us well for the future.

Market conditions are challenging with UK upholstery market volumes remaining well below long-term average levels.

Historically, the Group has tended to gain market share during periods of market weakness as weaker multiples and independent chains have exited the market. For example, the Group's market share increased from c.19% to 24% during the 2008 to 2011 global financial crisis impacted calendar years and from 33% to 39% in the 2020 to 2024 calendar years impacted by the Covid pandemic and cost of living crisis (GlobalData).

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

1. GlobalData August 2025 report. Market share: calendar year 2024.

## MARKET REVIEW CONTINUED

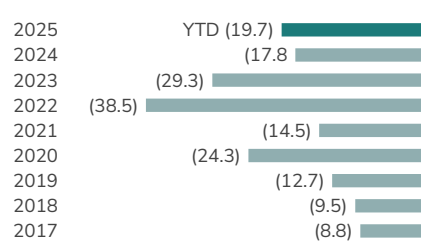
# KEY MARKET DRIVERS

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

## CONSUMER CONFIDENCE

Levels of consumer spending, particularly for big ticket items, are influenced by general consumer confidence. In 2020, consumer confidence fell due to economic and financial uncertainty around the pandemic, but recovered slightly in 2021. In 2022 consumer confidence fell to record low levels due to high inflation and elevated interest rates putting pressure on consumer budgets. Confidence levels have recovered slightly but remain relatively subdued.

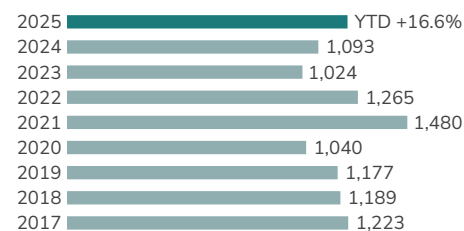
### Consumer confidence<sup>1</sup>



## HOUSING MARKET

Independent research conducted on our behalf suggests that c.20% of upholstery purchases are triggered by a house move. As the pandemic spread in spring 2020, government social distancing measures led to a sharp contraction in housing market activity, which subsequently bounced back in 2021 as a result of temporary government measures to reduce stamp duty payable on residential property purchases. Housing transactions declined through 2022 and 2023 due to increasing Bank of England base rates and the cost of living crisis. Throughout 2024 and 2025 we have seen a recovery in housing transactions back towards longer-term average levels.

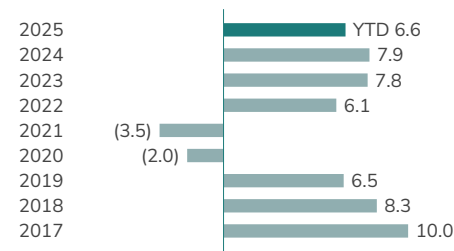
### Housing transactions p.a. ('000<sup>2</sup>)



## CONSUMER CREDIT

Upholstered furniture typically has relatively high unit prices and the availability of consumer credit can facilitate purchases and upselling. Through the pandemic, UK consumers reduced debt, as government restrictions reduced options for discretionary spending (e.g. foreign travel and leisure). Since 2022, consumer unsecured lending has grown and is broadly in line with long-term growth rates.

### Net unsecured lending growth<sup>3</sup> (%)



1. GfK UK Consumer Confidence average of individual month scores for each year.

2. HMRC – number of residential property transaction completions with a value over £40,000 for the UK, seasonally adjusted.

3. Monthly 12 month growth rate of total (excluding the Student Loans Company) Sterling net consumer credit lending to individuals (in percent) seasonally adjusted.



## BUSINESS MODEL

## A FULLY INTEGRATED CUSTOMER JOURNEY

## DESIGN AND INSPIRE ►

## OUR GROUP USP:

- Highly skilled design teams and experienced buyers that curate innovative and distinct ranges, including Cinesound and the Platinum collection
- Exclusive partnerships with well known high quality brands such as La-Z-Boy, Ted Baker, Joules, French Connection, Country Living and House Beautiful.
- Retail brands that are household names, memorable advertising, and award winning data driven marketing

## BENEFITS FOR CUSTOMERS:

- Access to high quality, well known UK brands
- Experience the latest technology such as our 4D immersive cinema sofas and our patented heated seats
- We have the ability to develop a prototype, test, and put new ranges on our showroom floors in as little as six weeks, giving customers the latest innovations in upholstered furniture

## INTEGRATED RETAIL CHANNEL ►

## OUR GROUP USP:

**Best online brand strength**  
‘DFS’ is searched for

**1.5x**

more than the term ‘sofas’

## Best sales teams

**94%**

of people would recommend Sofology having purchased within a Sofology showroom

**92%**

dfs post-purchase NPS score

## Best enhanced technology

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

## BENEFITS FOR CUSTOMERS:

**Best experience**  
The critical ‘sit test’:

**88%**

of dfs customers visit a showroom before buying

## Best e-commerce platform

Purchase online, in the showroom, over the phone or build an order in the showroom and complete the transaction at home

## MANUFACTURE ►

## OUR GROUP USP:

We manufacture around 20% of the Group’s sofa orders in our own British factories, resulting in shorter lead times and greater oversight on sustainability. We source the remainder from our trusted partners.

## BENEFITS FOR CUSTOMERS:

- We’re able to offer short lead times to our customers
- Economies of scale benefits enable us to offer customers great value for money
- Fantastic product quality

## DELIVER AND INSTALL ►

## OUR GROUP USP:

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

## BENEFITS FOR CUSTOMERS:

- Market leading technology ensures our customers stay informed from the point of sale right through to installation
- Our data driven approach and powerful dashboards enable us to drive performance across the network resulting in a great customer experience

## SERVICE ►

## OUR GROUP USP:

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

## BENEFITS FOR CUSTOMERS:

- After-sales issues addressed in customers’ homes by our highly trained service upholsterers

## OUTCOMES

## SECTOR LEADING OPERATING MARGINS

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

## GROWING MARKING SHARE

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

## STRONG CASH GENERATION

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

## INVESTING IN THE BUSINESS

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



## INVESTMENT CASE

# DELIVERING SUSTAINABLE GROWTH

“The Group is strategically well-positioned to deliver robust growth in shareholder returns, driven by its strong market leadership position and ongoing focus on innovation and operational excellence.”

Tim Stacey  
Chief Executive Officer

## UNPARALLELED SCALE

We are the largest upholstery retailer in the UK, over three times the size of our nearest competitor.

We gain valuable customer and market insight as well as significant economies of scale benefits across the value chain.

## WELL INVESTED PLATFORMS

Our sector leading margins and high free cash flow generation enable us to reinvest to make our business stronger.

Our well invested websites and modern, well located showrooms provide inspirational settings leading to market leading sales densities and our investment in technology and data provides a seamless customer journey across all channels, enabling operational efficiency and improved decision making.

## HOME MARKET OPPORTUNITY

The wider home market<sup>1</sup> is an attractive opportunity, expanding our total addressable market by £5bn.

We can utilise our existing assets and relationships, our showrooms, our websites, our exclusive brand partnerships and our data-led marketing strategy to gain market share efficiently.

1. Beds and mattresses, dining and other living room furniture.

## COMPLEMENTARY BRANDS

dfs and Sofology are two complementary retail brands that are household names and collectively target the majority of the market.

We have good growth opportunities in our core business through market share growth, market recovery potential and increasing the Sofology estate to between 65 and 70 showrooms.

## EXCEPTIONAL PEOPLE

We have over 55 years of expertise and recruit, train and retain individuals who we believe are the best in the industry.

The dedication, talent and loyalty of our colleagues who live our values day in day out are what really drives this business forward.

## VERTICALLY INTEGRATED

We design, retail, manufacture, deliver and install and provide after sales service.

We have full control of the customer journey and capture value across the supply chain.

## HIGHER CASH GENERATIVE MODEL

The majority of the products we sell are made to order. We operate with negative working capital and our maintenance capital requirements of c.1.5% to 2% of revenue are relatively low, enabling us to reinvest in the business for growth and return funds to shareholders.

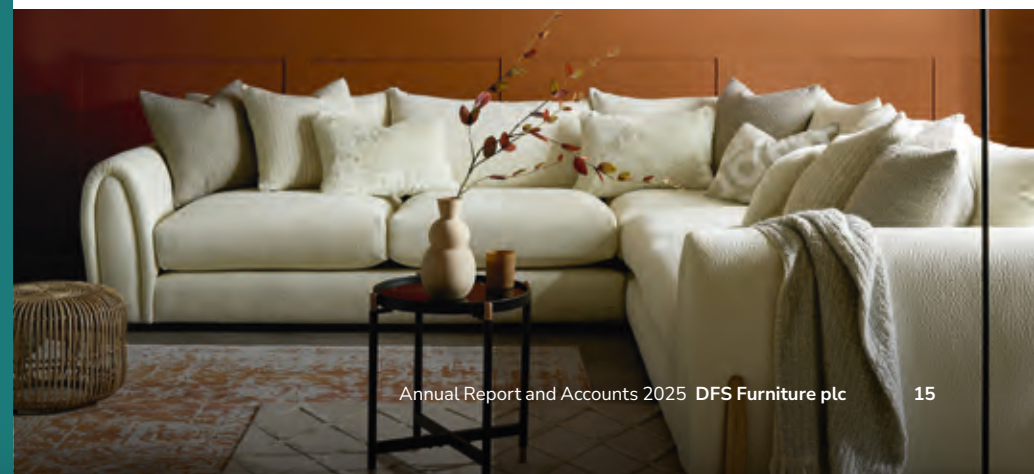
## GROWTH AMBITIONS

Revenue

**£1.4bn**

PBT margin

**8%**



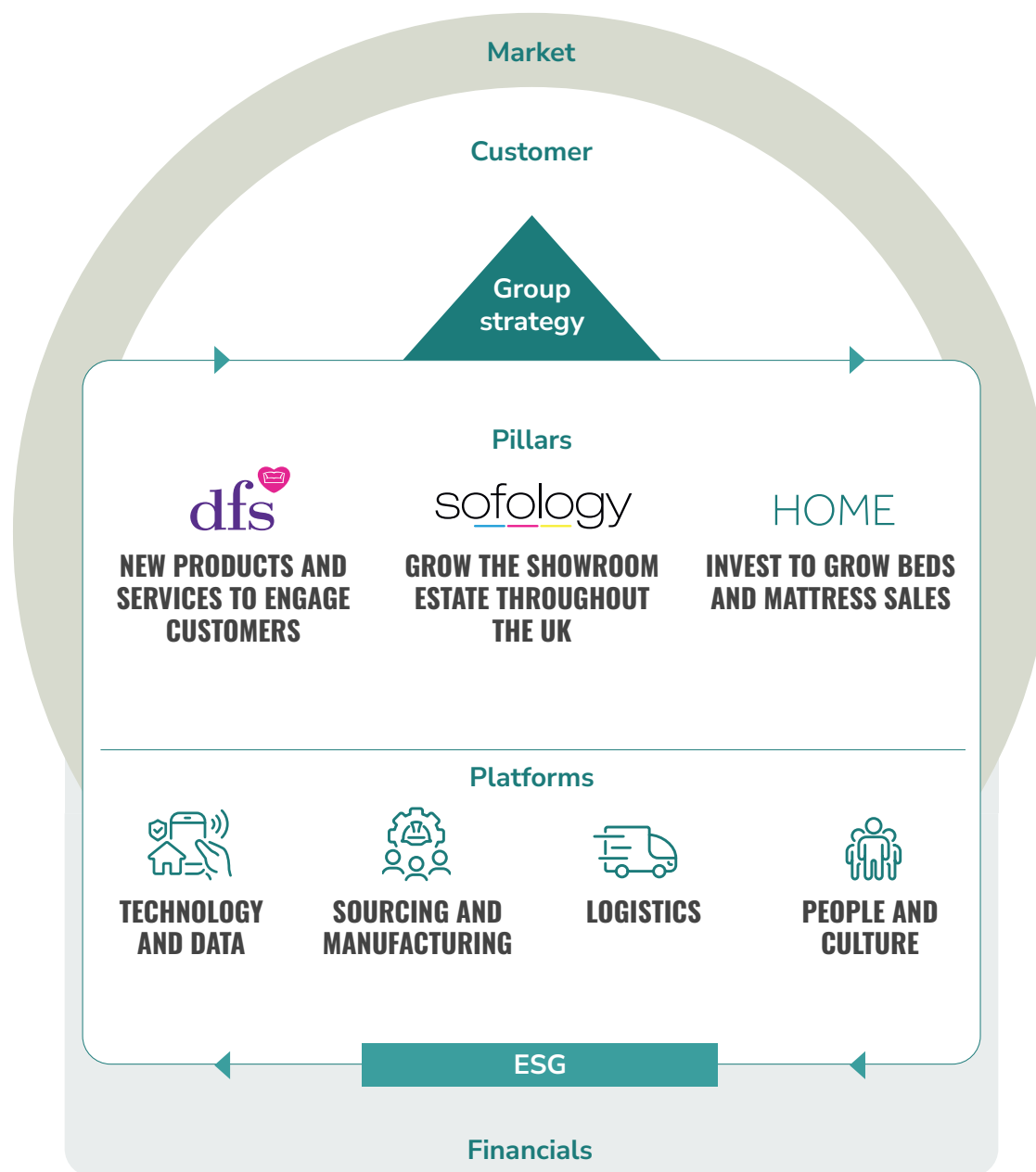
## STRATEGY

# UNLOCKING GROWTH

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

The growth of our three pillar brands dfs, Sofology and our expansion into the non-upholstery market with Home will be enabled by our four Group platforms: sourcing and manufacturing, technology and data, people and culture and The Sofa Delivery Company logistics platform.

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



## STRATEGY CONTINUED

## PILLARS IN FOCUS



## NEW PRODUCTS AND SERVICES TO ENGAGE CUSTOMERS

- Range enhancements including successfully launching new brand partnerships
- Continued innovation to be first to market with new concepts
- Continual improvement of the customer experience



## TO FURTHER GROW THE SHOWROOM ESTATE THROUGHOUT THE UK

- Refine and optimise ranges
- Roll out of showrooms on the route to targeted 65 to 70 locations
- Continual improvement of the customer experience

## HOME

## INVEST TO GROW BEDS AND MATTRESS SALES, LEVERAGING THE FOUNDATIONS ALREADY LAID

- Growth in the £5bn non upholstery Home market - starting with the beds and mattresses segment as a key opportunity increasing our total addressable market by approximately £3bn
- Investment to grow brand awareness as we target an incremental £100m of revenue

## PLATFORMS IN FOCUS



## TECHNOLOGY AND DATA

## Using data and technology to unlock growth in our brands and optimise operational performance

- Development and enhancement of our websites and customer contact platforms
- Continue to trial AI to improve the customer experience



## SOURCING AND MANUFACTURING

## Optimising our own manufacturing and our supplier portfolio

- Grow gross margin rate to 58% target



## LOGISTICS

## Best in market two person delivery and installation

- Continue to optimise operational performance
- Explore opportunities to further utilise asset base



## PEOPLE AND CULTURE

## Attract, grow and retain the best talent

- Continue to develop our Employee Value Proposition ('EVP') ensuring our external perception is appealing and matches our internal reality
- Develop our leadership pipeline

## EMBEDDING ESG INTO OUR STRATEGY

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

→ Read more about our ESG strategy on pages 46 to 52



## KEY PERFORMANCE INDICATORS

## FINANCIAL

1. Refer to pages 26 and 27 for APM definitions.

Gross sales<sup>1</sup>

# £1,388.3m



## Description

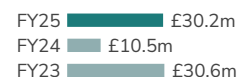
Gross sales represents the total amounts payable by external customers for goods and services supplied by the Group, including the cost of interest free credit and aftercare services (for which the Group acts as an agent), delivery charges and value added and other sales taxes.

## Performance

Increase from strong order intake performance during the year.

Underlying profit before tax, excluding amortisation of brand names<sup>1</sup>

# £30.2m



## Description

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

## Performance

Increase driven by improved sales performance, gross margin expansion and good cost control.

Banking leverage<sup>1</sup>

# 1.4x



## Description

Ratio of period end net bank debt to bank covenant (IAS 17) EBITDA for the previous twelve months.

## Performance

Decrease driven by higher EBITDA and reduced net bank debt.

Underlying return on capital employed<sup>1</sup>

# 16.3%



## Description

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

## Performance

Increase driven by improved profitability in the period with a lower asset base.

Free cash flow<sup>1</sup>

# £57.8m



## Description

Free cash flow is the change in net bank debt for the period after adding back dividends and the cost of purchasing own shares.

## Performance

Increase driven by stronger trading performance, and working capital inflows due to phasing of the strong order intake and sales performance in the final quarter.





## KEY PERFORMANCE INDICATORS CONTINUED

## NON-FINANCIAL

## Key to strategic links



Technology and data



Sourcing and manufacturing



Logistics



People and culture

[→ Read more on page 17](#)

## Net Promoter Score (%) – Post-purchase

91.8%



## Description

Average across all dfs stores based on post-purchase customer satisfaction surveys.

## Performance

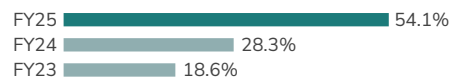
A strong performance, close to FY24 record high.

## Strategic links



## Net Promoter Score (%) – Established

54.1%



## Description

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

## Performance

Record high score, with all elements of our vertically integrated business model performing well.

## Strategic links



## Suppliers – Average days to pay

49.5 days



## Description

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

## Performance

Slight increase year on year due to continued standardisation of payment terms to 60 days.

## Strategic links



## Sofology UK stores

57



## Description

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

## Performance

Temporary reduction due to closure of clearance store during FY25. Openings recommenced in August 2025 with the opening of a new Carlisle showroom.

## Strategic links



## Suppliers – % paid on time

92.1%



## Description

Percentage of supplier invoices paid within agreed terms.

## Performance

Significant year on year improvement due to process changes and detailed monitoring.

## Strategic links



## FINANCIAL REVIEW



**Marie Wall**  
Interim Chief  
Financial Officer  
→ Read Marie's profile  
on page 56

# DELIVERING PROFITABLE GROWTH, STRONG CASH RETURNS AND IMPROVED RESILIENCE

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

## OVERVIEW

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 decline<sup>1</sup> 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 amortisation<sup>2</sup> 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 flow<sup>2</sup> generation, resulting in net bank debt<sup>2</sup> decreasing by £57.8m to £107.0m and bank leverage<sup>2</sup> 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.

## FINANCIAL REVIEW CONTINUED

### OVERVIEW CONTINUED

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 year<sup>1</sup>. 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%
<b>Group like for like (52 weeks vs 52 weeks)</b>	<b>10.2%</b>
<i>Group reported (52 weeks vs 53 weeks)</i>	<i>8.7%</i>

### GROSS SALES AND REVENUE

Gross sales<sup>2</sup> 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 sales<sup>2</sup> and revenue growth by brand:

	FY25 (52 wks) £m	FY24 (53 wks) £m	YoY (52 weeks vs 53 weeks)
dfs	<b>1,091.3</b>	1,047.0	4.2%
Sofology	<b>297.0</b>	264.8	12.2%
<b>Gross sales</b>	<b>1,388.3</b>	1,311.8	5.8%
<b>Revenue</b>	<b>1,030.3</b>	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
<b>FY24 gross profit and margin</b>	<b>550.8</b>	<b>55.8%</b>
Volume	23.0	n/a
Product margin	14.6	1.4%
FX	5.2	0.5%
Freight	(11.9)	(1.2%)
<b>FY25 gross profit and margin</b>	<b>581.7</b>	<b>56.5%</b>

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.



## FINANCIAL REVIEW CONTINUED

## GROSS MARGIN CONTINUED

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
<b>Underlying operating costs</b>	<b>(514.7)</b>	<b>(500.6)</b>	<b>(14.1)</b>

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
<b>Total saving</b>	<b>25.5</b>	<b>27.5</b>	<b>53.0</b>

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.



## FINANCIAL REVIEW CONTINUED

### 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
<b>Underlying finance costs</b>	<b>(38.2)</b>	<b>(41.1)</b>	<b>2.9</b>

### PROFITS, TAX AND EARNINGS PER SHARE

Underlying profit before tax and brand amortisation<sup>2</sup> 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
<b>Underlying profit before tax and brand amortisation</b>	<b>30.2</b>	<b>10.5</b>	<b>19.7</b>
Brand amortisation	(1.4)	(1.4)	—
Non-underlying charges	4.1	(10.8)	14.9
<b>Reported profit before tax</b>	<b>32.9</b>	<b>(1.7)</b>	<b>34.6</b>

### 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:

Credit/(Cost)	FY25		FY24	
	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)
	<b>4.1</b>	<b>(0.7)</b>	<b>(10.8)</b>	<b>(5.1)</b>

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.



## FINANCIAL REVIEW CONTINUED

## 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 <sup>1</sup>	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 <sup>2</sup>	3.7	1.2	2.5
<b>Underlying free cash flow</b>	<b>58.5</b>	<b>(10.0)</b>	<b>68.5</b>
Non-underlying items	(0.7)	(5.1)	4.4
<b>Free cash flow</b>	<b>57.8</b>	<b>(15.1)</b>	<b>72.9</b>
Shareholder returns	—	(9.4)	9.4
<b>Free cash flow after shareholder returns</b>	<b>57.8</b>	<b>(24.5)</b>	<b>82.3</b>
<b>Closing net bank debt</b>	<b>(107.0)</b>	<b>(164.8)</b>	<b>57.8</b>

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 leverage<sup>3</sup> (net debt/EBITDA) and 1.5x minimum fixed charge cover<sup>3</sup> (both measured on an IAS 17 basis).

In September 2024 we agreed temporarily widened covenants<sup>4</sup> 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.



## FINANCIAL REVIEW CONTINUED

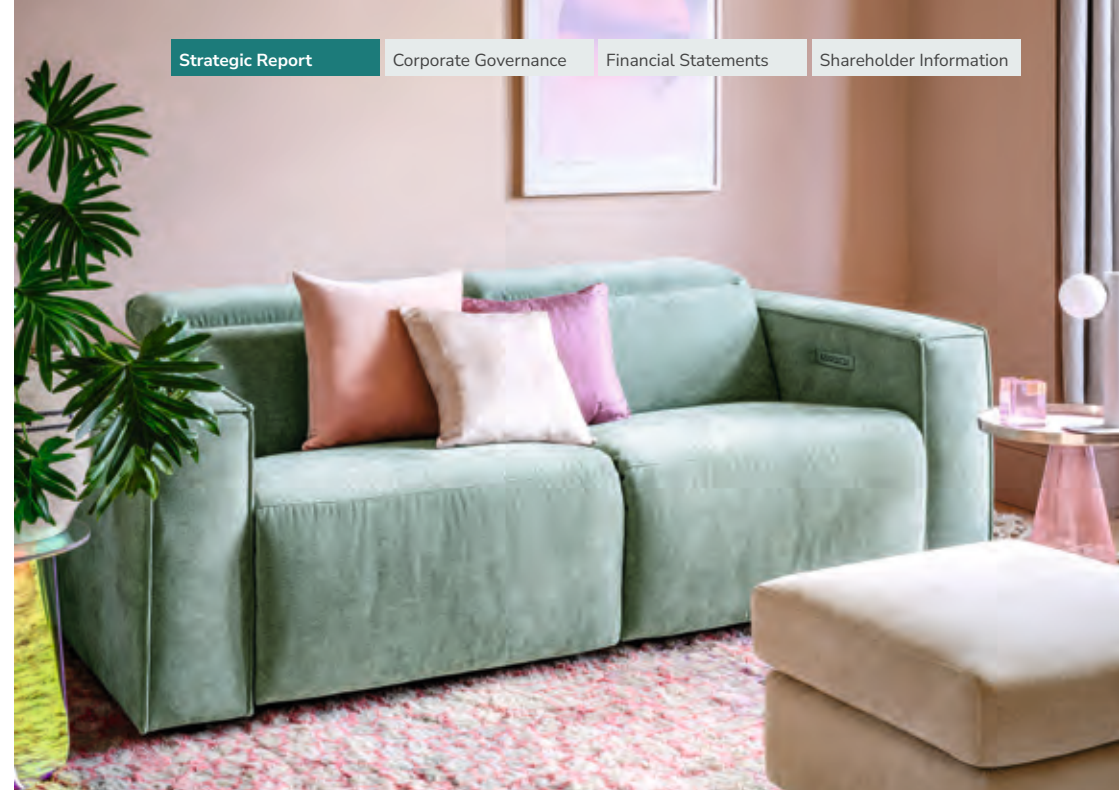
### CAPITAL ALLOCATION AND DIVIDENDS

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
<b>Leverage (excluding property leases)</b>	0.5x – 1.0x	<ul style="list-style-type: none"> <li>Expect to continue operating outside the Group's target leverage range in the near-term</li> <li>Making progress towards reducing the ratio and deleveraging remains a high priority</li> </ul>
<b>Organic investment</b>	Strategic organic capital investment to deliver attractive returns	<ul style="list-style-type: none"> <li>Our maintenance capital requirements currently represent c.1.5%–2.0% of revenue</li> <li>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</li> </ul>
<b>Dividend</b>	Dividend payout ratio of 2.25x – 2.75x	<ul style="list-style-type: none"> <li>No FY25 dividend</li> <li>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</li> </ul>
<b>Supplementary shareholder returns</b>	When the Group is operating below its target leverage, it will consider special dividends / buybacks	<ul style="list-style-type: none"> <li>No supplementary returns expected given the Group will be operating above its target leverage ratio in the short term</li> </ul>



### 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. Refer to pages 26 and 27 for APM definitions.
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 EBITDArent 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.



## ALTERNATIVE PERFORMANCE MEASURES

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

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

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

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



### APM GLOSSARY AND DEFINITIONS

APM	Definition	Rationale
<b>Gross sales</b>	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 to the financial statements 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.
<b>Brand contribution</b>	Gross profit less selling and distribution costs, excluding property and administration costs.	Measure of brand-controllable profit as it excludes shared Group costs.
<b>Adjusted EBITDA</b>	Earnings before interest, taxation, depreciation and amortisation adjusted to exclude impairments.	A commonly used profit measure.
<b>Non-underlying items</b>	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.
<b>Underlying EBITDA</b>	Earnings before interest, taxation, depreciation and amortisation from continuing operations, adjusted to exclude impairments and non-underlying items.	Profit measure reflecting underlying trading performance.
<b>Underlying profit before tax and brand amortisation uPBT(A)</b>	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.
<b>Underlying earnings per share</b>	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.
<b>Net bank debt</b>	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.
<b>Cash EBITDA</b>	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.
<b>Free cash flow</b>	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.
<b>Leverage (gearing)</b>	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.
<b>Underlying return on capital employed (underlying ROCE)</b>	Underlying post-tax operating profit from continuing activities, expressed as a percentage of the sum of: property, plant and equipment, computer software, right of use assets and working capital.	Represents the post-tax return the Group achieves on the investment it has made in its business.

## ALTERNATIVE PERFORMANCE MEASURES CONTINUED

### RECONCILIATIONS TO IFRS MEASURES

	Note	FY25 £m	FY24 £m
<b>Adjusted EBITDA</b>			
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
<b>Underlying EBITDA</b>	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
<b>Underlying profit before tax and brand amortisation - uPBT(A)</b>	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	10	1.4	1.4
Underlying profit before tax and brand amortisation		30.2	10.5
<b>Net bank debt</b>	Note	FY25 £m	FY24 £m
Interest bearing loans and borrowings	18	105.3	187.4
Unamortised issue costs	18	1.7	1.6
Cash and cash equivalents (including bank overdraft)		—	(24.2)
Net bank debt		107.0	164.8
<b>Movement in net bank debt</b>		FY25 £m	FY24 £m
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)
<b>Free cash flow</b>	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	21	—	9.4
Free cash flow		57.8	(15.1)

	Note	FY25 £m	FY24 £m
<b>Leverage</b>			
Net bank debt (A)		107.0	164.8
Net cash from operating activities before tax	26	184.9	118.9
Add back:			
Pre-tax non-underlying items		(4.1)	10.5
Less:			
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 leases		(24.2)	(24.8)
Cash EBITDA (B)		67.2	54.8
<b>Leverage (A/B)</b>		1.6x	3.0x
IAS 17 bank covenant difference		(0.2x)	(0.5x)
<b>Bank leverage</b>		1.4x	2.5x

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

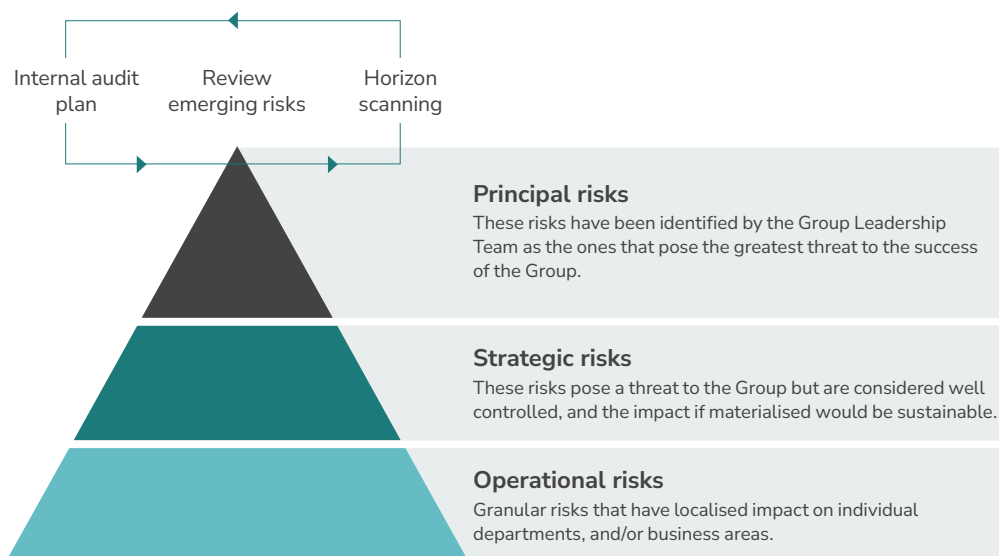
	Note	FY25 £m	FY24 £m
<b>Underlying return on capital employed from continuing operations</b>			
Operating profit from continuing operations		71.1	41.3
Non-underlying operating items		(4.1)	8.9
Pre-tax return		67.0	50.2
Adjusted effective tax rate <sup>1</sup>		26.7%	25.0%
<b>Tax adjusted return (A)</b>		49.1	37.7
Property, plant and equipment	8	75.2	83.8
Right of use assets	9	276.9	315.0
Computer software	10	19.3	19.6
		371.4	418.4
Inventories	14	56.6	59.0
Trade receivables	15	10.5	6.7
Prepayments	15	4.7	4.0
Accrued income	15	0.2	0.1
Other receivables	15	0.4	1.2
Payments received on account	16	(50.4)	(40.9)
Trade payables	16	(91.6)	(100.4)
Working capital		(69.6)	(70.3)
<b>Total capital employed (B)</b>		301.8	348.1
<b>Underlying ROCE from continuing operations (A/B)</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.

## RISKS AND UNCERTAINTIES

# OUR RISK MANAGEMENT PROCESS

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



The Group continues to evolve our structured approach to risk management mindful that in an ever changing environment we need to be adaptable in our approach, ensuring we fully integrate risk management into decision-making.

The Audit and Risk Committee, under delegated authority from the Board, is accountable for overseeing the effectiveness of risk management. This includes the identification of the principal risks facing DFS, periodically reviewing risk appetite and assisting the Board in complying with its obligations under the UK Corporate Governance Code 2018 ('the Code').

The Group is supported by the Risk function to ensure that the risks the Group faces are identified and mitigated appropriately, with effective controls in place to allow delivery of the Group strategy. The team works with the business units responsible for the ongoing identification, assessment and management of their existing and emerging risks. The Risk function supports with the creation of risk profiles for the business function to provide a key overview of the risks and controls to the relevant business lead. The output of these assessments is aggregated to compile an overall Group level view of risk, utilising both external risk management software and feeding into our internal dashboards to provide greater accessibility and awareness at

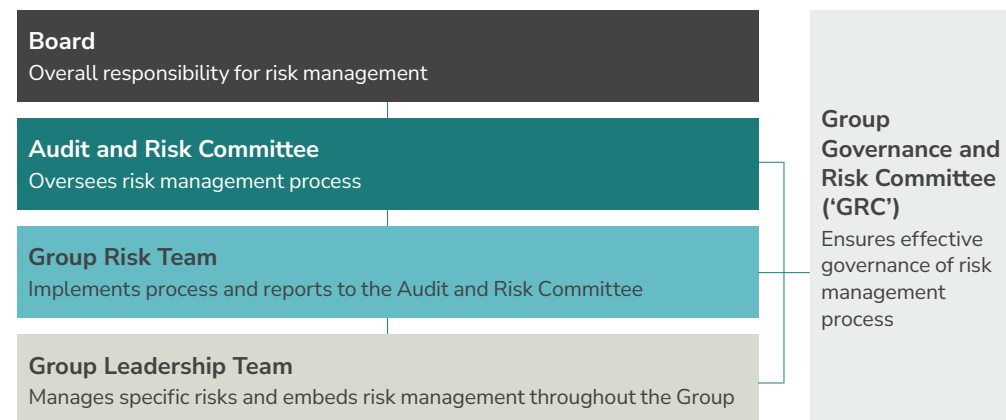
senior levels. The team is committed to supporting the business in providing support and coaching to further strengthen and mature the risk culture within the Group.

In addition, where appropriate, cross-business risk management is supported by specific committees and similar oversight forums, including safety, ESG, cyber-security and data privacy.

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

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

Management and mitigation of risk by the Group Leadership Team is determined by a Group risk appetite approved by the Audit and Risk Committee. The Group Governance and Risk Committee ('GRC') meets monthly to review changes in the regulatory/legal landscape and the Group's key risks and concerns.





## RISKS AND UNCERTAINTIES CONTINUED

### HORIZON SCANNING AND EMERGING RISKS

To ensure that the Group is in the best position to deliver its objectives, it continuously analyses the risks likely to emerge that could affect this. The Risk function supports the business with this by horizon scanning externally for anything that could potentially impact the business, whilst also completing formal discussions on emerging risks as part of the risk review process.

### PRINCIPAL RISKS

The Group Leadership Team and the Board have made a robust assessment of the principal risks facing the business, considering any emerging risks and uncertainties facing the Group that would threaten its strategic objectives, solvency and future performance.

#### Principal risks and mitigation

The Group's principal risks and uncertainties have been assessed in accordance with the risk framework. They align with our strategic pillars and platforms to show where they may impact the achievement of our long-term business objectives.

Regular risk reviews are completed to review the risks, verify the effectiveness of the controls and to consider any additional controls that could be implemented to reduce or better manage particular risks. These will be considered alongside the Group's risk appetite.

### Changes to principal risks in the year

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

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

The previous principal risk of Consumer proposition and reputation has been expanded to become Brand, proposition and reputation, to make it explicit that the risk is not just about the product offered to customers, but includes our marketing, ancillary products and payment options and the service that we offer to our customers.

Macroeconomic uncertainty remains a principal risk to our business and the delivery of the strategy. As the Group takes mitigating actions to reduce the impact of the external factors on the delivery of the objectives, this is documented within each of the individual risks.

The principal risks and their mitigating controls have been reassessed and the risk movement trajectory included for each.

#### Platforms:



Technology and data



Sourcing and manufacturing



Logistics



People and culture

#### Movement:



Increase



Unchanged



Decrease

### FINANCIAL RISK AND LIQUIDITY



#### What is the risk?

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

Unexpected or difficult to forecast external factors impact the business environment which the Group operates in. These external factors have resulted in high interest rates increasing the cost of providing IFC and the cost of debt and depressing the level of the housing market. Looking forward, there remains the potential for more global geopolitical and economic uncertainties, which could have a negative impact on performance and financial results especially in a market for big ticket, discretionary spend items. The Group's FY25 reduction in net debt has improved headroom on banking covenants and reduced the risk of going concern and cash flow issues.

#### Potential impact

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

#### Mitigation

- Good working relationships maintained with all financial counterparties, ensuring that counterparties understand our financial performance.
- Internal Treasury function undertakes regular reviews of financing arrangements to ensure adequate funds in place and financing costs kept to a minimum.
- Preparation and review of regular cash flow forecasts.
- Management of foreign exchange risk through the use of appropriate hedging arrangements in accordance with the Board approved treasury policy.
- Formalisation of Internal Controls over Financial Reporting Framework.

## RISKS AND UNCERTAINTIES CONTINUED

## Platforms:



Technology and data



Sourcing and manufacturing



Logistics



People and culture

## REGULATORY AND COMPLIANCE



## What is the risk?

We operate in an increasingly complex legal and regulatory environment and are governed by a wide range of laws, regulations, standards and guidance. A failure to consistently deliver against our legal and regulatory obligations or broader corporate responsibility commitment would undermine our reputation as a responsible retailer. This may result in sanctions and financial loss, and could negatively impact our ability to operate and remain trusted by our customers, colleagues, investors and other stakeholders. It is essential that as a Group we are aware and can fulfil all our obligations in the regions in which we operate.

## Potential impact

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

## Mitigation

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

## Movement:



Increase



Unchanged



Decrease

## CYBER AND DATA SECURITY



## What is the risk?

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

## Potential impact

- Inability to access core operating systems could adversely impact customer experience and lead to increased costs or loss of revenue.
- Delays or errors in reporting on operational performance could result in increased costs or lost revenue.
- Failure to utilise data effectively, or inaccurate data could result in poor decisions impacting the performance of the Group. Loss of customer data could damage reputation and lead to regulatory fines.

## Mitigation

Following the recent cyber attacks against British retailers, the Group completed a full review of the controls in place to mitigate the risk. Where it was felt prudent to introduce additional protection, this has been introduced.

- Full IT security backup and business continuity procedures in place and reviewed, tested and updated on an annual basis.
- Enterprise backup solution in place (with regular testing) across the whole of the estate (on premise and cloud) which manages, verifies and securely stores our backups offsite which provides immutability and enhanced controls against ransom-ware attacks.

- Technical security measures against data loss through a systems breach are regularly reviewed and updated, including by third-party experts, the results of which are reported to the Board.
- Third-party penetration testing is carried out routinely to check the resilience of the Group's systems to cyber attack.
- Mandatory cyber awareness programme for relevant colleagues.
- Investment in website development and digital marketing, complemented by third-party monitoring of both customer satisfaction with our digital services and the emergence of new online competitors.
- IT systems are regularly reviewed and upgraded to ensure they continue to support the needs of the Group.
- Ongoing review of data within the business to ensure we can continue to make informed and effective decisions.
- Continued to transform and educate our Human Firewall through improved user password strength and complexity and annual mandatory training, along with a programme of phishing simulations.
- Industry leading Manage, Detection, Response and SOC services from a Global enterprise company, increased scope of AI detection and response to include business communications systems. Vulnerability management tools have also been upgraded to an industry-leading solution to drive improved vulnerability remediation.
- Annual pentest covered the widest scope to date, including such areas as web applications internally and externally delivered, physical security and remote access.
- New penetration test programme to be launched to provide continuous testing throughout the year.

## RISKS AND UNCERTAINTIES CONTINUED

### Platforms:



Technology and data



Sourcing and manufacturing



Logistics



People and culture

### SUPPLY CHAIN AND MANUFACTURING RESILIENCE



#### What is the risk?

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

Our distribution operations are key to the running of our business and any factors that impact the ability to operate has a direct impact on our supply chain and our customers.

Unexpected or difficult to forecast external factors have increasingly impacted the business environment which the Group operates in. The invasion in the Ukraine and the ongoing situation in the Middle East have a direct impact on costs with our supply chain as well as creating unpredictability.

#### Potential impact

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

#### Mitigation

- An established Sales & Operations Planning function proactively manages the end-to-end supply chain across the Group.
- Annual review of our shipping strategy resulting in awards being made across a panel of carriers provides some level of surety on pricing and capacity availability to manage uncertainty of prices and volumes in the container shipping industry, particularly in relation to deliveries from the Far East.
- Long-standing relationships backed by contracts with our key suppliers and the increase in stock models across the Brands.
- Despite the challenges noted, the mitigating actions already in place have meant the situation has been well managed, supported by strong customer NPS scores.
- To ensure customer expectations are met, where there are circumstances which will increase transit time for furniture, we have the ability to extend customer lead times to mitigate the customer impact.

### Movement:



Increase



Unchanged



Decrease

### MACROECONOMIC UNCERTAINTY



#### What is the risk?

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

#### Potential impact

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

#### Mitigation

The uncertain environment that the Group operates in requires each function to identify and consider the emerging risks that impact the Group. As a result of this, each function puts controls in place to mitigate the impact of events linked to the current macroeconomic uncertainty. Therefore the mitigating actions are documented as part of the other principal risks.

## RISKS AND UNCERTAINTIES CONTINUED

## Platforms:



Technology and data



Sourcing and manufacturing



Logistics



People and culture

## ENVIRONMENTAL AND SUSTAINABILITY



## What is the risk?

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

## Potential impact

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

## Mitigation

- Secured SBTi validation of net zero strategy including Scope 1 and 2 reduction target and supplier engagement target.
- Continued investment in decarbonisation of estate and fleet.
- Biodiversity assessments across key sites in the UK to support a nature-positive strategy for our operations.
- Further mapping of our value chain and implementation of our Sustainable Sourcing Policy.
- Industry engagement and collaboration, including participation in a pilot programme to create an upholstery Digital Product Passport standard.

## Movement:



Increase



Unchanged



Decrease

## PEOPLE AND CULTURE



## What is the risk?

We aim to create an inclusive workplace with a positive contribution to the communities we serve as well as all our stakeholders, including our customers, colleagues, communities and suppliers, creating a 'great place to work'. We need to ensure we have the right skills for today and the future.

## Potential impact

- Failure to create an inclusive and diverse culture can impact performance of the teams, and the ability to support our customers effectively.
- Failure to attract and retain high quality colleagues could negatively impact operational performance and customer service levels.
- Excessive wage inflation could increase the Group's cost base, reducing profitability.
- Failure to invest in colleague development and skills will impact the future success of the business as we fail to retain colleagues.

## Mitigation

- Regular function specific remuneration benchmarking and business-wide annual salary reviews ensure colleague remuneration is competitive.
- A focus on training and developing colleagues within the Group to provide opportunities for colleagues to 'grow' and progress internally.
- Regular engagement surveys and colleague-led network groups to understand the voice of colleagues and the culture within the Group.
- A robust and proactive approach to health and safety to ensure a safe working environment for everyone.
- Continual review of colleague wellbeing offers results in alignment of benefits available to everyone.
- Membership of Diversity in Retail, alongside Inclusive Employers, to strengthen our strategic approach and create peer to peer connections.
- Executive sponsorship and governance to support our inclusion colleague network groups including strengthening our partnerships externally, e.g. Diversity in Retail and Pride events.



## RISKS AND UNCERTAINTIES CONTINUED

### Platforms:



Technology and data



Sourcing and manufacturing



Logistics



People and culture

### BRAND, PROPOSITION AND REPUTATION



#### What is the risk?

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

Over time, a failure to meet the product design, the quality, and customer experience expected by our customers, will have an adverse effect on the reputation of the Group.

#### Potential impact

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

#### Mitigation

- Continual review of products and services to ensure they suit customers' needs, are competitively priced, offer good value, meet the right quality and sustainability standards and are supported by excellent customer service.
- In-house product design and continual review of the performance of all products and services to ensure they suit customers' needs, are competitively priced, offer good value, meet the right quality and sustainability standards and are supported by excellent customer service.
- In-house product design team and external design partners ensure product range is attractive and innovative.
- Buying team attends UK and international furniture shows to ensure it is aware of any emerging trends.
- New products launched in a selection of stores throughout the year in both brands to test new styles and fabrics.
- Internal manufacturing, close supplier relationships and a made-to-order model allows any quality issues to be addressed swiftly.
- Use of NPS, and incentivisation of colleagues on the basis of NPS scores encourages customer-focused behaviours throughout the customer journey.
- Frequent competitor analysis, mystery shopping at competitors' stores and online offerings.
- Both dfs and Sofology have focused on increased 'in stock' products to allow us to meet the demands of our customers for quick delivery times.

### Movement:



Increase



Unchanged



Decrease

### BUSINESS CHANGE



#### What is the risk?

The Group undertakes a number of significant investment or business change projects that are key to successfully executing its strategy.

As the Group looks to make changes to the IT systems it is imperative that any risk of business interruption is managed.

Failure to successfully implement these changes could mean the business fails to deliver its strategy.

#### Potential impact

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

#### Mitigation

- An executive member (the COO) has responsibility for transformation, overseeing a programme structure and a team of project managers dedicated to its execution.
- Risk assessments completed for all critical workstreams and challenged through Board and Audit and Risk Committee discussions.

- Experienced senior management engaged in the design and delivery of the integration and transformation plans providing regular updates to the Board.
- Regular review of transformation programmes to ensure priorities and areas of focus are appropriate to support delivery of the Group's strategy.
- Business Change team structure defined, senior lead appointed and clear scope of accountabilities in place.
- 'Cost to Operate' workstream main focus, with clear line of sight across all operating costs, split into three main areas (People, Property, and Other).
- 'Unify' presents an opportunity to streamline and consolidate multiple operations and systems across the Group, enabling a simpler, smarter and better business which will also provide the foundations for growth in the future.
- Significant cost reductions/inflationary increase mitigations delivered in a year via internal/process change, contract renegotiation and/or supplier partner change.
- External SME partners in place to support initiatives as required, enabling a lower fixed headcount internally.
- Scoping commenced on remaining areas of Group integration opportunities to further enhance optimal commercial approach, create a consistent way of working and mitigate risk.

STAKEHOLDER ENGAGEMENT AND SECTION 172

ACTIVE ENGAGEMENT

Section 172(1) of the Companies Act 2006 requires each Director to act in the way he or she considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. This statement explains how the Board has embedded stakeholder considerations into its decision making and, for each of the Group’s stakeholder groups, matters that the Board considered during the year.

S172 non-financial and sustainability information statement

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

Reporting requirement	Relevant information	Policies and standards
The Company's employees	Section 172 statement – Engaging our colleagues – page 34	<ul style="list-style-type: none"><li>Diversity and Inclusion Policy</li><li>Equal Opportunities Policy</li><li>Whistleblowing Policy</li><li>Group Health and Safety Policy</li></ul>
	Responsible business report – pages 36 to 52	
	Directors' Remuneration report – pages 73 to 87	
Business conduct matters, including anti-corruption and anti-bribery	Responsible business report – pages 36 to 52	<ul style="list-style-type: none"><li>Group Code of Conduct</li><li>Anti-Bribery Policy</li><li>Supplier Code of Practice</li><li>Whistleblowing Policy</li></ul>
Respect for human rights	Responsible business report – pages 36 to 52	<ul style="list-style-type: none"><li>Anti-Slavery and Human Trafficking Policy</li><li>Modern Slavery Statement year ended 30 June 2024</li></ul>
Modern slavery	Directors' report – pages 88 to 91	<ul style="list-style-type: none"><li>Data Privacy Policy</li><li>Group Human Rights Policy</li></ul>
Social matters	Responsible business report – pages 36 to 52	<ul style="list-style-type: none"><li>Tax Strategy</li><li>Group Code of Conduct</li><li>Group Communities and Charitable Giving Policy</li></ul>
Environmental matters	Section 172 statement – Having regard to the impact of the Company's operations on the community and the environment – page 35	<ul style="list-style-type: none"><li>Environmental Policy</li><li>Group Timber Policy</li><li>Group Leather Policy</li><li>Group Water Policy</li><li>Sustainable Sourcing Policy</li><li>Biodiversity Policy</li></ul>
	Responsible Business report – pages 36 to 52	

Copies of the Committees' terms of reference and our policies are available at [www.dfscorporate.co.uk/governance/policies-statements](http://www.dfscorporate.co.uk/governance/policies-statements).

A THE LIKELY CONSEQUENCES OF ANY DECISION IN THE LONG TERM

Why we engage

The Board knows that understanding its stakeholders and what matters to them is key to the Group’s long-term success.

How we engage

Throughout the year the Board reviews the progress made against the Group’s strategy, the principle risks faced by the business, and how we deliver on our purpose and create the right culture in line with our values.

Collectively the Board and the Group Leadership Team work to ensure we balance managing our cost base and investing for the future with the way we reward our people and how we provide a return on investments to our shareholders.

Outcomes of engagement

Our customer propositions are in great shape across both our dfs and Sofology retail brands with Group order intake up +10% year on year and both retail brands gaining market share.

All of this has led to revenue and profit growth with underlying PBT(A) up £19.7m year on year to £30.2m. In addition we have generated good levels of free cash flow enabling us to reduce our debt by £57.8m and strengthen our balance sheet.

Where to find it

- CEO report
- Our strategy
- Key performance indicators
- Financial review
- Risks and uncertainties
- Viability reporting
- Responsible business report
- Corporate Governance report

B THE INTERESTS OF OUR COLLEAGUES

Why we engage

Our colleagues are at the heart of our business. The Board recognises the need to create a positive culture where everyone feels welcomed, valued, and respected and that fosters talent and encourages all our colleagues to achieve their full potential.

How we engage

The Board receives regular briefings on succession planning, colleague engagement activities, retention rates, learning and development activity, and pay and reward initiatives, along with the results of our twice yearly Your Say survey, designed to encourage open and honest feedback from our colleagues.

We have six Colleague Inclusion Networks sponsored by members of the Group Leadership Team, to represent and support colleagues.

The safety and wellbeing of our colleagues is our number one priority and we continue to roll out measures to help, support and protect our colleagues.

Outcomes of engagement

A highly engaged, inclusive workforce with low attrition rates and a culture where Everyone is Welcome.

Health, Safety, and the wellbeing of all our colleagues is embedded into our ways of working, we provide flexible working, and continue to improve our ways of working.

Our colleagues have gained from an enhanced benefits package in recent times, including a number of family-friendly policies, such as enhancements to paid maternity, neonatal, fertility, and adoption leave.

Where to find it

- Chair's statement
- Chief Executive's report
- Our strategy
- Responsible business report
- Corporate Governance report
- Directors' Remuneration report

## STAKEHOLDER ENGAGEMENT AND SECTION 172 CONTINUED

### C BUILDING STRONG, BENEFICIAL RELATIONSHIPS WITH OUR CUSTOMERS AND SUPPLIERS

#### Why we engage

As the market leader in upholstered furniture, we are focused on our purpose of bringing great design and comfort to our customers. The Board recognises the importance of suppliers being treated fairly to align with our values. Collaborating with our suppliers enables us to bring new exciting, and innovative products to market.

#### How we engage

The Board receives regular updates on customer insights, including the data from our customer satisfaction survey (NPS) to understand what matters to our customers.

Our long-standing partnerships with suppliers are vitally important in delivering great quality products for our customers. The Board receives regular updates on our manufacturing and sourcing strategy.

#### Outcomes of engagement

Record established customer NPS scores for both our brands.

Building on customer feedback, and working with our suppliers we have improved our customer offering, product innovation, exclusive brand partnerships and market-leading interest free credit offering and improved insurance products. This has resonated well with our customers, contributing to our competitive advantage.

#### Where to find it

- Chair's statement
- Business model
- Chief Executive's report
- Market overview
- Key performance indicators
- Financial review
- Responsible business report

### D THE IMPACT OF THE GROUP'S OPERATIONS ON THE COMMUNITY AND THE ENVIRONMENT

#### Why we engage

The Board is committed to reducing our impact on the environment and supporting the communities in which we operate.

#### How we engage

During the year, our net zero strategy to the Science Based Targets initiative ('SBTi') was approved and we have begun to make progress on our journey to net zero with the commencement of a trial of electric vehicles for our service team.

We continue to focus on improving the sustainability of our products.

Working with our colleagues and our customers, our brands support several charities and every colleague is entitled to a volunteering day to support good causes of their choosing.

#### Outcomes of engagement

Our 2050 net zero and near-term decarbonisation targets submitted to the SBTi last year, have now been validated. We have continued to work with partners and suppliers to reduce our Scope 3 emissions, while also continuing our efforts in our own operations to meet our Scope 1 and 2 reduction targets.

dfs has partnered with BBC Children in Need since 2013, raising over £8.1m since that time. Sofology has a partnership with Home-Start UK, a local community network helping families with young children through challenging times. Our delivery company, The Sofa Delivery Company, partners with Andy's Man Club, and colleagues have taken part in a range of activities to raise both money and awareness.

#### Where to find it

- Chair's statement
- Chief Executive's report
- Responsible business report
- Risks and uncertainties
- Directors' report

### E THE NEED TO MAINTAIN A REPUTATION FOR HIGH STANDARDS OF BUSINESS CONDUCT

#### Why we engage

The Board is committed to ensuring good governance and maintaining high standards of business conduct. We are committed to acting professionally, fairly and with integrity in all our dealings and relationships.

#### How we engage

The Group is transparent in our approach and publish our policies including our Group Code of Conduct, Modern Slavery statement, Tax Strategy, and Gender pay gap reporting on our corporate website.

#### Outcomes of engagement

Our colleagues receive training on our Code of Conduct, and other key areas to prevent fraud and ensure compliance with regulatory requirements. Our Supplier Code of Practice applies to all product suppliers and our partners are required to comply with our minimum standards of ethical behaviour. We rolled out our 'Consumer Duty' compliance programme to all employees in customer-facing roles with a clear focus on vulnerable customers and how we meet their needs.

Our Governance and Risk Committee reviews compliance with all our mandatory policies.

#### Where to find it

- Responsible business report
- Corporate governance report
- Directors' remuneration report

### F THE NEED TO ACT FAIRLY MEMBERS OF THE COMPANY

#### Why we engage

The Board seeks to ensure investors receive a fair and balanced return on their investment. The Group engages with our investors to ensure their views and interests are considered when developing strategy.

#### How we engage

The Board and individual Directors have regular dialogue with our institutional investors, potential investors and analysts throughout the year providing insight to their views and policies.

To refresh that engagement during the year, the Board reviewed its corporate brokers and appointed Panmure Liberum as corporate brokers alongside Peel Hunt.

#### Outcomes of engagement

This engagement provides us with a clear understanding of our shareholder priorities and their views on how we are progressing. We take their views into consideration when making decisions on balancing investment, leverage and shareholder returns.

We welcome engagement with private shareholders at our Annual General Meeting.

#### Where to find it

- Chair's statement
- Market overview
- Financial review
- Investment case
- Business model
- Corporate Governance report
- Directors' Remuneration Report



**Alison Hutchinson**  
Chair of the  
Responsible and  
Sustainable Business  
Committee

→  
Read Alison's profile  
on page 56

# WELCOME TO THE REPORT OF THE RESPONSIBLE AND SUSTAINABLE BUSINESS COMMITTEE

When we talk to stakeholders, they often comment that our people are what make DFS Group so special and drive our success.

## KEY ACTIVITIES FROM 2025

- Approval and progress review of carbon reduction targets (including bonus targets)
- Review of culture and inclusion strategy and progress to date
- Approval of updated policies, including Sustainable Sourcing, Timber and Leather
- Review of proposed legislative requirements, including ESPR, EUDR and ISSB
- Development and sponsorship of our Colleague Networks
- Continuation of our support for charity partners and new sponsorship of Doncaster Pride
- Emerging partnership with Diversity in Retail and associated development programmes

## COMMITTEE MEMBERS DURING FY25

Alison Hutchinson (Chair)

Steve Johnson

Jo Boydell

Gill Barr

Tony Buffin (from 24 February 2025)

Bruce Marsh (from 1 August 2024)

Loraine Martins (to 31 July 2024)



## RESPONSIBLE BUSINESS REPORT CONTINUED

Our unique culture is something that we have long recognised, and whenever I spend time with our teams, it is so inspirational and informative. We foster a culture of inclusivity, striving to ensure all colleagues can bring their whole selves to work and thrive. It means many of our talented colleagues stay with us for decades.

The past 18 months have brought global and economic uncertainty, and ESG has come under the spotlight. However, as a Board, we have collectively remained focused on progressing as a responsible, inclusive, and sustainable organisation. I am pleased to report that we have made solid progress against our goals.

### OUR PEOPLE AND COMMUNITIES

Our 'Everyone Welcome' culture is an even bigger part of how we work, resulting in even better inclusion scores in this year's Your Say colleague survey.

171 colleagues celebrated 25 years or more of service with us in FY25, many of whom started their careers at DFS. It's a wonderful reflection of what it's like to work at the Group. Our culture is also reflected in our colleague turnover rate of just 15% which is remarkably low and unusual for the retail industry.

I have been heartened to see our Colleague Networks get even stronger, with more support from senior leaders to sponsor different networks. We have also maintained our partnership with Diversity in Retail, providing peer support and programmes to help future women and ethnic minority leaders develop - all essential to creating a more equitable, diverse and inclusive Company that represents the communities we're proud to be part of.

We have continued Giving Back, donating profit before tax and products to good causes, while offering colleagues time off to volunteer. We'd like to thank our customers for their continued support in fundraising efforts for the charities supported across the Group. Sofology continues to raise funds for Home Start in partnership with Pennies, The Sofa Delivery Company raises funds for Andy's Man Club and dfs and Group functions, with our customers, have now raised more than £8m since our partnership with BBC Children In Need started in 2013. I could not be prouder of everyone's efforts here – and of the endeavours of colleagues whose determination has raised money for other causes close to their hearts.

→ Read more on page 38

### OUR ENVIRONMENT

We are still fully committed to reducing our impact on the environment and cutting our emissions to reach net zero before 2050. That is why having clear, science-based goals to guide us is so important.

I was therefore delighted that our 2050 and near-term decarbonisation targets submitted to the Science Based Targets initiative ('SBTi') last year, have now been validated.

Supported by our 'In This Together' campaign, we have continued to work with partners and suppliers to reduce our Scope 3 emissions, while also continuing our efforts in our own operations to support our Scope 1 and 2 reduction targets.

The Sofa Cycle remains at the heart of our strategy and net zero ambition, and we have made great progress by creating our first-ever Digital Product Passport ('DPP'), and developing our first Lifecycle Assessment – an invaluable tool to help us better understand the impact of our materials and processes.

→ Further information is available on page 41

### LOOKING FORWARD

With so much to be encouraged by in FY25, I'd like to thank every one of our colleagues for their commitment, which is driving us forward. I'd also like to thank the Committee and welcome Tony Buffin and Bruce Marsh, bringing the RSC in line with our other Board Committees showing the importance we place on ESG. It's great to have their contribution to the Committee.

In FY26, we will continue to progress towards net zero and transition to a more circular business model. We will also stay focused on making DFS Group a more diverse and inclusive place to work, and supporting our local communities to flourish.

All this matters, not only because it's the right thing to do, but because it's key to our success as a business and the value we create for all our stakeholders.

Thank you to everyone who continues to work with us. I look forward to sharing more of our progress with you next year.

#### Alison Hutchinson

Chair of the Responsible and Sustainable Business Committee  
Senior Independent Non-Executive Director  
25 September 2025



## RESPONSIBLE BUSINESS REPORT CONTINUED



# OUR PEOPLE AND COMMUNITIES

As the leader in our market, we want to be the sofa specialist in the UK – and that includes being a great employer and helping the communities we are part of to thrive.

## OVERVIEW

We are committed to creating a great place to work where everyone feels safe, respected and empowered to be themselves, develop and thrive. We are also proud to be part of hundreds of local communities, dedicated to helping each one flourish.

## UN SDGs



**Goal 5 - Gender Equality**  
→ Gender split page 39



**Goal 8 - Decent Work and Economic Growth**  
→ L&D page 39



**Goal 10 - Reduced inequalities**  
→ Culture & Inclusion page 39



**Goal 01 - No Poverty**  
→ Home Start page 40



**Goal 03 - Good Health and Well-being**  
→ Andy's man club page 40

## KEY ACTIVITIES

We are ambitious by nature. One of our core values is Aim High but another is Be Real. So we have a set of clear ambitions with milestones every year. Here are some of the highlights:

- 1 Building an inclusive and supportive colleague experience.
- 2 Developing people-focused leaders.
- 3 Connecting our colleagues and prioritising their wellbeing.
- 4 Customers and colleagues have raised over £8m through our long-standing partnership with BBC Children in Need.
- 5 Our teams are making a meaningful difference in their communities and raising funds for charities close to their hearts.
- 6 We're proudly working alongside Andy's Man Club to raise awareness of the charity and help prevent men's suicide.

It means keeping our people and customers safe, supporting our colleagues' wellbeing, and investing in their learning and development.

It also means embedding our inclusive Everyone Welcome culture, being more representative of the customers we serve, and giving back to local communities while running the Group responsibly and ethically.

It is not just the right thing to do. It is fundamental to our business, our performance, and the value we create for all our stakeholders.

## HEALTH AND SAFETY

Our Health and Safety Strategy is built on a simple but powerful vision: Everyone has the right to go home safely.

We take personal and collective responsibility to build a culture that reduces the health and safety risks of our activities, products and services. Our approach aligns with our Group Code of Conduct.

Leadership and culture are at the centre of the Group's Health and Safety Strategy. Our commitment to making safety a core value is championed by visible, engaged leadership across all levels of the Group. We have invested in NEBOSH Leading Safety Excellence training for all senior leaders, and bespoke safety leadership masterclasses for all managers and supervisors.

Other key components of our Group Health and Safety Strategy are proactive risk management, collaboration, driving continuous improvement through assurance, and developing colleagues' H&S skills and capability.

Making safety a core value ensures it remains integrated into our business decision making and processes.

In 2025, we were commended in the Best Use of Health and Safety Data to Lower Incident Rates category at the Safety and Health Excellence Awards.

## COLLEAGUE WELLBEING

We know that everyday life can be challenging. To help our people be at their best, we are committed to supporting their mental, physical and financial wellbeing.

We focus on empathetic leadership and psychological safety at work, empowering managers to take an approach that puts people first.

In FY25, we continued to provide tools that allow us to signpost colleagues effectively and enable them to look after their wellbeing in ways that work for them. Our offer includes an employee assistance programme, Mental Health First Aiders, health checks, discounted gym membership and much more.



See our website for further information about colleague wellbeing.



## Case study

### REDUCING HAND AND FINGER INJURIES

When we noticed a rising trend in hand and finger injuries related to furniture handling, we took action, reduced incidents by 33%, and set a benchmark for continuous improvement.



Read more about our Health and Safety Strategy on our website [dfscorporate.co.uk](https://dfscorporate.co.uk).

## RESPONSIBLE BUSINESS REPORT CONTINUED

### LEARNING AND DEVELOPMENT

We are also determined to invest in everyone who works for us, providing learning and development opportunities that help them – and our business – to succeed.

Building leadership capability, nurturing skills at all levels, and improving colleague experience through learning are all fundamental parts of our People Strategy.

#### Leadership capability

In FY25, 12 leaders completed our Senior Leadership Development Programme, with a further 21 taking part in the Spring cohort. More than 500 managers attended Group Leadership Academy workshops, and 244 leaders took part in our internal leadership virtual workshops.

We delivered over 2,500 learning hours through our academy for DFS store managers, while leaders at The Sofa Delivery Company completed more than 980 hours through their development programme.

#### Skills and capability

Apprenticeships provide people with the chance to learn, earn and develop new skills, while also building a pipeline of talent. In FY25, 42 colleagues took part in an apprenticeship programme, 36% of them working towards the higher Level 6 and 7 qualifications.

DFS launched a home learning hub with 8,500 modules completed by team members across all showrooms, building their knowledge of home products. Sofology launched its new 'Glow and Grow' learning offer, with over 180 online courses completed. Across the Group, colleagues worked through a total of 69,152 learning hub modules.

Learning hub modules worked through across the Group

# 69,152

### Colleague experience

We launched a new onboarding and induction programme for dfs in FY25, linked to the brand's sales model. Those taking part took an average of 27 days to get up to speed, and they gave it a Net Promoter Score of 60. This means 6 out of 10 would highly recommend the programme to others.

### EQUITY, DIVERSITY AND INCLUSION – EVERYONE WELCOME

Embedding our Everyone Welcome culture is fundamental to our success at DFS Group and sits at the heart of our People Strategy.

We believe that every one of our colleagues should feel respected, supported and free to bring their whole self to work every day.

By ensuring inclusion is central to decision making, we believe we can attract, retain, and develop diverse talent, helping our teams – and business – to thrive.

Active colleague listening informs our approach to building on our inclusive culture, supported by developing our leaders, improving colleague experience for everyone, and using data to drive decision making and our overall strategy.



### Improving representation

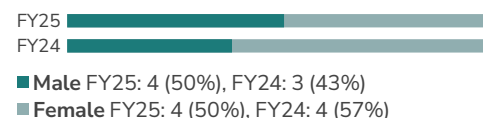
Representing the communities we are part of is key to creating a great place to work and supporting people from all backgrounds to succeed.

Since 2021, we have been working towards equal gender representation in showroom management. We are making steady progress towards our ambition to reach an equal gender split, and 33% of managers are now female.

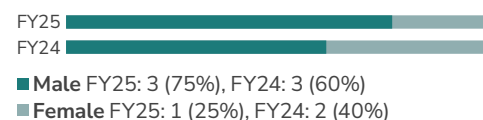
Among our leadership team, we are working towards greater gender and ethnic representation, while being mindful of expected colleague turnover. Progress at this level has been limited in FY25 because of low attrition and restructuring across the Group.

#### Gender mix by role as at 29 June 2025

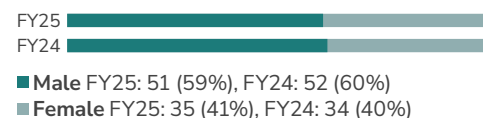
##### Board



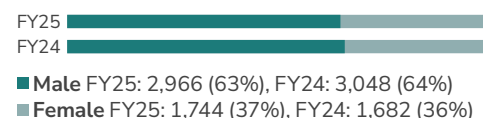
##### GLT\*



##### Senior Leaders



##### Total (ALL)



### Colleague Networks

Our Colleague Networks bring like-minded people together to build a real sense of belonging. Key to our 'always on' listening, they provide qualitative insights to complement the quantitative data we gather to inform decision making.

#### Strategic community partnerships

Our external partnerships are further proof of our commitment to equity, diversity and inclusion. They extend our social impact, strengthen our employer brand, and help us to engage our colleagues.

Through a new relationship with Carers UK, we are better supporting team members with caring responsibilities, who make up around 10% of our workforce. Meanwhile, ongoing rollout of the Hidden Disabilities Sunflower means we are educating our people about non-visible disabilities and are confident in supporting both colleagues and customers.

Our ongoing partnership with Diversity in Retail ('DiR') enables peer-to-peer networking and benchmarking to drive continuous improvement. We are also supporting people through DiR's Women's and Ethnic Future Leaders programmes to develop our pipeline of future diverse talent.



Find out more about these partnerships, our Colleague Networks and our Everyone Welcome approach on our website.

\* GLT excludes CEO and CFO.



## RESPONSIBLE BUSINESS REPORT CONTINUED

## Our progress in FY25

This year, we were pleased to see an increase in the two inclusion scores in our Your Say colleague survey. They rose to 83% and 86%, while a new question measuring belonging scored a strong 76%. At Group level, there were no significant dips in scores for colleagues from our minority communities.

In FY25, we also:

- engaged more than 60% of our people to provide data about their protected characteristics to inform our future Everyone Welcome plans;
- launched an accessibility widget on our careers sites to support candidates with disabilities;
- trained our internal team on inclusive hiring and launched a revised Recruitment Policy;
- strengthened Colleague Networks by embedding executive sponsorship of them all;
- designed and delivered a bespoke Leading for Inclusion module to Group Leadership Team and 70+ self-enrolled leaders; and
- saw 85% of colleagues across the Group complete our learning module on preventing sexual harassment in response to legislative change.

## Looking ahead

We plan to expand our work to improve gender and ethnicity representation at leadership level to our most senior leaders.

To strengthen the foundations we have laid and improve colleague experience, we will continue our efforts with a particular focus on data, recruitment and leadership. We will track our progress via the three inclusion scores in the Your Say survey.

We will sponsor eight more colleagues to join Diversity in Retail and continue to support it to provide leaders with allyship opportunities and minority groups with development programmes.

Finally, colleague network insights will continue to drive other partnerships and initiatives, such as Doncaster Pride sponsorship and our affiliation with Carers UK.

## Ethical supply chain and business practices

We are committed to eradicating all forms of modern slavery and human trafficking. We continue to take action to tackle the issue and we report our progress annually in our Modern Slavery Statement. Our Modern Slavery Policy has been issued to all our colleagues, suppliers, and partners. It clearly states the actions to take if a case of modern slavery is discovered or suspected. We work with our suppliers to ensure they take appropriate steps and manage risks within their own supply chains.

We have a robust governance structure in place to ensure we conduct ourselves honestly, ethically and sustainably.

- See Sustainable Governance on page 46 for further details
- Read more in our Modern Slavery Statement
- Read more in our Modern Slavery Policy

## COMMUNITY IMPACT

As well as striving to represent the hundreds of local communities we are part of, we are committed to supporting them to thrive through our Giving Back commitments and charity partnerships.

Giving Back is our way to support local charities and organisations to make a positive difference by:

- donating up to 1% of our profit before tax to charitable causes (including money we donate to charity partners and sums donated through matched giving);
- giving away up to 1% of our products a year to charities and organisations who need them most; and

- our in-store prize draw 'Give me Five', where customers donate £5 to BBC Children in Need for a chance of winning their order for free.

## BBC Children in Need

dfs and our Group functions have partnered with BBC Children in Need since 2013, raising over £8.1m since then. In FY25, our customers raised £566,707 and colleagues £37,282.

We are on a mission to help Children in Need fund over 140 trusted adults to talk to 15,000 youngsters early and help them to manage and prevent mental health difficulties.

## Home-Start UK

Sofology is partnered with Home-Start UK, a local community network of trained volunteers and expert support, helping families with young children through challenging times. It works in 71% of local authority areas across the UK.

In FY25, Sofology customers raised £20,043 and colleagues £473. This money will help to fund vital training for Home-Start's volunteers.

## Andy's Man Club

The Sofa Delivery Company has been supporting this men's suicide prevention charity since 2023 – a strong fit for the predominantly male workforce. Colleagues have taken part in a range of activities to raise both money and awareness. They collected a total of £13,627 in FY25.

Our charity partnerships are powered by generous customers and team members taking part in fundraising and personal challenges. To support them, our matched giving schemes provide additional funding, adding a total of £9,740 to the sums raised in FY25.

Our product donations to worthy causes totalled £33,248 this year. One example is Homewards in Aberdeen. Working alongside local furniture suppliers, it has launched a pilot to donate essential items for around 30 properties, supporting people moving on from homelessness. We are providing sofas and bed bases.

Total raised for BBC Children in Need since 2013

**£8.1m**



## Case study

## OUR COLLEAGUES IN ACTION

From sky-dives and hikes to runs and mountain challenges, determined team members from across the DFS Group push themselves every year to raise funds for the charities close to their hearts.



Read some of their stories and more about our charity partnerships on our website.



## RESPONSIBLE BUSINESS REPORT CONTINUED



# OUR ENVIRONMENT

We are determined to improve environmental impact across our supply chain and operations to help safeguard resources for future generations.

## OVERVIEW

We are committed to reducing our environmental impact across our supply chain and operations to safeguard resources for future generations.

## UN SDGS



**Goal 12 - Responsible consumption and production**  
→ Our product page 43



**Goal 13 - Climate Action**  
→ Path to net zero page 42



**Goal 15 - Life on Land**  
→ Our product page 43

## KEY ACTIVITIES

We have a set of clear ambitions with milestones every year. Our FY25 roadmap covered all aspects of the Sofa Cycle, with different stakeholders contributing to our success. Here are some of the highlights:

- 1 Net Zero and near-term emissions reduction targets approved by Science Based Targets initiative
- 2 Over 90% of our timber and leather comes from certified sources
- 3 Biodiversity assessments completed across key UK sites

Our ambition is to reduce our greenhouse gas ('GHG') emissions and reach net zero before 2050 – and ultimately become a business built around the circular economy.

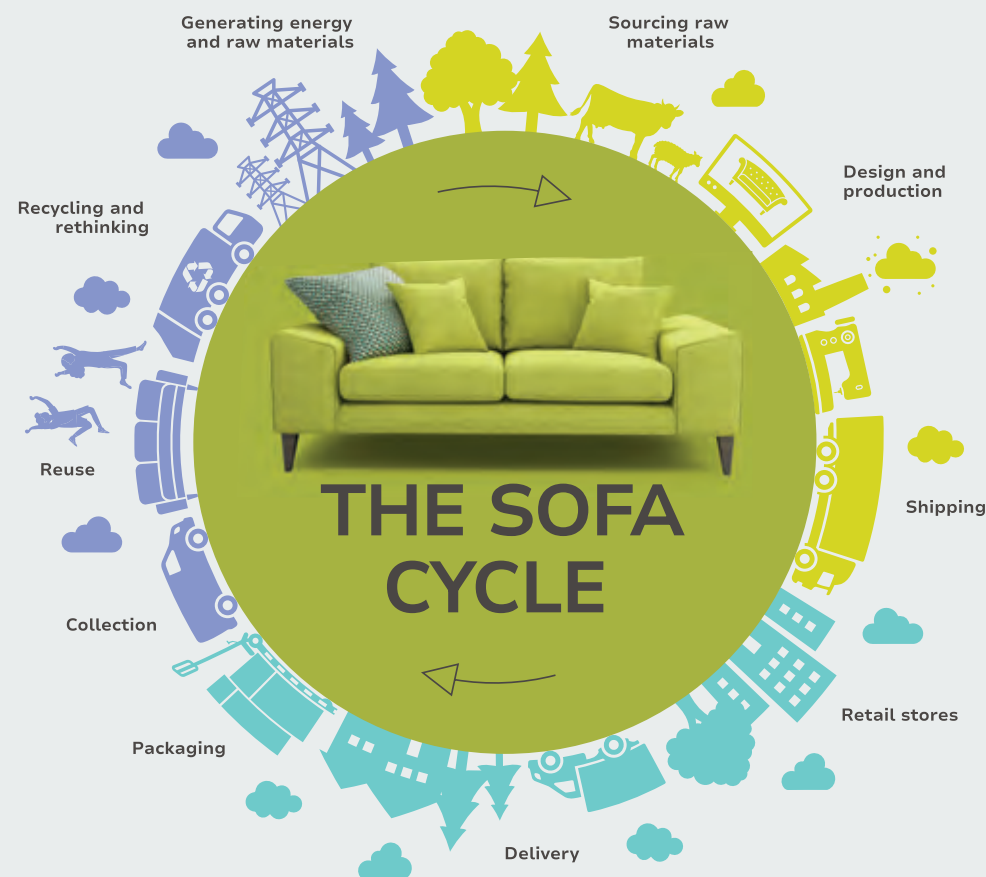
As we strive to make continued progress in these areas, we are guided by our Sofa Cycle framework.

## THE SOFA CYCLE

Launched in 2020, The Sofa Cycle is our framework for assessing the impact of every part of our operations and value chain – from material extraction and responsible sourcing to the end of life of our products. It highlights how each stage of the product lifecycle is interconnected, starting with the raw materials we choose. Because materials have the biggest impact on both our carbon footprint and biodiversity, reducing material use through a circular approach is critical to achieving our net zero goals.

To lower this impact, we design and manufacture our products for longer lifespans and repeated reuse. We are also working to improve other key areas, including low-carbon upstream transport, reducing operational emissions, and using minimal but effective packaging. End of life processes for upholstery remain an industry-wide challenge, especially for legacy products that may contain restricted substances (POPs).

The Sofa Cycle framework underlines the complexity of the net zero journey. Many elements of the product lifecycle need to evolve, but tackling them in isolation can sometimes increase the footprint. Building a truly connected and integrated approach takes time – but we are making progress.



## RESPONSIBLE BUSINESS REPORT CONTINUED

### OUR CIRCULARITY AMBITION

Circularity is built on the principle of using materials responsibly. That means extracting maximum value by reusing and recycling them, ultimately reducing overall consumption.

Our products are currently not engineered to enable such reuse over multiple lifecycles. We will only be able to transition to a circular approach by redesigning our furniture and changing how it is made, what it is made from, and how it is used.

This will not be quick or simple because it requires collaboration – and innovation – throughout the entire value chain. However, we are taking our first steps on this journey and will be building the infrastructure we need in the near future, engaging stakeholders along the way.

We welcome the establishment of the Circular Economy Taskforce to help the government to create a circularity strategy for England. We also support the Department for Environment, Food & Rural Affairs ('DEFRA's) engagement with industry to understand what is needed to deliver this ambitious plan.

### OUR NET ZERO STRATEGY VALIDATED

Setting clear targets based on climate science is fundamental to the achievement of our decarbonisation ambitions. Such is its importance that carbon reduction is a bonus target for our Executive Directors and Group Leadership Team.

→ See pages 80 and 81 for further information.

In November 2024, the Science Based Targets initiative ('SBTi') approved our net zero goal: to cut absolute Scope 1, 2 and 3 emissions by 90% before FY50, based on a 2023 baseline.

SBTi also validated our two near-term targets:

- to reduce our own absolute Scope 1 and 2 emissions by 54.6% by FY33; and
- to ensure that suppliers covering 73% of our Scope 3 emissions from purchased goods and services, and upstream transport, have developed and published their own science-based targets by FY28.



### IN THIS TOGETHER

Before we submitted our targets to SBTi, our In This Together engagement campaign aimed to make sure suppliers are involved in our Net Zero journey by setting science-based targets of their own.

We asked them to sign a letter committing to the FY28 goal and sought their buy-in to cover 20% of our Scope 3 emissions. However, we surpassed this by achieving support for 59%.

Using resources including SME Climate Hub, we have since been working one to one with suppliers to help them with carbon accounting and explore what a path to net zero would look like for them. Everyone is different, as is their appetite and ability to make changes, but we are committed to partnering with them all to drive progress.

Last year only a handful of our manufacturing partners had calculated their Scope 1 and 2 carbon footprints. However, by June 2025 this had increased to more than 41%. Over 35% had calculated their Scope 3 emissions.

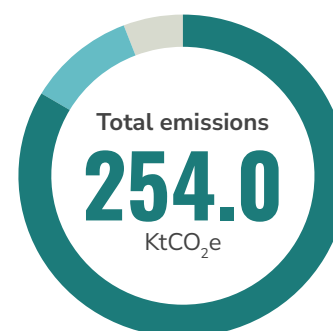
### Scope 3 emissions\*

	Absolute emissions (KtCO <sub>2</sub> e)							
	FY25	FY24	% Increase/ (decrease)	FY23	FY22	FY21	FY20	FY19
3.01 – Purchased goods and services	212.4	158.2	34.3	219.2	321.1	309.2	215.8	284.8
3.02 – Capital goods	1.3	2.2	(42.1)	3.6	17.4	15.1	10.3	8.2
3.03 – Fuel and energy-related activities	4.7	4.8	(2.1)	5.2	4	4.2	4	3.9
3.04 – Upstream transportation and distribution	27.1	28.3	(4.3)	35.4	74.6	58.5	33.2	36.7
3.05 – Waste generated in operation	0.2	0.3	(22.4)	0.3	1.4	1.3	0.9	1.3
3.06 – Business travel	1.1	0.7	54.3	0.5	1.2	0.8	1.3	1.3
3.07 – Employee commuting*	3.4	3.5	(2.0)	3.7	4.7	4.1	4.5	5.4
3.08 – Upstream leased assets	—	—	—	0.6	4	3.2	3.1	2.5
3.11 – Use of sold products*	0.3	0.3	(8.7)	0.3	0.6	0.7	0.5	0.7
3.12 – End of life treatment of sold products	3.5	3.1	11.0	5.2	10.2	9.7	7.1	9
<b>Total scope 3 emission</b>	<b>254.0</b>	<b>201.4</b>	<b>26.1</b>	<b>274.0</b>	<b>439.2</b>	<b>406.8</b>	<b>280.7</b>	<b>353.8</b>

\* Where data is shared by supplier partners, which is difficult to verify, it is reported in good faith. All information provided represents end-of-financial-year (FY25) figures unless otherwise stated.

The SBTi calculation methodology excludes aspects of certain sub-categories (3.06, 3.07 and 3.11). These are excluded from the table above and prior periods have been restated. The methodology applied is set out in the Basis for Reporting. FY23 onwards uses a spend-based calculation methodology for 3.01 to align to SBTi requirements. Emission prior to FY23 used an activity approach where possible for 3.01.

### 2025 Scope 3 emissions by category – % of Scope 3 emissions



	KtCO <sub>2</sub> e	%
■ 3.01 – Purchased goods and services	212.4	84%
■ 3.04 – Upstream transportation and distribution	27.1	11%
■ All other categories	14.5	6%
<b>Total Scope 3 emissions</b>	<b>254.0</b>	

Scope 3.01 increased by 34% in FY25 due to the increased sales volume, but additionally, the inclusion of more detailed spend analysis of materials within our own manufacturing. Materials such as foam, fibre and polyester fabrics have a higher emission factor than generic household furniture, which we use for the majority of purchase goods for sale.

Spend-based calculations are used to ensure the veracity and auditable data, but we recognise that the emission factors do not accurately reflect the true impact of our spend. Verified activity data is the ideal and we plan to move to this methodology in future.

The increased sales volumes, especially in motion furniture ranges, are also reflected in Scope 3.12 end of life emissions.

Our capital goods emissions (3.02) reduced significantly due to the cost reduction programme, while business travel (3.06) has increased significantly, driven by a rise in employee flights related to supplier engagement activities, including product development and supplier quality audits.

## RESPONSIBLE BUSINESS REPORT CONTINUED



In addition to working with our suppliers to reduce their carbon emissions, which in turn reduces our own, they are on a journey with us to create more sustainable products and utilise materials more sustainably. We also expect them to act ethically and protect human rights at all times.

### OUR APPROACH

Our Sustainable Sourcing Policy sets out seven high-level principles for suppliers to follow, underpinning both the minimum standards we expect them to meet and our approach. It applies to our entire supply chain globally and covers:

- the requirement for suppliers to act ethically;
- protecting human rights;
- supporting our suppliers and partners;
- delivering value to our customers and shareholders;
- taking responsibility for our impact on the environment;
- being fair and transparent with suppliers, including how information is used; and
- championing sustainable innovation in our industry.

We regularly update the Sustainable Sourcing Policy and work closely with our Commercial and Quality teams to support suppliers on their journey. A copy of the Policy is available on our website.

→ For further information about our approach to human rights in the supply chain, see Sustainable Governance on page 46

### SUPPLIER OPERATIONS

We have several targets for our value chain, focusing on the environmental impacts of the raw materials we use and their processing. We set dates by which we ask suppliers to meet these targets and, as the dates expire, our requirements move from ambition to expectation. This approach provides fair warning, leaving them sufficient time to consult and adapt.

All our timber and leather value chains are audited and risk assessed by our partner Track Record Global.

#### Timber

**Requirement:** Forest Stewardship Council (FSC®)\* and Programme for the Endorsement of Forest Certification (PEFC)\*\* accreditation to ensure timber is sourced from responsibly managed forests.

**Target:** FSC and PEFC-certified timber used in all products by December 2025.

**FY25 progress:** 93%.

\* DFS Furniture PLC incorporating DFS Trading Ltd T/A DFS and Sofology Ltd T/A Sofology  
FSC® License holder FSC-C192921  
\*\* PEFC/16-44-2518

#### Leather

**Requirement:** Leather Working Group (LWG) certification for all tanneries and curers to ensure they follow best practice in water and chemical management.

**Target:** Leather used in upholstery sourced from LWG-certified supply chains by December 2024.

**FY25 progress:** Achieved.

### Making progress

We conduct an annual impact assessment with our manufacturing partners to see how they are improving environmental and responsible sourcing standards in their own operations. The number of companies implementing an environmental management system has more than doubled in the last 12 months, ensuring they better understand their waste, water, and energy

#### Textiles

**Requirement:** Textile mills with OEKO-TEX STeP certification so that we know they have responsible environmental management systems and ethical labour practices in place. The Global Recycled Standard (GRS) or equivalent, as we also strive for recycled material to be used in new textiles.

**Target:** 20% of all new textiles contain recycled content by June 2027.

**FY25 progress:** 4%.

#### Packaging

**Requirement:** The Global Recycled Standard (GRS) or equivalent, given that single-use plastic is an important issue for the environment and our stakeholders.

**Target:** 50% of all plastic packaging contains 50% recycled content by June 2026.

**FY25 progress:** 14%.

consumption. More than half now have the internationally recognised ISO 14001 certification.



See our website for more information about our approach to raw materials and sustainable sourcing.  
[dfscorporate.co.uk](https://dfscorporate.co.uk).



### BIODIVERSITY

With biodiversity loss an increasingly important issue, it is essential that we understand how our operations and value chain both impact and rely upon the natural world. Our work to address this is underway and we have honed our focus to make sure we have a meaningful impact.

We began by using the WWF Biodiversity Risk Filter, mapping our timber and leather supply chains to forests and farms respectively. However, the geographic spread and nature of their impact is so diverse that meaningfully tackling this at scale is challenging. That said, we shared the insights gathered with our key suppliers to enable the right conversations in their own value chains.

For now, we are focused on where we can make a direct impact: at our own sites in the UK. We have commissioned assessments from biodiversity specialists covering ten of our locations, and we are looking for opportunities to support biodiversity net gain through rewilding and habitat creation.

Moving forward, we intend to use the Taskforce on Nature-related Financial Disclosures ('TNFD') framework to enable comparable reporting and identify and report material financial risks associated with natural resources in our value chain.



## RESPONSIBLE BUSINESS REPORT CONTINUED



Compared to our wider value chain, the environmental impact of our operations is relatively small, but we are taking steps to minimise it as much as possible.

This year, we again secured ISO 14001 accreditation for the Group – the internationally recognised standard that provides a framework for organisations to improve environmental performance.

Despite this achievement, we have continued to face challenges, such as heating large distribution centres and providing low-carbon HGVs when few solutions are available. However, we are trialling new technology where we can.

Understanding the impact of our operations is essential to ensuring the initiatives we deploy are effective. So is improving accuracy when we monitor our use of energy, fuel and water.

## ACHIEVING NET ZERO IN OUR OPERATIONS

Our climate goals approved by the Science Based Targets initiative ('SBTi') in November 2024 include:

- reducing absolute Scope 1 and 2 emissions by 90% before FY50, with only the last 10% being offset or removed; and
- a near-term target to reduce absolute Scope 1 and 2 emissions by 54.6% by FY33.

Both these targets are compared to our FY23 baseline. To help us achieve them, we are focusing on moving to electric heating in our stores, warehouses and factories; decarbonising our vehicle fleet; and improving the energy efficiency and maintenance of our sites and vehicles.

## FY25 PROGRESS

Over the past four years, we've switched our company car scheme to hybrid and electric vehicles only, fully replacing all petrol and diesel cars. We've also introduced hybrid and electric vans for our service managers. To help more colleagues make the switch to electric, we've launched a salary sacrifice leasing scheme and are installing more EV charging points across our sites – for our teams, visitors, and even the local community.

To reduce fuel consumption, we have continued to see the positive impact of postcode integration and geo-fencing in our logistics planning, which creates more efficient routes for our delivery teams.

Another priority is the continued implementation of our sites' decarbonisation strategy, linking it to store acquisitions and refits, and including installing better insulation and energy efficient lighting. As a result of our trading peaks, and the most viable time to implement these changes this has meant that much of the energy saving we achieved in FY25 occurred after the winter peak.

In two of our distribution centres, which are large and hard to keep warm, we have undertaken an infrared panel heating trial to 'heat the humans', rather than the cavernous space around them. This trial will continue throughout FY26.

### Case study

## ON THE ROAD TO NET ZERO

DFS Group is accelerating its journey to net zero by replacing all company cars and service manager vans with electric vehicles, expanding EV charging infrastructure, and optimising fleet efficiency.



Visit our website to read more about how we are decarbonising our vehicle fleet.

## Scope 1 and 2 emissions in tCO<sub>2</sub>e by region

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

Scope 1 and 2 have been externally assured by DNV Business Assurance UK Services Ltd <https://www.dfs corporate.co.uk/responsible-business/our-environment/sustainable-governance/>

	Absolute emissions (tCO <sub>2</sub> e)							
	FY25 UK	FY25 Rest of world (ROI)	Total FY25 (tCO <sub>2</sub> e)	FY24	% increase/ (decrease)	FY23	FY22	FY21
Scope 1 emissions	13,469	544	14,013	14,441	(3.0)	15,297	16,215	18,058
Scope 2 emissions								
Market based	61	—	61	64	(4.7)	104	223	1,697
Location based	4,709	139	4,848	5,529	(12.3)	5,684	5,828	5,797
Total Scope 1 and 2 market based	13,530	544	14,074	14,505	(3.0)	15,401	16,438	19,755

	Emission intensity (tCO <sub>2</sub> e/£m gross sales)							
	FY25	FY24	% increase/ (decrease)	FY23	FY22	FY21	FY20	FY19
Scope 1 emissions	10.1	11.0	(9.1)	10.7	11.0	13.3	18.6	14.5
Scope 2 emissions								
Market based	0.04	0.05	(9.12)	0.07	0.2	1.2	5.6	5.3
Location based	3.5	4.2	(9.17)	4.0	4.0	4.3	5.6	5.3
Gross sales (£m)	1,388.3	1,311.8		1,423.6	1,474.6	1,359.4	935.0	1,165.0

## Energy consumption in MWh - by region

	UK		Rest of the world (ROI)		Total FY25 MWh		Rest of the world (ROI)		% increase/ (decrease)	
	UK	Rest of the world (ROI)	UK	Rest of the world (ROI)	UK	Rest of the world (ROI)	UK	Rest of the world (ROI)	FY24	FY23
<b>Scope 1</b>										
Heating	19,225.86	420.24	19,646.10	17,013.42	415.09	17,428.51	12.72			
Transport fuels	36,709.59	1,768.81	38,478.40	40,490.21	1,373.56	41,863.77	(8.09)			
<b>Scope 2</b>										
Purchased electricity	26,605.48	563.98	27,169.46	26,091.43	600.61	26,692.04	1.79			
Total energy consumption	82,540.93	2,753.03	85,293.96	83,595.06	2,389.26	85,984.32	(0.80)			

## RESPONSIBLE BUSINESS REPORT CONTINUED

### ACHIEVING NET ZERO IN OUR OPERATIONS CONTINUED

#### Scope 1 and 2 emissions

##### 2025



##### 2024



##### 2023



##### 2022



##### 2021



##### 2020



##### 2019



■ Direct emissions - Scope 1  
■ Indirect emissions - Scope 2

In FY25 we saw a small increase in gas consumption across a handful of sites due to adjustments for sporadic meter readings. In FY26 all locations will have fully automated meters to ensure real-time reporting. The reductions in mobile emissions are the continued result of efficiency initiatives, such as driver training, geo-fencing and postcode integration, coupled with wider adoption of EVs for company cars.

We recognise that our electricity consumption will increase as we move from gas heating to Heating, Ventilation and Air Conditioning ('HVAC') systems. In FY26, we are therefore investigating energy reduction initiatives, such as site monitoring and solar and battery solutions.

#### Water

Our operations do not contribute significantly to the Group's water use, but we recognise that freshwater is finite and good governance is essential and expected of us.

In FY25, our total water consumption was an estimated 67,352,000 litres.

To minimise water use in our direct operations, we are focusing on:

- using technology to continually monitor and assess our consumption;
- improving monitoring and setting reduction targets when we have a sufficiently robust baseline; and
- encouraging a water-saving mindset among colleagues to drive behaviour change.



More information about the data sources and methodology used in ARA FY25 is available in the Basis for Reporting document on our website.



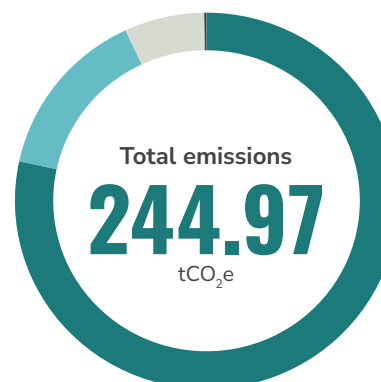
**Evolving the DFS Group to become a business built around the circular economy is key to our net zero strategy.**

We know this will require new commercial and product models to:

- prolong the life of our furniture and ensure it is returned to us for refresh, repair and resale; and
- reduce our use of raw materials, extract maximum value from them, and enable their reuse, repurposing and recycling.

Making this transition is a mammoth task, so we are tackling it stage by stage, making sure that each step is operationally and commercially viable before moving ahead. Some of these steps may seem small, but they are culturally important and lay the foundations of the infrastructure we will need in the future.

#### Emissions (tCO<sub>2</sub>e by waste outcome)



### WASTE

Addressing our use of resources and waste is also critical to building a circular DFS. In FY25, our total waste was 9,543 tonnes, 5,544 tonnes of which were recycled and 3,535 tonnes were converted to energy.

Most of our waste is product packaging which, to assist our customers, is removed from customers' homes at the point of delivery and responsibly recycled by our waste partner.

At The Sofa Delivery Company, we are developing a new waste management programme to reduce landfill waste. The first phase of this initiative – to make sure every site has the right infrastructure to support different types of waste – is now complete. Next, we will focus on engaging colleagues to ensure better compliance.

Working with external partners, we have also established a new Company-wide Waste & Packaging Working Group to look at the key drivers of waste, devise circular systems, and reduce the amount of material we use where possible.

#### Total waste

# 9,543 tonnes

## RESPONSIBLE BUSINESS REPORT CONTINUED

# SUSTAINABLE GOVERNANCE

We are committed to conducting all our business honestly, ethically and sustainably. That means acting professionally, fairly and with integrity in all our dealings and relationships.

## CLIMATE-RELATED RISKS AND OPPORTUNITIES

The Board recognises that addressing climate change is critical to the Group's long-term success.

→ For information about our climate-related risks and opportunities – and their governance – see our TCFD disclosure on pages 47 to 52

The Responsible and Sustainable Business Committee ('RSC') is a committee of the Board and meets at least three times a year to:

- review and assess the Group's sustainability strategy and performance against it;
- review and approve policies related to our focus areas: Our People and Communities, and Our Planet; and
- ensure we meet our governance obligations, achieving the required legal, compliance, regulatory, ethical and reporting standards across the Group.

→ The RSC's terms of reference are available at [dfscorporate.co.uk](https://dfscorporate.co.uk)

The ESG Committee meets six times a year and reports to both the Group Leadership Team and the RSC. Its responsibilities include updating the RSC on sustainability developments, as well as driving the overall strategy of the business.

Our Steering Committees and Colleague Networks ensure we unite like-minded people to champion issues and help us to build on our inclusive Group culture. The Steering Committees involve key people, including the CEO and department heads, who help to shape our strategy and impact.

## MATERIALITY

In 2024, we refreshed our 2021 materiality assessment, which informs our sustainability strategy and initiatives.

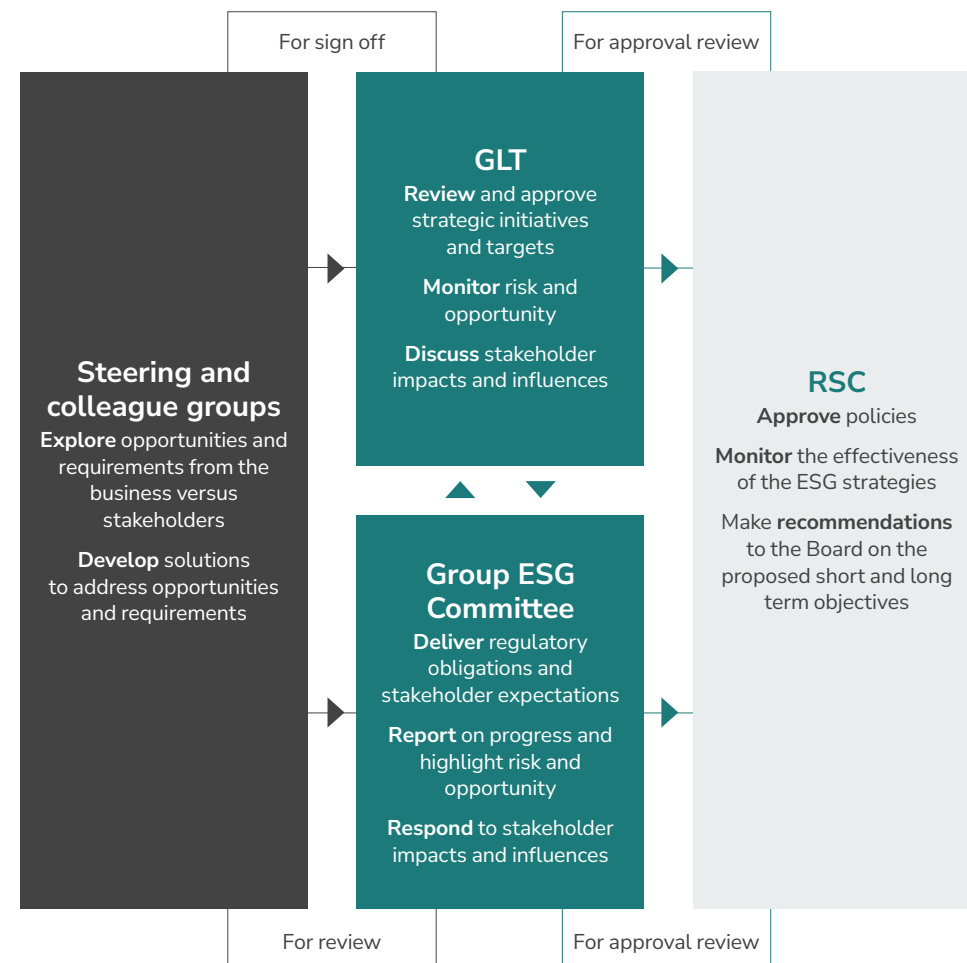


Further information is available in the Materiality Disclosure on our website.

## GOVERNANCE FRAMEWORK

We have a clear governance framework in place to monitor our performance in this area and ensure we identify and address sustainability issues effectively.

→ See our full Corporate Governance Framework on page 58



Visit our website for the RSC Terms of Reference.



## TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

## TCFD

With the impact of climate change being felt around the world, we are committed to building a more sustainable business that limits our impact on the environment and ensures our long-term success.

## SUMMARY

## OUR PROGRESS IN FY25

- 1 Achieved verification of near-term and net zero targets from SBTi
- 2 Engaged the value chain in calculating their own carbon emissions
- 3 Created our first Lifecycle Assessment of our own manufactured product to support net zero strategy
- 4 Reviewed the property risk assessment approach
- 5 Conducted impact assessments across the operational property portfolio

## AREAS OF FOCUS IN FY26

- 1 Establish more automated sustainability data collection
- 2 Continue to work with the value chain on carbon reduction planning
- 3 Update scenario analysis aligned to ISSB standards with additional focus on the value chain

In this year's disclosures, we have complied with the FCA's UKLR 6.6.6R (8). Our climate-related financial disclosures are considered to be consistent with the TCFD's recommendations and recommended disclosures.

Climate-related risks and opportunities continuously evolve, as do those associated with the transition to a lower-carbon economy. Managing them all effectively is therefore fundamental to our sustainability approach.

The purpose of this TCFD disclosure is to detail the climate-related risks and opportunities we face, as well as the financial impact they might have on our Company. It also outlines our responses to ensure we mitigate these risks and embrace the opportunities.

Monitoring, assessment and reporting continue to advance, along with the pressing nature of climate change issues. We note the integration of the TCFD framework into the International Sustainability Standards Board's ('ISSB') Financial Reporting Standards S1 and S2.

We are currently working on enhanced data gathering and gap analysis, and intend to report in alignment with the new framework and upcoming UK SRS in future.

## OUR APPROACH

## SCENARIOS

We conducted a scenario analysis in FY23 with support from Willis Towers Watson, incorporating geographic aspects of our value chain for manufacturing and core materials to enhance financial considerations. We plan to conduct a new scenario analysis in early 2026 to ensure our risk analysis reflects the most up-to-date climate scenarios and informs our mitigation strategy.

## Low-carbon world scenario (1.5°C)

A low-carbon scenario assumes the implementation of policies and technologies that support circular economies, material efficiency strategies, and the promotion of alternative fuels and technologies within a reasonable timeframe to limit global warming to below 1.5°C. As a result, global net zero CO<sub>2</sub> emissions are expected to be achieved around 2050.

## Hot-house world scenario (4°C)

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

The following sources informed the assumptions in the scenario analysis:

- **Intergovernmental Panel on Climate Change ('IPCC')** – Shared Pathways ('SSP') scenarios of projected global changes are used to derive greenhouse gas (GHG) emission scenarios associated with different worlds and forecasts on physical climate implications of GHG concentrations.
- **International Energy Agency ('IEA') scenarios** – focus on the consequences of different energy policies and investment choices. The net zero 2050 scenario (1.5°C) explores what is needed to ensure global emissions reach net zero by 2050.
- **Network for Greening the Financial System ('NGFS') scenarios** – explore different assumptions for how climate policy, emissions, and temperatures evolve. The net zero 2050 scenario limits global warming to 1.5°C through stringent climate policies and innovation, reaching global net zero CO<sub>2</sub> emissions around 2050. The NGFS also considers various scenarios, adding two additional scenarios in 2023: the fragmented scenario, which considers divergent geopolitical approaches to climate change and the low demand scenario, in which enforceable legislative requirements are coupled with stringent carbon prices.

## TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES CONTINUED

## OUR APPROACH CONTINUED

## NET ZERO STRATEGY

Our Sofa Cycle Framework underpins our net zero ambition and will be delivered by evolving the business to a circular model. We aim to achieve this by mitigating the environmental impact of each aspect of the product life cycle - from sustainable sourcing to end of life - by engaging our entire value chain in the journey.

→ See page 41 for more details

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

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

## RISK MANAGEMENT

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

Our materiality assessment in FY24 also considered the importance and impact of various contributing factors to climate change including carbon emissions, water scarcity, air pollution and resource use.

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

## RISK MANAGEMENT FRAMEWORK

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

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

→ See page 52 for a detailed process on managing climate-related risks, including how the decisions to mitigate, transfer, accept, or control the risks are taken

## METRICS AND TARGETS

The scenario analysis helped us identify several metrics used to monitor our climate risks, as described in Table 1 (column: Indicators). We continuously quantify and measure these metrics internally.

## GREENHOUSE GAS METRICS

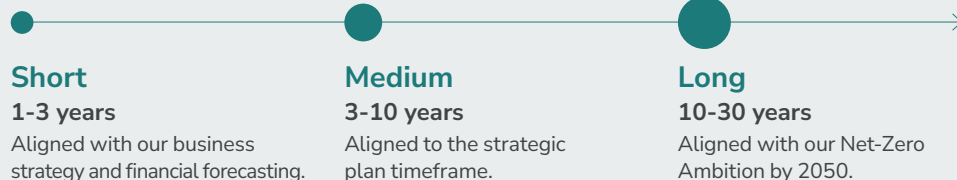
Addressing our carbon footprint and modelling best practice for our value chain is a priority for the Group. The Scope 1 carbon reduction target was considered a performance metric and part of the bonus structure. See Directors' Remuneration Report pages 80 and 81 for details. Our Scope 1 and 2 intensity metrics are externally assured – see page 44.

Please note that we are reporting our Scope 3 calculations to the SBTi framework, which varies slightly from the GHG standard. The exclusions are listed below and the full methodology is detailed in our Basis of Reporting at [www.dfscorporate.co.uk/media/xxdbqi4j/basis-for-reporting-fy25.pdf](http://www.dfscorporate.co.uk/media/xxdbqi4j/basis-for-reporting-fy25.pdf). We use spend-based calculations to ensure consistency with our industry and suppliers as well as using verified data which a third party audits.

→ See page 42 for further details

## TIMEFRAMES

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



Through this exercise, we identified ten material climate risks and opportunities. Table 1 on pages 48 to 51 summarises the transition risks and opportunities.



## TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES CONTINUED

## Risk type:



Policy and legal



Technology



Market



Reputation



Physical

## Scenarios:



Transition risks – 1.5°C



Physical risks – 4°C

## Risk rating:



High



Medium



Low

**Table 1: Summary of our climate risks and opportunities****Short-term risks and opportunities****Risks****MANDATES AND REGULATIONS ON OUR PRODUCTS****Risk type****Risk rating****Indicator**

Production cost and taxes

**Risk/opportunity**

Regulatory pressure is applied to the materials used in the manufacturing of our products, leading to increasing production and operational costs.

This includes the infrastructure for due diligence such as EUDR and taxes for packaging EPR as well as the possibility of introducing broader product design and disclosure requirements, carbon footprint labelling, plastic taxes or bans on single-use plastics.

**Our response**

Our Sustainable Sourcing Policy is regularly reviewed to ensure compliance with regulatory requirements. Furthermore, we set clear ambitions for our suppliers to continually improve upon the requirements to stay ahead of legislative changes such as increasing the volume of recycled content textiles and reviewing our packaging to minimise single-use plastics.

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

**CARBON PRICING****Risk type****Risk rating****Indicator**

Direct operating cost

**Risk/opportunity**

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

**Our response**

We continue to monitor developments in this area.

**CLIMATE CHANGE LITIGATION****Risk type****Risk rating****Indicator**

Compliance cost/non-direct operating cost  
Brand value

**Risk/opportunity**

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

**Our response**

We continuously monitor and refresh senior leadership's knowledge of the legislative landscape to ensure compliance with the relevant disclosure requirements. We are aware that the sustainability reporting landscape and disclosure requirements and expectations for each stakeholder group are maturing.

**BUILDING CODE REQUIREMENTS****Risk type****Risk rating****Indicator**

Maintenance cost/CAPEX/OPEX

**Risk/opportunity**

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

**Our response**

The majority of our tenancy agreements will be reviewed prior to the 2030 deadline, ensuring we have the opportunity to factor compliance and opportunity costs into our financial planning. Our store decarbonisation budget has been transitioned from an OPEX cost to a planned CAPEX cost, integrated with other energy-saving opportunities during store refits.

## TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES CONTINUED

Risk type:

P Policy and legal
 T Technology
 M Market
 R Reputation
 Ph Physical

Scenarios:

→ Transition risks – 1.5°C
 ⚙️ Physical risks – 4°C

Risk rating:

⦿ High
 ⦿ Medium
 ● Low

**Table 1: Summary of our climate risks and opportunities continued**

Short-term risks and opportunities continued

Risks continued

**INVESTMENT RISK**

Risk type Risk rating

R →

⦿

**Indicator**

Cost of capital

**Risk/opportunity**

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

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

**Our response**

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

The targets we set are challenging objectives and frequently rely on availability of capital or strong supplier engagement - neither of which are guaranteed.

Medium to long-term risks and opportunities

Risks

**TRANSITION TO LOWER EMISSION TECHNOLOGY AND MAINTAINING A CIRCULAR SYSTEM**

Risk type Risk rating

T →

⦿

**Indicator**

CAPEX to increase energy efficiency  
CAPEX to increase recycling capability.  
CAPEX/OPEX for transitioning to an electric vehicle fleet.

**Risk/opportunity**

Innovation, especially in technology, will be essential to achieving our net zero ambition.

The technology transition costs could include:

- energy infrastructure across our estate
- switching our logistics fleet to low-emission vehicles
- investing in technology to improve the lifecycle of products

**Our response**

We have developed integrated strategic planning to ensure the introduction of low carbon technology within our property, manufacturing and logistics aligned to our net zero trajectory. This includes the anticipated replacement cycles for legacy infrastructure and lifecycles of vehicles and projected costs are built into our budget. We have undertaken research with universities to explore new design and manufacturing approaches and continue to engage with our suppliers on product innovation.

**INCREASED COST OF RAW MATERIALS AND PRODUCTS**

Risk type Risk rating

M →

⦿

**Indicator**

Production cost

**Risk/opportunity**

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

**Our response**

Phased and adapted pricing and margin structure to accommodate cost changes. Supporting suppliers on their own carbon reduction journey will also help them mitigate potential impacts such as carbon pricing as well as driving operational efficiencies.

**SHIFT IN CUSTOMER/ CONSUMER VALUE**

Risk type Risk rating

M →

●

**Indicator**

Revenue

**Risk/opportunity**

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

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

**Our response**

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

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

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



## TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES CONTINUED

Risk type:



Policy and legal



Technology



Market



Reputation



Physical

Scenarios:



Transition risks – 1.5°C



Physical risks – 4°C

Risk rating:



High



Medium



Low

**Table 1: Summary of our climate risks and opportunities continued**

Medium to long-term risks and opportunities continued

Risks continued

**COST OF CAPITAL**

Risk type



Risk rating

**Indicator**

Cost of capital

**Risk/opportunity**

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

**Our response**

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

**PHYSICAL RISK**

Risk type



Risk rating

**Indicator**

Asset value located in an area of material climate hazard intensity.

**Risk/opportunity**

Damage or loss of value to our facilities due to climate hazards.

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

**Our response**

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

**SUPPLY CHAIN**

Risk type



Risk rating

**Indicator**

% of supply from supplier facilities that are in high-risk areas.

**Risk/opportunity**

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

**Our response**

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

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



## TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES CONTINUED

## GOVERNANCE OF CLIMATE RISKS AND OPPORTUNITIES

The Board recognises that addressing climate change is critical to the Group's long-term success and has overall responsibility for monitoring its progress towards climate-related goals and targets.

It has delegated responsibility to the Responsible and Sustainable Business Committee ('RSC'), which meets at least three times a year.

→ For further information about the RSC, including its terms of reference, see page 46

Climate-related risk is monitored by the Audit and Risk Committee ('ARC') and Board through regular meetings. The ARC also provides assurance on non-financial metrics. In FY25, the business conducted an internal review of environmental data control systems.

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

Management is informed about climate-related matters:

- internally, through regular updates from the ESG Committee and the Sustainability team. They ensure governance – including risk management, strategy and implementation – is raised, along with any financial implications;
- externally through input from expert advisers and groups, to ensure our sustainability strategy is relevant and aligns with continually changing reporting and regulatory requirements; and
- externally, through collaboration with industry bodies and non-profit organisations, such as FSC, Leather Working Group, FIRA, BFC, Furniture Makers Company and others, to advocate for circularity, deforestation, and decarbonisation across industry.

## LOOKING AHEAD

As climate-related considerations become more central to the Group, we expect them to become 'business as usual' in our strategy and financial planning. We are continuing to develop our policies and commercial solutions to ensure our business remains resilient in the face of climate-related challenges, and can capitalise on the opportunities highlighted. Investments needed to transition and manage potential impacts will continue to be integrated in financial planning going forward.

## SUPPORTING DATA

## SUSTAINABILITY GOVERNANCE

## TCFD consistency index

Pillar	Recommended disclosures	Location within this report
<b>Governance</b>	(a) Board oversight of climate-related risks and opportunities	Page 46
	(b) Role of management in assessing and managing climate-related risks and opportunities	Page 52
<b>Strategy</b>	(a) Climate-related risks and opportunities	Page 47 to 51
	(b) Impact on the organisation's business, strategy and financial planning	Page 47 to 51
	(c) Resilience of strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Page 47
<b>Risk Management</b>	(a) Processes for identifying and assessing climate-related risks	Page 32 and 48
	(b) Risk management process	Page 32 and 48
	(c) Integration into overall risk management	Page 32 and 48
<b>Metrics and Targets</b>	(a) Metrics used to assess climate-related risks and opportunities in line with our strategy and risk management process	Page 42, 44 and 48
	(b) Scope 1, Scope 2, and, Scope 3 greenhouse gas ('GHG') emissions	Page 42 and 44 See <a href="http://www.dfscorporate.co.uk">www.dfscorporate.co.uk</a> for our Basis of Reporting
	(c) Targets used to manage climate-related risks, opportunities and performance	Page 41, 42 and 48

## VIABILITY REPORTING

In accordance with the UK Corporate Governance Code, the Directors have assessed the prospects of the Group over a period significantly longer than 12 months from the date of approval of the financial statements. The period assessed was the three years from 29 June 2025 as, in the opinion of the Directors, this reflects the longest period over which the impact of key risks can be reasonably assessed within a big-ticket retail business given the potential volatility of the trading environment.

### APPROACH

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

The Directors then made a robust consideration of the key risks and uncertainties that could impact the future performance of the Group and the achievement of its strategic objectives, as discussed on pages 28 to 33 of this Annual Report.

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

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

### KEY ASSUMPTIONS

The base case forecast assumes low single digit growth throughout the assessment period. The base case also reflects a cautious assessment of the anticipated growth in the Group's market share driven by delivery of our strategic initiatives. Revenue is assumed in line with order intake, keeping order book levels relatively consistent across the assessment period.

Gross margin percentage for FY26 is expected to be 0.5% ahead of FY25 through more effective sourcing and the annualised impact of price increases and freight rate reductions already implemented. Other costs reflect anticipated inflationary increases and benefits from specific cost saving initiatives. Capital expenditure is assumed to increase to c.£27m with planned investments and strategic initiatives.

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

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

### RESULTS

The range of severe but plausible scenarios includes a market decline of up to 7% in FY26 compared to the base case, and a sustained reduction in gross margin.

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

In September 2024 the Group agreed a precautionary widening of covenants with its lenders, which provided additional headroom in the event of unanticipated downside scenarios that resulted in a decline in market volumes and lower EBITDA. The amended fixed charge cover covenant is 1.4x at H1 FY26, before returning to 1.5x at FY26.

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

This Strategic Report was approved by the Board on 25 September 2025.

On behalf of the Board

**Tim Stacey**  
Chief Executive Officer

**Marie Wall**  
Interim Chief Financial Officer

# CORPORATE GOVERNANCE

“Robust corporate governance is essential to deliver the right outcomes.”

## In this section

- 55 Chair's introduction to governance
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- 93 Independent auditor's report

**Steve Johnson**  
Chair of the Board

→ Read Steve's profile  
on page 56





## CHAIR'S INTRODUCTION TO GOVERNANCE

Welcome to the Governance section of our 2025 Annual Report.

### BOARD ACTIVITIES DURING 2025

- Assessing the long term financial planning, budgeting and the operating performance and strategy of the Group, in the context of global uncertainty and low consumer confidence
- Evaluating strategic developments
- Overseeing stakeholder communications
- Reviewing our approach to capital allocation and distribution of funds in light of the ongoing economic challenges
- Overseeing a variation to the Group's financing arrangements
- Succession planning for the Board and Executive team
- The development of a new induction programme for Executive and Non-Executive Directors

On behalf of the Board I am pleased to present the Corporate Governance report for the year ended 29 June 2025. This report describes the governance framework in place to ensure that the Board is operating effectively and supporting and challenging management to maintain high standards of corporate governance across the Group. Robust corporate governance is essential to deliver the right outcomes for our customers, colleagues, suppliers, the communities in which we operate and our shareholders.

In a rapidly changing global and economic environment, our governance framework enables the Board to take an agile approach to decision making to protect the Group and create long-term sustainable value for the benefit of our shareholders and wider stakeholder groups.

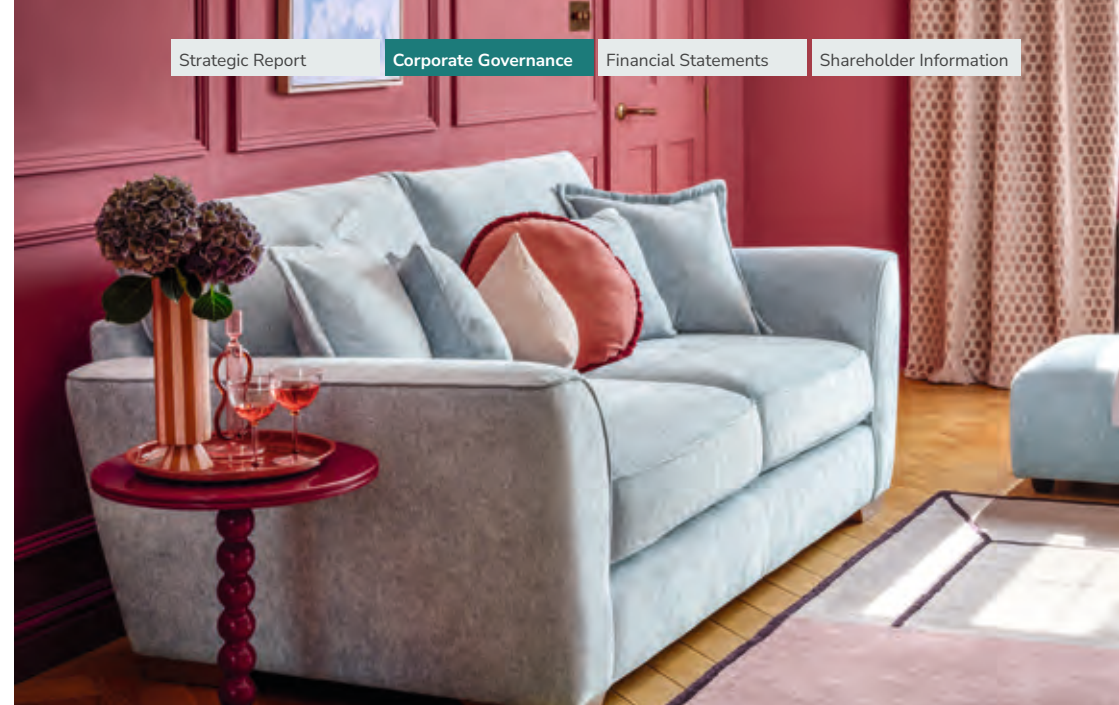
### OUR BOARD IN 2025

Having an effective and collegiate Board is vital for the future of DFS Group to deliver its growth strategy, provide support and challenge to the Group Leadership Team ('GLT'), and maintain proper governance practices. During the year we welcomed Bruce Marsh and Tony Buffin to the Board as new independent Non-Executive Directors and Marie Wall as Interim Chief Financial Officer pending the completion of our search process to appoint a permanent CFO. These new Non-Executive Directors complement our existing skill set and bring a wealth of strategic, operational, and financial experience to the Board. Bruce was subsequently appointed as Chair of the Audit and Risk Committee in anticipation of Jo Boyde stepping down at the AGM in 2025, and Tony has taken on the role of Designated Non-Executive Director.

→ Profiles for all our Directors can be found on pages 56 and 57

During the year, the Board spent time with the senior management on areas of key risk such as health and safety and cyber security and worked with senior management on Executive succession and talent. We undertook an internally led evaluation of the Board and its Committees. The evaluation, which incorporated a detailed assessment of the views of the Directors and the GLT, has provided the basis for the Board action plan.

→ More detail on this can be found on page 64 of this report



The shareholder consultation in respect of our Directors' Remuneration Policy has been another key stakeholder engagement during the year. Gill Barr led the consultation in her role as Remuneration Committee Chair. We were grateful for the overwhelming support of our shareholders, with the new Remuneration Policy and DFS Group Share Plan receiving an 89.68% vote in favour.

→ More information on how we engaged with shareholders is set out page 65

### OUR COMMITMENT TO GOOD GOVERNANCE

Throughout the financial year, the Board has been compliant with all provisions of the UK Corporate Governance Code 2018 ('the Code'). Details of how the Directors have fulfilled their duties in accordance with Section 172 of the Companies Act 2006 are contained in the Section 172 statement on pages 34 and 35. Over the coming year we will continue to comply with the provisions of the Code. The Board has already begun work to address the changes in the updated UK Corporate Governance Code 2024, with the restructuring of the Risk and Internal Controls teams.

### 2025 AGM

This year our AGM will be held on 14 November 2025 at 2.30pm at our Group Support Centre in Doncaster. The meeting arrangements and the resolutions can be found in the Notice of AGM available on our website: [www.dfscorporate.co.uk](http://www.dfscorporate.co.uk).

Finally, I want to thank my fellow Directors for all of their work in supporting the GLT and our strategy for the future. We are confident that despite the challenging economic environment we have the right long-term strategy in place, with strong operational control supported by a robust governance framework. We remain optimistic that as the economy recovers our strategy will enable us to take advantage of our market-leading position and deliver value for all of our stakeholders.

**Steve Johnson**  
Chair of the Board  
25 September 2025

## DIRECTORS AND OFFICERS

### Committee membership

(A) Audit and Risk Committee

(R) Remuneration Committee

(N) Nomination Committee

(S) Responsibility and Sustainable Business Committee

● Chair of Committee

### Chair and Executive Directors



#### STEVE JOHNSON

Non-Executive Chair

(R) (N)

#### Appointed

December 2018

#### Experience

Steve has over 30 years' experience in the retail sector, in both public and private equity businesses.

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

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

#### Qualifications

- BA (Engineering) MEng (University of Cambridge)

#### External appointments

No external appointments

#### Independent

Yes



#### TIM STACEY

Chief Executive Officer

#### Appointed

November 2018

#### Experience

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

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

#### Qualifications

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

#### External appointments

- Member of Diversity in Retail Advisory Board

#### Independent

Not applicable



#### MARIE WALL

Interim Chief Financial Officer

#### Appointed

January 2025

#### Experience

Marie joined the Group in 2024 and was appointed to the Board on 20 January 2025.

Marie is an experienced senior finance leader with an international career built in multinational listed retail, consumer, manufacturing and B2B businesses. She brings experience in all aspects of finance including business turnaround, strategic delivery, M&A, finance transformation, tax and treasury and international.

Prior to joining DFS she was Deputy CFO of Imperial Brands PLC, Non-Executive Director of Logista S.A. and before that Corporate Finance Director of Wolseley PLC and UK & Ireland CFO of Dixons PLC. She spent her early career in audit and advisory with PwC and banking and capital markets with JPMorgan Cazenove.

#### Qualifications

- BSc (Hons) Chemistry and Molecular Physics (Nottingham University)
- Member of the Institute of Chartered Accountants in England and Wales

#### External appointments

No external appointments

#### Independent

Not applicable



#### ALISON HUTCHINSON CBE

Senior Non-Executive Director

(A) (R) (N) (S)

#### Appointed

May 2018

#### Experience

Alison has a background in both digital and retail financial services and was previously Group CEO of Kensington Group PLC. As the CEO of The Pennies Foundation charity, Alison has worked closely with the retail industry to establish the fintech charity.

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

#### Qualifications

- BSc Technology and Business Studies (Strathclyde University)

#### External appointments

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

#### Independent

Yes



#### GILL BARR

Non-Executive Director

(A) (R) (N) (S)

#### Appointed

March 2023

#### Experience

Gill has a strong track record in building customer focused growth strategies across a wide range of sectors. A Non-Executive Director since 2004, Gill has served on the Boards of Morgan Sindall, Paypoint, Wincanton, N Brown and McCarthy & Stone and as a Trustee Director at Willis Towers Watson.

She is an experienced Remuneration Committee Chair and has served as Senior Independent Director and Customer Engagement Director.

Gill's earlier career was predominantly in multi site retailers such as Kingfisher PLC, the Co-operative Group and John Lewis.

#### Qualifications

- BSc Psychology (Aberdeen University)
- MBA London Business School

#### External appointments

- Non-Executive Director Bellway PLC

#### Independent

Yes



#### BRUCE MARSH

Non-Executive Director

(A) (R) (N) (S)

#### Appointed

August 2024

#### Experience

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

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

#### Qualifications

- BSc Operational Research (Lancaster University)
- Member of the Institute of Chartered Accountants in England and Wales

#### External appointments

- Chief Financial Officer of Currys PLC

#### Independent

Yes



## DIRECTORS AND OFFICERS CONTINUED

### Non-Executive Directors



#### JO BOYDELL

Non-Executive Director

(A) (R) (N) (S)

#### Appointed

December 2018

#### Experience

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

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

#### Qualifications

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

#### External appointments

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

#### Independent

Yes



#### TONY BUFFIN

Non-Executive Director

(A) (R) (N) (S)

#### Appointed

February 2025

#### Experience

Tony is the Executive Chair of Tecsa, a software and consumer analytics provider that he founded in 2019. Prior to founding Tecsa, Tony served as Chief Executive Officer of Holland & Barrett, the UK's leading alternative health and beauty retailer. He also held the positions of Chief Operating Officer and Chief Financial Officer at Travis Perkins PLC, and Chief Financial Officer at Coles Group, a top 25 ASX-listed retailer.

#### Qualifications

- BA Geography (Cambridge University)

#### External appointments

- Chair of Highbourne Group and Nobia AB
- Non-Executive Director of Applied Nutrition.

#### Independent

Yes

### Company Secretary



#### LIZ MCDONALD

Group General Counsel and Company Secretary

#### Appointed

September 2018

#### Experience

Liz has extensive legal and governance experience, having been a General Counsel and Company Secretary since 2001.

Prior to joining DFS, Liz held leadership roles in both the retail and services sector, including the Peel Airports Group, Yorkshire Electricity, and KCOM Group PLC, having started her career with the Halifax.

#### Qualifications

- LLB (Hons) Law (Manchester Metropolitan University)
- Solicitor
- Admitted as a solicitor by the Law Society in 1996

#### External appointments

No external appointments

#### Independent

Not applicable

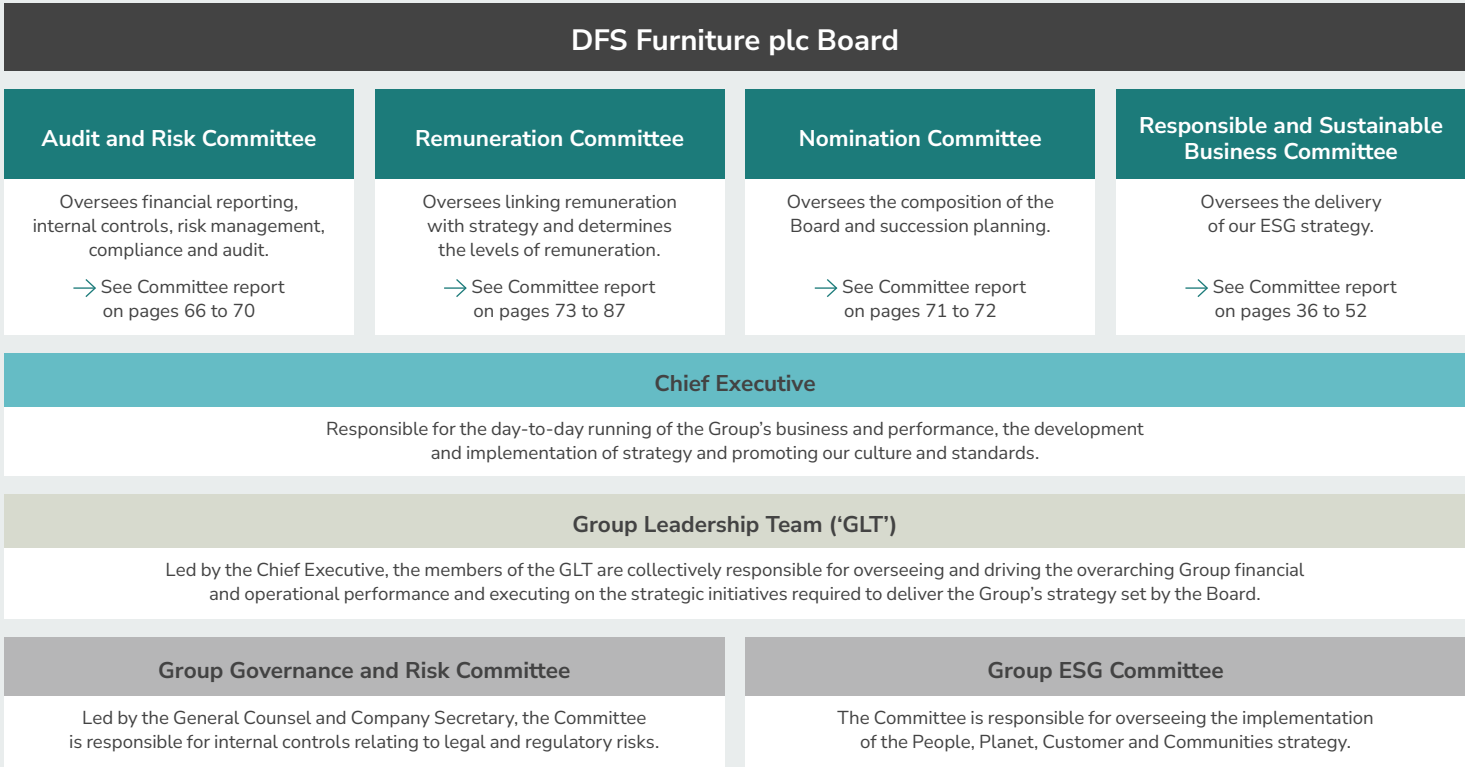


CORPORATE GOVERNANCE REPORT

GOVERNANCE AT A GLANCE

GOVERNANCE FRAMEWORK

The Board is responsible for providing leadership to the Group’s business, including setting the Group’s purpose, strategy and values and promoting its long-term sustainable success. A key element of our business success is having good corporate governance, so we have implemented effective frameworks and practices to ensure that high standards of governance, as well as good values and behaviours, are consistently applied throughout the Group.



BOARD RESERVED MATTERS

The formal schedule of matters reserved for the decision of the Board is regularly reviewed by the Directors. It was last approved on 18 September 2024 and the Directors agreed that the balance of matters reserved and matters delegated remains appropriate. The matters reserved for Board decision are available on the Company’s website: [www.dfscorporate.co.uk](http://www.dfscorporate.co.uk). Matters reserved for Board decision include:

- approval of published financial statements, dividend policy and other disclosures requiring Board approval;
- declaration of interim and recommendation of final dividends;
- approval of budget and Group strategy and objectives;
- appointment and remuneration of the Directors, the Company Secretary and other senior executives;
- approval of major acquisitions and disposals;
- approval of authority levels for expenditure;
- approval of certain Group policies; and
- approval of shareholder communications.



The terms of reference for each Committee are approved by the Board and are available on our website: [www.dfscorporate.co.uk](http://www.dfscorporate.co.uk).



## CORPORATE GOVERNANCE REPORT CONTINUED

### ROLE OF THE CHAIR AND CHIEF EXECUTIVE OFFICER

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

#### Role of the Chair

Leading the Board and ensuring its effectiveness.

Facilitating effective Board relations; the effective contributions of the Non-Executive Directors and ensuring constructive relations between the Non-Executive Directors and the Group Leadership team (GLT).

Ensuring that effective strategic planning for the Group is undertaken.

Ensuring effective communication between the Board and its investors; promoting a culture of openness and debate.

Overseeing a rigorous Board Review and the progress of the Board against the subsequent action plan.

Ensuring the submission to the Board by the Chief Executive Officer of objectives, policies, and strategies for the Group, including the Group business plan and annual budget.

#### Role of the Chief Executive Officer

Setting the Group's purpose, culture, and values in line with the views of the Board.

Leading and motivating the GLT, focusing on talent acquisition and retention.

Planning and ensuring the effective execution of the Group's strategy.

Ensuring the effective implementation of the Board's decisions.

Maintaining an effective framework of internal controls and risk management.

Leading the climate change and sustainability objectives of the Group.

Leading the senior management in managing the performance of the Group.

Managing the Group's relations with all of its stakeholders, the public and the media.

#### Role of the Senior Independent Director ('SID')

Providing a sounding board for the Chair.

Serving as an intermediary between the Executive Directors and Non-Executive Directors.

Meeting with the Non-Executive Directors annually, to collate feedback on the Chair's performance as part of the annual Board review process.

Being available to the shareholders to consider matters where it may be inappropriate to have those discussions with the Chair and/or Executive Directors.

#### Role of the Company Secretary

Advising the Board and its Committees on corporate governance policies and procedure, and for the management of Board and Committee meetings.

Managing the provision of timely, accurate and considered information.

Advising the Board and representing the Company in legal matters.

Ensuring that the Directors receive accurate, timely and clear information.

### BOARD ACTIVITIES

The following breakdown details key areas of Board activity throughout the year. Meeting agendas are agreed in advance by the Chair, CEO and Company Secretary.

Regular standing items include:

Executive updates	Strategy and business change	Deep dives	Investor relations	Governance updates
Executive Directors provide high-level operational and financial updates, summarising the key challenges and actions taken, and a look forward to priorities for the coming period.	The Board receives regular updates of progress against key strategic and business change initiatives. The Board considers key areas of strategy and progress made towards delivery of the strategy advising on direction of travel and areas of focus.	Senior leadership and business unit heads present deep dive sessions on areas of importance and focus, giving the Board an opportunity to provide feedback.	To maintain a clear understanding of market perceptions the Board receives detailed reports on investor relations activity, analysis of the share register, comments by analysts, views of major shareholders and advice from the corporate brokers.	The Company Secretary provides a summary of the legal and regulatory activities from the period, along with any upcoming changes to law or regulation. The Board receives bi-annual updates on progress against the Group Health and Safety Strategy.
These include consideration of headwinds and macroeconomic events facing the business and updates on competitors and the market as a whole, and any actions required.				Contracts or leases for approval beyond the Board-approved delegated authorities are presented for consideration, as well as year end statutory reporting for publication.

The Board has a formal schedule of matters specifically reserved for its decision and approval, a copy of which is published on [www.dfscorporate.co.uk](http://www.dfscorporate.co.uk). All Board decisions are recorded and any Board decision made outside of a meeting is made by written resolution. If a Director is unable to attend a meeting, they are consulted prior to the meeting and their views shared with the other Directors.

## CORPORATE GOVERNANCE REPORT CONTINUED

## DIVERSITY COMPLIANCE STATEMENT

Our gender identity and ethnicity data in accordance with UKLR 6.6.6R (10) as at 29 June 2025 is set out below. The Board and Group Leadership Team (GLT) members are asked to complete a diversity disclosure to confirm which of the categories set out below they identify with. The table below sets out the range of gender and ethnicity as they relate to our Board, senior Board positions (CEO, CFO, SID, and Chair) and executive management as at 29 June 2025. In line with the Listing Rule definition, 'executive management' consists of the GLT.

In accordance with UKLR 6.6.6R (9)(b) we disclose that the Board does not currently include any Directors from a minority ethnic background.

In accordance with the DFS Equity, Diversity and Inclusion policy all Board appointments are made on merit, in the context of skills and experience. The Group is committed to maintaining a Board of talented and dedicated Directors with a diverse mix of sector expertise, experience, skills and backgrounds. The Board considers that it has appropriate policies in place to promote inclusivity and attract talent from the full range of diverse groups to its talent pipeline. In identifying suitable candidates for appointment to the Board, the Committee considers candidates on merit against objective criteria to ensure that it continues to have an appropriate mix of skills and experience and fosters a diversity of thought in its decision making.

## GENDER IDENTITY/SEX OF MEMBERS OF THE BOARD AND EXECUTIVE MANAGEMENT (29 JUNE 2025)

	Number of Board Directors	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management <sup>1</sup>	Percentage of executive management
Men	4	50%	2	3	75%
Women	4	50%	2	1	25%
Other categories	—	—	—	—	—
Not specified/prefer not to say	—	—	—	—	—

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

## ETHNIC BACKGROUND OF MEMBERS OF THE BOARD AND EXECUTIVE MANAGEMENT (29 JUNE 2025)

	Number of Board Directors	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management <sup>1</sup>	Percentage of executive management
White British or other white (including minority-white groups)	8	100%	4	4	100%
Mixed/multiple ethnic groups	—	—	—	—	—
Asian/Asian British	—	—	—	—	—
Black/African/Caribbean/Black British	—	—	—	—	—
Other ethnic group, including Arab	—	—	—	—	—
Not specified/prefer not to say	—	—	—	—	—

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

## BOARD DIVERSITY

The Board Equity, Diversity and Inclusion Policy was updated in June 2025 and is available on the corporate website at [www.dfscorporate.co.uk](http://www.dfscorporate.co.uk).

## Gender diversity



## Ethnicity



## CORPORATE GOVERNANCE REPORT CONTINUED

### BOARD SKILLS AND EXPERIENCE

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



### BOARD TENURE

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

#### Steve Johnson



#### Tim Stacey



#### Alison Hutchinson



#### Jo Boydell



#### Gill Barr



#### Bruce Marsh



#### Marie Wall



#### Tony Buffin



### INDEPENDENCE

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

The Company maintains clear records of the terms of service of the Chair and Non-Executive Directors to ensure that they continue to meet the requirements of the Code. The Non-Executive Directors' appointment letters anticipate a minimum time commitment of two days per month, recognising that there is always the possibility of an additional time commitment and ad hoc matters arising from time to time, particularly when the Company is undergoing a period of increased activity. The Board considers that each of the Non-Executive Directors has sufficient time to devote to their role and that each Director's contribution is important to the long-term sustainable success of the Company. The Directors' profiles can be found on pages 56 and 57.

### APPOINTMENT, ELECTION AND RE-ELECTION

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

#### Balance of the Board



- Chair of the Board – 1
- Executive Directors – 2
- Non-Executive Directors – 5

## CORPORATE GOVERNANCE REPORT CONTINUED

## BOARD MEETINGS

During the year, the Board held eight scheduled meetings, with additional ad hoc in person meetings/conference calls being held as required. The Chair and the Non-Executive Directors met on three occasions without the Executive Directors present, and the Non-Executive Directors met privately with the CEO twice.

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

Name	Meetings attended	Maximum meetings	Independent	Responsibility and role during 2024/25	Date of appointment
<b>Chair</b>					
Steve Johnson	8	8	✓		6 December 2018
<b>Executive Directors</b> – At each Board meeting, the Board receives and discusses reports from each of the Executive Directors.					
Tim Stacey (CEO)	8	8	—	Leading and managing Group performance and strategy to ensure the long-term profitable operation of the Group.	1 November 2018
Marie Wall (Interim CFO) <sup>1</sup>	3	3	—	Leading, managing, and maximising Group financial performance and investor relations.	20 January 2025
John Fallon (CFO) <sup>2</sup>	3	3	—	Leading, managing, and maximising Group financial performance and investor relations.	14 November 2022 Resigned 22 November 2024
<b>Non-Executive Directors</b>					
Alison Hutchinson (SID)	8	8	✓		1 May 2018
Jo Boydell	8	8	✓	Overseeing the implementation of the strategy and development of the Group whilst maintaining a system of internal control and risk management. Board Committee members also have further specific responsibilities in relation to reviewing the integrity of financial information, dealing with succession planning and Board diversity, and setting remuneration.	6 December 2018
Bruce Marsh	8	8	✓		1 August 2024
Gill Barr	8	8	✓		1 March 2023
Tony Buffin	3	3	✓		24 February 2025
Loraine Martins <sup>3</sup>	—	—	—		Resigned 31 July 2024
<b>Standing attendees</b>					
Liz McDonald (Company Secretary)	8	8		Advising the Board on all legal, corporate governance and compliance issues.	30 September 2018

**Attends by invitation**

The Group Leadership Team led by the CEO is responsible for executing strategy and the day-to-day management of the business. Their attendance at Board and Committee meetings along with that of the other senior leaders assists the Directors in gaining a clearer insight into the Group's operations.

1. Marie Wall was appointed to the Board in January 2025. She attended three scheduled meetings due to a prior engagement she was unable to attend the June Board meeting.
2. John Fallon resigned from the Board in November 2024. He attended the three scheduled meetings that took place during his tenure.
3. Loraine Martins resigned from the Board in July 2024 and did not attend any meetings during the year.



## CORPORATE GOVERNANCE REPORT CONTINUED

### Committee meetings

Committee	Audit and Risk Committee <sup>2</sup>	Remuneration Committee	Nomination Committee	Responsible and Sustainable Business Committee <sup>1</sup>
Steve Johnson	3/3	4/4	2/2	3/3
Tim Stacey	3/3	4/4	2/2	3/3
Alison Hutchinson (SID)	3/3	4/4	2/2	3/3
Marie Wall <sup>3</sup>	1/3	1/4	-/2	1/3
John Fallon <sup>4</sup>	2/3	3/4	-/2	1/3
Jo Boydell	3/3	4/4	2/2	3/3
Bruce Marsh	3/3	4/4	2/2	3/3
Gill Barr	3/3	4/4	2/2	3/3
Tony Buffin <sup>5</sup>	1/3	1/4	1/2	1/3

1. The Responsible and Sustainable Business Committee ('RSC') comprised Alison Hutchinson, Gill Barr, Jo Boydell, Bruce Marsh, and Tony Buffin.
2. All Directors are invited to Audit and Risk Committee meetings and the Responsible and Sustainable Business Committee meetings, and the Chair of the Board is invited to attend Remuneration Committee meetings. The Chief Executive Officer and Chief Financial Officer are invited to attend both the Remuneration and Nomination Committee meetings where appropriate to do so.
3. Marie Wall was appointed as a Director in January 2025. Due to a pre-existing engagement she was unable to attend the RSC or the Nomination Committee meetings in June 2025.
4. John Fallon stepped down as a Director of the Company at the AGM in November 2024. He attended all the Committee meetings during his tenure with the exception of the November Nomination Committee.
5. Tony Buffin was appointed as a Director in February 2025. He attended all the Committee meetings during his tenure.

→ Read more about Board meeting attendance and roles and responsibilities on page 62

### HOW THE BOARD OPERATES

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

### DIRECTORS AND THEIR INTERESTS

The names of the Directors in office during the year, together with their relevant interests in the share capital of the Company at 29 June 2025, and details of the Directors' share options are set out in the Directors' Remuneration Report on page 83.

### EXTERNAL APPOINTMENTS

The Executive Directors may accept outside appointments provided that such appointments do not impact their ability to perform their duties as Executive Directors of the Company. Details of all external appointments held by members of the Board are set out in their profiles on pages 56 and 57.

### DIRECTORS' INDEMNITIES AND CONFLICTS

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

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

## CORPORATE GOVERNANCE REPORT CONTINUED

### INDUCTION OF NEW DIRECTORS

All new Directors undergo a detailed, tailored induction programme including meetings with the Company's external advisers and with colleagues from across the Group to familiarise the Director with all operations, including those in showrooms, manufacturing sites, distribution centres and our Group Support Centres.

When any new Director is appointed, they undergo an induction process as outlined below.

<b>Understand their duties</b>	<ul style="list-style-type: none"> <li>• One-to-one meeting with the Company Secretary to understand the governance issues which apply to the business</li> <li>• One-to-one meetings with the rest of the Board, including the Chair, Executive Directors, and other Non-Executive Directors</li> <li>• Review previous Board and Committee papers, Committee terms of reference and investor presentations.</li> <li>• Meeting with external advisers, including the auditor, brokers and external legal advisers</li> <li>• Review the corporate governance materials available on Diligent Boards – including Committee terms of reference and the schedule of matters reserved to the Board</li> </ul>
<b>Meet the colleagues</b>	<ul style="list-style-type: none"> <li>• One-to-one meetings with the members of the GLT and senior management to familiarise the new Directors with how the Group operates on a day to day basis.</li> <li>• Presentations from key functions within the Group</li> </ul>
<b>Visit the business</b>	<ul style="list-style-type: none"> <li>• Visiting operational locations including showrooms, factories, the design centre, support offices and customer distribution centres and meeting with our colleagues from these areas</li> </ul>

During the year, Bruce Marsh, Marie Wall, and Tony Buffin all went through their induction programme, after which feedback was sought from the new Directors to help further develop the programme going forward.

### BOARD REVIEW

Following last year's externally facilitated review, undertaken by Gould Consulting, the Board conducted an internal review of its effectiveness this year, led by the Senior Independent Director and supported by the Company Secretary.

#### Stages of our Board review

<b>Stage 1</b>	Formal online questionnaire provided by Gould Consulting to the Directors and Company Secretary.
<b>Stage 2</b>	Discussions between the Senior Independent Director and the rest of the Board, allowing them to consider areas where they identified improvements could be made.
<b>Stage 3</b>	Gould Consulting's findings were presented to the Board. The Board discussed the key learnings from the review. The Company Secretary develop an action plan. The Senior Independent Director fed back to the Chair.

#### Review insights and action plan for FY26

The Board and its Committees worked effectively to provide oversight and constructive challenge, with a focus on the business' key strategic, multi-year transformation programmes. Recent appointments have enhanced the overall capabilities of the Board. A high level of management focus on risk and internal controls has generated some positive improvements. The conclusion overall was that the Board continues to operate effectively and that all Board members can contribute freely and play an active role in Board meetings.

The review covered the following areas:

#### Board

- composition and expertise;
- dynamics;
- time management; and
- stakeholder focus and strategic oversight.

#### Committees

- effectiveness of how the Committees operate, their agendas and composition.

#### Individuals

- time management;
- preparedness at meetings;
- relationships, knowledge and experience; and
- overall contributions.

#### Chair

- relationships and communication with the Board and Group Leadership Team;
- meeting management; and
- shareholder interactions.

## CORPORATE GOVERNANCE REPORT CONTINUED

### COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE 2018 (THE 'CODE')

The Board confirms that throughout the year ended 29 June 2025 and at the date of this report, the Company applied the principles and complied fully with all the provisions of the Code. A copy of the Code is available from the website of the Financial Reporting Council, [www.frc.org.uk](http://www.frc.org.uk). This Corporate Governance report explains how the Company has applied the relevant provisions and principles of the Code, the Companies (Miscellaneous Reporting) Regulations 2018 ('the Regulations') and the Financial Conduct Authority's Listing Rules and Disclosure and Transparency Rules during the year ended 29 June 2025.

Further information on compliance with the Code can be found throughout this Governance report, the Strategic report and Committee reports signposted as follows.

BOARD LEADERSHIP AND COMPANY PURPOSE	DIVISION OF RESPONSIBILITIES	COMPOSITION, SUCCESSION AND EVALUATION	AUDIT, RISK AND INTERNAL CONTROLS	REMUNERATION
<b>An effective and entrepreneurial Board which promotes the long-term sustainable success of the Company</b> → Directors' profiles – pages 56 and 67 → s.172 statement – pages 34 and 35 → Board review – page 64	<b>The role of the Chair</b> → Directors' profiles – pages 56 and 57 → Role of the Chair and Chief Executive Officer – page 59 → Board review – page 64	<b>Formal, rigorous and transparent appointment procedure and effective succession plans</b> → Diversity compliance statement – page 60 → Corporate Governance – page 64	<b>Transparent policies and procedures to ensure independence and effectiveness of auditors and integrity of the Annual Report and Accounts</b> → External auditor – page 70 → Internal audits – pages 69 and 70	<b>Policies and practices designed to support strategy, long-term success and aligned to culture and values</b> → Directors' Remuneration report – pages 77 and 78
<b>Alignment of our purpose, values, culture and strategic objectives</b> → Purpose driven approach – page 4 → Our strategy – pages 16 and 17 → Chief Executive's report – pages 8 to 11 → Board activities – page 59	<b>Composition of the Board and division of responsibilities</b> → Directors' profile – pages 56 and 57 → Roles and responsibilities – page 59 → Director independence – page 61	<b>A combination of skills, experience and knowledge on the Board and Committees</b> → Directors' profiles – pages 56 and 57 → Board Skills – page 61 → Nomination Committee report – pages 71 and 72	<b>Fair, balanced and understandable assessment of position and prospects</b> → Fair, balanced and understandable – page 67	<b>Formal and transparent procedure for developing policy</b> → Directors' Remuneration policy – page 73 and 76
<b>Our governance and risk management framework</b> → Risk management – page 28 → Governance framework – page 58	<b>Non-Executive Directors' external commitments and role</b> → Directors' profiles – pages 56 and 57 → Time commitment – page 61	<b>Annual Board review</b> → Board review – page 64	<b>Internal controls and management of risk</b> → Risk management process and principal risks – page 28 and 29	<b>Exercise of independent judgement in respect of 2025 outcomes</b> → Directors' Remuneration report – page 79
<b>Effective engagement by the Board with stakeholders</b> → Active engagement – page 34	<b>Effective and efficient functioning of the Board</b> → Time commitment – page 61 → Board review – page 64			
<b>Our People and alignment of our policies to support long-term sustainable success</b> → Active Engagement – page 34 → NFSIS – page 34				

### SHAREHOLDER ENGAGEMENT

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

In addition to the extensive engagement carried out by the CEO and Interim CFO, the Chair and the Non-Executive Directors met with major shareholders several times throughout the year. The Chair and the Senior Independent Non-Executive Director make themselves available to all major shareholders so that any issues and concerns can be communicated to the Board.

To maintain a clear understanding of market perceptions the Directors regularly review investor relations activity, comments by analysts, communication from major shareholders and advice from the Group's brokers. This includes:

- interaction with all shareholders
- presentations of full-year and interim results to analysts and shareholders; available on the corporate website
- the Annual Report detailing the Group's strategy, business model and performance over the past financial year and plans for future growth
- the Annual General Meeting, which all shareholders are encouraged to attend and put any questions to the Board

- the Company's corporate website ([www.dfscorporate.co.uk](http://www.dfscorporate.co.uk)), where investor information is regularly updated.

### EXTERNAL AUDITOR

Our external auditor is KPMG LLP and our engagement partner is Gill Hopwood-Bell. We continually assess the independence and expertise of KPMG LLP. Our non-audit services policy can be found on our website and further details are on page 70.

### INTERNAL AUDIT

Further details relating to the Internal Audit function are contained within the Audit and Risk Committee report on pages 66 to 70.

### DTR DISCLOSURE

The disclosures required under DTR 7.2 of the Disclosure and Transparency Rules are contained in this report, and the Audit and Risk Committee and Nomination Committee reports, except for information required under DTR 7.2.6 which is contained in the Directors' Report on pages 88 to 91.

Signed on behalf of the Board of Directors.

**Elizabeth McDonald**

Group General Counsel and Company Secretary  
25 September 2025

## AUDIT AND RISK COMMITTEE REPORT



**Bruce Marsh**  
Chair of the Audit  
and Risk Committee  
→ Read Bruce's profile  
on page 56

**COMMITTEE MEMBERS DURING FY25**

Bruce Marsh (from 1 August 2024)

Chair from 9 April 2025

Jo Boydell

Alison Hutchinson

Gill Barr

Tony Buffin (from 24 February 2025)

Loraine Martins (to 31 July 2024)

On behalf of the Board I am pleased to present my first report as Audit and Risk Committee Chair for the year ended 29 June 2025. This report is intended to provide shareholders with an insight into key areas considered by the Committee and an overview of how the Committee has discharged its responsibilities during the year. The Committee plays an important role in ensuring the integrity of financial reporting, the effectiveness of the internal control environment and the operation of our risk management processes.

In April 2025 I was appointed as Chair of the Audit and Risk Committee, as part of an orderly transition from Jo Boydell in advance of her retirement from the Board in November 2025. I'd like to thank Jo for her significant contribution and leadership of the Committee and for the comprehensive handover I received. Although I've been a member of the Committee since joining the Board in August 2024, I undertook an induction as I transitioned to the Chair and continued to meet with the Group Chief Financial Officer and the Heads of Internal Audit and Risk and with members of the KPMG LLP audit team between scheduled Committee meetings. We welcomed Tony Buffin to the Committee and his appointment further strengthens the collective skills and experience.

There have not been any significant changes to the responsibilities and role of the Committee during the year. The Committee continues to ensure that the financial reporting is aligned with the latest requirements and guidance from regulators and that it is fair, balanced and understandable and that all matters disclosed and reported upon meet the needs of our stakeholders.

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

The Committee continues to conduct regular assessments of the quality and effectiveness of the internal and external audit processes and we have considered a variety of matters aligned with the Group's principal risks. The key risks that could materially impact the financial statements remain consistent with prior years. These include the assessment of the going concern basis of accounts preparation, the recoverability of the carrying value of goodwill in the Group accounts and the recoverability of the Parent Company's investment in subsidiaries and receivables from other Group companies.

During the year, the Group was selected for a routine review by the Financial Reporting Council ('FRC') under its Corporate Reporting Review process. The review was based on the 2024 Annual report and accounts.

The scope of the review focused on the clarity of our revenue recognition accounting policy and in response the Group has enhanced its revenue recognition accounting policy disclosure (pages 107 and 108) and clarified the reconciliation in relation to gross sales and revenue (page 112).

The FRC noted that the Group had provided a satisfactory response to its enquiries.

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



## AUDIT AND RISK COMMITTEE REPORT CONTINUED

### COMPOSITION

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

As part of an orderly succession plan I was appointed Chair of the Committee in April 2025 to ensure a smooth transition from Jo Boydell in advance of her retirement from the Board in November 2025. The Board considers that, by virtue of my current and recent executive roles, details of which are set out on page 56, I have recent and relevant financial experience and that the Company complies with the requirements of the Code in this respect. Other Committee members who served during the year are Jo Boydell (Chair until April 2025), Gill Barr, Tony Buffin (appointed February 2025) and Alison Hutchinson.

Profiles of the Independent Non-Executive Directors are included on pages 56 and 57 and a summary of their principal skills and experience is shown on page 61.

Regular attendees at Committee meetings include the Chair of the Board, Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Head of Risk, Group Finance Director, Company Secretary and the external auditor. The Committee held three scheduled meetings in the year. Details of attendance at scheduled Committee meetings can be found on page 63. The Committee Chair also meets with the CFO, Group Finance Director, Head of Internal Audit, Head of Risk and external auditor prior to each Committee meeting and on an ad hoc basis. The Committee members also meet without management present after each Committee meeting. The Group Head of Audit and representatives of external audit are also invited to these private discussions to allow discussion of matters which they may wish to raise in the absence of management.

### PERFORMANCE REVIEW

The review of the performance of the Audit and Risk Committee was carried out as part of the wider review of Board effectiveness, further details of which can be found in the Corporate Governance report on page 64. There were no significant concerns raised from this review and the Committee was deemed to be operating effectively.

### ROLES AND RESPONSIBILITIES

The Committee's responsibilities include, but are not limited to:

- oversight of the integrity of the Group financial statements;
- review of the half-yearly and annual financial statements (including clarity and completeness of disclosure);
- review of non-financial statements and Responsible Business report;
- oversight of risk management and internal control arrangements;
- oversight of compliance with legal and regulatory requirements;
- oversight of the external auditors' performance, objectivity, qualifications and independence;
- the approval process of non-audit services;
- recommendation to the Board of the nomination of the external auditors for shareholder approval, and approval of their fees; and
- oversight of the internal audit function.

All relevant matters arising are brought to the attention of the Board.

### FINANCIAL REPORTING

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

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

In reviewing the Annual Report for the 52 weeks ended 29 June 2025, the Committee considered the balance of the Strategic report with respect to proportional focus on positive and negative results and events, adequate disclosure of risks and the consistency of reporting of financial and other measures. The Committee also considered the extent and prominence of alternative performance measures presented. This additional review by the Audit and Risk Committee assisted the Board in determining that the report was fair, balanced and understandable at the time that it was approved.

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

### Significant items considered in relation to the financial statements

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

## AUDIT AND RISK COMMITTEE REPORT CONTINUED

### FINANCIAL REPORTING CONTINUED

#### Significant items considered in relation to the financial statements continued

Area of focus	Action
<b>Presentation of financial statements</b>	<b>Pages 26 and 27</b>
The Group uses Alternative Performance Measures ('APMs') and includes additional disclosures, including reconciliations to statutory measures. In ensuring that the Group's reporting is fair, balanced and understandable the Committee reviewed the prominence of APMs and statutory measures and the classification of underlying and non underlying items.	<p>The Committee considers it important to consider statutory measures and the APMs when reviewing these financial statements. The Committee has reviewed the APMs and the financial statements as a whole to ensure the Group's reporting is fair, balanced and understandable.</p> <p>The Committee gave due consideration to the integrity and sufficiency of information disclosed in the Annual Report and Accounts to ensure that they explain the Group's position, performance, business model and strategy.</p> <p>Items excluded from underlying results were reviewed by the Committee and it is satisfied that the presentation of these items is clear and that there is adequate disclosure of these material non-recurring items. The net non-underlying credit/charge for the year before tax was £4.1m credit (FY24: £10.8m charge) and relates primarily to correction of a fair value adjustment for rental properties that had not been de-recognised when the leases were regeared in previous periods. The impact is not material to individual previously reported periods so it has been corrected in the current period.</p>
<b>Going concern and viability reporting</b>	<b>Page 53</b>
In addition to the going concern statement, the Group is required to make an assessment of its longer-term viability. This requires the application of a number of judgements and estimates, particularly given the continuing macroeconomic uncertainty.	<p>The Committee, along with the Group's external auditor, has reviewed management's assessment of the financial liquidity prospects of the Group for the three years from 29 June 2025 to June 2028, being a reasonable period for the assessment of key risks for a retail business given continuing political and economic uncertainties. This review included challenging the base case assumptions and reviewing the downside scenarios and stress tests.</p> <p>The Committee reviewed and challenged management's assessment of expected compliance with the banking covenants and concluded that the going concern assumption remains appropriate and that the Board is able to make the viability statement on page 53 of the Strategic Report.</p>

Area of focus	Action
<b>Impairment of goodwill</b>	<b>Note 10 to the consolidated financial statements</b>
<p>As a result of business acquisitions, the Group has recognised significant balances for goodwill. Goodwill must be tested annually for impairment.</p> <p>The assessment of potential impairment requires a number of judgements and estimates to be made in determining the relevant future cash flows and the discount rate to be applied.</p>	<p>The Committee reviewed and challenged the approach taken by management to impairment testing, and assessed the reasonableness of the underlying assumptions including discount rates, long-term growth rates and cash flow forecasts used. Specific attention was given to cash flow forecasts in light of uncertainties such as market demand, inflation and interest rates and the level of sensitivities applied by management in determining reasonably possible changes to cash flows.</p> <p>No impairment of goodwill was noted in the period.</p> <p>The Committee considered the appropriateness of the conclusions reached, and also reviewed the external auditor's report and discussed its observations and findings in this area.</p> <p>The Committee will continue to review the carrying value of goodwill at least annually, or in the event of any significant changes to the structure or circumstances of the Group.</p>
<b>Parent company investments</b>	<b>Note 2 to the Company financial statements</b>
<p>The ultimate parent company of the Group, DFS Furniture plc, holds a significant value of investments in subsidiary companies in the Group. The carrying value of these investments and related intra-group borrowings is supported by the estimated value in use of the underlying trading entities. Assessment of the estimated value in use requires a number of judgements and estimates to be applied.</p>	<p>The Committee reviewed management's assessment of the recoverability of the parent company investments, including the underlying judgements and estimates, and considered the consistency of these with the assessment of the impairment of intangible assets as noted above. The Committee considered the appropriateness of the conclusions reached, and also reviewed the external auditor's report and discussed its observations and findings in this area.</p> <p>The Committee will continue to review the carrying value of the parent company investments at least annually, or in the event of any significant changes to the structure or circumstances of the Group.</p>

In addition to existing requirements, the Committee monitors and considers future corporate reporting developments in order to develop the Group's approach to meet any new requirements. During the year the Group has continued to monitor developments and to work towards anticipated requirements on UK Corporate Governance Code 2024 reform and this will be an ongoing area of focus for FY26.

## AUDIT AND RISK COMMITTEE REPORT CONTINUED

### RISK MANAGEMENT

The Audit and Risk Committee reviews the principal risks and the actions taken to mitigate them on an annual basis. We review the risk profiles for each business area in relation to their strategic risks, and the controls in place to mitigate them. As required the Committee can invite the functional lead to attend the Committee for a discussion on the risks identified and their mitigations.

As the Group continues to develop and improve its risk management strategy the Committee has oversight of any risks that are defined as significant to the Group and the delivery of its strategy, as well as any risks that are operating outside of the agreed risk appetite and any risks where the controls in place have been found to be insufficient to adequately mitigate the risk.

Maintaining a strong risk and controls culture and environment is key to the Group's governance framework.

Throughout the year the Risk function has continued to work alongside management to consider the risks identified. This work will continue with regular reviews in place to challenge and refine the risk register.

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

### INTERNAL CONTROLS

As the Group continues to evolve its control environment an Internal Controls Steering Committee has been created, chaired by the CEO, and focusing on Internal Controls over Financial Reporting ('ICOFR'), IT general controls and the wider control environment.

To ensure that the Group continues to strengthen the internal controls environment, the Internal Controls function has been created, and following recent restructuring, sits alongside the Group Risk function. This will allow for the creation of a robust and aligned Risk Management and Internal Controls strategy to support the business as it ensures compliance with the UK Corporate Governance Code 2024.

Alongside our risk management processes, key components of the Group's internal controls environment include:

- Clearly defined lines of accountability via a Group delegation of authority and underlying business area delegations.
- The Group's Code of Conduct and suite of policies, setting the floor of minimum commitments for our business conduct. These commitments are linked to the Group's principal risks and uncertainties and ensure we act in line with relevant legal and regulatory requirements, as well as industry standards and stakeholder expectations.
- Procedures, operating standards and colleague training for each of our business and key functional areas as appropriate, to support the management of key risks and establishing ways of working within the Board's approved risk appetite. These cover areas including financial reporting, corporate compliance, information security, interest free credit compliance, modern slavery, anti-bribery and ethical sourcing.
- Relevant business areas and functions own these underlying components of our internal controls environment, and are responsible for ensuring control processes and activities are maintained and operate effectively. The Internal Controls team will continue to support the business to demonstrate the effectiveness and efficiency of the control environment.

- Functional assurance activity also takes place across the business to target key risk areas, overseen by relevant business experts or specialist functional teams, including our Financial Controls, Cyber Security and Financial Conduct Authority Compliance teams.

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

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

There have been no failings in the operation of the Group's internal controls during the financial year under review that have materially affected the Group's control over financial reporting. The Committee has maintained oversight of key processes and controls development in the Group.

Progress continues to be made to formalise alignment to the existing Corporate Governance requirements, and to ensure we meet upcoming changes to the UK Corporate Governance Code 2024. A project to enhance the structure, monitoring and reporting of the Group ICOFR and on wider internal controls has progressed during the year and the Committee has reviewed progress on the key project milestones designed to formalise, enhance and monitor the control environment underpinning future disclosures on material controls. This project gives us a structured framework to document, enhance and remediate control gaps that although not significant to the financial statements are an opportunity to mature our control environment. The Group continues to adopt a thorough and orderly approach to compliance.

The Board, with advice from the Audit and Risk Committee, is satisfied that there is an effective system of internal controls and risk management in place which enables the Group to identify, evaluate and manage key risks and which accords with the guidance published by the FRC. These processes have been in place since the start of the financial year and up to the date of approval of the accounts.

→ Further details of specific material risks and uncertainties facing the business can be found on pages 28 to 33

### OVERSIGHT OF INTERNAL AUDIT

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

During the year the Internal Audit team has engaged in a co-source agreement with an established internal audit practice to supplement the in-house team and to provide coverage on areas outside the expertise of the in-house team. During the year the co-sourced work included audit and assurance work on pensions process and controls and health and safety processes and controls and the in-house team has also completed audit work. A root cause analysis across the three key operational brands was also undertaken.

All work of Internal Audit, in house and externally sourced, planned or otherwise, is summarised and reported to the Audit and Risk Committee.

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

## AUDIT AND RISK COMMITTEE REPORT CONTINUED

### OVERSIGHT OF INTERNAL AUDIT CONTINUED

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

During the year the reporting lines for the Internal Audit and Internal Controls team were brought together to reflect updates to management's ownership and accountability for management of risk, internal control and assurance activities under the Chief Legal and Business Assurance Officer.

### OVERSIGHT OF EXTERNAL AUDIT

#### Assessment of effectiveness and quality of the external audit process

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

As part of this responsibility to assess the effectiveness of the external auditors, the Committee approved the audit plan for the financial reporting period of 52 weeks ended 29 June 2025 and reviewed the auditor's findings and management representation letters.

In addition to consideration of the audit process, responses to questions from the Committee and the audit findings reported to the Committee, a structured feedback exercise was again undertaken during the year. This exercise collated feedback on a wide range of factors from Non-Executive Directors, senior managers and relevant colleagues from the Finance, Internal Audit and Risk, Legal and Compliance teams. The results of this feedback identified strengths in culture, governance, skills and knowledge, and judgement. A relative opportunity remains in fees. These results supported the Committee in its conclusion that KPMG LLP continues to be effective, objective and independent in its role as external auditor.

### Appointment of the external auditor

The Group's external auditor was re-appointed in FY22 following a competitive tender process. The re-appointment was unanimously recommended by the Committee to the Board. Under current UK corporate governance requirements the external audit provision will be subject to another tender no more than ten years later, ahead of the start of the FY32 audit. The Committee has recommended to the Board the reappointment of KPMG LLP as auditor for the FY26 audit.

### Independence and objectivity

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

### Non-audit services and fees

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

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

In any event, within each of the Group's legal entities, the cumulative total of non-audit fees paid to the external auditors within each financial year must not exceed 70% of the average audit fee for the last three financial years. The above policy has been adhered to throughout the financial year, during which the only non-audit services provided by the Group's external auditor were an interim review, which is closely related to the audit and is permissible assurance work under the policy. The audit and interim review fees for the year in respect of the Group and its subsidiaries were £1.0m.

### WHISTLEBLOWING

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

During FY25 the Group has continued to report and analyse whistleblowing incidents. Outcomes of investigations, trends and highlights are reviewed at the monthly Group Governance, Risk and Compliance Committee and shared with the Audit and Risk Committee.

During the year, there were 21 (FY24: 24) reports received through the whistleblowing process, all of which were fully addressed in accordance with the policy.

### FRAUD RISK

The Committee considered the fraud risk framework from Internal Audit and noted that no frauds have been identified during the year that would have a material impact on the Group's financial results. The Committee has also considered the development of the framework in light of the implementation of the Economic Crime and Corporate Transparency Act. Management has taken appropriate action to comply with the Failure to Prevent Fraud offence including a review of existing controls and the design of proportionate procedures with oversight from Internal Audit and Legal. This will continue into FY26.

The responsibilities of the Directors and external auditor are set out on pages 92 and 100. As set out in the Directors' report, the Directors consider the Group's business to be a going concern. The Group's viability statement can be found on page 53.

#### Bruce Marsh

Chair of the Audit and Risk Committee  
25 September 2025



## NOMINATION COMMITTEE REPORT



**Steve Johnson**  
Chair of the  
Nomination  
Committee

→ Read Steve's profile  
on page 56

### COMMITTEE MEMBERS DURING FY25

Steve Johnson (Chair)

Gill Barr

Jo Boydell

Tony Buffin (from 24 February 2025)

Alison Hutchinson

Bruce Marsh (from 1 August 2024)

Loraine Martins (to 31 July 2024)

### KEY ACTIVITIES DURING 2025

- Assessing the composition of the Board to ensure it remains well placed to discharge its responsibilities
- Conducting the appointment of a new Non-Executive Director and Interim Chief Financial Officer
- Appointing the Designated Non-Executive Director for workforce engagement
- Reviewing the pipeline of talent within the Group Leadership Team and assessing their development needs
- Conducting the internal Board review process and outcomes
- Reviewing the Board Equity, Diversity and Inclusion Policy

Welcome to the report from the Nomination Committee. The primary focus of the Committee has been on: reviewing the talent across the Group to ensure that both the Board and the Group Leadership Team have the necessary skills, experience and diversity of thinking to support the strategy of the Group going forward; recruiting and appointing a new interim Chief Financial Officer; the appointment of additional Non-Executive Directors and the internal Board evaluation. Appointments to the Board, as with other positions within the Group, are made on merit according to the balance of skills, experience, diversity, and inclusion offered by prospective candidates. The Committee adopts a formal and transparent procedure for the appointment of new Directors to the Board.

### APPOINTMENTS

During the year, the Nomination Committee recommended the appointments of Tony Buffin and Marie Wall to the Board. The Nomination Committee engaged The MBS Group, an external search consultancy, to undertake the process on its behalf. Tony Buffin joined the Board in February 2025 as an Independent Non-Executive Director, bringing significant additional retail and finance expertise. As well as being a member of each of the Board Committees Tony has taken on the role as Designated Non-Executive Director for workforce engagement. Marie Wall joined the Company in November 2024 and was appointed to the Board as Interim Chief Financial Officer in January 2025 pending the completion of our search process to appoint a permanent CFO.

## NOMINATION COMMITTEE REPORT CONTINUED

### APPOINTMENTS CONTINUED

The skills matrix (the current version of which may be found on page 61), together with the collective knowledge, experience and diversity of the Board and the length of service of the Directors, was used by the Committee to highlight where there were opportunities for the new Non-Executive Director to contribute to the skill set of the Board and informed the search that The MBS Group undertook. Following longlisting and shortlisting processes, and prior to any recommendation being made by the Nominations Committee to the Board, the preferred candidates for each position met with existing members of the Board. New Board members are always welcomed into the business through a comprehensive induction, co-ordinated by the Company Secretary.

There are a number of crucial areas that all inductions cover. New Directors meet with all the members of the GLT and other senior managers from across the Group as well as key advisers to the Group (such as the Group's brokers, financial advisers, and the external audit partner). In March, Bruce Marsh was appointed as the Chair of the Audit and Risk Committee and spent additional time with Jo Boydell, the retiring Audit Committee Chair, the Company's external audit team, the Interim Chief Financial Officer, and the Group Director of Finance as part of the handover of Audit and Risk Committee responsibilities.

### COMPOSITION

The Code recommends that the majority of the Nomination Committee consists of Non-Executive Directors, independent in character and judgement and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgement. Each of the Non-Executive Directors is a member of the Nomination Committee. The Board considers that each of the Non-Executive Directors is independent. The Chair was independent upon appointment and, as such, the Company complies with the Code. The Committee's terms of reference are available on the Company's corporate website at [www.dfscorporate.co.uk](http://www.dfscorporate.co.uk).

Although only members of the Committee are entitled to attend Committee meetings, the Chief Executive Officer and the Chief Financial Officer are invited to attend meetings where appropriate. The Committee will meet as often as it deems necessary but, in accordance with its terms of reference, at least twice a year.

### PRINCIPAL DUTIES

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

→ Details of the skills and experience of the Directors are shown on pages 56 and 57

### 'EVERYONE WELCOME'

DFS is a Group that lives its values and is committed to having a diverse and inclusive workforce and culture throughout the organisation. We believe that every one of our colleagues should feel respected, supported, and free to bring their whole self to work every day. By ensuring inclusion is central to decision making, we believe we can continue to attract, retain and develop diverse talent, helping our teams and business to thrive. Our objective of driving the benefits of a diverse Board, leadership, and senior management team as well as our wider workforce is underpinned by our Board Equity, Diversity and Inclusion Policy, which can be viewed on our corporate website at [www.dfscorporate.co.uk](http://www.dfscorporate.co.uk).

The Board and the GLT believe that a culture where everyone is welcome, is vital to the long-term success of the Group. I can report that we currently have four female Directors out of our Board of eight Directors. The profile of each of the Directors can be found on pages 56 and 57 of the report. The Committee takes an active interest in the quality and development of talent and capabilities of the GLT ensuring that appropriate opportunities are in place to develop high-performing individuals across the Group. In 2024, 12 of our senior leaders completed our Leadership Development programme and a further cohort recently began the programme. The programme was developed with a range of external partners to develop an in-depth understanding of culture, corporate governance, leadership and key strategic challenges and opportunities. The current cohort have been challenged to carry out a review of our purpose, values and leadership behaviours as we move closer together as a Group, following the recent restructuring of our Marketing, Commercial and Customer Services teams.

### BOARD REVIEW

As required by the Code, the Board undertakes an annual evaluation of its activities and those of its Committees. This year the internal review was led by our Company Secretary with support from Gould Consulting, which provided the detailed questionnaire to ensure consistency year on year. Between April and June 2025, a three-stage process was followed. More information on the process and outcomes is detailed on page 64 of the Corporate Governance report. The performance of the Nomination Committee was reviewed as part of the evaluation process, and I am pleased to report that the evaluation concluded that the Committee continues to operate effectively.

### WHAT WE WILL DO IN 2026

- Continue to assess the Board skills and composition of the Board.
- Conclude on the appointment of the CFO.
- Conduct an internally led review of the Board's performance with greater focus on the risk and control environment as we prepare for the new UK Corporate Governance Code 2024.
- Continue our work on succession planning.
- Review the frequency of meetings and terms of reference of the Committee.
- Review the GLT succession planning and talent management strategy.

#### Steve Johnson

Chair of the Nomination Committee  
25 September 2025



## DIRECTORS' REMUNERATION REPORT



**Gill Barr**  
Chair of the  
Remuneration  
Committee  
→ Read Gill's profile  
on page 56

## PART A: ANNUAL STATEMENT BY THE REMUNERATION COMMITTEE CHAIR

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### COMMITTEE MEMBERS DURING FY25

Gill Barr (Chair)

Jo Boydell

Tony Buffin (from 24 February 2025)

Alison Hutchinson

Bruce Marsh (from 1 August 2024)

Loraine Martins (to 31 July 2024)

### KEY ACTIVITIES FROM 2025

- Finalisation of the Directors' Remuneration Policy and the new DFS Group Share Plan
- Consultation with shareholders in relation to the Directors' Remuneration Policy
- Determining outturns for incentives in respect of FY25, taking into consideration the experience of key stakeholders over the period
- Setting performance targets for the FY26 annual bonus and performance underpins for the FY26 DFS Group Share Plan awards
- Review of Committee's terms of reference
- Consideration of pay and conditions across the wider workforce

On behalf of the Board, I am pleased to present the Remuneration Committee report for the financial year ended 29 June 2025. The Remuneration Report provides a comprehensive overview of our remuneration framework, its implementation and its alignment with the business strategy.

The Company's Directors' Remuneration Policy was renewed at the 2024 AGM, the key change to the Policy being the replacement of our performance based LTIP with the DFS Group Share Plan ('DSP') (restricted shares). The Policy was approved with a vote of over 94% in favour, and the Directors' Remuneration Report achieved strong levels of support at the 2024 AGM with a vote of over 99% in favour. The Committee was grateful for all the feedback received from our shareholders as part of the Policy Review process and for the support our shareholders have shown in our remuneration framework, which allows us to retain and motivate our talented executive team in what continues to be an exceptionally volatile external trading environment. The Committee has reflected on the ongoing operation of the new Policy following its first year of implementation and believes it continues to serve the Group well, remaining aligned to our strategy, culture and values.



## DIRECTORS' REMUNERATION REPORT CONTINUED

### REMUNERATION IN CONTEXT

This year, the Group has accelerated its momentum to successfully deliver a strong recovery. We have improved our profitability and generated an underlying profit before tax and brand amortisation of £30.2m (above the upper end of guidance), which was the result of a combination of an increase in gross sales of +5.8% year on year, improved gross margin rate and continued cost discipline. We have continued to outperform the broader upholstery market with order intake up +10% year on year. Our two retail brands have implemented a number of growth initiatives, with order intake at dfs up 8.7% and Sofology up 16.2% year on year, which has helped us once again expand our market share.

These achievements are all the more meaningful given the volatile market conditions the Group continues to face. Ongoing economic and geopolitical uncertainty has created an extremely challenging operating environment for us, and we are exceptionally proud of the commitment of our colleagues in delivering such impressive performance despite this.

The Group has evolved considerably over the past seven years and has now laid strong and sustainable financial foundations, reducing net bank debt to around £107m and strengthening its balance sheet. As part of our efforts to target further reductions in net debt, we have made the difficult decision to not propose a final dividend, which we believe is in the best long-term interests of the Group and its stakeholders.

The steps taken to improve our financial resilience have allowed us to progress several business-critical transformation projects intended to invigorate DFS as we seek to deliver on our medium-term ambition of achieving £1.4bn revenue and 8% PBT margins. We believe we are now well placed to capitalise on the strong performance of FY25 as the market begins to recover and we head into FY26 with a strong leadership team in place. The Remuneration Committee carefully considered the experiences of all key stakeholders, as well as overall Group performance, when making decisions on executive remuneration.

### PAY OUTCOMES IN FY25

#### Group performance summary

- Growth in profitability, achieving £30.2m underlying profit before tax and brand amortisation, above the upper end of guidance (FY24: £10.5m)
- Group Revenue from continuing operations for FY25 of £1,030.3m (FY24: £987.1m)
- Strengthening of our financial position, with net bank debt reducing to £107.0m (FY24: £164.8m), reducing leverage to 1.4x (FY24 year end 2.5x)
- Successful implementation of growth initiatives across our retail brands, resulting in order intake increasing by 10% year on year

#### Annual bonus in FY25

The bonus for FY25 was based 50% on profit before tax, 20% on free cash flow, 15% on business critical measures, 10% on established customer NPS, and 5% on environmental targets. During the year, the executive team has worked tirelessly to deliver a robust set of results despite the challenges the business was facing a year ago. The Group has delivered underlying profit before tax and brand amortisation of £30.2m, above the top end of our guidance and up £19.7m year on year, driven by strong trading, gross margin progression and continued discipline on cost management.

The financial position has been strengthened by a reduction of £57.8m in net bank debt, reducing leverage from 2.5x to 1.4x. Our financial performance has been supplemented by improvements made to our operational model and quality of control environment which has laid vital foundations for our future success and planned growth initiatives. Building on the support and commitment from our colleagues, we further increased our leaders' visibility through the introduction of workforce engagement initiatives like "On the Sofa with" live streams and town-hall style "Brew with the GLT" events.

Following very strong performance against stretching bonus measures, the CEO and Interim CFO's bonus payouts are 95.8% of maximum, and the former CFO's bonus payout is 94.8% of maximum. The Committee was satisfied that the bonus targets were sufficiently stretching given the challenging and unpredictable external trading environment the Group operates in, and that this outcome is reflective of the successful recovery of the business during the year. In line with the Policy, 25% of the CEO's bonus payout will be deferred into shares for two years.

#### LTIP vesting in respect of FY25

The 2022 LTIP award was based 50% on adjusted EPS, 15% on relative TSR growth against the FTSE 250 Index (excluding investment trusts) and 35% on the FTSE 350 General Retailers Index. Despite the efforts made and progress achieved to set the Group back on a path to recovery, the EPS and TSR thresholds were not met and the award will therefore lapse in full.

The Committee considered that the annual bonus and LTIP outcomes were appropriate in light of the overarching business performance and the broader experience of shareholders over the respective performance periods and therefore no discretion was exercised in relation to these awards.

In the year ending 29 June 2025, no malus and/or clawback provisions were applied to prior awards.

### CHANGE IN CHIEF FINANCIAL OFFICER (CFO) ROLE

During the year, John Fallon announced his intention to step down from the Board as CFO. He remained in role to assist with an orderly handover to Marie Wall who succeeded him as Interim CFO. John stepped down from the Board on 22 November 2024 and left the business on 17 January 2025.

John remained eligible for a bonus for FY25, pro-rated for the period he served as CFO during the year (subject to performance and paid at the normal time). He will retain his unvested awards under the Deferred Bonus Plan ("DBP") which will continue to vest on the normal vesting date. John did not receive any DFS Share Plan ("DSP") awards during FY25 and all outstanding LTIP awards lapsed upon cessation of employment. John will remain subject to the post-employment shareholding requirement.

Marie joined the business on 2 December 2024 as Interim CFO and was appointed to the Board on 20 January 2025. Marie's salary was set in line with John's at £405,000 and was eligible for a pro-rated (from 2 December 2024) FY25 bonus (overall maximum of 110% of salary) and a DSP award (at the lower level of 65% of salary). Reflecting the interim nature of Marie's role, her bonus award will be paid entirely in cash, and her DSP award was subject to an additional condition that the award will not be capable of vesting if she remains in an interim role. In conjunction with her appointment as Interim CFO, Marie received an annual travel allowance of £50,000 pro-rated for time employed.



## DIRECTORS' REMUNERATION REPORT CONTINUED

### IMPLEMENTATION FOR FY26

#### Base salary for FY26

The base salaries for Executive Directors were increased by 2%, effective 1 July 2025, in line with the 2% budgeted increase applied for the wider workforce.

#### Annual bonus for FY26

The bonus opportunity for the Chief Executive Officer will remain at 120% of salary and 110% of salary for the Interim CFO. There have been no material changes to the choice of bonus measures for the FY26 bonus which will continue to have a 70% weighting on financial measures (split between 50% on profit before tax and 20% on free cash flow) and a 30% weighting on a basket of strategic non-financial measures (7.5% customer; 7.5% culture and 15% on specific individual strategic measures including an environmental target). It remains vital that the Group is able to successfully complete the transformation programme we started in FY25. Accordingly, the individual strategic measures will continue to relate to the leadership team's successful delivery of specific projects and objectives aiming to further facilitate the Group's transformation which will enhance its market positioning, financial health, employee engagement and operational effectiveness.

#### DFS Group Share Plan awards for FY26

The Committee has been pleased to note the impressive performance of the CEO and Interim CFO in steering the Group towards recovery during challenging trading conditions. In recognition of this, and as indicated in the FY24 Remuneration Report, following reduced awards being made in FY25 to reflect the broader shareholder experience at the time, awards will be granted under the DFS Group Share Plan to the CEO and Interim CFO at the original award levels envisaged under the Remuneration Policy, being 87.5% and 70% of base salary for the CEO and Interim CFO respectively for FY26.

In line with the Policy, the award will vest after three years subject to the achievement of the

same robust underpins as applied to the FY25 awards. A two year post vesting holding period will also apply.

### OUR COLLEAGUES

Our colleagues are key to the success of the Group. I am grateful for all the passion, commitment and hard work shown by all our colleagues across the Group, enabling us to deliver brilliant products and outstanding customer service.

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

Formal consultation on the remuneration of Executive Directors is not undertaken with employees. However, a survey on employee engagement is undertaken annually and includes discussion on parts of the Group's remuneration approach and the Designated Non-Executive Director has discussed Executive Director remuneration with the Group-wide Employee Voice Forum.

→ A summary of our remuneration philosophy and principles that applies across the Group is set out on page 77 and 78

### RESOLUTIONS PROPOSED AT THE 2025 AGM

The Committee continues to reflect on the views of our shareholders and all feedback provided on the operation of our Remuneration Policy and practices. The Committee will continue to maintain an open and constructive dialogue with its major shareholders and the representative bodies and will always seek to consult with them where appropriate.

The Annual Report on Remuneration will be presented for an advisory vote at the 2025 AGM and I hope that our shareholders will continue to support the decisions we have made.

**Gill Barr**

Chair of the Remuneration Committee  
25 September 2025



## DIRECTORS' REMUNERATION REPORT CONTINUED

## PART B: REMUNERATION AT A GLANCE

## IMPLEMENTATION OF REMUNERATION POLICY IN FY25

## BASE SALARY

Tim Stacey: £510,000  
John Fallon\*: £161,000  
Marie Wall\*: £184,000

\* Pro-rated for portion of year served.

## PENSION AND BENEFITS

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

## ANNUAL BONUS

Total bonus payout (% of maximum)

Tim Stacey: 95.8%, John Fallon\*: 94.8%, Marie Wall\*: 95.8%

Performance measure	Weighting	Outcome (% of max)
Group profit before tax	50%	100%
Group free cash flow	20%	100%
Environmental	5%	49%
Business critical measures	15%	93%
Customer	10%	94%
<b>Total</b>		<b>95.8%</b>

\* Pro-rated for portion of year served.

## 2022 LONG TERM INCENTIVE PLAN


Total LTIP payout (% of maximum)

Tim Stacey: 0%, John Fallon: lapsed

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

## SINGLE FIGURES

Tim Stacey  £1,165k

John Fallon\*  £344k

Marie Wall\*  £411k

Element of pay £000	Tim Stacey	John Fallon	Marie Wall
■ Salary	510	161	184
■ Pension, benefits and other	69	15	38
■ Annual bonus	586	168	189
■ LTIP	—	—	—
<b>Total</b>	<b>1,165</b>	<b>344</b>	<b>411</b>

\* Pro-rated for portion of year served.

## IMPLEMENTATION OF REMUNERATION POLICY IN FY26

## BASE SALARY

Tim Stacey: £521,000 (increase of 2%)  
Marie Wall: £414,000 (increase of 2%)

Salary increases in line with the majority of the wider workforce

## PENSION AND BENEFITS

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

## ANNUAL BONUS

Performance measure	Weighting
Group profit before tax	50%
Group free cash flow	20%
Customer	7.5%
Culture	7.5%
Individual (including environmental targets)	15%

Bonus opportunity (% of salary)

Tim Stacey: 120%, Marie Wall: 110%

## Key structural features

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

## DFS GROUP SHARE PLAN

FY26 DSP opportunity (% of salary)

Tim Stacey: 87.5%, Marie Wall: 70%

## Underpins for 2025 DSP

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

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

To support the Committee's assessment of the underpins, an internal dashboard has been developed to provide a clear framework covering key financial and non-financial measures related to the underpins for the 2025 DSP award.

## Key structural features

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

## DIRECTORS' REMUNERATION REPORT CONTINUED

### PART C: OUR REMUNERATION PHILOSOPHY AND WORKFORCE REWARD

#### OUR REMUNERATION PHILOSOPHY AND PRINCIPLES

Our Group values underpin our pay and recognition policies across the organisation and the remuneration principles which are supported in our Directors' Remuneration Policy.

We believe that our ability to deliver fantastic products and service to our customers comes from the passion and commitment shown by all our people across all parts of the Group. It is hence imperative that we attract, retain and develop the best people, who do what they love, and ensure they are rewarded fairly in return.

#### DFS VALUES



Thinking customer keeps us on our toes - it makes sure we're changing with the times to reflect the needs and wants of the communities we serve. We're furnishing the future and our customers sit at the heart of it.



We give each other the confidence to be real - we know that to be successful you need the support to be yourself and a space to belong.



Going above and beyond for our customers and our colleagues. You can't make a career or continue to be market leader without a dash of ambition and the celebration of success.

#### Remuneration principles

##### FAIR, MARKET COMPETITIVE PAY AND BENEFITS

- To pay a market competitive rate reflecting our employees' role and skills.
- To offer a reward system that is fair for all.
- To enable all employees to share in success.

##### SUPPORTING A HIGH PERFORMANCE SALES AND SERVICE CULTURE

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

##### ALIGNED TO OUR BUSINESS STRATEGY AND CULTURE

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

#### 'Your Deal' proposition

- In determining salary increases to apply across the wider workforce, the Company takes into consideration Company performance and other market metrics as necessary.
- Pay arrangements are regularly reviewed for **fairness and market competitiveness**.
- The Company actively encourages wide employee share ownership. The Group's All

Employee Share Scheme has provided the opportunity for colleagues, subject to eligibility criteria, to become shareholders in the Company, aligning them to the long-term success of the Company.

- In addition, for management, the DFS Group Share Plan structure cascades down to around 176 leaders, ensuring management is focused on delivering strategic objectives and are aligned to overall shareholders' experience.

- **Building sales capability across our retail brands** – We've trained over 200 leaders face to face and over 800 colleagues virtually in an evolved selling model in dfs. In Sofology we've delivered face to face product training to all colleagues on our new customer experience model.
- **Developing Leaders across the Group** – We've launched our Group Leadership Academy, with over 300 of our leaders enrolled on a series of subjects

to build their skills, and have completed our Management Academy with over 5,000 learning hours completed.

- **Investing in key leadership talent and succession** – The first cohort of our Leadership Development Programme has supported the development of key leadership team successors with external and internal input.

- Colleagues continue to **share in our combined success** with performance related bonus schemes.
  - The Group's All Employee Share Scheme has provided the opportunity for colleagues to become shareholders in the Company
- **Introduction of Total Reward Statements** to provide transparency to all colleagues on their whole reward package.

- Continued support for our colleague networks to **support in building and maintaining a more inclusive workplace** where everyone feels a sense of belonging.
- **Refresh of our 'Your Deal' benefits portal**, where colleagues can access discounts and savings with a number of high street retailers, purchase additional holidays and buy new technology interest free, via a salary sacrifice scheme.



DIRECTORS' REMUNERATION REPORT CONTINUED

REMUNERATION FRAMEWORK

Our reward framework aims to foster alignment across the Group and is informed by our remuneration principles and values outlined on the previous page. The key elements of our reward framework and how they operate across the Group are outlined below (excluding the Executive Directors, whose remuneration framework is described on the following page).

Element of reward	Base salary	Pension and benefits	Annual bonus and recognition awards	DFS Group Share Plan and SAYE
Group Leadership Team (4 colleagues)				
Heads of divisions and functions (86 colleagues)				
Managers (109 colleagues)	Set at market	Comprehensive	Based on a combination of financial and	Participation in the DFS Group Share Plan offered
All employees (4,503 colleagues)	competitive levels.	benefits offering aligned	non-financial objectives, aiming to reward	to our top leadership and key talent, aligning their
		to market practice.	and incentivise strategic delivery and strong	interests with those of our shareholders in the
			individual performance.	long term.
		Average employer pension	Colleagues in operational areas across the Group	All employees in the UK may participate in the
		contribution is 4% of salary.	(in retail showrooms, manufacturing sites and in	Group's Sharesave plan which offers employees
			The Sofa Delivery Company) have access to	the chance to become 'owners' of the Group.
			variable pay and bonuses based on a combination	
			of individual and team performance.	



GENDER PAY GAP REPORTING

In line with UK legislation, we published our Gender Pay Gap Report for 2024, demonstrating further progress overall across the Group, and the report is available online at [www.dfscorporate.co.uk](http://www.dfscorporate.co.uk).

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

Our analysis for 2024 shows Group level reductions in both the mean and median gender pay gap figures. The mean gender pay gap was 3.8%, a fall of a further 0.3% against last year's figure; the median figure was 4.0%, falling 0.4% in comparison to the 2023 analysis. This reflects the work done to increase female representation in leadership roles.

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

Our ongoing diversity and inclusion agenda places focus on building a workplace where women can thrive, with initiatives such as policy reviews, leadership development programmes and activities that help us to progress with a more modern and inclusive culture.

Mean gender gap

3.8%

Female representation in workforce

35%



## DIRECTORS' REMUNERATION REPORT CONTINUED

### PART D: ANNUAL REPORT ON REMUNERATION FOR THE FINANCIAL YEAR ENDED 29 JUNE 2025

#### REMUNERATION FRAMEWORK

The Company's Directors' Remuneration Policy was renewed at the 2024 AGM - the key change made to the 2024 Policy was the replacement of the performance based LTIP with the DFS Group Share Plan (restricted shares). The 2024 Policy can be found within the 2024 Annual Report on our website: [www.dfscorporate.co.uk](http://www.dfscorporate.co.uk) and the key terms have been summarised below.

The Committee has reflected on the ongoing operation of the new Policy following its first year of implementation and believes it continues to serve the Group well by ensuring the remuneration framework for Executive Directors is market competitive and capable of incentivising the creation of shareholder value and delivery of our strategic priorities.

Element of reward	Overview
<b>Base salary</b>	<ul style="list-style-type: none"> <li>Base salaries are set at a competitive level to attract and retain key employees and reflect their experience and position in the Group.</li> <li>Salary increases are generally consistent with the range awarded across the Group and are normally reviewed annually.</li> </ul>
<b>Benefits</b>	<ul style="list-style-type: none"> <li>The Executive Directors receive a basket of market-standard benefits, which currently includes car, private medical insurance (including cover for spouses and dependants), relevant professional subscriptions, and reimbursement of home telephone line and telephone expenses.</li> </ul>
<b>Pension</b>	<ul style="list-style-type: none"> <li>Pension contributions for Executive Directors are aligned to the pension provision available for the wider workforce, which is currently 4% of base salary.</li> </ul>
<b>Annual bonus</b>	<ul style="list-style-type: none"> <li>The Executive Directors' bonus is based on stretching financial and strategic performance targets.</li> <li>The CEO's maximum opportunity is currently set at 120% of salary and the Interim CFO's is set at 110% of salary.</li> <li>25% of any bonus earned will normally be deferred into shares for two years.</li> <li>The bonus is subject to malus and clawback provisions.</li> </ul>
<b>DFS Group Share Plan (DSP)</b>	<ul style="list-style-type: none"> <li>The Executive Directors participate in the DFS Group Share Plan, with the CEO's maximum award set at 87.5% of salary and the Interim CFO's set at 70% of salary.</li> <li>DSP awards will be subject to performance underpins which will be assessed by the Committee at the end of the three year vesting period. Vested awards will be subject to a two year holding period.</li> <li>Malus and clawback provisions apply.</li> </ul>
<b>Minimum shareholding guidelines</b>	<ul style="list-style-type: none"> <li>Executive Directors are expected to build or maintain (as relevant) a minimum shareholding of 200% of base salary in the Company.</li> <li>Executive Directors are normally expected to maintain a shareholding equivalent to the in-employment shareholding requirement immediately prior to departure (or the actual shareholding on departure, if lower) for two years following ceasing to be an Executive Director.</li> </ul>
<b>Sharesave plan</b>	<ul style="list-style-type: none"> <li>The Executive Directors are entitled to participate in any all-employee incentives on the same terms as all employees.</li> </ul>

#### SINGLE TOTAL FIGURE OF REMUNERATION FOR EXECUTIVE DIRECTORS – AUDITED

The remuneration of Executive Directors showing the breakdown between components, with comparative figures for the prior financial year, is shown below. Figures provided have been calculated in accordance with the Regulations.

Name	Year	Base salary £000	Taxable benefits £000	Bonus £000	LTIP <sup>7</sup> £000	Pension £000	Other £000	Total fixed £000	Total variable £000	Total £000
Tim	2025	510 <sup>1</sup>	51 <sup>2</sup>	586	—	18	—	579	586	1,165
Stacey	2024	496	10	—	—	17	—	523	—	523
Marie Wall	2025 <sup>3</sup>	184 <sup>4</sup>	31	189	—	7	—	222	189	411
John	2025 <sup>5</sup>	161	9 <sup>6</sup>	168	—	6	—	176	168	344
Fallon	2024	397	5	—	—	14	6	422	—	422

- During the year Tim Stacey sacrificed £1k of his base salary of £510k to purchase additional annual leave.
- Includes £34k of back pay for car allowance that was underpaid in previous periods.
- Remuneration for Marie Wall relates to the period from the date of her appointment to the Board on 20 January 2025 until 29 June 2025. Marie Wall joined the Company on 2 December 2024 and her remuneration arrangements have been set out in the Chair's letter on page 74.
- During the year Marie Wall sacrificed £1k of her base salary of £184k to purchase additional annual leave.
- Remuneration for John Fallon relates to the period 1 July 2024 until he stepped down from the Board after the AGM on 22 November 2024.
- Includes £1k of back pay for car allowance that was underpaid in previous periods.
- The TSR and EPS performance conditions attached to the 2022 LTIP were not met and therefore the award lapsed in full. No portion of the LTIP value was attributable to share price appreciation.

Taxable benefits comprise car, private medical insurance (including cover for spouses and dependants), relevant professional subscriptions, and reimbursement of home telephone line and telephone expenses and other minor benefits – the value of which has been included in the taxable benefits column.

As explained in the Chair's letter, in conjunction with her appointment as Interim CFO, Marie Wall received an annual travel allowance of £50,000 pro-rated for her time employed.

Pension contributions for Executive Directors are aligned to the pension provision for the wider workforce, which is currently 4% of base salary. Where pension contribution is taken as a salary supplement the amount is reduced by the associated employer's National Insurance contribution such that there is no cost to the Company from this alternative.

#### ANNUAL BONUS OUTTURN FOR FY25 – AUDITED

Consistent with prior years, the FY25 bonus is based on a rounded assessment of performance with 70% based on financial measures (50% Profit before tax and 20% Free Cash Flow) and 30% on Strategic non-financial 'ESC' measures (5% environmental, 15% business critical and 10% customer). The Committee carefully considered the wider stakeholder experience during FY25, noting in particular the impressive performance of the Executive team in setting the business on a strong recovery trajectory, and therefore determined the final outturn of 95.8% for the CEO and Interim CFO, and 94.8% for the former CFO was appropriate. No discretion was exercised in respect of the Executive Directors' bonus outcome.

## DIRECTORS' REMUNERATION REPORT CONTINUED

## PERFORMANCE AGAINST OBJECTIVES

Performance measure		Weighting	Threshold (0%)	Target	Maximum (100%)	Actual	Outcome (% of max)
Group underlying profit before tax and brand amortisation		50%	£24.7m	£23.5m	£27.0m	£30.2m	100%
Group free cash flow		20%	£24.7m	£29.0m	£33.3m	£57.5m	100%
Customer – average established Net Promoter Score (dfs)		5%	50.0	52.5	55.0	53.6	89%
Customer – average established Net Promoter Score (Sofology)		5%	55.0	57.5	60.0	61.5	100%
Business critical	Leadership engagement targets – <i>Leaders make the right decisions</i>	2.5%	+4%	+6%	+8%	+14%	100%
	Leadership engagement targets – <i>How clear are you on the role you play in achieving our vision?</i>	2.5%	+29%	+34%	+39%	+38%	96%
	Operational effectiveness and efficiency	5%	Individual target – see below				
	Business change	5%	Individual target – see below				
	Environmental	5%	Individual target – see below				
Bonus outcome (% of maximum)				Tim Stacey			95.8%
				Marie Wall			95.8%
				John Fallon			94.8%

## Assessment of individual objectives

At the start of FY25, the Group was at a critical phase of its transformation journey and identified a number of areas with the potential for business critical change. In order to motivate and drive delivery of key strategic priorities, the Committee opted to set individual objectives that reflected the areas individual executives had the power to directly influence and drive forwards. These objectives were clearly defined, with identifiable performance objectives set at the start of the year. These objectives were linked to specific projects aiming to facilitate the Group's transformation and enhance its market positioning, financial health, employee engagement and operational effectiveness.

The factors the Committee considered in its assessment of the performance of the executives in meeting these objectives have been outlined below.

Tim Stacey (CEO)		
<b>People and culture</b>	<b>Objectives</b> <ul style="list-style-type: none"> <li>Focus on developing and accelerating the inclusion and diversity strategy through the "everyone welcome" framework</li> <li>Build leadership capability across the Group, with clear succession planning in place for all senior roles</li> </ul> <b>Performance</b> <ul style="list-style-type: none"> <li>Target levels of employee engagement scores achieved for two key questions: 'My manager is supportive of creating an environment where everyone is welcome' (86%) and 'I can bring my whole self to work' (83%)</li> <li>Development of a robust succession plan which has been approved by the Board.</li> </ul>	<b>Outcome (% of max)</b> <b>80%</b>
<b>Business change</b>	<b>Objectives</b> <ul style="list-style-type: none"> <li>Restructure the Executive Team and Group Leadership Team</li> <li>Define and clarify responsibilities within the team that delivers distinct and well-understood brand propositions that are compelling to customers and can be executed efficiently driving market share growth for both Sofology and dfs, ensuring clear differentiation between the two brands</li> <li>Lead the business change programme to further reduce cost and improve business efficiency and effectiveness</li> <li>Develop longer-term strategic growth options for the next four years</li> </ul> <b>Performance</b> <ul style="list-style-type: none"> <li>Market Share growth of +3% achieved for DFS.</li> <li>Sofology achieved a total of 10% market share on average (+1% above target).</li> <li>Achieved £15m of cost savings.</li> <li>Developed a robust 4 year strategic plan.</li> </ul>	<b>Outcome (% of max)</b> <b>100%</b>
<b>Environment</b>	<b>Objectives</b> <ul style="list-style-type: none"> <li>Providing support and challenge to target owners to support the GLT in achieving its environmental goals, focusing on sustainable sourcing and Scope 1 emission reductions</li> </ul> <b>Performance</b> <ul style="list-style-type: none"> <li>Reduced carbon footprint to 14,013 tCO<sub>2</sub>e compared to a threshold of 14,035.5 tCO<sub>2</sub>e (note the target was amended to correct for previously estimated reading so that the target was set on a like for like basis with the performance outcome)</li> <li>93% of upholstery being FSC/PEFC certified (against a threshold of 90%)</li> <li>96% of leather upholstery with LWG (against a threshold of 80%)</li> </ul>	<b>Outcome (% of max)</b> <b>49%</b>

## DIRECTORS' REMUNERATION REPORT CONTINUED

### PERFORMANCE AGAINST OBJECTIVES CONTINUED

#### Assessment of individual objectives continued

##### Marie Wall (Interim CFO)

Operational effectiveness and efficiency	<b>Objectives</b>	Outcome (% of max) <b>100%</b>
	<ul style="list-style-type: none"> <li>Define the right target operating model for finance and create organisational alignment on the plan to get there</li> <li>Enhance finance by building capability and capacity through a shared vision for the future operating model, including by reviewing options for processes, systems, and outsourcing, and creating a roadmap that aligns with the broader business changes</li> </ul>	
	<b>Performance</b>	
	<ul style="list-style-type: none"> <li>Completion of an external diagnostic to benchmark the current finance operating model with peers</li> <li>Conducted an assessment of finance processes, technology and service delivery</li> <li>Developed a service delivery roadmap to enhance operational effectiveness</li> </ul>	
Business change	<b>Objectives</b>	Outcome (% of max) <b>80%</b>
	<ul style="list-style-type: none"> <li>Improve the quality of financial control and ensure the business continues to operate within its risk limits</li> </ul>	
	<b>Performance</b>	
	<ul style="list-style-type: none"> <li>Benchmarking exercise completed for current control framework and subsequent review of target maturity level for the framework</li> <li>Prioritisation of actions to improve the quality of Financial Control to form the basis of the Financial Control improvement plan for FY26</li> </ul>	
Environment	<b>Objectives</b>	Outcome (% of max) <b>49%</b>
	<ul style="list-style-type: none"> <li>Providing support and challenge to target owners to support the GLT in achieving its environmental goals, focusing on sustainable sourcing and Scope 1 emission reductions</li> </ul>	
	<b>Performance</b>	
	<ul style="list-style-type: none"> <li>Reduced carbon footprint to 14,013 tCO<sub>2</sub>e compared to a threshold of 14,035.5 tCO<sub>2</sub>e (note the target was amended to correct for previously estimated reading so that the target was set on a like for like basis with the performance outcome)</li> <li>93% of upholstery being FSC/PEFC certified (against a threshold of 90%)</li> <li>96% of leather upholstery with LWG (against a threshold of 80%)</li> </ul>	

##### John Fallon (former CFO)

Operational effectiveness and efficiency	<b>Objectives</b>	Outcome (% of max) <b>80%</b>
	<ul style="list-style-type: none"> <li>Lead the implementation of a new GNFR PO system across the business from concept to pilot</li> </ul>	
	<b>Performance</b>	
	<ul style="list-style-type: none"> <li>Systems and processes live and in trial in the expected time frame</li> <li>Clear roll out plan developed and approved by GLT</li> </ul>	
Business change	<b>Objectives</b>	Outcome (% of max) <b>80%</b>
	<ul style="list-style-type: none"> <li>Develop a plan to strengthen the financial control framework to ensure full compliance with newly implemented legislation, while optimising the efficiency and effectiveness of the Finance function</li> </ul>	
	<b>Performance</b>	
	<ul style="list-style-type: none"> <li>Plan developed and signed off by the Audit and Risk Committee</li> <li>GLT and key finance members engaged and governance processes clearly established</li> </ul>	
Environment	<b>Objectives</b>	Outcome (% of max) <b>49%</b>
	<ul style="list-style-type: none"> <li>Providing support and challenge to target owners to support the GLT in achieving their environmental goals, focusing on sustainable sourcing and Scope 1 emission reductions</li> </ul>	
	<b>Performance</b>	
	<ul style="list-style-type: none"> <li>Reduced carbon footprint to 14,013 tCO<sub>2</sub>e compared to a threshold of 14,035.5 tCO<sub>2</sub>e (note the target was amended to correct for previously estimated reading so that the target was set on a like for like basis with the performance outcome)</li> <li>93% of upholstery being FSC/PEFC certified (against a threshold of 90%)</li> <li>96% of leather upholstery with LWG (against a threshold of 80%)</li> </ul>	

## DIRECTORS' REMUNERATION REPORT CONTINUED

### LTIP AWARDS VESTING IN RELATION TO PERFORMANCE IN FY25 – AUDITED

The 2022 award was granted on 12 October 2022 and was assessed against the performance targets at the end of FY25. The 2022 LTIP award was based 50% on EPS and 50% based on TSR (compared to both the FTSE 250 (excluding Investment Trusts) and FTSE 350 General Retailers). The performance targets for these measures were not met and therefore this award will lapse.

LTIP award	Performance conditions	Weighting (% of award)	Detail	Threshold performance	Max performance	Actual performance	Vesting %
2022 LTIP	EPS	50%	Reported underlying EPS	17.7p	28.7p	9.2p	0%
	TSR	15%	TSR (FTSE 250 Index)	Index	Index + 10% p.a.	Below index	0%
		35%	TSR (FTSE 350 General Retailers)	Index	Index + 10% p.a.	Below index	0%
<b>Total vesting</b>							<b>0%</b>

For threshold performance 20% of awards vest. For maximum performance 100% of awards vest. Vesting is on a straight-line basis between these points.

The final level of vesting of these awards was 0%. No discretion was exercised in respect of award vesting levels.

### SCHEME INTERESTS AWARDED IN FY25 (2024 AWARDS) – AUDITED

Details of DSP awards granted during FY25 are set out in the table below. No deferred bonus awards were granted during FY25.

Director	Scheme	Type of award	Number of shares awarded	Value of award at date of grant (£)	Value of award as % of salary
CEO – Tim Stacey	DSP <sup>1</sup>	Nil cost option	283,196	£407,802	80%
Interim CFO – Marie Wall <sup>2</sup>	DSP <sup>1</sup>	Nil cost option	182,724	£263,123	65%

- The number of shares granted was based on a share price of £1.44. This was the average of the closing share price on the three days prior to the date of grant (12 December 2024). The award will vest after a three year vesting period, subject to the Committee's assessment of the underpin conditions laid out below. Shares vesting under the DSP will be subject to a two year holding period.
- Given the interim nature of Marie Wall's role, her conditional share award is subject to an additional condition that the award will only vest if the position is made permanent.

### PERFORMANCE UNDERPINS FOR FY25 (2024 AWARD) DSP

The performance underpins for the 2024 DSP award are set out below:

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

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

### MALUS AND CLAWBACK

Malus and clawback provisions apply to all variable incentive schemes, including the annual bonus and DSP. Malus may apply before the determination of the bonus, before the vesting of any deferred component under the bonus and before the vesting of any LTIP or DSP award. Clawback may apply up until three years after the date of any cash bonus payment and up until three years after the date of vesting of the LTIP and DSP awards which are considered reasonable to support the enforceability of clawback. Malus and clawback will continue to apply following cessation of employment.

Malus and clawback provisions may apply in the following circumstances: material underperformance; significant brand or reputational damage; material misstatement of accounts or financial results; gross misconduct; fraud; events reasonably anticipated to result in corporate failure; misstated or misleading performance measures; errors in award vesting; failure of risk management; or any other reason determined by the relevant Committee.

### SAYE AWARDS – AUDITED

No Directors were granted SAYE options during FY25.

### DILUTION

The Company monitors the levels of share grants and the impact of these on the ongoing requirement for shares. In accordance with guidelines set out by the Investment Association ('IA') the Company can issue a maximum of 10% of its issued share capital in a rolling ten year period to employees under all its share plans.

### PAYMENT TO PAST DIRECTORS – AUDITED

There were no payments to past Directors.

### ARRANGEMENTS FOR THE OUTGOING CFO – AUDITED

John Fallon stepped down from the Board on 22 November 2024. All remuneration arrangements relating to John's departure were consistent with the Directors' Remuneration Policy ('the Policy') and the Company's incentive plan rules.

John continued to be employed by the Company to assist in an orderly handover to Marie Wall until his termination date on 16 January 2025 and continued to receive his salary, pension and benefits totalling £65k for this period. For the remainder of his contractual 12 month notice period, John will receive a payment in lieu of notice in respect of salary, pension and benefits (subject to any potential mitigation) – for FY25 this totalled £198k.

John received a pro-rated bonus of £233k in respect of the period of time which he was employed (subject to performance and paid at the normal time). John will continue to hold his unvested DBP awards in respect of the FY23 bonus – these shares will remain outstanding and vest on the normal vesting date of 20 October 2025. John did not receive a DSP award during FY25 and all outstanding LTIP awards lapsed upon cessation of employment. John will remain subject to the post-employment shareholding requirement.

Other than the above, no other payments were made for loss of office during the year.



## DIRECTORS' REMUNERATION REPORT CONTINUED

### SINGLE FIGURE REMUNERATION TABLE FOR NON-EXECUTIVE DIRECTORS – AUDITED

The remuneration of Non-Executive Directors showing the breakdown between components, with comparative figures for the prior year, is shown below. Figures provided have been calculated in accordance with the Regulations.

Director	Year	Fees £000	Other £000	Total £000
Gill Barr	2025	67	—	67
	2024	66	—	66
Jo Boydell	2025	67	—	67
	2024	66	—	66
Tony Buffin <sup>1</sup>	2025	21	—	21
Alison Hutchinson	2025	78	—	78
	2024	77	—	77
Steve Johnson	2025	206	—	206
	2024	202	—	202
Bruce Marsh <sup>2</sup>	2025	53	—	53
Loraine Martins <sup>3</sup>	2025	5	—	5
	2024	56	—	56

1. Tony Buffin was appointed to the Board on 24 February 2025.
2. Bruce Marsh was appointed to the Board on 1 August 2024.
3. Loraine Martins stepped down from the Board on 31 July 2024.

### NON-EXECUTIVE DIRECTOR FEES IN FY26

Non-Executive Directors' fees, including the Chair fee, were increased by 2% in July 2025 which is in line with the average base salary increase for the wider workforce. The fee structure and levels applying for FY25 are set out below:

Chair fee	£210,000
Senior Independent Director and Chair of the Responsibility and Sustainability Committee fee	£79,020
Chair of Audit and Risk/Remuneration Committee fee	£68,300
Basic Non-Executive Director fee	£58,300

### SHAREHOLDING AND OTHER INTERESTS AT 29 JUNE 2025 – AUDITED

Directors' share interests and, where applicable, achievement of shareholding requirements are set out below. In order that their interests are aligned with those of shareholders, Executive Directors are expected to build up and maintain (as relevant) a personal shareholding which for FY25 was equal to 200% of their base salary in the Company over a five year period from appointment.

Shares no longer subject to performance conditions (e.g. deferred bonus awards, LTIP shares within the holding period and DSP awards) will count towards the requirement on a net of tax basis.

Director	Number of beneficially owned shares <sup>1</sup>	Number of shares under the DSP	Number of shares under the DSP	% of salary held	Shareholding requirement met	Subject to performance conditions	Not subject to conditions	Vested but unexercised	Unvested SAYE awards	Total at 29 June 2025
Tim Stacey	715,984	41,606	283,196	342%	Yes	1,593,566	—	—	—	2,634,352
Marie Wall <sup>2</sup>	—	—	182,724	76%	No	—	—	—	—	182,724
John Fallon <sup>3</sup>	72,383	19,538	—	38%	No	—	—	—	—	91,921
Steve Johnson	70,666	—	—	—	—	—	—	—	—	70,666
Gill Barr	15,557	—	—	—	—	—	—	—	—	15,557
Jo Boydell	21,926	—	—	—	—	—	—	—	—	21,926
Tony Buffin <sup>4</sup>	—	—	—	—	—	—	—	—	—	—
Alison Hutchinson	69,833	—	—	—	—	—	—	—	—	69,833
Loraine Martins <sup>5</sup>	16,911	—	—	—	—	—	—	—	—	16,911
Bruce Marsh <sup>6</sup>	30,000	—	—	—	—	—	—	—	—	30,000
<b>Total</b>	<b>1,013,260</b>	<b>61,144</b>	<b>465,920</b>	<b>—</b>	<b>—</b>	<b>1,593,566</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>3,133,890</b>

1. Beneficial interests include shares held directly or indirectly by connected persons.
2. Marie Wall was appointed to the Board on 20 January 2025.
3. John Fallon stepped down from the Board on 22 November 2024 and the above reflects his holdings at this date.  
All outstanding LTIP awards lapsed on cessation of employment and are no longer shown above.

4. Tony Buffin was appointed to the Board on 24 February 2025.
5. Loraine Martins stepped down from the Board on 31 July 2024.
6. Bruce Marsh was appointed to the Board on 1 August 2024.

At 18 September 2025 there had been no movement in Directors' shareholdings and share interests from 29 June 2025.

## DIRECTORS' REMUNERATION REPORT CONTINUED

### OUTSTANDING SHARE AWARDS

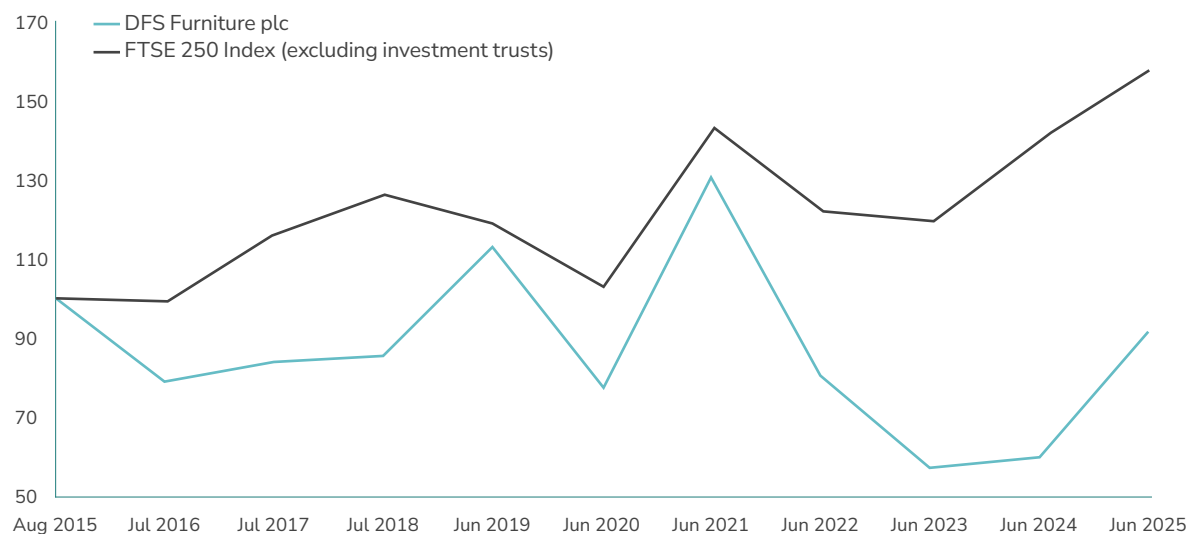
The following share awards were outstanding as at 29 June 2025 for the Executive Directors:

Director	Type of award <sup>1</sup>	Date of grant	Number of awards	Award vested	Awards lapsed	Outstanding awards	Market price on date of grant <sup>2</sup>	Normal vesting date
Tim Stacey	2022 LTIP	12/10/22	733,446	—	—	733,446	£1.08	12/10/25
	2023 LTIP	16/10/23	860,120	—	—	860,120	£1.02	16/10/26
	2024 DSP	12/12/24	283,196	—	—	283,196	£1.44	12/12/27
	2021 DBP	21/10/21	31,911	31,911	—	—	£2.69	21/10/24
	2021 DBP	20/12/21	28,300	28,300	—	—	£2.69	21/10/24
	2023 DBP	20/10/23	41,606	—	—	41,606	£1.02	20/10/25
Marie Wall	2024 DSP	12/12/24	182,724	—	—	182,724	£1.44	12/12/27
John Fallon	2022 LTIP	14/12/22	348,689	—	348,689	—	£1.48	12/10/25
	2023 LTIP	16/10/23	546,486	—	546,486	—	£1.02	16/10/26
	2023 DBP	20/10/23	19,538	—	—	19,538	£1.02	20/10/25

1. The underpins for the DSP awards and performance measures applicable to the LTIP awards are detailed in the Annual Report in the year of grant (on page 92 of the 2023 Annual Report and page 70 of the 2024 Annual Report), or subsequently on the Company's website if the performance measures are finalised after the Annual Report.
2. The share price for calculation is the average of the closing share price on the three days prior to the grant for any LTIP and DSP awards, and the closing share price on the day prior to the grant for any DBP awards.
3. John Fallon's outstanding share awards lapsed on cessation of employment.

### TOTAL SHAREHOLDER RETURN

The chart illustrates the Group's Total Shareholder Return performance against the FTSE 250 Index since 2 August 2015 to the end of FY25 (29 June 2025). This peer group represents the Company's key market for investment capital.



## DIRECTORS' REMUNERATION REPORT CONTINUED

### CHIEF EXECUTIVE'S REMUNERATION FOR THE LAST TEN YEARS

The table below indicates the total single figure of remuneration for the CEO for the previous ten financial years, along with the annual bonus payout and LTIP vesting level as a percentage of the maximum opportunity.

	FY25	FY24	FY23	FY22	FY21	FY20	FY19		FY18		FY17	FY16
CEO	Tim Stacey	Tim Stacey	Tim Stacey	Tim Stacey	Tim Stacey	Tim Stacey	Tim Stacey <sup>1</sup>	Ian Filby	Ian Filby	Ian Filby	Ian Filby	Ian Filby
Single figure (£'000)	<b>1,165</b>	523	665	496	1,999	568 <sup>3</sup>	464	374	673	666	804	
Annual bonus (% of max)	<b>95.8%</b>	0%	31.1%	0%	100%	0% <sup>2</sup>	26.2%	32.2%	36%	37.5%	71.9%	
LTIP vesting (% of max)	<b>0%</b>	0%	0%	0%	100%	0%	28.6%	28.6%	0%	0%	n/a	

1. Tim Stacey became CEO and Executive Director on 1 November 2018.

2. The Committee applied downward discretion to override the formulaic outcome of the FY20 annual bonus to zero.

3. Tim Stacey's single figure for FY20 includes an award under the DFS Restricted Share Plan which was made to the CEO prior to his appointment as an Executive Director. The award had a value of £97.7k and vested on 16 November 2019.

### PERCENTAGE CHANGE IN THE DIRECTORS' REMUNERATION

The table below compares the percentage increase in Directors' pay with the wider employee population. DFS Furniture plc has no employees so an alternative comparator group of wider employees has been used. The Company considers the Group's employees other than those whose remuneration includes piecework or commission, and excluding the Executive Directors, to be an appropriate comparator group.

		FY20-21			FY21-22			FY22-23			FY23-24			FY24-25		
Annual % change		Base salary	Benefits	Annual bonus	Base salary	Benefits	Annual bonus	Base salary	Benefits	Annual bonus	Base salary	Benefits	Annual bonus	Base salary	Benefits	Annual bonus
CEO	Tim Stacey	10%	-6%	100%	3%	-82%	-100%	0%	61%	100%	10.3%	-9%	-100%	2%	510% <sup>7</sup>	100%
Interim CFO	Marie Wall <sup>2</sup>	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	100%
Former CFO	John Fallon <sup>3</sup>	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	4.5%	n/a	-100%	2%	180%	100%
Non-Executive Directors	Gill Barr	n/a	n/a	n/a	n/a	n/a	n/a	0%	n/a	n/a	4.5%	n/a	n/a	2%	n/a	n/a
	Jo Boydell	2%	n/a	n/a	3%	n/a	n/a	0%	n/a	n/a	4.5%	n/a	n/a	2%	n/a	n/a
	Tony Buffin <sup>4</sup>	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	Alison Hutchinson	2%	n/a	n/a	3%	n/a	n/a	0%	n/a	n/a	4.5%	n/a	n/a	2%	n/a	n/a
	Steve Johnson	2%	n/a	n/a	3%	n/a	n/a	0%	n/a	n/a	4.5%	n/a	n/a	2%	n/a	n/a
	Bruce Marsh <sup>5</sup>	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	Loraine Martins <sup>6</sup>	n/a	n/a	n/a	3%	n/a	n/a	0%	n/a	n/a	4.5%	n/a	n/a	n/a	n/a	n/a
Employee pay		2%	n/a	n/a	3%	n/a	-100%	0%	n/a	100%	5.0%	n/a	-66%	2%	n/a	248%

In line with the regulations, this analysis is extended up to a five year period. Notes on the percentage change in remuneration for previous years are provided in prior years' annual reports.

1. An annual bonus was paid to the wider employee population for FY24.

2. Remuneration for Marie Wall relates to the period from the date of her appointment to the Board on 20 January 2025 until 29 June 2025.

3. Remuneration for John Fallon relates to the period 1 July 2024 until he stepped down from the Board after the AGM on 22 November 2024.

4. Tony Buffin was appointed to the Board on 24 February 2025.

5. Bruce Marsh was appointed to the Board on 1 August 2024.

6. Loraine Martins stepped down from the Board on 31 July 2024.

7. Year on year increased is partly due to £34k of back pay for car allowance that was underpaid in previous periods.

## DIRECTORS' REMUNERATION REPORT CONTINUED

### RELATIVE IMPORTANCE OF SPEND ON PAY

The table below sets out the overall spend on pay for all employees compared with the returns distributed to shareholders.

Significant distribution	FY25	FY24	% change
Employee remuneration	<b>£204.2m</b>	£200.0m	+2%
Distributions to shareholders (dividends and share buybacks)	—	£9.4m	-100%

The above figures are taken from notes 4 and 21 to the financial statements.

### CEO PAY RATIO

This is the sixth year that we have disclosed the Group's CEO pay ratio.

The Company has adopted Option B: gender pay gap data, as this approach was considered to remain appropriate due to data availability and to allow consistency with prior year comparison. The Committee will continue to determine the most appropriate methodology (Option A, B or C) to be used each year, by considering the robustness of the calculation methodology as well as the availability of data and operational time constraints.

The relevant employees at each quartile for each year were identified in April (2025 and 2024) using our gender pay gap data. The pay and benefits data for the relevant 25th, 50th and 75th percentile employees is taken from the 12-month period ending in June 2024 (financial year FY24) and June 2025 (financial year FY25). The pay and benefits figure includes:

- all earnings paid through the payroll, e.g. salary, bonus, and long-term incentives;
- the value of the employer pension contributions;
- any other taxable benefits, e.g. private medical, company car etc; and
- no elements of pay were omitted and there was no departure from the single figure methodology.

Pay and benefits for the relevant employees have been calculated on a full-time equivalent basis and there was no reliance on estimates.

The lower quartile, median and upper quartile employees were identified from the gender pay gap data where the hourly pay for employees was ranked. A sample of ten employees' pay and benefits either side of the initially identified employees was reviewed to ensure that the appropriate representative employees are selected.

The table below compares the single total figure of remuneration for the CEO with that of employees who are paid at the 25th, 50th and 75th percentile of the employee population.

### CEO PAY RATIO DATA

Year	Method	25th percentile	50th percentile	75th percentile
2025	Option B	35:1	33:1	28:1
2024	Option B	22:1	16:1	12:1
2023	Option B	27:1	18:1	18:1
2022	Option B	20:1	15:1	12:1
2021	Option B	76:1	66:1	61:1
2020	Option B	24:1	20:1	16:1

	25th percentile	50th percentile	75th percentile
2025			
Salary	£25,701	£33,604	£34,931
<b>Total pay and benefits</b>	<b>£32,983</b>	<b>£35,114</b>	<b>£42,020</b>

The year-on-year change in pay ratio reflects the incentive outturns for the CEO in 2025 being higher than the incentive outturns in 2024, when a bonus was not paid.

In line with the Regulations, this analysis will be extended up to ten years in the future. The Committee considers pay ratios as one of many reference points when considering remuneration. The Committee is comfortable the median pay ratio is consistent with the pay, reward and progression policies for the wider workforce, and throughout the Group, pay is positioned to be fair and competitive in the context of the relevant talent market for each role.

### DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

When setting notice periods, the Committee has regard to market practice and corporate governance best practice. The table below summarises the service contracts for our Executive Directors.

	Date of contract	Notice period
Tim Stacey	24 May 2022	12 months (Executive) or 12 months (Company)
Marie Wall	21 November 2024	6 months (Executive) or 6 months (Company)

All service contracts are available for viewing at the Company's registered office and at the AGM.

The Non-Executive Directors do not have service contracts but are appointed under letters of appointment which provide for a review after an initial three year term and are terminable by either the Non-Executive Director or the Company with three months' prior written notice. Each Non-Executive Director is subject to annual re-election at the Company's AGM.

The table below sets out the dates that each Non-Executive Director seeking election/re-election at the 2025 AGM was first appointed as a Group Director.

	Date of appointment
Alison Hutchinson	1 May 2018
Steve Johnson	6 December 2018
Gill Barr	1 March 2023
Bruce Marsh	1 August 2024
Tony Buffin	24 February 2025



## DIRECTORS' REMUNERATION REPORT CONTINUED

### INTERNAL AND EXTERNAL SUPPORT FOR THE COMMITTEE

The Chairman, the CEO and the Interim CFO attend meetings at the invitation of the committee but are not present when their own remuneration is being discussed. The Company Secretary acts as Secretary to the Committee. The Committee is supported by the COO, Group People Operations Director, and Finance and Company Secretarial functions.

The Committee retained Deloitte LLP as its adviser following its initial appointment in 11 November 2023. Deloitte LLP is a founding member of the Remuneration Consultants Group and a signatory to the Code of Conduct for Remuneration Consultants. The Committee is comfortable that Deloitte LLP provides objective and independent remuneration advice and has no conflicts of interest with the Group that may impair its independence. The Committee is satisfied that the Deloitte engagement team which provides remuneration advice to the Committee does not have connections with DFS Furniture plc or its Directors that may impair its independence.

The Committee reviewed the potential for conflicts of interest and judged that there were appropriate safeguards against such conflicts.

Total fees payable to Deloitte LLP in respect of services to the Committee during the year amounted to £92,700. Deloitte LLP also provided tax and financial advisory services in the period.

### STATEMENT OF VOTING

The table below sets out the outcome of the advisory vote on the resolution for approval of the Annual report on remuneration at the 2024 AGM and the binding vote on the resolution for approval of the Directors' Remuneration Policy at the 2024 AGM:

Resolution	Votes For	%	Votes Against	%	Total votes	% of issued capital voted	Votes withheld
Annual report on remuneration (2024)	209,833,598	99.93%	146,637	0.07%	209,980,235	89.68%	3,021
Remuneration Policy (2024)	198,349,001	94.46%	11,633,255	5.54%	209,982,256	89.68%	1,000

The Committee are very grateful for the strong support shown by shareholders for the Directors' Remuneration Policy, which can be found in full within the 2024 Annual Report on our website: [www.dfscorporate.co.uk](http://www.dfscorporate.co.uk)

#### Gill Barr

Chair of the Remuneration Committee  
25 September 2025



## DIRECTORS' REPORT

The Directors' Report includes information required to be disclosed under the Companies Act 2006 ('the Act'), the UK Corporate Governance Code ('the Code'), the Financial Conduct Authority's Listing Rules ('Listing Rules') and the Disclosure and Transparency Rules ('DTRs').

DFS Furniture PLC ('the Company') is the holding company of the DFS Group of companies ('the Group') and is listed on the London Stock Exchange. The Company has no overseas subsidiaries but in accordance with the Companies Act 2006 and the DTRs discloses that its subsidiary, DFS Trading Limited operates branches outside of the UK, in the Republic of Ireland. The Directors present their Annual Report and audited financial statements for the 52 weeks ended 29 June 2025, in accordance with section 415 of the Companies Act 2006. Both the Strategic report and the Directors' report have been drawn up and presented in accordance with and in reliance upon applicable English company law, and the liabilities of the Directors in connection with those reports shall be subject to the limitations and restrictions provided by such law. The Directors' report for the year ended 29 June 2025 comprises this report, together with other sections of the Annual Report incorporated by reference. As permitted by legislation, some of the matters required to be included in the Directors' report have instead been included in the Strategic report on pages 1 to 53, as the Board considers them to be of strategic importance. Specifically, these are:

- future business developments (throughout the Strategic report);
- risk management on pages 28 to 33; and
- information on how the directors have had regard for the Company's stakeholders, and the effect of that regard, on pages 34 and 35.

The Strategic report and this Directors' report together with sections of the Corporate Governance report incorporated by reference, form the Management report for the purpose of DTR 4.1.8R. This Directors' report and the Corporate Governance report together fulfil the requirements of the corporate governance statement for the purposes of DTR 7.2.3R. The relevant sections of the Annual Report are:

Disclosure	Page
Audit and Risk Committee report	66
Colleague Engagement	38
Corporate governance report	58
Directors' interests	83
Directors' remuneration report	73
Executive Share Plans	82
Human rights and Modern Slavery	90
Equity, diversity and inclusion	39
Independent auditors' report	93
Internal Controls/Risk Management	69
Nomination Committee report	71
Responsible Business	36
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Task Force on Climate Related Financial Disclosures	47

## DIRECTORS

The Directors' profiles are provided on pages 56 and 57 with details of Directors' beneficial and non-beneficial interests in the shares of the Company provided on page 83 of the Directors' Remuneration Report.

Director	Position	Service in the year ended 29 June 2025
Steve Johnson	Chair	Served throughout the year
Tim Stacey	Chief Executive Officer	Served throughout the year
Marie Wall	Interim Chief Financial Officer	Appointed 20 January 2025
John Fallon	Chief Financial Officer	Resigned 22 November 2024
Alison Hutchinson	Senior Independent Non-Executive Director	Served throughout the year
Gill Barr	Independent Non-Executive Director	Served throughout the year
Jo Boydell	Independent Non-Executive Director	Served throughout the year
Loraine Martins	Independent Non-Executive Director	Resigned 31 July 2024
Bruce Marsh	Independent Non-Executive Director	Appointed 1 August 2024
Tony Buffin	Independent Non-Executive Director	Appointed 24 February 2025

## BOARD

Directors are appointed or replaced in accordance with the Company's Articles of Association ('the Articles'), the Act and the Code. The Board is entitled to appoint new directors to fill a vacancy. Any Director appointed by the Board must stand for election at the following Annual General Meeting, in compliance with the Code. All Directors submit themselves for re-election on an annual basis.

The Directors proposed by the Board for election or re-election are unanimously recommended for their skills and experience, and the contribution they bring to Board deliberations. During the year, no Director had any material interest in any contract of significance to the Group's business. Following recommendations from the Nomination Committee, the Board considers that all Directors continue to be effective, committed to their roles and able to devote sufficient time to discharge their responsibilities. The Directors' service contracts and the letters of appointment are available for inspection by shareholders at the Company's registered office and will be available for inspection at the Company's AGM.

The Executive Directors serve under rolling contracts, details of which are set out on page 86 of the Directors' Remuneration Report. The Non-Executive Directors are appointed under letters of appointment, for an initial three year term which may be extended by mutual agreement and are terminable by either the Non-Executive Director or the Company with three months' prior written notice or six months' notice from either party in the case of the Chair. In carrying out their duties the Directors give due consideration to the Group's employees, suppliers and customers. Further details on how the Directors engage with stakeholders can be found on pages 34 and 35.

For further information on how the Board operates, the schedule of matters reserved for the Board is available at [www.dfs.corporate.co.uk](http://www.dfs.corporate.co.uk).

## DIRECTORS' REPORT CONTINUED

### BOARD CONTINUED

The table below sets out the date that each Non-Executive Director seeking election/re-election at the 2025 AGM was appointed to the Board.

Non-Executive Director	Date of appointment
Alison Hutchinson	1 May 2018
Steve Johnson	6 December 2018
Gill Barr	1 March 2023
Bruce Marsh	1 August 2024
Tony Buffin	24 February 2025

Details of any shares held by a Director in the Company, including those of any connected persons, are detailed in the Directors' Remuneration Report on page 83. The Board exercises all the powers of the Company subject to the Articles, the Act and shareholder resolutions.

### DIRECTORS' RESPONSIBILITIES

The directors' responsibilities for the financial statements contained within this Annual Report and Accounts and the directors' confirmations as required under DTR 4.1.12 are set out on page 92.

### DIRECTORS' INDEMNITIES AND INSURANCE

The Company has made qualifying third-party indemnity provisions (as defined in the Act) for the benefit of its Directors during the year; these provisions remain in force at the date of this Directors' report. In accordance with the Articles, and to the extent permitted by law, the Company may indemnify its Directors out of its own funds to cover liabilities incurred as a result of their office. The Group holds Directors' and Officers' liability insurance cover for any claim brought against Directors or Officers for alleged wrongful acts in connection with their positions, to the point where any culpability for wrongdoing is established. The insurance provided does not extend to claims arising from fraud or dishonesty.

### ANNUAL GENERAL MEETING ('AGM')

The Company's next AGM will take place on 14 November 2025 at the DFS Group Support Centre, 1 Rockingham Way, Redhouse Interchange, Adwick-le-Street, Doncaster, DN6 7NA at 2.30pm. The Annual Report and Accounts and Notice of the AGM, including the resolutions to be proposed, will be sent to shareholders at least 21 clear days prior to the date of the meeting. Shareholders are invited to submit questions prior to the meeting by emailing the Company Secretary, Liz McDonald [liz.mcdonald@dfs.co.uk](mailto:liz.mcdonald@dfs.co.uk).

### SHAREHOLDER AND VOTING RIGHTS

All members who hold ordinary shares are entitled to attend and vote at the AGM. Voting on all resolutions at the 2025 AGM will be by way of a poll. On a poll, every member present in person or by proxy has one vote for every ordinary share held or represented. The Notice of Meeting specifies the deadlines for exercising voting rights. To encourage shareholders to participate in the AGM process, the Company offers electronic proxy voting through the CREST service and all resolutions will be proposed and voted on at the meeting on an individual basis by shareholders or their proxies. The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and voting rights. There are no restrictions on the transfer of ordinary shares in the Company other than certain restrictions imposed by laws and regulations (such as insider trading laws and market requirements relating to closed periods) and requirements of internal rules and procedures whereby Directors and certain employees of the Company require prior approval to deal in the Company's securities. The Company's Articles may only be amended by a special resolution at a General Meeting.

### DIVIDENDS

The Board has not proposed a final dividend for the year ended 29 June 2025. Details of the final and interim dividends for the year are included in the below table.

0.0p interim dividend	(FY24: 1.1p per share)
0.0p proposed final dividend	(FY24: 0.0p per share)
Total dividend of 0.0p per share for FY25	(FY24: 1.1p per share)

### SUBSTANTIAL SHAREHOLDERS

As at 18 September 2025, the Company has been notified of the following holdings of voting rights in its shares under DTR Rule 5. The information provided below was correct at the date of notification. These holdings are likely to have changed since the Company was notified, however notification of any change is not required until the next notifiable threshold is crossed. Percentages are shown as notified, calculated with reference to the Company's disclosed share capital as at the date of the notification.

Investor	Number of ordinary shares	% voting rights	Date of notification
J O Hambro Capital Management Limited	23,350,644	9.97	13 May 2025
FIL Limited	23,422,425	10.00	4 Apr 2025
Adriana S.A	21,960,922	9.02	15 Sep 2022
The Wellcome Trust Limited	7,215,675	3.08	7 Feb 2025
Aviva plc	11,126,031	4.75	7 Jan 2025
Janus Henderson Group plc	11,508,529	4.92	26 Nov 2024

Directors' interests in the Company's shares and the movements thereof are detailed in the Directors' Remuneration Report on page 83.

### TAKEOVER DIRECTIVE INFORMATION

Following the implementation of the European Directive on Takeover Bids by certain provisions of the Companies Act 2006, the Company is required to disclose certain additional information in the Directors' report. This information is set out below.

#### Capital structure

The Company has only one class of shares, being ordinary shares of £0.10 each. The shares of the Company have been traded on the Main Market of the London Stock Exchange throughout the 52 weeks ended 29 June 2025. The Company has an issued share capital of 236,000,000 ordinary shares of £0.10 each (2024: 236,000,000). The voting rights of the Company's shares are identical, with each share carrying the right to one vote. Holders of ordinary shares of the Company are entitled to participate in authorised dividends and to receive notice and to attend and speak at general meetings. On 29 June 2025, the Company held 1,855,580 ordinary shares in treasury (2024: 1,855,580). As at 18 September 2025 the Company held 1,855,580 shares in treasury and therefore the total number of ordinary shares with voting rights in the Company is 234,144,420.

Under the Company's Share Dealing Code, senior executives may be restricted as to when they can trade in the Company's shares. The Directors are not aware of any agreements between holders of the Company's shares that may result in the restriction of the transfer of securities or on voting rights. No shareholder holds securities carrying any special rights or control over the Company's share capital. Details of employee share schemes are provided in note 25 to the Group financial statements.

As at 29 June 2025, the Employee Benefit Trust held 3,060,209 shares (2024: 3,456,074).



## DIRECTORS' REPORT CONTINUED

### AUTHORITY TO PURCHASE OWN SHARES

At the AGM on 22 November 2024, the Company was authorised to purchase a maximum of 10% of the Company's issued share capital. This authority will expire at the close of the next AGM on 12 November 2025 unless revoked, varied, or renewed prior to that meeting. The Company will seek the usual renewal of this authority to purchase its own shares at the AGM in November 2025.

### AUTHORITY TO ALLOT SHARES

At the AGM on 22 November 2024, the Company was granted a general authority by its shareholders to allot shares up to an aggregate nominal amount of £7,804,814 (or up to £15,609,628 in connection with an offer by way of a rights issue). The Company did not allot any further shares during the year (2024: nil). The Company will seek the usual renewal of this authority at the AGM 2025.

### CHANGE OF CONTROL

The Company is not a party to any significant agreements which take effect, alter, or terminate, solely upon the event of a change of control in the Company following a takeover bid. However, in the event of a change of control of the Company, the Company is obliged to give written notice to its lenders. Each individual lender then has the right to give written notice to the Company to demand early repayment of its outstanding loans to that lender and to cancel that lender's commitments in full.

Each of the Company's share incentive scheme rules contain provisions that may cause options and awards granted under these schemes to vest and become exercisable in the event of a change of control.

There are no agreements between the Company and its Directors or employees providing for additional compensation for loss of office or employment (whether through resignation, redundancy or otherwise) that occurs because of a takeover bid.

### SIGNIFICANT AGREEMENTS

The Company does not have any contractual or other relationships with any single party which are essential to the business of the Group and, therefore, no such relationships have been disclosed.

### COLLEAGUE INFORMATION

We remain committed to colleague involvement and engagement throughout the Group. Information on our approach to our colleagues is provided throughout this Annual Report and specifically on pages 10, 34 and 38.

Our culture is built around a clear concept of 'Everyone Welcome'. It is embedded in our Group values that all colleagues must be able to be themselves at work, whatever their background, preferences or views. The Group has a communication programme in place to provide colleagues with information on matters of concern to them. This includes regular updates from the Group Leadership Team via regular updates on our intranet 'The Hub', the 'Brew with the GLT' held in person and by video to update all our colleagues, and our In the Loop sessions for our retail colleagues. Feedback to the Board on the views of colleagues is achieved through regular visits to our showrooms, distribution centres and factories, where the Non-Executive Directors meet colleagues from across the Group. The Group Voice Forum in place in the UK and Republic of Ireland provides a forum for the Designated Non-Executive Director to meet with employee representatives to discuss the issues close to their hearts. The Voice forum forms the basis of the colleague listening network and enables colleague feedback to be received effectively and consistently across the Group.

Details of colleagues' involvement in the Group's share plans are disclosed in the Remuneration Report on pages 73 to 87.

In the event that colleagues need adjustments to be made to support their employment then every effort will be made to accommodate them. The Group is committed to providing equal opportunities in recruitment, training, development and promotion. We encourage applications from individuals with all forms of disabilities. Every endeavour is made to find suitable alternative employment and to retrain and support the career development of any employee who becomes disabled whilst serving the Group.

Our Disability Inclusion Network is strongly supported and is sponsored by the Group General Counsel and Company Secretary. This year we entered into a partnership with Sunflower Hidden Disabilities, the campaign to support people with hidden disabilities.

### ETHICAL SUPPLY CHAIN

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

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

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

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

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

### INFORMATION ON GREENHOUSE GAS EMISSIONS

The information on greenhouse gas emissions that the Company is required to disclose is set out in the Responsible business report on pages 36 to 52. This information is incorporated into this Directors' report by reference and is deemed to form part of this Directors' report.

### RESEARCH AND DEVELOPMENT

Research and innovation remain key to our product offering, enabling the development of better products for our customer base. Further details are provided in the Chair's statement on page 7.



## DIRECTORS' REPORT CONTINUED

### DONATIONS

The Group does not make donations to political organisations or independent election candidates.

### PUBLIC POLICY

We do not take part in any direct lobbying or public policy activity.

### TREASURY AND RISK MANAGEMENT

The Company's approach to treasury and financial risk management, including its use of hedging instruments, is explained in the Risks and uncertainties section on page 29 and note 24 to the financial statements.

### INDEPENDENT AUDITORS

In accordance with section 489 of the Companies Act 2006 ('the Act'), the Audit and Risk Committee has recommended that a resolution is to reappoint of KPMG LLP as auditor of the Group will be proposed to the shareholders at the AGM. The Directors who held office at the date of this report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each such Director has taken the reasonable steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of the information. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Act.

### INFORMATION TO BE DISCLOSED UNDER UK LISTING RULE ('UKLR') 6.6.1R

Listing rule	Detail	Reference
UKLR 6.6.1R (1), (2), (4-10), (13)	Not applicable	Not applicable
UKLR 6.6.1R (3)	Long-term incentive schemes	Pages 73 to 87
UKLR 6.6.1R (11), (12)	Waiver of dividends	Note 22

### SUBSEQUENT EVENTS

Between 29 June 2025 and the date of this report there have been no reportable events.

### DISCLAIMER

This Directors' report, Strategic report and the financial statements contain certain forward-looking statements with respect to the financial condition, results, operations, and business of DFS Furniture plc. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts.

Nothing in this Directors' report or the Strategic report or in the financial statements should be construed as a profit forecast. This document also contains non-financial information and data. While reasonable steps have been taken to ensure that this is correct, it has not been externally audited or verified unless specifically stated in this document.

### GOING CONCERN

In adopting the going concern basis for preparing the financial statements, the Directors have considered the business activities as set out on pages 1 to 53, the financial position of the Group, its cash flows, liquidity position and borrowing facilities as set out in the Financial review on pages 20 to 25, the Group's financial risk management objectives and exposures to liquidity and financial risks as set out in note 24 to the financial statements, as well as the Group's risks and uncertainties as set out on pages 28 to 33.

Based on the Group's cash flow forecasts, the Board expects the Group to have adequate resources to continue in operation, meet its liabilities as they fall due, retain sufficient available cash and not breach the covenants applicable to its borrowing facilities for the foreseeable future, being a period of at least 12 months from the approval of the financial statements. The Board therefore considers it appropriate for the Group to adopt the going concern basis in preparing its financial statements. At 18 September 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.

### LONG-TERM VIABILITY STATEMENT

The Directors have assessed the prospects of the Company over a three year period to June 2028. This has taken into account the business model, strategic aims, risk appetite, and principal risks and uncertainties, along with the Company's current financial position. Based on this assessment, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period under review. See our approach to assessing long-term viability on page 53.

The Directors' report was approved by the Board of Directors on 25 September 2025 and signed on its behalf by:

**Elizabeth McDonald**

Group General Counsel and Company Secretary  
25 September 2025

## STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with UK-adopted international accounting standards and applicable law and have elected to prepare the parent Company financial statements in accordance with UK accounting standards and applicable law, including FRS 101 Reduced Disclosure Framework.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of the Group's profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable and, in respect of the parent Company financial statements only, prudent;
- for the Group financial statements, state whether they have been prepared in accordance with UK-adopted international accounting standards;
- for the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the parent Company financial statements;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and

- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic report, Directors' report, Directors' Remuneration Report and Corporate Governance statement that complies with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In accordance with Disclosure Guidance and Transparency Rule ('DTR') 4.1.16R, the financial statements will form part of the annual financial report prepared under DTR 4.1.17R and 4.1.18R. The auditor's report on these financial statements provides no assurance over whether the annual financial report has been prepared in accordance with those requirements.

### RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE ANNUAL FINANCIAL REPORT

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic report/Directors' report includes a fair review of the development and performance of the business and the position of the issuer, and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

**Tim Stacey**  
Chief Executive Officer

**Marie Wall**  
Interim Chief Financial Officer

25 September 2025



# INDEPENDENT AUDITOR'S REPORT

## TO THE MEMBERS OF DFS FURNITURE PLC

### 1. OUR OPINION IS UNMODIFIED

We have audited the financial statements of DFS Furniture plc ("the Company" and "the Group") for the period ended 29 June 2025 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement, the Company Balance Sheet, Company Statement of Changes in Equity, and the related notes, including the accounting policies in note 1 to both the Group and parent Company financial statements.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 29 June 2025 and of the Group's profit for the period then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit and risk committee.

We were first appointed as auditor by the directors on 27 April 2010. The period of total uninterrupted engagement is for the 11 financial years ended 29 June 2025 as a public interest entity and 15 financial periods in total. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

#### Overview

<b>Materiality:</b>	£2.5m (2024: £2.5m)
Group financial statements as a whole	0.24% (2024: 0.25%) of Group revenue

#### Key audit matters

		vs 2024
<b>Recurring risks</b>	Impairment of Goodwill – DFS Cash Generating Unit ('CGU')	↓
	Recoverability of parent company's investment in subsidiaries and receivables from other group companies	↔

### 2. KEY AUDIT MATTERS: OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
<b>Impairment of Goodwill – DFS CGU</b>	<p><b>Forecast-based assessment</b></p> <p>There is a risk, due to the nature of cash flow forecasts, that the business may not meet expected growth projections in order to support the carrying value of goodwill in the DFS Cash Generating Unit ('CGU').</p> <p>In the prior year, the Sofology CGU was also included within the KAM, however due to the increased performance and levels of headroom seen in this CGU, the impairment of goodwill for Sofology is no longer classified as a KAM.</p> <p>This risk of goodwill impairment is significant in the DFS CGU in light of the current economic climate, volatility in the financial performance of the Group and volatility in the accuracy against budget.</p> <p>Management considered the recoverability of the goodwill balance through a value in use calculation that had underlying assumptions of varying sensitivities. The estimated recoverable amount is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows.</p>	<p>We performed the tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.</p> <p>Our procedures included:</p> <ul style="list-style-type: none"> <li><b>Historical comparisons:</b> We compared the previous forecasts for the CGU against actual outcomes to assess the historical reliability of the Group's forecasting.</li> <li><b>Benchmarking assumptions:</b> We compared the CGU's trading forecasts against current trading performance, externally derived anticipated growth in the furniture retail sector and applied our knowledge of the Group and retail sector, investigating any significant deviations in order to challenge assumptions included in the forecasts and assess any indicators of management bias.</li> <li><b>Sensitivity analysis:</b> We performed sensitivity analysis over revenue, profit margins, terminal growth rate and the discount rate in order to determine their impact on the value in use calculations.</li> </ul>

## INDEPENDENT AUDITOR'S REPORT CONTINUED

### TO THE MEMBERS OF DFS FURNITURE PLC

## 2. KEY AUDIT MATTERS: OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT CONTINUED

	The risk	Our response
<b>Impairment of Goodwill – DFS CGU continued</b>	The effect of these matters is that, as part of our risk assessment, we determined that the value in use has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole and possibly many times that amount. In conducting our final audit work, we concluded that reasonably possible changes to the value in use would not be expected to result in material impairment.	<ul style="list-style-type: none"> <li>• <b>Our sector experience:</b> We assessed and challenged the discount rate by obtaining the inputs used in the discount rate calculations, independently benchmarking against our own expectations and comparing the overall rate to an expected range based on our own benchmarks. We combined insights from external sources and finalised FY25 audits to challenge assumptions and downside scenarios. We assessed possible indicators of impairment for the CGU compared with our industry knowledge and understanding of the Group.</li> <li>• <b>Assessing transparency:</b> We considered the adequacy of the Group's disclosures around the carrying value of goodwill and the impairment analysis.</li> </ul>
		<p><b>Our results</b></p> <p>We found the Group's conclusion that there is no impairment of goodwill in respect of the DFS CGU to be acceptable (2024 result: acceptable).</p>

	The risk	Our response
<b>Recoverability of parent company's investment in subsidiaries and amounts due from other group companies</b>	<p><b>Low risk, high value:</b></p> <p>The carrying amount of the parent Company's investments in subsidiaries and amounts due from group companies represents 49% (2024: 48%) and 51% (2024: 52%) of the Parent Company's total assets respectively.</p> <p>Their recoverability is not at a high risk of material misstatement or subject to significant judgement. However, due to their materiality in the context of the Parent Company financial statements, this is considered to be the area that had the greatest effect on our overall Parent Company audit.</p>	<p>We performed the tests below rather than seeking to rely on any of the Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.</p> <p>Our procedures included:</p> <p><b>Recoverability of Parent Company Investments:</b></p> <ul style="list-style-type: none"> <li>• <b>Tests of detail:</b> We assessed the company's evaluation of the recoverability of investments, including their calculation of the enterprise value of trading entities through challenge of key assumptions in line with the procedures noted on pages 93 and 94 and sensitivity analysis.</li> <li>• We compared the carrying amount of 100% of investments with the relevant subsidiaries' draft balance sheet to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessed whether those subsidiaries have historically been profit-making.</li> <li>• We compared the debt adjusted market capitalisation to the investment to assess impairment indicators.</li> </ul>
	<p><b>Parent Company's investment in subsidiaries:</b> £260.5 million; (2024: £257.7 million)</p> <p><b>Amounts due from group companies' receivables:</b> £275.0 million; (2024: £275.0 million)</p> <p><i>Refer to page 68 (Audit and Risk Committee Report), page 129 (accounting policy) and page 130 (financial disclosures).</i></p>	<p><b>Recoverability of amounts due from other group companies:</b></p> <ul style="list-style-type: none"> <li>• <b>Assessing subsidiary audits:</b> Considering the results of our work on all scoped in subsidiaries' profits and net assets, we assessed the liquidity of the assets and therefore the ability of the subsidiary to fund the repayment of the amount receivable from other group companies.</li> <li>• <b>Tests of detail:</b> We obtained and corroborated the updated intercompany balances schedule against trial balances and evaluated the Expected Credit Losses ('ECL') on intercompany receivables under IFRS 9.</li> </ul> <p><b>Our results</b></p> <p>We found the Company's conclusion that there is no impairment of the investments in subsidiaries and the amounts receivable from group companies balance to be acceptable (2024: acceptable)</p>



## INDEPENDENT AUDITOR'S REPORT CONTINUED

### TO THE MEMBERS OF DFS FURNITURE PLC

## 2. KEY AUDIT MATTERS: OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT CONTINUED

### Changes to key audit matters

#### Going concern

We continue to perform audit procedures over going concern, however, going concern is no longer classified as a KAM due to the improved trading performance observed during the period and the achievement of budget. The improved performance compared to the prior period, alongside the achievement of the FY25 budget, has enhanced the Group's liquidity position and provided increased headroom against the financial covenants associated with its banking facilities. We have therefore assessed that the likelihood of material misstatement is reduced from the level previously communicated.

## 3. OUR APPLICATION OF MATERIALITY AND AN OVERVIEW OF THE SCOPE OF OUR AUDIT

### Our application of materiality

Materiality for the Group financial statements as a whole was set at £2.5m (2024: £2.5m), determined with reference to a benchmark of Group revenue, of which it represents 0.24% (2024: 0.25%).

Materiality for the parent Company financial statements as a whole was set at £1.6m (2024: £1.6m), determined with reference to a benchmark of parent Company total assets, of which it represents 0.3% (2024: 0.3%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality for the group was set at 65% (2024: 65%) of materiality for the financial statements as a whole, which equates to £1.62m (2024: £1.62m) for the Group. Similarly, performance materiality for the parent company was set at 65% (2024: 75%) of materiality for the financial statements as a whole, which equates to £1.0m (2024: £1.2m). We applied this percentage in our determination of performance materiality for both group and parent company based on the level of identified misstatements and control deficiencies during the prior period.

We agreed to report to the Audit and Risk Committee any corrected or uncorrected identified misstatements exceeding £0.125m (2024: £0.125m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

### Overview of the scope of our audit

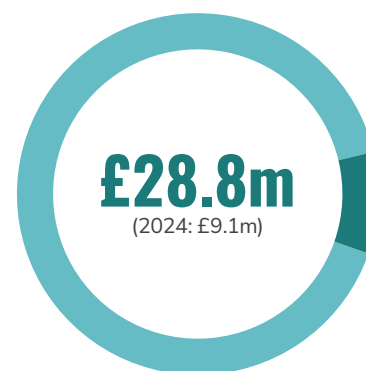
This period, we applied the revised group auditing standard in our audit of the consolidated financial statements. The revised standard changes how an auditor approaches the identification of components, and how the audit procedures are planned and executed across components.

In particular, the definition of a component has changed, shifting the focus from how the entity prepares financial information to how we, as the group auditor, plan to perform audit procedures to address group risks of material misstatement ("RMMs"). Similarly, the group auditor has an increased role in designing the audit procedures as well as making decisions on where these procedures are performed centrally and/or at component level and how these procedures are executed and supervised. As a result, we assess scoping and coverage in a different way and comparisons to prior period coverage figures are not meaningful. In this report we provide an indication of scope coverage on the new basis.

We performed risk assessment procedures to determine which of the Group's components are likely to include risks of material misstatement to the Group financial statements and which procedures to perform at these components to address those risks.

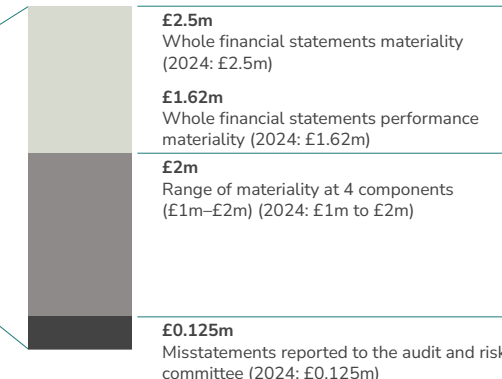
In total, we identified seven components, having considered our evaluation of the Group's operational structure the Group's legal structure; the existence of common information systems; segmental reporting of the group and our ability to perform audit procedures centrally.

### Normalised Group profit before tax



■ Group materiality  
■ Normalised PBT

### Group materiality £2.5m (2024: £2.5m)



INDEPENDENT AUDITOR’S REPORT CONTINUED  
TO THE MEMBERS OF DFS FURNITURE PLC

3. OUR APPLICATION OF MATERIALITY AND AN OVERVIEW OF THE SCOPE OF OUR AUDIT CONTINUED

Overview of the scope of our audit continued

Of those, we identified 4 quantitatively significant components which contained the largest percentages of either total revenue or total assets of the Group, for which we performed audit procedures.

Accordingly, we performed audit procedures on 4 components, all procedures were completed by the group audit team, no component auditors were engaged. We also performed the audit of the parent Company.

We set the component materialities, ranging from £1m to £2m (2024: £1m to £2m) , having regard to the mix of size and risk profile of the Group across the components.

Our audit procedures covered 100% of Group revenue. We performed audit procedures in relation to components that accounted for 99% of Group profit before tax and 99% of Group total assets.

For the remaining components for which we performed no audit procedures, no component represented more than 0.2% of Group profit before tax or 0.5% of Group total assets. We performed analysis at an aggregated Group level to re-examine our assessment that there is not a reasonable possibility of a material misstatement in these components.

Impact of controls on our group audit

As noted within the strategic report on page 33, the Group’s control environment is undergoing a programme of transformation with business change projects impacting key areas, including IT. We, assisted by our IT auditors, obtained an understanding of the general IT environment related to the main finance IT system, the inventory systems used by all in-scope components in the group, and the revenue IT systems used by DFS Trading and Sofology components, which were noted to be the main IT systems relevant to our audit.

We assessed the current design of controls intended to address the risk of management override of controls; and, as a result of this assessment, we were unable to place reliance on controls in this area. Accordingly, we conducted incremental risk assessment over journal entries which led to increased substantive work in our approach to journal testing.

Considering the developing nature of the overall control environment and transformation project, we concluded that a predominantly substantive audit approach was appropriate in all areas of the audit for the period ending 29 June 2025.

We adopted a data-oriented approach to auditing revenue for the DFS Trading component by performing data and analytics routines. Given that we did not plan to rely on IT controls in our audit, a direct testing approach was used over the completeness and reliability of data used in these routines and in respect of system data used in our substantive testing on other transactional areas including journals. In our audit of revenue for the other in-scope components and other areas of the audit, we planned and performed additional substantive testing rather than relying on controls.

Our audit procedures covered the following percentage of Group revenue:

Group revenue



We performed audit procedures in relation to components that accounted for the following percentages of Group profit before tax and Group total assets:

Group total assets



Group profit before tax



■ Quantitatively significant for group audit purposes 2025

## INDEPENDENT AUDITOR'S REPORT CONTINUED

### TO THE MEMBERS OF DFS FURNITURE PLC

#### 4. GOING CONCERN

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group's and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources and/or metrics relevant to debt covenants over this period were:

- Challenging retail trading conditions driven by rising inflation and cost of living, resulting in increased operational costs and reduced customer demand and disposable income;
- Risk of breach of financial covenants arising from recently renegotiated financing facilities maturing in next 2-5 years.

We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by assessing the directors' sensitivities over the level of available financial resources and covenant thresholds indicated by the Group's financial forecasts taking account of severe, but plausible adverse effects that could arise from these risks individually and collectively.

Our procedures also included:

- Assessing the level and expiry of committed financing, covenant compliance during the forecast and historical periods and recalculation of covenants through inspection of financing documentation, including lender communications.
- Critically assessing key assumptions underpinning the cash flow forecasts (order bookings, gross margin, other costs and capital expenditure) by benchmarking against third-party evidence. We evaluated the sensitivity of financial resources to adverse scenarios and assessed the plausibility of downside cases and break points. We also assessed historical forecasting accuracy by comparing prior period cash flow forecasts to actual results.
- Finally, we considered the achievability of mitigating actions proposed by the directors and their historical track record in implementing such measures.

We considered whether the going concern disclosure in note 1 to the financial statements gives a full and accurate description of the directors' assessment of going concern, including the identified risks, dependencies, and related sensitivities.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period;
- we have nothing material to add or draw attention to in relation to the directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for the going concern period, and we found the going concern disclosure in note 1 to be acceptable; and
- the related statement under the UK Listing Rules set out on page 91 is materially consistent with the financial statements and our audit knowledge.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

#### 5. FRAUD AND BREACHES OF LAWS AND REGULATIONS – ABILITY TO DETECT

##### Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ('fraud risks') we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the audit and risk committee, internal audit, general counsel and company secretary as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for 'whistleblowing', as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading minutes from Board meetings and its sub-committees, including the Remuneration and Nominations Committees.
- Considering the Long Term Incentive Plan, Deferred Bonus Scheme, Restricted Share Plan and Save As You Earn remuneration incentive schemes and performance targets for management.
- Using analytical procedures to identify any unusual or unexpected relationships.
- Consulting with our own forensic professionals regarding the identified fraud risks and the design of the audit procedures planned in response to these. This involved having discussion with the forensic professionals and the engagement partner, engagement quality control reviewer and the audit team.

## INDEPENDENT AUDITOR'S REPORT CONTINUED

### TO THE MEMBERS OF DFS FURNITURE PLC

#### 5. FRAUD AND BREACHES OF LAWS AND REGULATIONS – ABILITY TO DETECT CONTINUED

##### Identifying and responding to risks of material misstatement due to fraud continued

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that Group and component management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as impairment and provisions assumptions. On this audit we do not believe there is a fraud risk related to revenue recognition because there is little opportunity to fraudulently misstate revenue based on the high volume of low value transactions. Furthermore, there is not sufficient incentive or motivation to create a fraud risk in relation to cash sales as the level of cash paid at stores is immaterial.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of some of the Group-wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries to test for selected components based on risk criteria and comparing the identified entries to supporting documentation. These included unexpected combinations in journal postings to revenue, cash and borrowings; journal entries posted by users with less than five postings in the period; postings made by or referencing specific employees; and postings to seldom used accounts.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

##### Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and others management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, data protection laws, anti-bribery, employment law, regulatory capital and liquidity, New Packaging Legislation, the Digital Marketing Act and certain aspects of company legislation recognising the financial and regulated nature of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

##### Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.



## INDEPENDENT AUDITOR'S REPORT CONTINUED

### TO THE MEMBERS OF DFS FURNITURE PLC

#### 6. WE HAVE NOTHING TO REPORT ON THE OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

##### Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial period is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

##### Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

##### Disclosures of emerging and principal risks and longer-term viability

We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the Viability Reporting on page 53 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Risk and Uncertainties disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- the directors' explanation in the Viability Reporting of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the Viability Reporting, set out on page 53 under the UK Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability

##### Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- the section of the annual report describing the work of the Audit and Risk Committee, including the significant issues that the audit and risk committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.

We are required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the UK Listing Rules for our review. We have nothing to report in this respect.

#### 7. WE HAVE NOTHING TO REPORT ON THE OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

We have nothing to report in these respects.

## INDEPENDENT AUDITOR'S REPORT CONTINUED

### TO THE MEMBERS OF DFS FURNITURE PLC

## 8. RESPECTIVE RESPONSIBILITIES

### Directors' responsibilities

As explained more fully in their statement set out on page 92, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

The Company is required to include these financial statements in an annual financial report prepared under Disclosure Guidance and Transparency Rule 4.1.17R and 4.1.18R. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with those requirements.

## 9. THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**Gill Hopwood-Bell (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
 Chartered Accountants  
 1 St Peter's Square  
 Manchester  
 M2 3AE  
 25 September 2025



# FINANCIAL STATEMENTS

The following section presents the Group's consolidated financial statements for the year ended 29 June 2025. These statements have been prepared in accordance with applicable accounting standards and provide a detailed view of DFS Furniture plc's financial performance, position, and cash flows over the reporting period.

## In this section

102	Consolidated income statement
103	Consolidated statement of comprehensive income
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105	Consolidated statement of changes in equity
106	Consolidated cash flow statement
107	Notes to the consolidated financial statements
127	Company balance sheet
128	Company statement of changes in equity
129	Notes to the Company financial statements



# CONSOLIDATED INCOME STATEMENT

FOR 52 WEEKS ENDED 29 JUNE 2025 (53 WEEKS ENDED 30 JUNE 2024)

		52 weeks to 29 June 2025			53 weeks to 30 June 2024		
	Note	Underlying £m	Non- underlying £m	Total £m	Underlying £m	Non- underlying £m	Total £m
<b>Gross sales<sup>1</sup></b>	1, 2	<b>1,388.3</b>	—	<b>1,388.3</b>	1,311.8	—	1,311.8
<b>Revenue</b>	2	<b>1,030.3</b>	—	<b>1,030.3</b>	987.1	—	987.1
Cost of sales		(448.6)	—	(448.6)	(436.3)	—	(436.3)
<b>Gross profit</b>		<b>581.7</b>	—	<b>581.7</b>	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)
<b>Operating profit/(loss) before depreciation, amortisation and impairment</b>	3	<b>157.2</b>	<b>(0.6)</b>	<b>156.6</b>	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)
<b>Operating profit/(loss)</b>	2, 3	<b>67.0</b>	<b>4.1</b>	<b>71.1</b>	50.2	(8.9)	41.3
Finance income	5	0.4	—	0.4	0.4	—	0.4
Finance expenses	5	(38.6)	—	(38.6)	(41.5)	(1.9)	(43.4)
<b>Profit/(loss) before tax</b>		<b>28.8</b>	<b>4.1</b>	<b>32.9</b>	9.1	(10.8)	(1.7)
Taxation	6	(7.7)	(1.0)	(8.7)	(5.7)	2.7	(3.0)
<b>Profit/(loss) for the period from continuing operations</b>		<b>21.1</b>	<b>3.1</b>	<b>24.2</b>	3.4	(8.1)	(4.7)
Profit/(loss) for the period from discontinued operations	29	—	—	—	—	0.3	0.3
<b>Profit/(loss) for the period</b>		<b>21.1</b>	<b>3.1</b>	<b>24.2</b>	3.4	(7.8)	(4.4)
<b>Earnings per share</b>							
Basic	7						
– from continuing operations		9.2p	1.3p	10.5p	1.5p	(3.5)p	(2.0)p
– from discontinued operations		—	—	—	—	0.1p	0.1p
<b>Total</b>		<b>9.2p</b>	<b>1.3p</b>	<b>10.5p</b>	1.5p	(3.4)p	(1.9)p
Diluted	7						
– from continuing operations		9.0p	1.3p	10.3p	1.5p	(3.5)p	(2.0)p
– from discontinued operations		—	—	—	—	0.1p	0.1p
<b>Total</b>		<b>9.0p</b>	<b>1.3p</b>	<b>10.3p</b>	1.5p	(3.4)p	(1.9)p

1. Refer to pages 26 and 27 for APM definitions.



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR 52 WEEKS ENDED 29 JUNE 2025 (53 WEEKS ENDED 30 JUNE 2024)

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

# CONSOLIDATED BALANCE SHEET

AT 29 JUNE 2025 (30 JUNE 2024)

	Note	29 June 2025 £m	30 June 2024 £m
<b>Non-current assets</b>			
Property, plant and equipment	8	75.2	83.8
Right of use assets	8, 9	276.9	315.0
Intangible assets	10	531.2	532.9
Deferred tax assets	13	11.6	10.8
		<b>894.9</b>	<b>942.5</b>
<b>Current assets</b>			
Inventories	14	56.6	59.0
Other financial assets	12	—	0.1
Trade and other receivables	15	15.8	12.0
Current tax assets		2.4	6.1
Cash and cash equivalents (excluding bank overdrafts)		13.9	26.8
		<b>88.7</b>	<b>104.0</b>
<b>Total assets</b>		<b>983.6</b>	<b>1,046.5</b>
<b>Current liabilities</b>			
Bank overdraft		(13.9)	(2.6)
Trade payables and other liabilities	16	(231.8)	(209.3)
Lease liabilities	9	(64.2)	(75.1)
Provisions	20	(13.0)	(9.7)
Other financial liabilities	17	(8.1)	(1.2)
		<b>(331.0)</b>	<b>(297.9)</b>
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings	18	(105.3)	(187.4)
Lease liabilities	9	(288.7)	(326.6)
Provisions	20	(6.1)	(5.6)
Other financial liabilities	17	(0.3)	—
		<b>(400.4)</b>	<b>(519.6)</b>
<b>Total liabilities</b>		<b>(731.4)</b>	<b>(817.5)</b>
<b>Net assets</b>		<b>252.2</b>	<b>229.0</b>
<b>Equity attributable to owners of the Company</b>			
Share capital	22	23.6	23.6
Share premium	22	40.4	40.4
Merger reserve	22	18.6	18.6
Capital redemption reserve	22	360.1	360.1
Treasury shares	22	(2.9)	(2.9)
Employee Benefit Trust shares	22	(5.2)	(5.9)
Cash flow hedging reserve	22	(7.2)	(1.1)
Retained earnings		(175.2)	(203.8)
<b>Total equity</b>		<b>252.2</b>	<b>229.0</b>

These financial statements were approved by the Board of Directors on 25 September 2025 and were signed on its behalf by:

**Tim Stacey**  
 Chief Executive Officer  
 Company registered number: 07236769

**Marie Wall**  
 Interim Chief Financial Officer

## 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 year	—	—	—	—	—	—	—	(4.4)	(4.4)
Other comprehensive income/(expense)	—	—	—	—	—	—	3.8	(1.3)	2.5
Total comprehensive income for the year	—	—	—	—	—	—	3.8	(5.7)	(1.9)
Dividends	—	—	—	—	—	—	—	(9.4)	(9.4)
Employee Benefit Trust shares issued	—	—	—	—	—	0.7	—	(0.7)	—
Share based payments	—	—	—	—	—	—	—	3.2	3.2
Cancellation of treasury shares	(0.5)	—	—	0.5	7.2	—	—	(7.2)	—
Balance at 30 June 2024	23.6	40.4	18.6	360.1	(2.9)	(5.9)	(1.1)	(203.8)	229.0
Profit for the year	—	—	—	—	—	—	—	24.2	24.2
Other comprehensive income/(expense)	—	—	—	—	—	—	(6.1)	1.8	(4.3)
Total comprehensive income for the year	—	—	—	—	—	—	(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
<b>Balance at 29 June 2025</b>	<b>23.6</b>	<b>40.4</b>	<b>18.6</b>	<b>360.1</b>	<b>(2.9)</b>	<b>(5.2)</b>	<b>(7.2)</b>	<b>(175.2)</b>	<b>252.2</b>

## CONSOLIDATED CASH FLOW STATEMENT

FOR 52 WEEKS ENDED 29 JUNE 2025 (53 WEEKS ENDED 30 JUNE 2024)

	Note	52 weeks to 29 June 2025 £m	53 weeks to 30 June 2024 £m
<b>Net cash from operating activities</b>	26	<b>181.2</b>	115.9
<b>Investing activities</b>			
Proceeds from sale of property, plant and equipment		0.2	1.4
Interest received		0.4	0.4
Acquisition of property, plant and equipment	8	(9.0)	(11.6)
Acquisition of PPE – right of use asset		(0.6)	—
Acquisition of other intangible assets	10	(11.3)	(10.0)
<b>Net cash used in investing activities</b>		<b>(20.3)</b>	(19.8)
<b>Financing activities</b>			
Interest paid		(14.4)	(18.8)
Interest paid on lease liabilities	9	(24.2)	(24.8)
Payment of lease liabilities	9	(64.5)	(67.6)
Net repayment of senior revolving credit facility	27	(82.0)	(28.0)
Drawdown of private placement debt	27	—	50.0
Ordinary dividends paid		—	(9.4)
<b>Net cash used in financing activities</b>		<b>(185.1)</b>	(98.6)
Net decrease in cash and cash equivalents	27	(24.2)	(2.5)
Cash and cash equivalents at beginning of period	27	24.2	26.7
<b>Cash and cash equivalents (including bank overdraft) at end of period</b>	27	<b>—</b>	24.2



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT 29 JUNE 2025

## 1 ACCOUNTING POLICIES

DFS Furniture plc ('the Company') is a company incorporated and domiciled in England, in the United Kingdom (Company number: 07236769). The address of the registered office is 1 Rockingham Way, Redhouse Interchange, Adwick-le-Street, Doncaster, South Yorkshire, DN6 7NA.

The consolidated financial statements consolidate those of the Company and its subsidiaries (together referred to as 'the Group'). The parent company financial statements present information about the Company as a separate entity and not about its Group.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements. Judgements made by the directors, in the application of these accounting policies that have a material effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 1.20.

### 1.1 Basis of preparation

The consolidated financial statements have been prepared and approved by the Directors in accordance with UK-adopted international accounting standards ('UK-adopted IFRS'). The financial statements are prepared on the historical cost basis except for certain financial instruments and share based payment charges which are measured at their fair value. The financial statements are for the 52 weeks to 29 June 2025 (last year 53 weeks to 30 June 2024).

The Company has elected to prepare its parent company financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101'); these are presented on pages 127 to 130.

#### 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 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.

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

### 1.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control exists when the Group is exposed to or has rights to variable returns from its investment with the investee and has the ability to affect those returns through its power over the investee. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the date that control commences until the date that control ceases. The acquisition method is used to account for the acquisition of subsidiaries. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

### 1.3 Climate change

As noted in the Responsible business report the Group is committed to addressing climate-related risks and is focused on reducing its environmental impact.

The potential impact of climate change has been considered in the preparation of these financial statements, including in the carrying values of goodwill and tangible assets, the measurement of financial instruments, and in relation to the Group's going concern and viability assessments. No material impact was noted on the consolidated financial statements in relation to climate change. The potential impact will continue to be assessed on an ongoing basis.

### 1.4 Gross sales and revenue

Revenue is measured at the fair value of the consideration receivable by the Group for the provision of goods to external customers, being the total amount payable by the customer ('gross sales') less: value added and other sales taxes, the finance provider's subsidy for providing interest free credit ('IFC') and the amounts collected on behalf of third parties relating to other products for which the Group acts as an agent. For products where the Group acts as an agent, the amount recognised in revenue is the net fee receivable by the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

AT 29 JUNE 2025

## 1 ACCOUNTING POLICIES CONTINUED

### 1.4 Gross sales and revenue continued

Many of the Group's customers choose to take advantage of interest free credit provided by external finance houses, which pay the Group the gross sales value of the customer order on delivery, less a subsidy for taking responsibility for payment collection, for bearing the full credit risk for any future default by the customer and for bearing the time value of money cost. The subsidy due to the finance house varies depending on the amount borrowed by the customer, the length of the repayment term and the applicable SONIA rate at the time of the transaction.

IFC transactions are a tripartite arrangement at the point of sale in which the finance provider settles the consideration due from the customer to the Group. For IFC transactions the Group at no point has a receivable of the gross sales value. In accordance with IFRS 15.47 the transaction price is the amount of consideration to which the Group expects to be entitled, which is the value that the finance provider pays to the Group as the arm's length value of the transaction and revenue is therefore recorded net of the subsidy associated with interest free credit sales.

Reported revenue will therefore vary depending on the proportion of customers who choose to take up the interest free credit offer, the average duration of the interest free loan period and the prevailing interest rates.

For the purposes of managing its business the Group focuses on gross sales, which is defined as the total amount payable by customers, inclusive of VAT and other sales taxes and prior to any adjustments for interest free credit fees or aftercare product costs. The Directors believe gross sales is a more transparent measure of the activity levels and performance of its stores and online channels as it is not affected by customer preferences on payment options. Accordingly gross sales is presented in this Annual Report in addition to statutory revenue, with a reconciliation between the two measures provided in note 2 to the financial statements.

Both gross sales and revenue are stated net of returns and sales allowances, and are recognised when goods have been delivered to the customer, the revenue and costs in respect of the transaction can be measured reliably and collectability is reasonably assured. Receipt of goods by the customer represents the completion of the Group's performance obligation under the sales contract and payment is received prior to or immediately after delivery. Expected future costs of satisfying the Group's obligations under long-term product guarantees offered to customers are determined at the time of the sale, provided for separately (note 20) and charged to cost of sales.

### 1.5 Expenses

#### Non-underlying items

Items that are material in size, unusual or non-recurring in nature are disclosed separately in the income statement in order to provide an indication of the Group's underlying business performance. The principal items which may be included as non-underlying are:

- significant profit or loss on the disposal of non-current assets;
- significant impairment charges;
- significant non-recurring tax charges or credits;
- costs associated with significant corporate, financial or operating restructuring, including acquisitions; and
- initial costs of establishing operations in new geographical territories.

Material finance income or expenses associated with significant changes in the Group's borrowings are disclosed separately as non-underlying items below operating profit.

#### Royalty payments

Royalties payable to brand partners on sales of branded products are charged to cost of sales when the related product is delivered to the customer.

#### Finance income and expenses

Finance expenses comprise interest payable, finance charges on lease liabilities recognised in profit or loss using the effective interest method and unwinding of the discount on provisions and other liabilities measured at present value. Finance income comprises interest receivable on funds invested, dividend income, and net foreign exchange gains and losses.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the Group's right to receive payments is established.

### 1.6 Employee benefits

#### Defined contribution plans

Payments to defined contribution pension plans are recognised as an expense in the income statement as they fall due.

#### Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

#### Share based payments

The fair value of equity settled share based payments is recognised as an expense over the vesting period of the related awards, with a corresponding increase in equity. Fair values are calculated using option pricing models appropriate to the terms and conditions of the awards. The amount charged as an expense is regularly reviewed and adjusted to reflect the achievement of service and non-market based performance conditions.

### 1.7 Taxation

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

AT 29 JUNE 2025

## 1 ACCOUNTING POLICIES CONTINUED

### 1.7 Taxation continued

At interim reporting periods the tax charge is calculated in accordance with IAS 34, adjusted for material non-taxable items.

Deferred tax assets are recognised on deductible temporary differences only to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### 1.8 Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement except for effective differences arising on qualifying cash flow hedges, which are recognised directly in other comprehensive income.

### 1.9 Business combinations

Business combinations are accounted for by applying the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

Goodwill is initially measured at cost, being the excess of the acquisition cost over the Group's interest in the assets and liabilities recognised. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

#### Acquisitions prior to 31 July 2011 (date of transition to IFRSs)

IFRS 1 grants certain exemptions from the full requirements of Adopted IFRSs in the transition period. The Group and Company elected not to restate business combinations that took place prior to 31 July 2011. In respect of acquisitions prior to transition, goodwill is included at 31 July 2011 on the basis of its deemed cost, which represents the amount recorded under UK GAAP which was broadly comparable save that goodwill was amortised. On transition, amortisation of goodwill ceased as required by IFRS 1.

### 1.10 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful life of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

- buildings 50 years
- plant and equipment 3 to 10 years
- motor vehicles 4 years
- leasehold improvements the period of the lease, or useful life if shorter

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

### 1.11 Leases

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease under IFRS 16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### Lease liability – initial recognition

The Group recognises right of use assets and lease liabilities at the lease commencement date. The lease liabilities are recognised at the present value of future lease payments discounted at the incremental borrowing rate applicable to the lease.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments; and
- amounts expected to be payable under a residual value guarantee.

#### Lease liability – subsequent measurement

The lease liability is subsequently increased by the interest cost arising from the unwind of the discount, and decreased by the cash lease payments made.

#### Lease liability – remeasurement

The lease liability is remeasured if:

- there is a change in either the lease term or the assessment of an option to purchase the underlying asset. In these circumstances, the lease liability is remeasured using a revised discount rate; or
- there is a change in the amounts expected to be payable under a residual guarantee or if there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments. In these circumstances, the discount rate remains unchanged, unless the change in lease payments results from a change in floating interest rates.

In both scenarios, the carrying value of the right of use asset is generally adjusted by the amount of the remeasurement of the lease liability, to the extent that the right of use asset is reduced to £nil. Any further adjustment required from the remeasurement is recorded in profit or loss.

From time to time, a lease may expire without a new lease being agreed. In such circumstances, if the Group has not served or received notice under the terms of the lease, it may continue to occupy the store whilst a new lease is agreed, referred to as a 'holdover arrangement'. Most of the store portfolio is protected by the Landlord and Tenant Act (1954), under which, as tenant, the Group has an automatic right to a new lease subject to certain specific grounds under which the landlord can cancel. In a holdover arrangement, the lease typically continues on a rolling basis on the same financial terms as the previous lease until new terms are formally agreed. The Group accounts for holdover arrangements as a modification to the expired lease, assuming a lease extension of a period equivalent to the average length of time that, in the Group's experience, leases enter a holdover arrangement for, with no change to lease payments.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

AT 29 JUNE 2025

## 1 ACCOUNTING POLICIES CONTINUED

### 1.11 Leases continued

#### Right of use asset – initial recognition

IFRS 16 defines a right of use asset as an asset which represents a lessee's right to use an underlying asset for the lease term. Generally, right of use assets are initially measured at an amount equal to the lease liability.

#### Right of use asset – subsequent measurement

Right of use assets are subsequently measured at initial carrying value:

- less any accumulated depreciation and any accumulated impairments losses: and
- adjusted for any remeasurement of the lease liability.

The right of use asset is subsequently depreciated on a straight line basis from the commencement date to the end of the lease term. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

#### Practical expedients and exemptions used

The Group has opted to apply the following practical expedients and exemptions:

- use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- recognising lease payments on short-term (less than twelve months) leases and low value leases as an expense.

### 1.12 Intangible assets and goodwill

#### Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units and is not amortised but is tested annually for impairment.

#### Other intangible assets

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and accumulated impairment losses. Implementation costs associated with software and cloud computing arrangements are only capitalised where they relate to an identifiable asset under the control of the Group.

#### Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. Estimated useful lives are as follows:

- computer software and website costs                      3 years
- acquired brand names    10 to 20 years

### 1.13 Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of finished goods manufactured by the Group includes direct materials, direct labour and appropriate overhead expenditure.

### 1.14 Impairment

The carrying amounts of the Group's tangible and intangible assets other than goodwill are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time, or when an indicator of impairment is identified.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### 1.15 Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Details of provisions recognised are in note 20 and the related significant estimates and judgements in note 1.19.

### 1.16 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

#### Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less allowances for expected credit losses.

#### Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

#### Cash and cash equivalents

Cash and cash equivalents is comprised of on demand deposits and restricted cash of £0.3m (2024: £0.3m). Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

#### Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

AT 29 JUNE 2025

## 1 ACCOUNTING POLICIES CONTINUED

### 1.17 Derivative financial instruments and hedging

#### Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

#### Cash flow hedges

On adoption of IFRS 9, the Group made the election to continue to apply the hedge accounting requirements of IAS 39 to all of its hedging relationships. Therefore, where a derivative financial instrument is designated as a hedge of the variability in cash flows of a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised in other comprehensive income and presented within the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the income statement.

When the forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated cumulative gain or loss remains in the hedging reserve and is reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss.

For other cash flow hedges the associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the Group revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

### 1.18 Profit or loss from discontinued operations

A discontinued operation is a component of the Group that either has been disposed of, abandoned, or is classified as held for sale. A discontinued operation represents a separate major line of the business or geographical area of operation. Profit or loss from discontinued operations comprises the post-tax profit or loss of discontinued operations and the post-tax gain or loss recognised on the measurement to fair value less costs to sell of the disposal group(s) constituting the discontinued operation (see also note 29). When an operation is classified as a discontinued operation, the comparative Consolidated Income Statement is restated as if the operation had been discontinued from the start of the comparative period.

### 1.19 Significant areas of estimation and judgement

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions that affect the value of reported assets, liabilities, revenues and expenses. The estimates and associated assumptions are based on historical experience and other relevant factors, but may differ from actual results. No significant areas of judgement or estimation arose in the current financial statements.

The following are other areas of important estimates and judgements relating to material balances in the Group's financial statements, but which do not meet the IFRS-defined criteria of a significant estimate:

#### Going concern

In making the assessment of going concern for the Group and the Company, the Directors consider a number of assumptions and estimates relating to the future performance of the Group, as detailed in note 1.1 of the consolidated financial statements and note 1 of the Company financial statements. The Directors are satisfied that no severe but plausible change in these estimates would result in a change in the going concern assessment of the Group or the Company and therefore it is not considered a significant estimate as at 29 June 2025.

#### Goodwill impairment

Goodwill is tested annually for impairment by comparing its carrying value to a calculation of the value in use of the relevant cash generating units. This exercise requires estimates to be made of future cash flows arising from each cash generating unit and the appropriate discount rate to apply. Further details of the key assumptions underlying the calculation are provided in note 10. The Directors are satisfied that no impairment exists at 29 June 2025 and that no reasonably possible change in the estimate would result in an impairment. Therefore the carrying value of goodwill is not considered a significant estimate as at 29 June 2025.

#### Customer guarantees

The Group maintains a provision for its obligations under long-term product guarantees offered to its customers. In determining the value of this provision estimates are made of the number of future claims that will be received and the cost of satisfying those claims. Further details are provided in note 20. The Directors are satisfied that no reasonably possible change in these estimates would result in a material difference to the value of the provision and therefore it is not considered a significant estimate as at 29 June 2025.

#### Net realisable value of inventories

As detailed in note 14, the Group makes estimates of applicable selling prices to determine the net realisable value of inventories. The Directors are satisfied that no reasonably possible change in these estimates would result in a material difference to the value of the provision and therefore it is not considered a significant estimate as at 29 June 2025.

### 1.20 New accounting standards

There are no new standards, amendments to existing standards or interpretations that are effective for the first time in the period ended 29 June 2025 that have a material impact on the Group's results.

A number of new, but not yet effective, standards, amendments to existing standards, and interpretations have been published by the IASB. None of these have been adopted early and therefore have not been applied by the Group in these financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

AT 29 JUNE 2025

## 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.

### Segment revenue and profit – continuing operations

	External gross sales		Inter-segment sales		Total gross sales	
	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	52 weeks to 29 June 2025 £m	53 weeks to 30 June 2024 £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 £m	53 weeks to 30 June 2024 £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
Of which:						
Furniture sales					977.5	935.1
Commission on 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 Segments £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 and 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

### 53 weeks to 30 June 2024 – continuing operations

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

AT 29 JUNE 2025

### 2 SEGMENTAL ANALYSIS CONTINUED

#### Segment revenue and profit – continuing operations continued

53 weeks to 30 June 2024 – continuing operations continued

	Note	52 weeks to 29 June 2025 £m	53 weeks to 30 June 2024 £m
Underlying EBITDA		157.2	142.0
Non-underlying administrative expenses	3	(0.6)	(8.9)
Depreciation, amortisation and impairments		(85.5)	(91.8)
Operating profit		71.1	41.3
Finance income		0.4	0.4
Finance expenses		(38.6)	(41.5)
Non-underlying financing costs		—	(1.9)
Profit/(loss) 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
Republic of Ireland	18.1	19.7
Total revenue	1,030.3	987.1

	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 20)	(0.5)	(3.4)

#### Non-underlying items

	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 20.

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.

#### Auditor's remuneration

	52 weeks to 29 June 2025 £m	53 weeks to 30 June 2024 £m
Audit of these financial statements	0.4	0.3
Audit of the financial statements of Group subsidiaries	0.5	0.5
Amounts receivable by the Company's auditor and its associates in respect of:		
All other services	0.1	0.1
	1.0	0.9

During the period, an amount of £55,500 was receivable by the auditor in respect of the review of the Group's interim financial statements (2024: £51,400) and £nil in respect of other services (2024: £nil).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

AT 29 JUNE 2025

## 4 STAFF NUMBERS AND COSTS – CONTINUING OPERATIONS

The average number of persons employed by the Group during the period, analysed by category, was as follows:

	Number of employees	
	52 weeks to 29 June 2025	53 weeks to 30 June 2024
Production	674	881
Warehouse and transport	1,184	1,341
Sales and administration	2,822	2,871
	4,680	5,093

The aggregate payroll costs of these persons were as follows:

	52 weeks to 29 June 2025 £m	53 weeks to 30 June 2024 £m
Wages and salaries	176.6	173.5
Social security costs	19.2	16.8
Other pension costs	5.6	6.5
	201.4	196.8
Share based payment expense (equity settled)	2.8	3.2
	204.2	200.0

Aggregate remuneration payable to Directors in respect of qualifying services was as follows:

	52 weeks to 29 June 2025 £m	53 weeks to 30 June 2024 £m
Emoluments	2.4	1.4
Pension contributions	—	—
Gain on exercise of share options	—	—

Three Directors accrued retirement benefits under pension schemes in the period (2024: two). All of the Directors' pension contributions were to defined contribution schemes.

## 5 FINANCE INCOME AND EXPENSE

	52 weeks to 29 June 2025 £m	53 weeks to 30 June 2024 £m
<b>Finance income</b>		
Interest income on bank deposits	0.3	0.4
Interest on corporation tax	0.1	—
Total finance income	0.4	0.4
	52 weeks to 29 June 2025 £m	53 weeks to 30 June 2024 £m
<b>Finance expense</b>		
Interest payable on senior revolving credit facility	(8.7)	(12.6)
Interest payable on private placement debt	(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 costs	(38.6)	(43.4)

## 6 TAXATION

## Recognised in the income statement

	52 weeks to 29 June 2025 £m	53 weeks to 30 June 2024 £m
<b>Current tax</b>		
Current period	8.2	2.4
Adjustments for prior years	(0.8)	(2.8)
Current tax expense/(credit)	7.4	(0.4)
<b>Deferred tax</b>		
Origination and reversal of temporary differences	0.4	(0.5)
Adjustments for prior years	0.9	3.9
Deferred tax expense	1.3	3.4
Total tax expense in income statement	8.7	3.0
Total tax expense in income statement		
- from continuing operations	8.7	3.0
- from discontinued operations	—	—
	8.7	3.0



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

AT 29 JUNE 2025

### 6 TAXATION CONTINUED

#### Reconciliation of effective tax rate

	52 weeks to 29 June 2025 £m	53 weeks to 30 June 2024 £m
Profit before tax for the period from continuing and discontinued operations	32.9	(1.4)
Tax using the UK corporation tax rate of 25% (2024: 25%)	8.2	(0.4)
Non-deductible expenses	0.8	1.9
Effect of tax rates in foreign jurisdictions	0.1	(0.1)
Recognition of previously unrecognised tax losses	—	0.1
Adjustments in respect of share options	(0.5)	0.4
Adjustment in respect of prior years	0.1	1.1
Total tax expense	8.7	3.0

Deferred taxation is measured at tax rates that are expected to apply in the periods in which temporary timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Accordingly, a tax rate of 25% has been applied when calculating deferred tax assets and liabilities at 29 June 2025 (2024: 25%).

#### Income tax recognised in other comprehensive income

	52 weeks to 29 June 2025 £m	53 weeks to 30 June 2024 £m
Effective portion of changes in fair value of cash flow hedges	(2.1)	(0.2)
Net change in fair value of cash flow hedges reclassified to profit or loss	(0.6)	1.5
Realised gain from equity	0.9	—
	(1.8)	1.3

### 7 EARNINGS PER SHARE

#### Statutory earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the financial period attributable to ordinary equity holders of the parent company by the weighted average number of ordinary shares outstanding during the period. The weighted average number of shares reflects the movements in share capital detailed in note 22 and the impact of movements in treasury shares held by the Company. Changes in the Company's capital structure with no corresponding change in resources are reflected as if they had occurred at the beginning of the earliest period presented.

Diluted earnings per share is calculated using the same net profit or loss for the financial period attributable to ordinary equity holders of the parent company, but increasing the weighted average number of ordinary shares by the dilutive effect of potential ordinary shares. Potential ordinary shares arise from employee share based payment arrangements (note 25). Where share based payments are subject to performance conditions, they are included as potential ordinary shares to the extent that the performance conditions have been met at the reporting date. Details of share based payment vesting conditions are provided in the Director's Remuneration Report.

	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/(loss) 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/(loss) per share	10.3	(1.9)

	52 weeks to 29 June 2025 £m	53 weeks to 30 June 2024 £m
Profit/(loss) for the period 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 in issue 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 in issue 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.

#### 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
<b>Continuing operations</b>		
Profit/(loss) for the period 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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

AT 29 JUNE 2025

## 7 EARNINGS PER SHARE CONTINUED

## Underlying earnings per share continued

	52 weeks to 29 June 2025 £m	53 weeks to 30 June 2024 £m
<b>Discontinued operations</b>		
Profit/(loss) for the period 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 in issue 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 in issue 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

## 8 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £m	Plant and equipment £m	Motor vehicles £m	Right of use assets £m	Total £m
<b>Cost</b>					
Balance at 25 June 2023	13.5	236.5	12.5	524.4	786.9
Additions	1.4	10.2	—	30.7	42.3
Remeasurements	—	—	—	29.8	29.8
Disposals	(0.5)	(23.2)	(5.4)	(11.1)	(40.2)
Balance at 30 June 2024	14.4	223.5	7.1	573.8	818.8
Reclassifications	(0.8)	—	—	0.8	—
Additions	—	8.7	0.3	8.0	17.0
Remeasurements	—	—	—	9.7	9.7
Disposals	—	(6.0)	(3.7)	(5.8)	(15.5)
<b>Balance at 29 June 2025</b>	<b>13.6</b>	<b>226.2</b>	<b>3.7</b>	<b>586.5</b>	<b>830.0</b>
<b>Depreciation and impairments</b>					
Balance at 25 June 2023	0.6	152.6	11.9	211.8	376.9
Depreciation charge for the period	1.9	19.6	0.5	55.8	77.8
Impairments	—	—	—	0.3	0.3
Disposals	(0.1)	(20.4)	(5.4)	(9.1)	(35.0)
Balance at 30 June 2024	2.4	151.8	7.0	258.8	420.0
Reclassifications	(1.4)	—	—	1.4	—
Depreciation charge for the period	0.3	16.7	0.2	54.0	71.2
Impairments	—	0.7	—	0.6	1.3
Disposals	—	(5.7)	(3.7)	(5.2)	(14.6)
<b>Balance at 29 June 2025</b>	<b>1.3</b>	<b>163.5</b>	<b>3.5</b>	<b>309.6</b>	<b>477.9</b>
<b>Net book value</b>					
At 25 June 2023	12.9	83.9	0.6	312.6	410.0
At 30 June 2024	12.0	71.7	0.1	315.0	398.8
<b>At 29 June 2025</b>	<b>12.3</b>	<b>62.7</b>	<b>0.2</b>	<b>276.9</b>	<b>352.1</b>

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. Plant and equipment includes leasehold improvements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

AT 29 JUNE 2025

## 9 LEASES

### Right of use assets

	Property £m	Vehicles £m	Equipment £m	Total £m
<b>Cost</b>				
At 25 June 2023	493.3	29.2	1.9	524.4
Additions	20.9	9.8	—	30.7
Remeasurements	29.8	—	—	29.8
Disposals	(8.8)	(2.3)	—	(11.1)
At 30 June 2024	535.2	36.7	1.9	573.8
Reclassifications	0.8	—	—	0.8
Additions	2.0	6.0	—	8.0
Remeasurements	9.7	—	—	9.7
Disposals	(1.5)	(4.3)	—	(5.8)
<b>At 29 June 2025</b>	<b>546.2</b>	<b>38.4</b>	<b>1.9</b>	<b>586.5</b>
<b>Depreciation and impairment</b>				
At 25 June 2023	198.1	12.1	1.6	211.8
Depreciation charge for the period	50.1	5.6	0.1	55.8
Disposals	(7.3)	(1.8)	—	(9.1)
Impairments	0.3	—	—	0.3
At 30 June 2024	241.2	15.9	1.7	258.8
Reclassifications	1.4	—	—	1.4
Depreciation charge for the period	47.2	6.7	0.1	54.0
Disposals	(1.5)	(3.7)	—	(5.2)
Impairments	0.6	—	—	0.6
<b>At 29 June 2025</b>	<b>288.9</b>	<b>18.9</b>	<b>1.8</b>	<b>309.6</b>
Net book value				
At 25 June 2023	295.2	17.1	0.3	312.6
At 30 June 2024	294.0	20.8	0.2	315.0
<b>At 29 June 2025</b>	<b>257.3</b>	<b>19.5</b>	<b>0.1</b>	<b>276.9</b>

The depreciation charge for the period above is net of the non-underlying fair value lease adjustment credit disclosed in note 3.

Amounts recognised in the consolidated balance sheet:

	29 June 2025 £m	30 June 2024 £m
Current lease liabilities	64.2	75.1
Non-current lease liabilities	288.7	326.6

For more information on the maturity of the Group's lease liabilities, see note 24.

Amounts recognised in the consolidated income statement:

	52 weeks to 29 June 2025 £m	53 weeks to 30 June 2024 £m
Interest on lease liabilities	(24.2)	(24.8)
Variable lease payments not included in the measurement of lease liabilities	(1.9)	(0.3)
Income from subleasing right of use assets	0.1	0.3
Expenses relating to short-term leases and low value leases	—	—

Amounts recognised in the consolidated cash flow statement:

	52 weeks to 29 June 2025 £m	53 weeks to 30 June 2024 £m
Total cash outflow for lease liabilities	88.7	92.4

Non-cancellable short-term lease rentals are payable as follows:

	29 June 2025 £m	30 June 2024 £m
Less than one year	0.1	—

The Group has entered into short-term leases in respect of warehouses and equipment.

At 29 June 2025, three leases were in holdover (2024: two). Lease remeasurements during the period of £9.7m arose due to changes in the lease term.

Undiscounted future rentals receivable under non-cancellable leases where the Group is the lessor were due as follows:

	Within 1 year £m	1 – 2 years £m	2 – 3 years £m	3 – 4 years £m	4 – 5 years £m	After 5 years £m	Total £m
<b>29 June 2025</b>	<b>0.7</b>	<b>0.9</b>	<b>0.9</b>	<b>0.6</b>	<b>0.6</b>	<b>2.8</b>	<b>6.5</b>
30 June 2024	0.3	0.3	0.3	0.3	0.3	0.3	1.8

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

AT 29 JUNE 2025

## 10 INTANGIBLE ASSETS

	Computer software £m	Brand names £m	Goodwill £m	Total £m
<b>Cost</b>				
Balance at 25 June 2023	70.6	14.8	509.3	594.7
Additions	10.0	—	—	10.0
Disposals	(0.2)	—	—	(0.2)
Balance at 30 June 2024	80.4	14.8	509.3	604.5
Additions	11.3	—	—	11.3
Disposals	(0.5)	—	—	(0.5)
<b>Balance at 29 June 2025</b>	<b>91.2</b>	<b>14.8</b>	<b>509.3</b>	<b>615.3</b>
<b>Amortisation and impairments</b>				
Balance at 25 June 2023	48.6	8.4	1.0	58.0
Amortisation charge for the period	12.3	1.4	—	13.7
Disposals	(0.1)	—	—	(0.1)
Balance at 30 June 2024	60.8	9.8	1.0	71.6
Amortisation charge for the period	11.6	1.4	—	13.0
Disposals	(0.5)	—	—	(0.5)
<b>Balance at 29 June 2025</b>	<b>71.9</b>	<b>11.2</b>	<b>1.0</b>	<b>84.1</b>
<b>Net book value</b>				
At 25 June 2023	22.0	6.4	508.3	536.7
At 30 June 2024	19.6	5.0	508.3	532.9
<b>At 29 June 2025</b>	<b>19.3</b>	<b>3.6</b>	<b>508.3</b>	<b>531.2</b>

## Goodwill

The carrying amount of goodwill is allocated to the following cash generating units:

	Goodwill	
	29 June 2025 £m	30 June 2024 £m
DFS Trading Limited	479.9	479.9
Sofology Limited	28.4	28.4
	<b>508.3</b>	<b>508.3</b>

Goodwill is tested annually for impairment on the basis of value in use. The key assumptions underlying the calculations are those regarding expected future sales volumes, changes in selling prices and direct costs and the discount rate applied. The inputs applied in respect of these key assumptions are based on management experience and external inputs in relation to market outlook.

Cash flow forecasts are prepared from the latest financial results and internal budgets for the next four years, which take into account external macroeconomic indicators as well as internal growth expectations for each cash generating unit. Selling prices and related costs are based on past practice and expected future changes in the market. The base case forecast assumes market growth of 2% in FY26, followed by continued low single digit annual growth in subsequent years. The base case also reflects a cautious assessment of the anticipated growth in the Group's market share driven by delivery of our strategic initiatives. Revenue is assumed in line with order intake, keeping order book levels relatively consistent across the assessment period.

Gross margin percentage for FY26 is expected to be ahead of FY25 through more effective sourcing, the annualised impact of price increases already implemented and a more favourable hedged rate. Other costs reflect anticipated inflationary increases and benefits from specific cost saving initiatives. Capital expenditure is assumed to remain in line with planned investments and strategic initiatives.

A terminal value was then calculated on the basis of the four year plan and an estimated long-term growth rate for the UK upholstery furniture sector of 2.0% (2024: 2.0%). These cash flow forecasts were then discounted at pre-tax discount rates of 11.1% and 13.2% for DFS Trading Limited and Sofology Limited respectively (2024 : DFS 14.1%; Sofology 15.1%). The discount rates are estimated based on the Group's weighted average cost of capital (derived from market indices of risk-free rates, market risk premia, peer group analysis and the Group's own borrowing costs), risk adjusted for an individual unit's circumstances. The decrease in rates from prior year is due to a reduction in the cost of equity for each CGU. The Group incurs certain overhead costs in respect of support services provided centrally to the CGUs. Such support services include finance, human resources, legal, IT and central management support in respect of stewardship and governance. These overhead costs have been allocated to the CGUs using relative CGU EBITDA as a proxy for the time spent in supporting the CGU.

For DFS and Sofology, the value in use calculations showed a significant headroom between the calculated value in use and the carrying value of goodwill in the financial statements. A number of sensitivities were then applied to the base case model to assess whether any reasonably possible changes in assumptions could cause an impairment that would be material to these consolidated financial statements. This analysis applied a number of challenging scenarios, including possible shortfalls in revenue or gross margin compared to plan both in isolation and in a combined scenario, a decrease in the long-term growth rate of the UK upholstery market and changes in applicable discount rates. On the basis of this analysis the Directors concluded that a reasonably possible change in these assumptions would not lead to an impairment being recognised.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

AT 29 JUNE 2025

### 11 INVESTMENTS IN SUBSIDIARIES

The following companies are incorporated in England & Wales, with the exception of Coin Retail Limited (Jersey) which is incorporated in Jersey. They are all wholly owned by the Group and have been consolidated in these financial statements.

	Principal activity
Diamond Holdco 2 Limited <sup>1</sup>	Intermediate holding company
Diamond Holdco 7 Limited <sup>1</sup>	Intermediate holding company
DFS Furniture Holdings plc <sup>1</sup>	Intermediate holding company
DFS Furniture Company Limited <sup>1</sup>	Intermediate holding company
DFS Trading Limited <sup>1</sup>	Furniture retailer
Sofology Limited <sup>3</sup>	Furniture retailer
Sofaworks Limited <sup>1</sup>	Dormant
Haydock Furniture Limited <sup>3</sup>	Dormant
The Sofa Delivery Company Limited <sup>1</sup>	Contract logistics
The Sofa Manufacturing Company Limited <sup>1</sup>	Dormant
The Sofa Servicing Company Limited <sup>1</sup>	Dormant
Coin Retail Limited (Jersey) <sup>2</sup>	Intermediate holding company
Coin Furniture Limited <sup>1</sup>	Furniture retailer
DFS Spain Limited <sup>1</sup>	Furniture retailer

Registered offices:

1. Rockingham Way, Redhouse Interchange, Adwick-le-Street, Doncaster DN6 7NA.

2. 26 New Street, St Helier, Jersey, JE2 3RA.

3. Ashton Road, Golborne, Warrington, WA3 3UL.

Coin Furniture Limited (Company number 08586227) and DFS Spain Limited (Company number 09668511) are exempt from the requirement of the Companies Act relating to the audit of individual financial statements by virtue of s479A of the Companies Act 2006. DFS Furniture plc has guaranteed the debts and liabilities of these entities in accordance with Section 479C of the Companies Act 2006.

### 12 OTHER FINANCIAL ASSETS

	29 June 2025 £m	30 June 2024 £m
<b>Current</b>		
Foreign exchange contracts	—	0.1

Foreign exchange contracts comprise forward contracts which are used to hedge exchange risk arising from the Group's overseas purchases (note 24).

### 13 DEFERRED TAX

Deferred tax assets and liabilities are attributable to the following:

	29 June 2025 £m	30 June 2024 £m
Fixed asset timing differences	2.8	1.8
IFRS 16 transition impact	5.1	7.8
Remeasurement of derivatives to fair value	2.1	0.3
Brand names	(0.8)	(1.1)
Share based payments	1.9	0.5
Other temporary differences	0.5	1.5
<b>Net tax assets</b>	<b>11.6</b>	<b>10.8</b>

The deferred tax movement in the period is as follows:

	52 weeks to 29 June 2025 £m	53 weeks to 30 June 2024 £m
At start of period	10.8	15.5
Credited/(charged) to the income statement:		
Fixed asset timing differences	1.0	(2.6)
Unwind of IFRS 16 transition impact	(2.7)	(1.4)
Brand names	0.3	0.4
Share based payments	0.9	(0.2)
Other temporary differences	(1.0)	0.4
Recognised in the statement of comprehensive income	1.8	(1.3)
Recognised in the statement of changes in equity	0.5	—
<b>At end of period</b>	<b>11.6</b>	<b>10.8</b>

The Directors have prepared profit forecasts that show that the Group will generate sufficient taxable profit in future years to fully utilise the deferred tax assets recognised.

Deferred tax assets on losses of £4.2m (2024: £4.7m) have not been recognised as they relate to tax losses carried forward that arose in a jurisdiction in which the Group no longer trades, so are not anticipated to be utilised.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

AT 29 JUNE 2025

## 14 INVENTORIES

	29 June 2025 £m	30 June 2024 £m
Raw materials and consumables	6.6	6.7
Finished goods and goods for resale	59.8	62.8
	66.4	69.5
Write-down to net realisable value	(9.8)	(10.5)
	56.6	59.0

In applying its accounting policy for inventory, the Group identifies those items where there is a risk that net realisable value does not exceed cost, due to either the age or condition of the item. An estimate of the net realisable value of such items is made based on the sale of similar items in the past, taking into account expected future opportunities for sale, and their carrying value reduced by an appropriate provision.

## 15 TRADE AND OTHER RECEIVABLES

	29 June 2025 £m	30 June 2024 £m
Trade receivables	10.5	6.7
Prepayments	4.7	4.0
Accrued income	0.2	0.1
Other receivables	0.4	1.2
	15.8	12.0

No interest is charged on trade receivables; the Group bears no credit risk in respect of amounts due from retail customers under interest free credit arrangements. The Directors have reviewed for expected credit losses and consider the amount of any such losses to be immaterial. Prepayments and accrued income do not include impaired assets.

## 16 TRADE PAYABLES AND OTHER LIABILITIES

	29 June 2025 £m	30 June 2024 £m
<b>Current</b>		
Payments received on account	50.4	40.9
Trade payables	91.6	100.4
Other creditors including other tax and social security	36.1	26.1
Accruals	53.7	41.9
	231.8	209.3

Payments on account represent contract liabilities under IFRS 15, which will be realised through revenue in the subsequent financial year. Trade payables do not bear interest and are paid within agreed credit terms.

## 17 OTHER FINANCIAL LIABILITIES

	29 June 2025 £m	30 June 2024 £m
<b>Non-current</b>		
Foreign exchange contracts	0.3	—
<b>Current</b>		
Foreign exchange contracts	8.1	1.2

Foreign exchange contracts comprise forward contracts which are used to hedge exchange risk arising from the Group's overseas purchases (note 24).

## 18 OTHER INTEREST-BEARING LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate and foreign currency risk, see note 24.

	29 June 2025 £m	30 June 2024 £m
Senior revolving credit facility	57.0	139.0
Private placement debt	50.0	50.0
Unamortised issue costs	(1.7)	(1.6)
	105.3	187.4

The Group has a £200.0m revolving credit facility and £50.0m of private placement debt.

The revolving credit facility bears interest at a rate of credit spread adjusted SONIA plus 3.10% and is repayable in September 2027 with a 16 month extension agreed in December 2024 for £175.0m of the facility maturing in January 2029. The revolving credit facility is secured on a first priority basis with fixed and floating charges over substantially all of the assets of the Group.

The private placement debt comprises two tranches: £25.0m maturing in September 2028 and £25.0m maturing in September 2030.

For more information on the maturity of the Group's lease liabilities, see note 24.

## 19 EMPLOYEE BENEFITS

## Defined contribution pension plans

The Group operates a number of defined contribution pension plans under which contributions by the employees and the Group are administered by trustees in funds separate from the Group's assets. The costs of these schemes are charged to the income statement as they become payable under the rules of the scheme. The total pension cost of the Group for the period was £5.6m (2024: £6.5m).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

AT 29 JUNE 2025

### 20 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)
<b>Balance at 29 June 2025</b>	<b>8.3</b>	<b>8.5</b>	<b>2.3</b>	<b>19.1</b>
Current	7.0	4.0	2.0	13.0
Non-current	1.3	4.5	0.3	6.1
	<b>8.3</b>	<b>8.5</b>	<b>2.3</b>	<b>19.1</b>

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.

### 21 DIVIDENDS

The following dividends were recognised and paid during the period:

	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.

### 22 CAPITAL AND RESERVES

#### Share capital

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

	Number of shares '000	Ordinary shares £m
<b>Ordinary shares of £0.10 each</b>		
<i>Allotted, called up and fully paid</i>		
At the start and end of the financial period	236,000	23.6

#### Share premium

The share premium account represents the surplus of consideration received for issued ordinary share capital over its nominal value. This arose on the issue of ordinary shares on 11 March 2015.

#### Merger reserve

The merger reserve arose on the issue of shares in the Company in exchange for minority interests in the issued share capital of a subsidiary company on 10 March 2015.

#### Capital redemption reserve

The capital redemption reserve represents the par value of cancelled treasury shares.

#### Treasury shares

Where the Company purchases the Company's equity share capital into treasury (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of.

No treasury shares were cancelled during the year (2024: 4,678,120 were cancelled on 3 May 2024). None of the Company's own ordinary shares (2024: nil) were used to satisfy employee share based payment awards during the year. At 29 June 2025 the Company had 1,855,580 ordinary shares held in treasury (2024: 1,855,580).

#### Employee Benefit Trust shares

The Employee Benefit Trust holds ordinary shares which are issued for the purpose of satisfying future employee share based payments awards and is consolidated into the Group financial statements. Transactions with the Employee Benefit Trust are recognised directly in equity.

During the period ended 29 June 2025 the Company used 395,865 shares from the Employee Benefit Trust to satisfy employee share based payments awards (2024: 412,104). At 29 June 2025 the Employee Benefit Trust held 3,060,209 of the Company's ordinary shares (2024: 3,456,074). Dividends are waived on all shares held by the Employee Benefit Trust.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

AT 29 JUNE 2025

**23 FINANCIAL INSTRUMENTS: CATEGORIES AND FAIR VALUE<sup>1</sup>**

	29 June 2025 £m	30 June 2024 £m
Financial assets		
Derivatives in designated hedging relationships	—	0.1
Loans and receivables	10.9	7.9
Cash	13.9	26.8
Financial liabilities		
Derivatives in designated hedging relationships	(8.4)	(1.2)
Senior revolving credit facility	(55.3)	(137.4)
Private placement debt	(50.0)	(50.0)
Bank overdraft	(13.9)	(2.6)
Finance lease obligations	(352.9)	(401.7)

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.

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

**24 FINANCIAL INSTRUMENTS: RISK MANAGEMENT**

The objectives, policies and processes governing the treasury activities of the Group are reviewed and approved by the Board. The Group's documented treasury policy includes details of authorised counterparties, instrument types and transaction limits and principles for the management of liquidity, interest and foreign exchange risks. As part of its strategy for the management of these risks the Group uses derivative financial instruments. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

**Liquidity risk**

The Group manages its cash and borrowing requirements to ensure that it has sufficient liquid resources to meet its obligations as they fall due while making efficient use of the Group's financial resources.

The table below shows the maturity analysis of the undiscounted remaining contractual cash flows (including interest) of the Group's financial liabilities:

	Less than 1 year £m	1 to 2 years £m	2 to 5 years £m	Over 5 years £m	Total £m
<b>29 June 2025</b>					
Trade and other payables	145.3	—	—	—	145.3
Lease liabilities	87.6	78.2	171.0	112.9	449.7
Senior revolving credit facility	4.2	4.2	63.6	—	72.0
Private placement debt	4.3	4.3	34.0	25.4	68.0
Other liabilities	13.0	4.5	1.1	0.5	19.1
	254.4	91.2	269.7	138.8	754.1
Derivatives: net settled	—	—	—	—	—
Derivatives: gross settled	—	—	—	—	—
Cash in flows	(111.1)	(10.7)	—	—	(121.8)
Cash out flows	119.4	11.0	—	—	130.4
<b>Total cash flows</b>	<b>262.7</b>	<b>91.5</b>	<b>269.7</b>	<b>138.8</b>	<b>762.7</b>

	Less than 1 year £m	1 to 2 years £m	2 to 5 years £m	Over 5 years £m	Total £m
<b>30 June 2024</b>					
Trade and other payables	142.3	—	—	—	142.3
Lease liabilities	80.9	78.3	180.0	141.5	480.7
Senior revolving credit facility	11.6	11.6	152.7	—	175.9
Private placement debt	4.3	4.3	36.1	27.6	72.3
Other liabilities	11.7	2.1	0.7	0.8	15.3
	250.8	96.3	369.5	169.9	886.5
Derivatives: net settled	—	—	—	—	—
Derivatives: gross settled	—	—	—	—	—
Cash in flows	(105.6)	(10.3)	—	—	(115.9)
Cash out flows	109.2	8.1	—	—	117.3
<b>Total cash flows</b>	<b>254.4</b>	<b>94.1</b>	<b>369.5</b>	<b>169.9</b>	<b>887.9</b>

**Interest rate risk management**

The Group's operating profit is affected by the cost of providing interest free credit to its customers. This cost is in turn impacted by interbank lending rates, including SONIA. While the relationship is not wholly direct, an increase in SONIA of one percentage point would reduce the Group's reported revenue by 0.8%.

The Group is also exposed to interest rate risk on its senior revolving credit facility, which bears interest at a floating rate of credit spread adjusted SONIA plus a margin (3.10% at 29 June 2025); no related interest rate hedging was in place as at 29 June 2025. Based on drawn amounts under the facility at that date, an increase of one percentage point in SONIA would increase the Group's annual interest cost by £0.6m.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

AT 29 JUNE 2025

### 24 FINANCIAL INSTRUMENTS: RISK MANAGEMENT CONTINUED

#### Foreign exchange risk management

The Group is exposed to the risks of exchange rate fluctuations on the purchase of products denominated in foreign currencies. Currency requirements are assessed by analysis of historical purchasing patterns by month, adjusted as appropriate to take into account current trading expectations. The Group's treasury policy allows for the use of forward foreign exchange contracts to hedge the exchange rate risk arising from these anticipated future purchases up to 18 months in advance. These contracts are designated as cash flow hedges.

The table below summarises the forward foreign exchange contracts outstanding at the period end:

	29 June 2025		30 June 2024	
	Notional amount £m	Fair value £m	Notional amount £m	Fair value £m
Derivatives in designated hedging relationships				
US Dollar	130.5	(8.4)	117.3	(1.2)

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	29 June 2025 £m	30 June 2024 £m	29 June 2025 £m	30 June 2024 £m
US Dollar	1.1	14.5	(18.2)	(18.5)
Euro	5.7	5.8	(0.3)	(1.4)

#### Foreign currency sensitivity analysis

The Group's primary foreign currency exposures are to US Dollars and the Euro. The table below illustrates the hypothetical sensitivity of the Group's reported profit and closing equity to a 10% weakening of these currencies against Sterling, assuming all other variables were unchanged. The sensitivity rate of 10% represents the Directors' assessment of a reasonably possible change, based on historical volatility.

The analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The analysis assumes that exchange rate fluctuations on currency derivatives that form part of an effective cash flow hedge relationship affect the cash flow hedging reserve in equity.

Positive figures represent an increase in profit or equity.

	Income statement		Equity	
	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
US Dollar	1.7	0.4	(12.2)	(11.6)
Euro	(0.5)	(0.4)	—	—

A 10% strengthening of the above currencies against the Sterling at the period end would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

IAS 39 requires the Group to ensure that hedge accounting relationships are aligned with the Group's risk management objectives and strategy and to apply a qualitative and forward-looking approach to assessing hedge effectiveness. The Group determines the existence of an economic relationship between the hedging instrument and the hedged item based on the currency, amount and timing of their respective cash flows. The Group assesses whether the derivative designated in each hedging relationship is expected to be, and has been, effective in offsetting cash flows of the hedged item using the hypothetical derivative method.

In these hedge relationships, the main sources of ineffectiveness are:

- the effect of counterparties and the Group's own credit risk on the fair value of the forward foreign exchange contracts, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in exchange rates; and
- changes in the timing of the hedged transactions.

#### Financial risk management

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's investment securities.

Investments of cash, borrowings and derivative instruments are transacted only through counterparties meeting the credit rating and investment criteria specified in the Group's treasury policy. The Group's exposure and the credit ratings of its counterparties are regularly reviewed. Concentrations of risk are mitigated through the use of multiple counterparties and by counterparty limits which are reviewed and approved by the Board. The Group considers that expected credit losses on derivative assets arising from the default of counterparties are not material.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

#### Capital management

The capital structure of the Group consists of debt, as analysed in note 27, and equity attributable to the equity holders of the parent company, comprising issued capital, reserves and retained earnings as shown in the consolidated statement of changes in equity. The Group manages its capital with the objective that all entities within the Group continue as going concerns while maintaining an efficient structure to minimise the cost of capital. The Group is not restricted by any externally imposed capital requirements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

AT 29 JUNE 2025

**25 SHARE BASED PAYMENTS**

The Group has five share based payment schemes in operation:

**DFS Group Share Plan ('DSP')**

The DSP is a discretionary equity settled reward plan that allows the Group to grant conditional share awards or nil-cost options to Executive Directors and other individuals in key roles in the Group. This scheme was established in the year to replace the LTIP, DBS and RSP schemes. Under this plan, the Remuneration Committee may award annual grants of restricted share awards in the form of nil-cost options or conditional shares. Awards will ordinarily vest three years from the grant date of the awards, subject to performance underpins based around a combination of key financial, strategic and sustainability measures, with performance being assessed over the three year vesting period. If one or more of the performance underpins are not met at the date of vesting, the Remuneration Committee would consider whether it was appropriate to scale back the number of shares that vest under the award.

A two year holding period normally applies to awards granted to Executive Directors. No such holding period applies to other awards. Further information on performance targets and awards made to Directors is given in the Directors' Remuneration Report on pages 73 to 87.

**Long Term Incentive Plan ('LTIP')**

The LTIP is a discretionary executive reward plan that allows the Group to grant conditional share awards or nil-cost options to selected executives at the discretion of the Remuneration Committee. The scheme is focused on the senior leadership roles in the Group, including Executive Directors. The maximum value of LTIP awards granted to an individual is 150% of base salary, although the Remuneration Committee may in exceptional circumstances increase this to 300%.

LTIP awards vest after a three year performance period subject to the achievement of performance measures based on earnings per share, total shareholder return targets and ESG targets. Further information on LTIP performance targets and awards made to Directors is given in the Directors' Remuneration Report on pages 73 to 87.

Based on the scheme rules, the Group may settle the vested shares in cash sum equivalent to the market value of the shares and this decision is driven solely at the discretion of the Board. During the year, no LTIP shares vested, so no cash payments were made to participating employees (2024: £nil). As there is no present obligation that the Group will settle future awards in cash, the Group will continue to recognise the LTIP as an equity settled scheme.

**Deferred bonus scheme ('DBS')**

25% of any bonus earned by the Executive Directors is granted as a deferred award under the Deferred Bonus Plan. The deferred award ordinarily has a vesting period of three years, and its vesting is conditional on the participant's continued employment with the Group at the end of the vesting period unless they are a 'good leaver'.

**Restricted Share Plan ('RSP')**

The RSP is also a discretionary reward plan under which conditional share awards or nil-cost options may be granted to individuals in key executive roles in the Group, excluding Executive Directors and other recipients of LTIP awards. Awards may not exceed 50% of an individual's salary for a particular financial year.

RSP awards vest after a three year performance period (other than those granted shortly after Admission vested in July 2017). For awards granted on or after 1 July 2019, 50% of awards made to each individual are subject to either an earnings per share or underlying profit before tax performance target; remaining awards are not subject to other performance conditions.

Based on the scheme rules, the Group may settle the vested shares in cash sum equivalent to the market value of the shares and this decision is driven solely at the discretion of the Board. During the year, the Group settled none of the vested RSP shares by offering cash payments to participating employees (2023: £0.3m). As there is no present obligation that the Group will settle future awards in cash, the Group will continue to recognise the RSP as an equity settled scheme.

**Save as You Earn ('SAYE')**

SAYE schemes are currently available to all employees in the UK and Republic of Ireland, with invitations to participate generally issued on an annual basis and subject to HMRC rules. The current maximum monthly savings limit for the schemes is £500. Options are granted at the prevailing market share price less a discount of 20% and vest three years from the date of grant.

The movements in outstanding awards under each of the schemes are summarised below:

	52 weeks ended 29 June 2025				
	DSP No.	LTIP No.	DBS No.	RSP No.	SAYE No.
Outstanding at the beginning of the period	—	3,934,713	121,355	5,013,705	11,003,088
Granted	2,414,615	—	—	—	1,628,837
Forfeited	(44,431)	(771,752)	(19,538)	(509,456)	(256,082)
Exercised	—	—	(60,211)	(286,163)	(49,491)
Lapsed	—	(455,805)	—	(303,891)	(385,263)
Cancelled	—	—	—	—	(1,248,880)
Outstanding at the end of the period	2,370,184	2,707,156	41,606	3,914,195	10,692,209
Weighted average remaining contractual life (months)	29.9	9.3	3.8	11.5	16.2
Weighted average share price at exercise	—	—	—	£1.34	£1.41

	53 weeks ended 30 June 2024				
	DSP No.	LTIP No.	DBS No.	RSP No.	SAYE No.
Outstanding at the beginning of the period	—	2,567,546	60,211	3,765,977	10,925,424
Granted	—	2,034,223	61,144	2,678,998	4,627,564
Forfeited	—	(108,699)	—	(626,562)	(341,719)
Exercised	—	—	—	(402,385)	(38,425)
Lapsed	—	(558,357)	—	(402,323)	(495,001)
Cancelled	—	—	—	—	(3,674,755)
Outstanding at the end of the period	—	3,934,713	121,355	5,013,705	11,003,088
Weighted average remaining contractual life (months)	—	19.2	9.7	20.0	23.1
Weighted average share price at exercise	—	—	—	£1.02	£1.14

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

AT 29 JUNE 2025

### 25 SHARE BASED PAYMENTS CONTINUED

#### Save as You Earn ('SAYE') continued

At 29 June 2025 the weighted average exercise price of outstanding SAYE options was £0.91 (2024: £0.90) and the range of exercise prices was £0.82 to £2.18 (2024: £0.82 to £2.18). At 29 June 2025 there were 126,056 (2024: 455,755) exercisable SAYE options, with a weighted average exercise price of £2.18 (2024: £1.62). There were no exercisable DSP, LTIP, DBP or RSP options at 29 June 2025 (2024: nil).

#### Fair value calculations

During the year awards were granted under the DFS Group Share Plan and the SAYE scheme. No awards were granted under any other schemes. All awards are all accounted for as equity settled under IFRS 2. The fair value of the awards is calculated using a Black-Scholes option pricing model, with a Chaffe protective put method applied for awards that are subject to a holding period, to estimate a discount for the lack of marketability. The inputs to these models for awards granted during the financial period are detailed below:

	DSP - no holding period	DSP - two year holding period	SAYE
Grant date	12 December 2024	12 December 2024	12 November 2024
Share price at date of grant	£1.44	£1.44	£1.39
Exercise price	—	—	£1.08
Volatility <sup>1</sup>	—	29.07%	34.35%
Expected life	3 years	5 years	3.43 years
Risk-free rate <sup>1</sup>	—	4.15%	4.11%
Dividend yield	— <sup>2</sup>	— <sup>2</sup>	0.79%
Fair value per share	£1.44	£1.27	£0.54

- Volatility and risk-free rates do not impact the fair value calculation for awards with no exercise price or market based performance condition. In the Chaffe model applied for awards that are subject to a holding period, volatility has been calculated over the period commensurate with the holding period immediately prior to the grant date, and the risk-free rate is the rate obtained over a term equal to the vesting period plus the holding period.
- DSP participants are entitled to receive dividend equivalents on unvested awards, therefore dividend yield does not impact the fair value calculation.

Expected volatility is calculated over the period of time commensurate with the relevant performance period or holding period. Expected life has been assumed to equate to the vesting period of the awards.

The total share based payment expense included in administration costs in respect of the above schemes was £2.8m (2024: £3.2m).

### 26 NET CASH FROM OPERATING ACTIVITIES

	Note	52 weeks to 29 June 2025 £m	53 weeks to 30 June 2024 £m
Profit/(loss) for the period		24.2	(4.4)
Adjustments for:			
Income tax expense	6	8.7	3.0
Finance income	5	(0.4)	(0.4)
Finance expenses	5	38.6	41.5
Exceptional financing costs	5	—	1.9
Depreciation of property, plant and equipment	8	17.2	22.0
Depreciation of right of use assets	9	54.0	55.8
Amortisation of intangible assets	10	13.0	13.7
Impairment of assets	8	1.3	0.3
Loss on sale of property, plant and equipment	3	0.3	2.0
Gain on disposal of right of use assets	3	(0.8)	(0.6)
Share based payment expense	25	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

### 27 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 (including bank overdraft)	24.2	(24.2)	—	—
Senior revolving credit facility	(137.4)	82.0	0.1	(55.3)
Private placement debt	(50.0)	—	—	(50.0)
Lease liabilities	(401.7)	88.7	(39.9)	(352.9)
Total net debt	(564.9)	146.5	(39.8)	(458.2)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

AT 29 JUNE 2025

## 27 NET DEBT CONTINUED

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

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.

## 28 RELATED PARTIES

## Key management personnel

At 29 June 2025, Directors of the Company held 0.4% of its issued ordinary share capital (2024: 0.4%), and a further 0.1% (2024: 0.1%) was held by other key management personnel. The compensation of key management personnel (including the Directors) is as follows:

	52 weeks to 29 June 2025 £m	53 weeks to 30 June 2024 £m
Emoluments	5.0	4.2
Share based payments expense	0.4	0.3
Company contributions to money purchase schemes	0.2	0.1
	5.6	4.6

From time to time key management personnel or their related parties may buy goods from the Group. These purchases are on the same terms and conditions as those entered into by other Group employees or customers.

## 29 DISCONTINUED OPERATIONS

During the period to 26 June 2022 the Group took the decision to exit its operations in the Netherlands and Spain. The cessation of these operations was completed in the year ended 25 June 2023, with the order book at the point of closure being delivered during that year. The revenues and expenses of the discontinued operations were therefore eliminated from the consolidated income statement for the Group's continuing operations and are shown as a separate single post-tax line item. Prior to being classified as discontinued operations, these operations were included within the DFS segment of the Group's segmental analysis.

## Results from discontinued operations:

	52 weeks to 29 June 2025			53 weeks to 30 June 2024 Total £m
	Underlying £m	Non-underlying £m	Total £m	
Revenue	—	—	—	—
Cost of sales	—	—	—	—
Gross profit	—	—	—	—
Selling and distribution costs	—	—	—	—
Administrative expenses	—	—	—	0.3
Operating profit before depreciation, amortisation and impairment	—	—	—	0.3
Depreciation	—	—	—	—
Impairment	—	—	—	—
Operating profit	—	—	—	0.3
Finance expenses	—	—	—	—
Profit before tax	—	—	—	0.3
Taxation	—	—	—	—
Profit for the period from discontinued operations	—	—	—	0.3

## Non-underlying items from discontinued operations:

	52 weeks to 29 June 2025 £m	53 weeks to 30 June 2024 £m
Closure credits	—	(0.3)

Closure credits relate to the release of provisions made in FY22 for costs associated with the closure of these operations where the actual costs incurred were lower than had been expected when the provision was made.

## Cash flows from discontinued operations:

	52 weeks to 29 June 2025 £m	53 weeks to 30 June 2024 £m
Net cash from operating activities	—	—
Net cash used in investing activities	—	—
Net cash used in financing activities	—	—
Net decrease in cash and cash equivalents	—	—
Cash and cash equivalents at beginning of period	0.3	0.3
Net cash and cash equivalents (including bank overdraft) at end of period	0.3	0.3



# COMPANY BALANCE SHEET

AT 29 JUNE 2025

	Note	29 June 2025 £m	30 June 2024 £m
<b>Non-current assets</b>			
Investments	2	260.5	257.7
Amounts due from Group companies	3	275.0	275.0
		<b>535.5</b>	<b>532.7</b>
<b>Current liabilities</b>			
Amounts due to Group companies	4	(72.8)	(72.8)
<b>Net assets</b>		<b>462.7</b>	<b>459.9</b>
<b>Capital and reserves</b>			
Called up share capital	5	23.6	23.6
Share premium	5	40.4	40.4
Merger reserve	5	18.6	18.6
Capital redemption reserve	5	360.1	360.1
Treasury shares	5	(2.9)	(2.9)
Shares held by employee benefit trust	5	(5.3)	(5.9)
Retained earnings		28.2	26.0
Equity shareholders' funds		<b>462.7</b>	<b>459.9</b>

The Company's profit for the period was £nil (2024: £nil).

These financial statements were approved by the Board of Directors on 25 September 2025 and were signed on its behalf by:

<b>Tim Stacey</b>	<b>Marie Wall</b>
Chief Executive Officer	Interim Chief Financial Officer

Company registered number: 07236769

## COMPANY STATEMENT OF CHANGES IN EQUITY

AT 29 JUNE 2025

	Share capital £m	Share premium £m	Merger reserve £m	Capital redemption reserve £m	Treasury shares £m	Shares held by employee benefit trust £m	Retained earnings £m	Total equity £m
<b>Balance at 25 June 2023</b>	24.1	40.4	18.6	359.6	(10.1)	(6.6)	40.2	466.2
Profit for the period	—	—	—	—	—	—	—	—
Other comprehensive income	—	—	—	—	—	—	—	—
Total comprehensive income for the period	—	—	—	—	—	—	—	—
Dividends paid	—	—	—	—	—	—	(9.5)	(9.5)
Cancellation of treasury shares	(0.5)	—	—	0.5	7.2	—	(7.2)	—
Employee Benefit Trust shares issued	—	—	—	—	—	0.7	(0.7)	—
Share based payments	—	—	—	—	—	—	3.2	3.2
<b>Balance at 30 June 2024</b>	23.6	40.4	18.6	360.1	(2.9)	(5.9)	26.0	459.9
Profit for the period	—	—	—	—	—	—	—	—
Other comprehensive income	—	—	—	—	—	—	—	—
Total comprehensive income for the period	—	—	—	—	—	—	—	—
Employee Benefit Trust shares issued	—	—	—	—	—	0.6	(0.6)	—
Share based payments	—	—	—	—	—	—	2.8	2.8
<b>Balance at 29 June 2025</b>	<b>23.6</b>	<b>40.4</b>	<b>18.6</b>	<b>360.1</b>	<b>(2.9)</b>	<b>(5.3)</b>	<b>28.2</b>	<b>462.7</b>

# NOTES TO THE COMPANY FINANCIAL STATEMENTS

AT 29 JUNE 2025

## 1 ACCOUNTING POLICIES

### Basis of preparation

The financial statements are prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101').

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 ('UK-adopted IFRSs'), but makes amendments where necessary in order to comply with Companies Act 2006. The Company has applied the exemption available under FRS 101 in respect of the following disclosures:

- a cash flow statement and related notes;
- comparative period reconciliations for share capital;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management; and
- the impact of new but not yet effective IFRSs.

As the consolidated financial statements include the equivalent disclosures, the Company has also taken the exemption available under FRS 101 in respect of IFRS 2 Share Based Payments disclosures of Group settled share based payments. Under Section 408 of the Companies Act 2006, the Company is not required to present its own profit and loss account. The Company's profit for the period was £nil (2024: £nil).

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

### Going concern

The Company heads a Group that is currently operating with total available debt of £250.0m. 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.

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

### Investments

Investments are stated at cost, less any accumulated impairment losses. Carrying values of investments in subsidiary companies are reviewed at each reporting date to determine whether there is any indication of impairment. If any such exists, then the investment's recoverable amount is estimated based on a value in use calculation. An impairment loss is recognised if the carrying amount of the investment exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

### Amounts due from and to Group companies

Amounts receivable from or payable to other companies within the Company's group are recognised initially at fair value and subsequently measured at amortised cost less allowances for expected credit losses.

### Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to a business combination, or items recognised directly in equity or other comprehensive income. Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

### Share based payments

Awards (options or conditional shares) granted by the Company over its own shares to the employees of subsidiary companies are recognised in the Company's own financial statements as an increase in the cost of investment in subsidiaries. The amount recognised is equivalent to the equity settled share based payment charge recognised in the consolidated financial statements. The corresponding credit is recognised directly in equity.

### Treasury shares

Where the Company purchases the Company's equity share capital into treasury (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of.

### Employee Benefit Trust shares

The Employee Benefit Trust holds ordinary shares which are issued for the purpose of satisfying future employee share based payments awards and is consolidated into the Group financial statements. Transactions with the Employee Benefit Trust are recognised directly in equity.

### Audit fees

Amounts receivable by the Company's auditor, and its associates in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements.

### Directors' remuneration and staff numbers

The Company has no employees other than the Directors, who did not receive any remuneration for their services directly from the Company in either the current or preceding period. The Directors consider any allocation of their time spent on matters relating solely to the Company to be trivial. See note 28 to the consolidated financial statements for Key Management Personnel compensation.

## NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

AT 29 JUNE 2025

## 2 INVESTMENTS

	Shares in subsidiary undertakings	
	29 June 2025 £m	30 June 2024 £m
<i>Cost and net book value</i>		
At the start of the financial period	257.7	254.5
Additions	2.8	3.3
At the end of the financial period	260.5	257.8

Details of the Company's investments are given in note 11 to the consolidated financial statements. Additions in the current and prior period relate to capital contributions made in respect of share based payments schemes for the Group's employees.

As a consequence of the Company's share price at 29 June 2025, a value in use calculation was performed to test the carrying value of the investments for impairment. The key assumptions used were in line with those set out in note 10 to the consolidated financial statements. The value in use calculations assessed the value in use of equity only, and showed a significant headroom between the calculated value in use and the carrying value of the investments in the Company financial statements. A number of sensitivities were then applied to the base case model to assess whether any reasonably possible changes in assumptions, including a simultaneous shortfall in revenue and gross margin, could cause an impairment that would be material to these Company financial statements. Amounts due from subsidiary undertakings have been considered and assessed for recoverability alongside the assessment of the recovery of the cost of investments but no assumption of payment has been made in the cash flow calculations on the basis that there is no intention for the intercompany balances to be recalled for at least 12 months from the date of the accounts being signed.

On the basis of this analysis the Directors concluded that a reasonably possible change in assumptions would not lead to an impairment being recognised.

Coin Furniture Limited (Company number 08586227) and DFS Spain Limited (Company number 09668511) are exempt from the requirement of the Companies Act relating to the audit of individual financial statements by virtue of s479A of the Companies Act 2006. DFS Furniture plc will guarantee the debts and liabilities of these entities in accordance with Section 479C of the Companies Act 2006.

## 3 DEBTORS

	29 June 2025 £m	30 June 2024 £m
Amounts due from subsidiary undertakings (non-interest bearing, repayable on demand)	275.0	275.0

Amounts due from subsidiary undertakings have been classified as non-current assets as they are not expected to be settled within the next 12 months. The Directors have reviewed for expected credit losses and consider the amount of any such losses to be immaterial.

## 4 CREDITORS: AMOUNTS DUE IN LESS THAN ONE YEAR

	29 June 2025 £m	30 June 2024 £m
Amounts due to subsidiary undertakings (non-interest bearing, repayable on demand)	72.8	72.8

## 5 CAPITAL AND RESERVES

## Share capital

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

	Number of shares '000	Ordinary shares £m
<b>Ordinary shares of £0.10 each</b>		
<i>Allotted, called up and fully paid</i>		
At the start and end of the financial period	236,000	23.6

On 3 May 2024 4,678,120 ordinary shares which had been held in treasury were cancelled.

## Share premium

The share premium account represents the surplus of consideration received for issued ordinary share capital over its nominal value. This arose on the issue of ordinary shares on 11 March 2015.

## Merger reserve

The merger reserve arose on the issue of shares in the Company in exchange for minority interests in the issued share capital of a subsidiary company on 10 March 2015.

## Capital redemption reserve

The capital redemption reserve represents the par value of cancelled treasury shares.

## Treasury shares

Where the Company purchases the Company's equity share capital into treasury (treasury shares), the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of.

No treasury shares were cancelled during the year (2024: 4,678,120 were cancelled on 3 May 2024). None of the Company's own ordinary shares (2024: nil) were used to satisfy employee share based payment awards during the year. At 29 June 2025 the Company had 1,855,580 ordinary shares held in treasury (2024: 1,855,580).

## Employee Benefit Trust shares

The Employee Benefit Trust holds ordinary shares which are issued for the purpose of satisfying future employee share based payments awards and is consolidated into the Group financial statements.

During the period ended 29 June 2025 the Company used 395,865 shares from the Employee Benefit Trust to satisfy employee share based payments awards (2024: 172,800). At 29 June 2025 the Employee Benefit Trust held 3,060,209 of the Company's ordinary shares (2024: 3,456,074). Dividends are waived on all shares held by the Employee Benefit Trust.



## FINANCIAL HISTORY

AT 29 JUNE 2025

		FY25	FY24	FY23	FY22	FY21 Restated <sup>1</sup>
Gross sales	£m	<b>1,388.3</b>	1,311.8	1,423.6	1,474.6	1,359.4
Revenue	£m	<b>1,030.3</b>	987.1	1,088.9	1,149.8	1,060.2
Underlying EBITDA	£m	<b>157.2</b>	142.0	157.4	175.9	224.0
Underlying profit/(loss) before tax excluding brand amortisation	£m	<b>30.2</b>	10.5	30.6	60.3	109.2
Profit/(loss) before tax from continuing operations	£m	<b>32.9</b>	(1.7)	29.7	58.5	102.6
Basic earnings per share from continuing operations	p	<b>10.5</b>	(2.0)	9.8	17.3	35.8
Ordinary dividends per share	p	—	1.1	4.5	7.4	7.5
Special dividends per share	p	—	—	—	10.0	—
Purchase of own shares	£m	—	—	30.9	4.4	—

1 Restated to exclude operations becoming discontinued in FY22.

## SHAREHOLDER INFORMATION

### CONTACTS

#### Chief Executive Officer

Tim Stacey

#### Interim Chief Financial Officer

Marie Wall

#### Group General Counsel and Company Secretary

Elizabeth McDonald  
liz.mcdonald@dfs.co.uk

#### Investor relations

Phil Hutchinson  
investor.relations@dfs.co.uk

#### Corporate website

www.dfscorporate.co.uk

#### Registered office

DFS Furniture plc  
1 Rockingham Way  
Redhouse Interchange  
Adwick-le-Street  
Doncaster DN6 7NA

#### Corporate advisers

##### Auditor

KPMG LLP  
1 St Peter's Square  
Manchester M2 3AE

##### Remuneration adviser

Deloitte LLP  
2 New Street Square  
London EC4A 3BZ

##### Brokers

Peel Hunt Limited & Panmure Liberum  
Linklaters LLP  
One Silk Street  
London EC2Y 8HQ

### SHAREHOLDER ENQUIRIES

The Company's registrar is Equiniti. The Equiniti team will be pleased to deal with any questions regarding your shareholding or dividends. Please notify them of your change of address or other personal information. Equiniti's address details are:

#### Equiniti Limited

Aspect House  
Spencer Road  
Lancing  
West Sussex BN99 6DA

Equiniti helpline: 0371 384 2030.  
Overseas holders should contact:  
+44 (0)121 415 7047

Lines are open 8.30am to 5.30pm,  
Monday to Friday (excluding public holidays).

Shareholders can manage their shareholding online and facilities include electronic communications, account enquiries, amendment of address and dividend mandate instructions.

### ELECTRONIC COMMUNICATIONS

Shareholders will receive the Annual Report and Accounts and other documentation electronically, unless they inform our registrar that they would like to continue to receive printed materials. This is in line best practice and underpins our commitment to reducing waste. Shareholders may view shareholder communications online instead of receiving them in hard copy. Shareholders may elect to receive notifications by email whenever shareholder communications are added to the website by visiting [www.shareview.co.uk](http://www.shareview.co.uk) and registering online.

For institutional investor enquiries, please contact:

#### Teneo

The Carter Building  
11 Pilgrim Street  
London EC4V 6RN

+44 (0)20 7353 4200

### FINANCIAL CALENDAR

FY25 full year results	25 September 2025
Annual General Meeting	14 November 2025

### ANNUAL GENERAL MEETING 2025

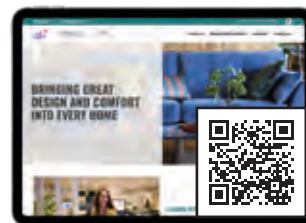
This year's AGM will be held at 2.30pm on 14 November 2025 at DFS Group Support Centre, 1 Rockingham Way, Redhouse Interchange, Adwick-le-Street, Doncaster, DN6 7NA.

### REPORT AND ACCOUNTS

Company registered number 07236769.

### CORPORATE WEBSITE

[www.dfscorporate.co.uk](http://www.dfscorporate.co.uk)



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DFS Furniture plc's commitment to environmental issues is reflected in this Annual Report, which has been printed on Revive 100 Offset and Amadeus Silk, both FSC® certified material. This document was printed by L&S using its environmental print technology, which minimises the impact of printing on the environment, with 99% of dry waste diverted from landfill. The printer is a CarbonNeutral® company.

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