

25 March 2026

Headlam Group plc
('Headlam', the 'Company', the 'Group')

Full Year Results

Progress on the transformation plan despite challenging market conditions

Headlam Group plc (LSE: HEAD), the UK's leading floorcoverings distributor, today announces its full year results in respect of the year ended 31 December 2025 (the 'Period').

FINANCIAL HIGHLIGHTS

	2025	2024
Revenue	£498.7m	£525.7m
EBITDA	£(12.5)m	£(5.0)m
Underlying ¹ Operating Loss	£(33.4)m	£(24.9)m
Underlying ¹ Loss Before Tax	£(39.5)m	£(31.7)m
Underlying ¹ Basic Loss Per Share	(44.1)p	(31.0)p
Ordinary dividend per share	-	-
Underlying ¹ Operating Cash Flow	£(18.6)m	£27.0m
Net (Debt)/Cash	£(31.4)m	£10.9m
Statutory results		
Operating Loss	£(63.5)m	£(31.3)m
Loss before tax	£(69.6)m	£(38.1)m
Basic Loss Per Share	(102.0)p	(31.2)p
All numbers above represent continuing operations, except for Net (Debt)/Cash and Basic Loss Per Share		

Challenging market conditions

- Revenue reduced 4.6%² year-on-year
- Gross margin 29.5% (FY 2024: 29.7%). Mix impact from growth in lower-margin larger customers mitigated by proactive sourcing actions and centralised buying function
- Reflecting market decline, investment in new trade counter collection points and cost inflation, Underlying Loss Before Tax was £(39.5)m

Proactive action to strengthen Balance Sheet, enhancing long term resilience

- Net Debt £(31.4)m (FY 2024: £10.9m). Three-year £85m ABL facility agreed post year end, securing financing to 2029
- Stock levels £10.6m lower year-on-year benefiting from centralised buying initiative as anticipated
- The Group owns property in the UK valued at £75m³. Six properties disposed over prior two years at an average premium of 84% to book value
- Active engagement on three property disposals. Completion expected in the coming months
- Continental European sale progressing

STRATEGIC AND OPERATIONAL HIGHLIGHTS

Strategic overhaul - multi-year core customer strategy being implemented

- Multi-year core customer strategy introduced in November 2025 to transform the business and enhance the quality of earnings through disciplined focus on core independent retailer and contractor customers. The strategy embeds five key strategic levers:
 - Reduce low-margin revenue from the non-core customer base
 - Reduce the fixed and variable cost base associated with non-core customer revenue

- Enhance customer service to our independent retailer and contractor customers
- Simplify ranges and consolidate suppliers, strengthening relationships with key partners
- Optimise cash through strict working capital management and disposal of surplus assets
- Good early progress as demonstrated by:
 - Service improvements made in late 2025 now bearing fruit in 2026
 - Range rationalisation complete with “live” range reduced from 27k to 16k SKUs
 - Clear line of sight of a return to profitability in 2027

Board Changes

- Chris Payne, Group CEO, stepped down from the Board on 3rd October 2025 with Stephen Bird, Non-Executive Chair, assuming the role of interim Executive Chair
- Rob Barclay joined the Group on 9th March 2026 as CEO designate and will be appointed to the Board on 27th April, after which Stephen Bird will return to the non-executive Chair role
- Richard Jones joined the Group as Interim CFO on 12th March 2026 and will replace Adam Phillips, CFO, on the Board on 26th March 2026

OUTLOOK

- The new core customer strategy will see a material planned reduction in revenue over 2026 and 2027.
- Once fully implemented, and, assuming a stable market, this is expected to result in a smaller base revenue on continuing operations but with a significant enhancement to quality of earnings through enhanced gross margin and lower operating costs.
- With cost saving initiatives also on track, overall future net operating margins expected to return to mid-single digit once the transformation plan fully executed.
- Property disposal programme and a reduction in working capital expected to reduce Net Debt by the end of 2026 with further improvement anticipated in 2027.
- In the near term, trading conditions remain challenging: consumer spending on home improvements continues to decline and the conflict in the Middle East, whilst hard to predict, has already created cost pressures for the wider UK flooring industry with significant price increases in polypropylene and fuel.
- Over the medium term, with a clear and granular transformation strategy now in place and beginning to have a positive impact despite continuing challenging trading conditions, the Board believes that the outlook for Headlam is positive reflecting the benefits of its market leading position, inherent strengths and renewed focus on core independent retailers and contractors.
- The Board therefore continues to have confidence in a return to profitability in 2027 as previously guided.

Commenting, Stephen Bird, Interim Executive Chair, said:

“Our new core customer strategy, combined with the ongoing benefits of our transformation programme, provides a clear road map to profitability in 2027 and beyond. Current cost saving initiatives are progressing as anticipated with milestones being met. Whilst our current trading environment remains challenging, this should provide reassurance to all stakeholders that Headlam is delivering and will be able to capitalise on its position as the preeminent distributor of flooring products in the UK. The independent retailers and contractors we serve are resilient. The market will recover and when it does, we will be well placed to support them - initially smaller, but stronger, more focused, and more profitable.

I would like to thank all employees for their commitment and in ensuring this is a business model that can weather market cycles and deliver consistent returns.”

Presentations

The Group will be hosting an online presentation and Q&A for analysts at 9.00am UK time today. To register interest in attending, please email: headlamgroup@headlam.com

A recording of the presentation, as well as the presentation slides, will be made available on the Group's website (www.headlam.com) following the conclusion of the investor presentation.

Rob Barclay (CEO designate) and Richard Jones (Interim CFO) will host an Investor Meet presentation in the coming weeks - details to be released in due course. The presentation will be open to all existing and potential shareholders.

Footnotes

1. To supplement IFRS reporting, we also present our results on an underlying basis to show the performance of the business before Non-Underlying Items. These items are detailed in the notes to the financial statements and principally comprise: amortisation of acquired intangibles, impairment of assets, business restructuring and change-related costs, profit on sale of property, ERP system development, and provision relating to legal claim. These underlying measures, along with other alternative financial measures including debt and cash flow metrics, form the Group's Alternative Performance Measures (APMs) that are used internally by management as key measures to assess performance. Further explanation in relation to these measures can be found in the glossary of APMs at the end of this announcement.
2. Excluding revenue in Continental Europe presented as a discontinued operation. Year-on-year revenue decline is calculated on a same number of working days basis
3. Market valuations, not book value

Enquiries

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Notes to Editors

Operating for over 30 years, Headlam is the UK's leading floorcoverings distributor. The Group works with suppliers across the globe manufacturing the broadest range of products, and gives them a highly effective route to market, selling their products into the large and diverse trade customer base. The Group has an extensive customer base, providing them with a market leading service through the largest product range, in-depth knowledge, ecommerce and marketing support, and nationwide delivery service.

Interim Executive Chairman's Review

Introduction and market update

Headlam is the largest flooring distributor in the UK, with unrivalled scale and well-established national reach. Our network of distribution centres provide an excellent service to independent retailers and contractors, with customers enjoying access to the broadest product range, including our own exclusive brands.

Over the course of the year performance was impacted by a trading environment that has remained challenging. To compensate, we launched a revised transformation plan designed to considerably reduce losses in 2026 and return the Group to profitability in 2027, even if market conditions remain subdued.

To complement the transformation programme, we have initiated a new core customer focused strategy which enables significant additional network and infrastructure cost savings as the Group consolidates its operations on serving independent retailers and contractors.

These measures, combined with the Group's market position, provides a platform for a return to sustainable profitable growth. Despite the timing of a market recovery remaining uncertain, we enter 2026 with a clear plan to create meaningful value over the medium term.

Financial performance 2025

Revenue declined 4.6% in 2025 on a same working day basis, reflecting both persistently challenging market conditions and the deliberate decision, taken in November 2025, to exit low-margin revenue that was diluting profitability. Revenue from larger customers grew in the year overall but declined in the last few weeks, largely reflecting the revised strategy, published in November, to reduce low-margin revenue.

Gross margin of 29.5% was broadly flat year-on-year. Operating costs of £180.7 million were also flat year-on-year with cost inflation and trade counter investments offset by benefits from the transformation plan. The underlying loss before tax increased from £31.7 million to £39.5 million.

The Group had Net Debt of £31.4 million at the end of the year and owned property in the UK valued at £75.3 million. In January 2026 the Group agreed a new borrowing facility for three years (with the option to extend).

The financial performance is set out in more detail in the Financial Review.

Transformation plan progress in 2025

Despite the market environment, the application of the transformation plan launched in 2024 has ensured good operational progress over the year.

Key highlights include:

- Network optimisation in the South East, including the opening of a new distribution centre in Rayleigh and the closure of the Ipswich site. The review of our South East network continues as we optimise our footprint to match our revised customer base
- Rollout of innovative new display stands, supporting our independent retailer customers. Strong feedback from independent retailer customers
- Consolidation of operations in the Midlands, with Nottingham transferred into other sites
- Launch of fully centralised buying and supply chain, already yielding significant benefits in stock levels and stock turn. From early October 2025 to February 2026, stock levels in the UK reduced by c.£30m with further opportunity
- Preparation for sale of the Group's businesses in France and Netherlands

Headlam's 2026-2028 core customer strategy

The medium-term objective for Headlam is to be a profitable, cash generative business positioned for sustainable growth.

From a profit perspective, this translates to our expectations that our transformation plan will create a return to profitability in 2027 and then a return to historic midsingle-digit operating profit margin levels thereafter from the annualised positive benefit of these initiatives.

To fund the strategy and build balance sheet resilience, cash is expected to be generated from property disposals and working capital optimisation. We therefore expect to have significantly reduced Net Debt by the end of 2027 with further improvement thereafter.

The new strategy, specifically focused on profit generation, alters the preceding narrative which was focused on revenue growth. In seeking to fill excess capacity with increased volumes from larger customers and through trade counter expansion, we moved away from our core independent retailers and contractors, the customers on which the strength of this business depends. Those customers were increasingly of the view that the Group was competing against them rather than supporting them. As a result, we lost share.

The larger customer business that we won, whilst providing positive contribution to the fixed cost base, required us to maintain a higher level of infrastructure than would have otherwise been the case and therefore hindered the ability to implement significant reductions in the fixed cost base. Furthermore, although the Group secured additional low-margin revenue, we lost more profitable residential revenue from our core customer base.

Our core customer strategy refocuses the business on independent retailers and contractors whilst adjusting the cost base of the business accordingly. We firmly believe that this will be to the benefit of all stakeholders and create shareholder value.

The strategy has the following core components:

1. Reduce low-margin revenue - refocus on independent retailers and contractors, whilst eliminating low-margin revenue that ties up fixed costs
2. Reduce costs - as low-margin business is exited, we will take out the variable costs associated with it, as well as reducing structural, fixed costs that previously had to be maintained in order to service that low-margin business
3. Enhance customer service -we are already rapidly improving customer service to our independent retailer and contractor customer base. Our measure of delivery success is substantially improved year-on-year for the first two months of this year. This is starting to be recognised in feedback from customers.
4. Simplify ranges and consolidate supply base - put simply, we have had too many ranges and too many suppliers, with volumes spread too thinly across the supply base. There is opportunity to reduce range duplication, whilst maintaining a broad product offering, and also to consolidate our supply base to strengthen relationships with key strategic sourcing partners
5. Optimise cash - a smaller business means less cash needs to be tied up in working capital and there are also opportunities to dispose of surplus assets

Taking each in turn:

1. Reduce low-margin revenue

We will refocus and grow with independent retailers and contractors, while eliminating low-margin revenue elsewhere.

The focus on fixing or exiting insufficiently profitable business falls into four categories.

A. Reduction in low-margin large customer business

The Group will ensure that all resources are fully utilised to serve profitable revenue. As a result, large low margin customers that serve to increase utilisation of existing capacity, but contribute little to profits and require us to maintain a higher fixed cost base, are no longer desirable.

B. Exit Continental European business

The sale of our businesses in France and the Netherlands continues to progress. By focusing solely on the UK, losses are reduced and focus increased on our core customers. Collectively, those businesses made an underlying loss before tax of £3.7m in 2025, and are presented as a discontinued operation.

C. Category mix

Within our product categories, there is a wide range of gross margin. Certain products, particularly in the contract element of the market, can be at relatively low gross margin and, when central costs are fully allocated, the profit contribution is marginal.

By focusing on the more profitable categories and actively deprioritising low gross margin categories, our fixed costs and infrastructure requirements, such as distribution centres and vehicles, naturally reduce, benefiting overall Group profitability albeit at the expense of revenue.

In addition, we are proactively re-energising our higher-margin consumer brands which are highly valued by independents enabling them to generate strong margins and compete against national chains.

D. Trade counters

As at the end of 2025 we had 80 trade counters. However, a collection of our trade counters, notably those in the South East, are exposed to relatively high rent costs which reduces the viability of a collection point rather than servicing those areas with delivery only. Given higher costs, and a product range typically focused on lower gross margin categories, the plan is to reduce our trade counter network whilst migrating some profitable category sales to adjacent trade counters or switching this revenue from "collection sales" to "delivered sales". This initiative significantly reduces fixed costs and whilst revenue also reduces, this is skewed to the lower margin categories.

Furthermore, we have already repositioned the role and organisational structure of the trade counters. Specifically:

Previously they were a separate business unit with their own management team. We have now moved the management of the trade counters into our Mercado independent retailer and contractor sales team. Our trade counter sites have now been turned into collection points.

We have reclarified our approach to which customers we will trade with; specifically, that we will only service customers in the flooring trade. Previously, the trade counter business, whilst only ever servicing trade customers, did sell a small amount to adjacent non-flooring trades. These non-flooring accounts were closed in February 2026.

- Furthermore, we are repositioning the ranges available in the trade counter sites, in order to provide our independent retailer and contract customers with access to certain ranges that are not available to smaller trade customers of our trade counter collection points.

In total, the above initiatives are anticipated to cumulatively reduce revenue whilst significantly increasing the gross and operating margins of the business when associated costs are removed.

2. Reduce costs

In line with a substantial reduction in unprofitable revenue there is the opportunity to reduce both direct and indirect costs significantly. Direct overheads include warehouse, transport, energy, rent and rates.

As part of the core customer strategy our network footprint will be significantly reduced. In June 2024, prior to embarking on the transformation programme, we had 1.5 million square foot of warehousing space in our distribution centres (excluding cross-dock facilities). This has been reduced to 1.3 million to date and will reduce further.

3. Substantially enhance customer service to our independent and contractor customer base

Headlam has taken immense pride in its service levels over the years, but in the last year these have not met our high standards. Deliveries have not been consistent enough and availability of some ranges has not been strong enough. The root cause of much of these issues is from a fragmented, decentralised business model that has taken time to centralise. This has meant that we have not had stock in the right places and have had to internally move too much product around our network, putting pressure on costs and on on-time delivery, as well as stock availability.

In recent weeks we have made strong progress in addressing delivery consistency. Our measure of delivery success is substantially improved year-on-year for the first two months of this year. This is starting to be recognised in feedback from customers.

We are addressing stock availability through better inventory management and our newly centralised buying function.

4. Simplify our range and consolidate our supply base

In late 2024, we launched a single go-to-market proposition, under our Mercado brand, consolidating 32 trading businesses. Earlier this year we also consolidated six different own product brand businesses into the Mercado sales team. We are also reducing SKUs to focus on the products that matter most to our core customers. We have already reduced our “live” product range from 27k to 16k SKUs with further reduction potential as we focus on profitable category mix.

As the UK's largest purchaser of flooring, we have the chance to create long-term, mutually beneficial supplier partnerships as we consolidate our purchases. Supplier benefits secured in 2025 will take effect and fully annualise in 2026 with good visibility on further opportunities for increased collaboration benefitting 2026 and 2027.

In addition, there are opportunities to optimise our approach to pricing and discounting. Having consolidated 32 trading businesses, with 32 price lists and different approaches to discounting, there is now an opportunity to implement consistency and optimisation, which we expect to yield gross margin benefits.

5. Optimise cash

The core customer strategy and transformation plan requires cash to cover the trading losses until the Group becomes sustainably cash-generative and to fund the cost of transformation. The Group has a clear and well progressed plan in place to generate cash inflows through the disposal of assets, albeit these are not solely in our control, and a reduction in working capital requirements. The cash inflows from these are intended to more than cover the cash requirements, leaving the Group with significantly reduced Net Debt at the end of 2027.

The Group has several options for realising cash from property assets, including: outright sale, sale and leaseback, or through utilising the assets for further borrowings. There are currently three properties on the market for disposal and more will become available for sale over the next 18 months. Any further transactions, if realised, would accelerate our reduction in Net Debt and further increase the Group's liquidity.

Since implementing fully centralised buying we have already significantly reduced stock levels and improved stock turn. In 2023 the stock turn was 3.2x, improving to 3.5x in 2024 and 3.8x in 2025, with recent run rate above 4x. Over the medium term we expect to sustain a stock turn of at least 5.0x, which will generate further significant cash benefits whilst still providing the Group with substantially higher levels of stock than its competitors in the UK.

Progress to date

Since the initiation of the core customer strategy in November 2025, and reflecting our determination to proceed at pace, we have achieved the following:

- Over £10m of annualised payroll savings achieved by end of December 2025
- Increased pricing with a low margin large customer, which is expected to cease to be a customer in the coming months which reduces pressure on the network, improving service levels to independent retailers and enabling us to reduce fixed costs
- Service delivery substantially improved year-on-year for the first two months of 2026
- Agreement of a new borrowing facility

Reflecting the amount, and pace, of change in the business, we have decided to pause the implementation of the new ERP. The development work performed to date has been “mothballed” in readiness for the project recommencing at the appropriate time.

Highly valued colleagues

Across the UK, France and the Netherlands Headlam Group Plc employed an average c.2,200 people in 2025. To maximise the success of the core customer strategy, it is essential that our colleagues recognise their importance and the weight placed on continually striving to make Headlam a great place to work.

We recognise that implementing significant change can be unsettling for colleagues and a number of colleagues did leave the Group prior to the end of 2025 as part of collective consultation processes. I would like to thank those colleagues for their hard work over the years and throughout the consultation processes, and I wish them all the best for the future. I also wish to recognise the colleagues who remain with the Group and who continue to work hard to implement the changes to the business.

Outlook

- The new core customer strategy will see a material planned reduction in revenue over 2026 and 2027.
- Once fully implemented, and, assuming a stable market, this is expected to result in a smaller base revenue on continuing operations but with a significant enhancement to quality of earnings through enhanced gross margin.
- With cost saving initiatives also on track, overall future net operating margins expected to return to mid-single digit once the transformation plan fully executed
- Property disposal programme and a reduction in working capital expected to materially reduce Net Debt by the end of 2026 with further improvement anticipated in 2027.
- In the near term, trading conditions remain challenging: consumer spending on home improvements continues to decline and the conflict in the Middle East, whilst hard to predict, has already created cost pressures for the wider UK flooring industry with significant price increases in polypropylene and fuel.
- Over the medium term, with a clear and granular transformation strategy now in place and beginning to have a positive impact despite continuing challenging trading conditions, the Board believes that the outlook for Headlam is positive reflecting the benefits of its market leading position, inherent strengths and renewed focus on core independent retailers and contractors.
- The Board therefore continues to have confidence in a return to profitability in 2027 as previously guided.

Stephen Bird

Interim Executive Chair

25 March 2026

Financial Review

Summary income statement

	Underlying ² result 2025 £m	Non- Underlying Items 2025 £m	Total 2025 £m	Re-presented ¹		Total 2024 £m
				Underlying ² result 2024 £m	Non- Underlying Items 2024 £m	
Revenue	498.7	-	498.7	525.7	-	525.7
Cost of sales	(351.4)	(3.6)	(355.0)	(369.7)	(10.6)	(380.3)
Gross profit	147.3	(3.6)	143.7	156.0	(10.6)	145.4
Operating costs	(180.7)	(26.5)	(207.2)	(180.9)	4.2	(176.7)
Operating loss	(33.4)	(30.1)	(63.5)	(24.9)	(6.4)	(31.3)
Net finance costs	(6.1)	-	(6.1)	(6.8)	-	(6.8)
Loss before tax	(39.5)	(30.1)	(69.6)	(31.7)	(6.4)	(38.1)
Tax	4.1	0.7	4.8	6.8	10.2	17.0
Loss from continuing operations	(35.4)	(29.4)	(64.8)	(24.9)	3.8	(21.1)
Loss from discontinued operations	(4.4)	(12.7)	(17.1)	(3.2)	(0.7)	(3.9)
Loss for the period	(39.8)	(42.1)	(81.9)	(28.1)	3.1	(25.0)

Revenue

Total revenue in the Period decreased by 4.6% on a same working day basis to £498.7 million (2024: £525.7 million). This excludes revenue in Continental Europe which has been presented as a discontinued operation¹.

UK

In the UK, we previously reported revenues through three main sales channels: Regional Distribution, Trade Counters and Larger Customers. Over the last 18 months, the simplification of the Group, integration of sales teams, and the launch of customer initiatives such as “order anywhere, collect anywhere”, increased the crossover of revenues between these sales channels, particularly Regional Distribution and Trade Counters. This has been further accelerated through the consolidation of the previously separate Trade Counters business into the main sales organisation. These trade counter sites now operate as collection points under the control of our Regional Sales Managers for independent retailers and contractors. Accordingly, we show UK revenue in total rather than split into channels.

Overall revenue in the second half of the year was similar, on a year-on-year basis, to the first half, but this actually reflected a lower rate of decline in revenue from independent retailers and contractors offset by lower growth in revenue from larger customers.

Continental Europe

Revenue declined 0.8% in Continental Europe; the net of growth in the Netherlands, reflecting new distribution agreements for exclusive supply of certain branded ranges, and decline in France due to

¹ The results for the year ended 31 December 2025 have been re-presented to refer the presentation of the Continental European businesses as discontinued (see note 6 for further information).

² To supplement IFRS reporting, we also present our results on an underlying basis to show the performance of the business before Non-Underlying Items. These items are detailed in note 3 and principally comprise: amortisation of acquired intangibles, impairment of assets, business restructuring and change-related costs, profit on sale of property, ERP system development, and provision relating to legal claim.

ongoing market weakness. The revenue performance in France improved in the second half compared to the first six months, albeit remained in decline.

Gross Margin

Gross margin in the year was 29.5%, broadly unchanged from the 29.7% achieved in the previous year. This reflected the adverse impact of customer mix (with growth in lower-margin larger customer sales) offset by early benefits from the integrated supplier sourcing strategy and centralised buying function.

Costs

Underlying operating costs of £180.7 million (2024: £180.9 million) were flat year on year. Cost inflation has remained elevated, albeit to a lower extent than previous years, driven by the 6.7% increase in the national minimum wage and the increase in employer's National Insurance contributions. In addition, the final stage of the rollout of new trade counter collection points added circa £4.8 million of additional operating costs. The cost inflation and trade counter investment costs were all offset by benefits from the transformation plan. These benefits are expected to accelerate in 2026 and, at the same time, we also expect cost inflation to be lower and will also no longer have additional trade counter investment costs, following the cessation of that rollout programme.

Underlying Profit/Loss

Underlying Loss Before Tax of £39.5 million compared to a loss of £31.7 million in 2024. The table below breaks down the year-on-year movement:

	Underlying Loss Before Tax £m
2024	(31.7)
Revenue	(7.7)
Trade Counter investment	(2.3)
Cost inflation	(4.7)
Mitigating actions	6.2
Interest costs	0.7
2025	(39.5)

The decline in revenue contributed to a £7.7m reduction in profit year-on-year.

The rollout of new trade counter collection points contributed to a £2.3 million reduction in profit, reflecting the net of additional operating costs partially offset by the incremental revenue from new sites.

Cost inflation was a £4.7 million headwind reflecting the factors explained above. This cost inflation impact was lower than the previous two years (2024: £7.6 million, 2023: £10.2 million) reflecting an easing in inflationary pressure. Mitigating actions, through the implementation of the transformation plan, provided £6.2 million of benefit in the year through cost saving initiatives.

Net interest costs of £6.1 million (2024: £6.8 million) were slightly lower year-on-year, partly reflecting lower average borrowings, offset by the interest component of the incremental lease cost of trade counter collection points and distribution centres.

Non-Underlying Items

Non-underlying items before tax in the year, relating to continuing operations, totalled a £30.1 million expense (2024: £6.4m expense) as set out in the table below. The net cash impact of these non-underlying items in 2025 was a £4.2 million cash outflow.

	2025	2025	2025	2024
	Cash	Non-cash	Total	Total
	£m	£m	£m	£m
Amortisation of intangibles	-	(1.1)	(1.1)	(1.2)
Impairment of assets	-	(4.8)	(4.8)	(4.0)
Business restructuring and change-related costs	(19.8)	(3.4)	(23.2)	(19.7)
Profit on sale of property	21.2	(15.0)	6.2	21.1
ERP system development	(5.6)	-	(5.6)	(2.6)
Provision relating to legal claim	-	(1.6)	(1.6)	-
Non-underlying income/(expense) before tax	(4.2)	(25.9)	(30.1)	(6.4)

Consistent with previous periods, the amortisation of acquired intangibles arising upon consolidation were categorised as non-underlying and amounted to £1.1 million (2024: £1.2 million).

Impairment of assets was a £4.8 million (2024: £4.0 million) non-cash expense and relates to the impairment of goodwill and other intangible assets associated with Melrose cash generating unit.

Business restructuring and change-related costs are in respect of the transformation plan. The cash items principally comprised severance, recruitment, retention and other people-related costs; the one-off cost of investment in new point-of-sale materials to accompany the Mercado consolidation; and advisory costs. The non-cash expense of £3.4 million principally relates to stock provisions, reflecting the write-down of legacy stock holdings in preparation for network optimisation initiatives and the range rationalisation activities undertaken following the centralisation of the buying function.

The cost of developing the new ERP system is expensed rather than capitalised due to it being a cloud-based solution and, as previously guided, the development cost is being treated as a non-underlying expense, of which £5.6 million was incurred in the year (2024: £2.6 million). At the end of the year, the decision was taken to temporarily pause the ERP replacement programme whilst the business focuses on the transformation plan.

A £1.6 million provision has been recorded in respect of a health and safety offence relating to an accident at one of the Group's sites in 2022.

EPS and Dividend

Total basic loss per share on an underlying basis was a loss of 44.1 pence per share (2024: a loss of 31.0 pence per share), reflecting the factors set out above.

No interim or final ordinary dividend has been declared in respect of the current or prior year. While we have opted not to declare a dividend, our long-term commitment remains focused on delivering shareholder value. The Board will continue to review how the business is performing, taking into account the market conditions and the implementation of the transformation plan, in assessing when it may be appropriate to reinstate dividend payments.

Tax

The Group's consolidated underlying effective tax rate for continuing operations for the Period was 10.4% (2024: 21.5%). This is lower than the standard rate of corporation tax in the UK primarily due to the partial recognition of a deferred tax assets relating to losses.

Cash Flow and Net Debt

	2025	2024
	£m	£m
Underlying operating loss	(33.4)	(24.9)
Depreciation and amortisation	20.9	19.9
EBITDA	(12.5)	(5.0)
Change in inventories	10.6	16.8
Change in receivables	16.9	2.0
Change in payables	(34.3)	12.2
Other	0.7	1.0
Underlying Operating Cash Flow	(18.6)	27.0
Interest and Tax	1.4	(4.7)
Lease payments	(15.8)	(13.7)
Capital expenditure	(4.4)	(10.5)
Non-underlying items	(4.2)	48.5
Dividends	-	(4.8)
Discontinued operations	(0.8)	(1.2)
Net cash flow before movement in borrowings	(42.4)	40.6
Movement in borrowings	59.0	(50.0)
Net cash flows	16.6	(9.4)

Underlying Operating Cash Flow in the year was an outflow of £18.6 million compared to an inflow of £27.0 million in 2024. The outflow in 2025 included a £10.8 million payment of VAT in January, that had been collected on the property sales in December 2024. Excluding this timing item, the Underlying Operating Cash Flow in the year was an outflow of £7.8 million (and the prior year would have been an inflow of £16.2 million), which comprised of an EBITDA loss of £12.5 million, partially offset by working capital and other inflows (after adjusting for the £10.8 million VAT timing) of £4.7 million.

Inventories continue to be well-controlled and, in the latter few months of the year and the first two months of 2026, reduced significantly following the implementation of the centralised buying and supply chain processes. The reduction in inventory towards the end of the year was initially principally offset within working capital by a reduction in payables; the efficiencies in inventory levels turn into cash benefit as the working capital cycles through and hence is more of a 2026 cash benefit. Inventories have continued to decline following the year-end. Inventory turn improved from a year-round average of 3.2x in 2023 to 3.5x in 2024 and again to 3.8x in 2025. In the last few months it has averaged over 4x. There remains further opportunity here; we target at least 5.0x (and this would remain below other flooring distributors).

Payables was a £34.3 million outflow, of which £10.8 million was in respect of VAT collected on property sales in December 2024 and paid in January 2025. The remainder reflected a reduction in purchases. Average payment terms with suppliers are unchanged.

Over the last two years the Group has averaged a net positive working capital balance of over £70 million; this means that the Group has had £70 million of cash tied up in funding its working capital. As the Group streamlines its focus and actively reduces low margin revenue, it will require (all else equal) less working capital to be invested in the business. This, combined with the further opportunity for inventory efficiency, means that we anticipate a substantial working capital inflow over 2026 and 2027.

A net £1.4 million cash was received in the year (2024: £4.7 million outflow) in respect of interest and tax, reflecting a refund of corporation tax payments on account made in 2024.

Lease payments were a £15.8 million cash outflow (2024: £13.7 million); the increase reflects the additional trade counter and distribution centre leases. Capital expenditure was £4.4 million (2024: £10.5 million) and included £1.8 million for fitting out new or refurbished trade counters.

There was a £4.2 million outflow (2024: £48.5 million inflow) in respect of non-underlying items, comprising £19.8 million business restructuring and change-related costs, and £5.6 million ERP system development costs, partially offset by £21.2 million proceeds from property disposal.

Net Debt excluding lease liabilities was £31.4 million at the end of the year. This compares to Net Cash of £10.9 million at 31 December 2024. The prior year Net Cash position included a temporary timing difference on property VAT; £10.8 million of VAT was collected on property sales in December 2024 and paid over to HM Revenue & Customs in January 2025. Excluding this, the prior year position was Net Cash of £0.1 million. The movement since this normalised Net Cash position of £0.1 million to the Net Debt of £31.4 million at the end of 2025 principally reflects the EBITDA loss of £12.5 million, lease payments of £15.8 million, capital expenditure of £4.4 million and non-underlying items of £4.2 million.

At the end of the year, the Group had total banking facilities available of £72.5 million (31 December 2024: £100.4 million), of which £61.0 million (31 December 2024: £81.5 million) was committed. The committed facility comprised a revolving credit facility ("RCF") with three lenders that was due to expire in October 2027. In January 2026 this facility was replaced with an asset-based lending facility ("ABL") of up to £85.0 million. This also replaced a £7.5 million uncommitted overdraft. The available amount of the ABL depends on the amount of relevant assets (property, receivables and inventory) against which the Group can borrow and is also subject to a requirement to hold a minimum amount of headroom on the facility, by way of a liquidity headroom covenant.

The RCF was subject to covenants on liquidity headroom and quarterly EBITDA. All such covenants were met during the year. The ABL also has covenants on liquidity headroom and quarterly EBITDA, as well as operational covenants such as inventory days and debtor days.

The Group continues to have strong asset backing; as at 31 December 2025, the Group owned UK property with a market valuation of £75 million. Three of those properties are currently under offer, with sale processes expected to complete in the coming months. We anticipate further properties will become surplus to requirements over the next 18 months.

Principal risks and uncertainties

The Group is exposed to a number of principal risks which may affect its business model, future performance, solvency or liquidity. The group has a well-established framework for reviewing and assessing these risks on a regular basis; and has put in place appropriate processes, procedures and actions to mitigate them. However, no system of control or series of mitigations can completely eliminate all risks. The principal risks and uncertainties that may affect the group were last reported on within the 2024 Annual Report and Accounts and have been considered and updated for the 2025 Annual Report and Accounts.

No new principal risks have been identified. The risk ratings of a number of the principal risks have been amended slightly; however, the scope of the principal risks remain broadly unchanged since last reported.

Adam Phillips

Chief Financial Officer

25 March 2026

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2025

	Note	Underlying 2025 £M	Non- underlying 2025 £M	Total 2025 £M	Re-presented ¹		
					Underlying 2024 £M	Non- underlying (note 3) 2024 £M	Total 2024 £M
Revenue	2	498.7	–	498.7	525.7	–	525.7
Cost of sales		(351.4)	(3.6)	(355.0)	(369.7)	(10.6)	(380.3)
Gross profit		147.3	(3.6)	143.7	156.0	(10.6)	145.4
Distribution costs		(121.2)	(10.0)	(131.2)	(119.8)	(4.4)	(124.2)
Administrative expenses		(58.9)	(22.7)	(81.6)	(59.8)	(11.2)	(71.0)
Net impairment losses on trade receivables		(0.6)	–	(0.6)	(1.3)	(1.3)	(2.6)
Other operating income		–	6.2	6.2	–	21.1	21.1
Operating loss	2	(33.4)	(30.1)	(63.5)	(24.9)	(6.4)	(31.3)
Finance income		0.6	–	0.6	0.1	–	0.1
Finance expenses		(6.7)	–	(6.7)	(6.9)	–	(6.9)
Net finance costs		(6.1)	–	(6.1)	(6.8)	–	(6.8)
Loss before tax		(39.5)	(30.1)	(69.6)	(31.7)	(6.4)	(38.1)
Taxation	4	4.1	0.7	4.8	6.8	10.2	17.0
Loss from continuing operations		(35.4)	(29.4)	(64.8)	(24.9)	3.8	(21.1)
Loss from discontinued operations	6	(4.4)	(12.7)	(17.1)	(3.2)	(0.7)	(3.9)
Loss for the year attributable to the equity shareholders		(39.8)	(42.1)	(81.9)	(28.1)	3.1	(25.0)
Loss per share from continuing operations							
Basic	5	(44.1)p		(80.7)p	(31.0)p		(26.3)p
Diluted	5	(44.1)p		(80.7)p	(31.0)p		(26.3)p
Total loss per share							
Basic	5	(49.6)p		(102.0)p	(35.0)p		(31.2)p
Diluted	5	(49.6)p		(102.0)p	(35.0)p		(31.2)p

¹ The results for the year ended 31 December 2024 have been re-presented to reflect the presentation of the Continental European businesses as discontinued (see note 6 for further information).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2025

	2025 £M	2024 £M
Loss for the year attributable to the equity shareholders	(81.9)	(25.0)
Other comprehensive income/(expense)		
Items that will never be reclassified to profit or loss		
Remeasurement of defined benefit plans	0.1	(0.5)
Related tax	–	0.1
	0.1	(0.4)
Items that are or may be reclassified to profit or loss		
Exchange differences arising on translation of overseas operations	0.1	(0.2)
	0.1	(0.2)
Other comprehensive income/(expense) for the year	0.2	(0.6)
Total comprehensive expense attributable to the equity shareholders for the year	(81.7)	(25.6)

Total comprehensive expense attributable to the equity shareholders for the year arises from:

Continuing operations	(64.7)	(21.5)
Discontinued operations	(17.0)	(4.1)
	(81.7)	(25.6)

STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2025

	Note	2025 £M	2024 £M
Assets			
Non-current assets			
Property, plant and equipment		68.8	86.9
Right of use assets		53.6	55.1
Intangible assets		11.3	17.6
Deferred tax assets		8.2	3.9
		141.9	163.5
Current assets			
Inventories		77.4	102.8
Trade and other receivables		86.6	111.0
Income tax receivable		–	3.6
Cash and cash equivalents		26.1	12.0
Assets classified as held for sale		22.7	4.8
		212.8	234.2
Total assets	2	354.7	397.7
Liabilities			
Current liabilities			
Bank overdrafts		–	(1.1)
Other interest-bearing loans and borrowings		(59.0)	–
Lease liabilities		(12.6)	(13.8)
Trade and other payables		(97.2)	(139.2)
Income tax payable		(0.4)	–
Provisions		(1.6)	–
Liabilities relating to assets held for sale		(14.7)	–
		(185.5)	(154.1)
Non-current liabilities			
Lease liabilities		(54.1)	(47.4)
Provisions		(3.3)	(3.1)
Employee benefits		(1.8)	(2.1)
		(59.2)	(52.6)
Total liabilities	2	(244.7)	(206.7)
Net assets		110.0	191.0
Equity attributable to equity holders of the parent			
Share capital		4.3	4.3
Share premium		53.5	53.5
Other reserves		(15.3)	(15.5)
Retained earnings		67.5	148.7
Total equity		110.0	191.0

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2025

	Share capital £M	Share premium £M	Capital redemption reserve £M	Special reserve £M	Translation reserve £M	Treasury reserve £M	Retained earnings £M	Total equity £M
Balance at 1 January 2024	4.3	53.5	0.1	1.5	1.9	(19.0)	178.1	220.4
Loss for the year attributable to the equity shareholders	–	–	–	–	–	–	(25.0)	(25.0)
Other comprehensive expense	–	–	–	–	(0.2)	–	(0.4)	(0.6)
Total comprehensive expense for the year	–	–	–	–	(0.2)	–	(25.4)	(25.6)
Transactions with equity shareholders, recorded directly in equity								
Share-based payments	–	–	–	–	–	–	1.0	1.0
Share options exercised by employees	–	–	–	–	–	0.2	(0.2)	–
Dividends to equity holders	–	–	–	–	–	–	(4.8)	(4.8)
Total contributions by and distributions to equity shareholders	–	–	–	–	–	0.2	(4.0)	(3.8)
Balance at 31 December 2024	4.3	53.5	0.1	1.5	1.7	(18.8)	148.7	191.0
Balance at 1 January 2025	4.3	53.5	0.1	1.5	1.7	(18.8)	148.7	191.0
Loss for the year attributable to the equity shareholders	–	–	–	–	–	–	(81.9)	(81.9)
Other comprehensive income	–	–	–	–	0.1	–	0.1	0.2
Total comprehensive income/(expense) for the year	–	–	–	–	0.1	–	(81.8)	(81.7)
Transactions with equity shareholders, recorded directly in equity								
Share-based payments	–	–	–	–	–	–	0.7	0.7
Share options exercised by employees	–	–	–	–	–	0.1	(0.1)	–
Total contributions by and distributions to equity shareholders	–	–	–	–	–	0.1	0.6	0.7
Balance at 31 December 2025	4.3	53.5	0.1	1.5	1.8	(18.7)	67.5	110.0

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2025

	2025 £M	2024 £M
Cash flows from operating activities		
Continuing operations	(69.6)	(38.1)
Discontinued operations	(16.5)	(3.4)
(Loss)/profit before tax for the year	(86.1)	(41.5)
Adjustments for:		
Depreciation and impairment of property, plant and equipment, amortisation and impairment of intangible assets	13.9	11.0
Depreciation, impairment and termination of right of use assets	14.9	14.1
Finance income	(0.6)	(0.1)
Finance expense	6.9	7.1
Profit on sale of property, plant and equipment	(6.2)	(21.1)
Impairment of disposal group classified as held for sale	12.6	–
Share-based payments	0.7	1.0
Operating cash flows before changes in working capital and other payables	(43.9)	(29.5)
Change in inventories	16.2	28.2
Change in trade and other receivables	15.0	5.4
Change in trade and other payables	(30.1)	10.7
Cash (used in)/generated from the operations	(42.8)	14.8
Interest paid	(7.0)	(7.2)
Interest received	0.6	0.1
Tax received/(paid)	4.0	(0.1)
Net cash flow from operating activities	(45.2)	7.6
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	21.2	61.3
Acquisition of property, plant and equipment	(4.4)	(10.5)
Acquisition of intangible assets	(0.2)	(0.1)
Net cash flow from investing activities	16.6	50.7
Cash flows from financing activities		
Proceeds from borrowings	93.0	40.0
Repayment of borrowings	(34.0)	(90.0)
Principal elements of lease payments	(13.8)	(12.9)
Dividends paid	–	(4.8)
Net cash flow from financing activities	45.2	(67.7)
Net increase/(decrease) in cash and cash equivalents	16.6	(9.4)
Cash and cash equivalents at 1 January	10.9	20.4
Effect of exchange rate fluctuations on cash held	0.1	(0.1)
Cash and cash equivalents at 31 December	27.6	10.9

	2025 £M	2024 £M
Cash and cash equivalents per Statement of Financial Position	26.1	12.0
Bank overdraft per Statement of Financial Position	–	(1.1)
Cash and cash equivalents classified as held for sale	1.6	–
Bank overdraft classified as held for sale	(0.1)	–
Cash and cash equivalents per Cash Flow Statement	27.6	10.9

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of preparation

The financial statements have been prepared on a going concern basis.

In determining the appropriate basis of preparation of the financial statements the Directors are required to consider whether the Group and Company can continue in operational existence for a period of at least 12 months from the date of approval of the financial statements. The Directors have assessed the period to the end of March 2027.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Interim Executive Chair's Review. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review.

The Group meets its day-to-day working capital requirements through its banking facilities. At the end of the year, the Group had total banking facilities available of £72.3 million (31 December 2024: £99.3 million), of which £61.0 million (31 December 2024: £81.5 million) was committed. The committed facility comprised a revolving credit facility ("RCF") with three lenders that was due to expire in October 2027. The Group also had a £7.5m uncommitted overdraft. In January 2026, the RCF and the uncommitted overdraft were replaced by an asset-based lending facility ("ABL") of up to £85.0 million with two lenders. The available amount of the ABL depends on the amount of relevant assets (property, receivables and inventory) against which the Group can borrow. It is also subject to a requirement to hold a minimum amount of headroom on the facility, by way of liquidity headroom covenants together with a quarterly EBITDA covenant and operational covenants including inventory stock turn and debtor days. The quarterly EBITDA covenant applies until 31 December 2027 after which it is superseded by a fixed charge cover covenant.

The previous RCF in place at the year-end included liquidity headroom and quarterly EBITDA covenants. All such covenants were met during the year.

As previously announced, the Group is implementing a transformation plan to return the Group to profit. This transformation plan is expected to be net cash generative, resulting in lower Net Debt at the end of 2026 and 2027 than at the end of 2025. The cash inflow from the transformation plan represents the net impact of a) cash inflows from property disposals, b) cash inflows from a reduction in working capital, offset somewhat by; c) the cash outflow impact of the losses in the business until it returns to profit, and d) the cash costs of executing the transformation plan.

As at 31 December 2025, the Group owned freehold and long leasehold property in the UK valued at c.£75m. Of this, property valued at c.£54m is included in the ABL at an initial 60% loan-to-value, amortising over 15 years. The remaining properties (valued at c.£21m) are outside the ABL and unencumbered; three of these properties, representing the significant majority of the value, are currently on the market for sale, are under offer, and are expected to complete in the next few months. Furthermore, the Group anticipates further properties will become surplus to requirements over the next 18 months as part of the Group's transformation plan. To the extent that any of these properties are assets included in the ABL facility, they can be sold subject to lender consent. The Group would retain the cash proceeds of any such sale(s), but the corresponding element of the ABL facility would be reduced. For example, if a property were sold for £10m and the amortised element of the facility in relation to that property is £6m, then the available ABL facility would reduce by £6m and the Group would improve its liquidity headroom by £4m from such property sale.

Over the last two years the Group has averaged a net positive working capital balance of over £70 million; this means that the Group has had over £70 million of cash tied up in funding its working capital. As the Group implements its transformation plan it expects to be able to release working capital and manage the re-shaped business with a lower overall working capital requirement. This, combined with further opportunity for inventory efficiency, means that the Group anticipates a significant double-digit £million working capital inflow over 2026 and 2027.

The Group has prepared a base case and a severe but plausible downside scenario for the period through to the end of March 2027.

The base case scenario represents the Group's estimate of the expected revenue and margin profile, as well as the cost and margin improvement initiatives identified. These are set out in more detail in the Interim Executive Chair's Review and include:

- Reducing low-margin revenue.
- Focusing on the more profitable categories and actively deprioritising low gross margin categories.
- Reducing our trade counter network whilst migrating some profitable category sales to adjacent trade counters or switching this revenue from "collection sales" to "delivered sales".
- The combination of the above enables us to reduce our fixed costs and infrastructure requirements, such as distribution centres and vehicles.
- Repositioning the role and organisational structure of the trade counters.
- Benefits through supplier sourcing strategy and consolidation of volume.
- Optimising our approach to pricing and discounting.

Some of these initiatives are already complete (including a reduction in annual payroll costs of over £10 million), some are in-flight and some are due for implementation later in 2026 or in 2027.

The downside scenario assumes the following key changes compared to the base case over the same period:

- Revenue: in the base case, revenue is projected to decline year-on-year at a double-digit percentage over the assessment period, as a consequence of the transformation plan actions. In the downside scenario a further mid-to-high single digit percentage revenue decline is applied on top, reflecting market headwinds and/or greater disruption to the Group's revenue performance from the implementation of the transformation plan.
- Gross margin: a lower margin % is assumed in the downside scenario, reflecting a lower achievement of margin improvements from the transformation plan.
- Cost mitigations: lower cost savings achieved than in the base case.

In both the base case and downside scenarios, the Group is compliant with the covenants in the ABL over the going concern assessment period, on the basis that it delivers the cash inflows from property disposals and working capital reduction included in the projections. We have also considered whether there are any significant factors in the period shortly beyond March 2027 which might impact our going concern assessment and are satisfied there are no such matters. This is on the basis of the assumptions underpinning the Group's longer term projections, as set out in the viability assessment within the annual report.

There are also additional mitigations available to the Group that have not been included in either the base case or in the downside scenario projections. The additional mitigations that are within the Group's control are:

- further working capital optimisation (recognising that the Group has assumed a lower stock turn than is generally achieved by other market participants);
- increasing the amount of borrowing capacity in the ABL through meeting certain operational KPIs; and,
- additional cost mitigations.

The additional mitigations that are not wholly in the Group's control include:

- additional property sales;
- the sale and leaseback of properties (recognising that the Group has a successful track record of implementing both short and long term leasebacks);
- utilising unencumbered properties for additional borrowing capacity; and
- faster conversion of rebates into cash (e.g. shorter collection cycles or converting rebates into net pricing).

After due consideration of the factors above, the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis. In doing so, it is recognised that, whilst the transformation plan, which is underway, is expected to be net cash positive, there are elements of the cash inflows that are not wholly within the Group's or the Directors' control. The Group would have other mitigating options as set out above; some of which are and some of which are not wholly within the Group's control. Whilst the Directors are confident that the plan, or sufficient mitigating actions, can be executed, in the event that both a) the property sales are delayed and b) sufficient mitigating options are unable to be implemented, the Group would need to seek amendments to its liquidity covenants in the ABL which, given previous strong support from its prior lender group, the Directors believe would be achievable as required. Given that neither such completion of property transactions nor further mitigations are wholly within the Group's control this, in the Directors' view, is considered to constitute the existence of a material uncertainty that casts significant doubt over the Group and Company's ability to continue as a going concern and realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments that would arise from the basis of preparation being inappropriate.

2 Segment reporting

As at 31 December 2025, the Group had four operating segments in the UK which are continuing operations. Each segment represents an individual operation, and each operation is wholly aligned to the sales, marketing, supply and distribution of floorcovering products. The operating results of each operation are regularly reviewed by the Chief Operating Decision Maker, which is deemed to be the Executive Chair. Discrete financial information is available for each segment and used by the Executive Chair to assess performance and decide on resource allocation

The operating segments have been aggregated to the extent that they have similar economic characteristics. The key economic indicators considered by management in assessing whether operating segments have similar economic characteristics are the products supplied, the type and class of customer, method of sale and distribution and the regulatory environment in which they operate.

As each operating segment within continuing operations in the UK is a trading operation wholly aligned to the sales, marketing, supply and distribution of floorcovering products, management considers all segments have similar economic characteristics. Accordingly the Group presents one reportable segment, being UK.

In the prior year, the Continental Europe segment was presented as a separate reportable segment, as it operated in a different regulatory environment. At 31 December 2025, the Continental Europe segment has been identified as a disposal group held for sale. Information about this discontinued segment is provided in note 6.

	UK Total	
	2025	Restated 2024
	£M	£M
External revenues	498.7	525.7
Underlying cost of sales	(351.4)	(369.7)
Underlying gross profit	147.3	156.0
Reportable segment underlying operating loss	(26.8)	(17.2)
Reportable segment assets	306.4	353.1
Reportable segment liabilities	(229.6)	(190.5)

During the year there were no inter-segment revenues for the reportable segments (2024: £nil).

Reconciliations of reportable segment profit, assets and liabilities and other material items:

	2025	Re-presented 2024
	£M	£M

Loss for the year

Total underlying operating loss for reportable segments	(26.8)	(17.2)
Non-underlying items	(30.1)	(6.4)
Unallocated expense	(6.6)	(7.7)
Operating loss	(63.5)	(31.3)
Finance income	0.6	0.1
Finance expense	(6.7)	(6.9)
Loss before taxation	(69.6)	(38.1)
Taxation	4.8	17.0
Loss for the year from continuing operations	(64.8)	(21.1)
Loss from discontinued operations	(17.1)	(3.9)
Total loss for the year	(81.9)	(25.0)

	2025	Restated
	£M	2024
		£M

Assets

Total assets for reportable segments	306.4	353.1
Unallocated assets:		
Intangible assets	0.1	0.1
Income tax receivable	–	3.6
Deferred tax assets	8.2	3.9
Cash and cash equivalents	25.5	7.5
Assets allocated to discontinued operations	14.5	29.5
Total assets	354.7	397.7

Liabilities

Total liabilities for reportable segments	(229.6)	(190.5)
Unallocated liabilities:		
Income tax payable	(0.4)	–
Liabilities allocated to discontinued operations	(14.7)	(16.2)
Total liabilities	(244.7)	(206.7)

	Reportable segment total £M	Unallocated £M	Consolidated total £M
Continuing operations			
Other material items 2025			
Acquisition of property, plant and equipment	4.2	–	4.2
Depreciation of property, plant and equipment	7.4	–	7.4
Depreciation of right of use assets	13.4	–	13.4
Impairment of intangible assets	4.8	–	4.8
Non-underlying items (excluding impairment)	18.7	5.4	24.1
Other material items 2024			
Acquisition of property, plant and equipment	10.4	–	10.4
Depreciation of property, plant and equipment	8.0	–	8.0
Depreciation of right of use assets	12.0	–	12.0
Impairment of property, plant and equipment	0.7	–	0.7
Impairment of right of use assets	0.3	–	0.3
Non-underlying items (excluding impairment)	4.6	0.8	5.4

3 Non-underlying items

In order to illustrate the underlying trading performance of the Group, presentation has been made of performance measures excluding those items which it is considered would distort the comparability of the Group's results, which requires application of judgement. These non-underlying items are defined as those items that are associated with the acquisition of businesses or other items which by virtue of their nature, size and expected frequency, require adjustment to show the performance of the Group in a consistent manner which is comparable year-on-year.

The following are the principal items classed as non-underlying:

- Amortisation of acquired intangibles as they relate to the acquisition of businesses;
- Impairment of intangibles, property, plant and equipment and right of use assets as, in totality, they are significant, non-recurring items relating to the decision to close certain sites;
- Impairment of inventories and receivables relating to a specific Larger Customer which entered administration in 2024, as they are specific, significant, non-recurring items;
- Cloud-based ERP system development costs;
- Business restructuring and change-related costs which is a significant item in 2025. Such costs are expected to continue into 2026 and 2027 as the transformation plan is executed; and
- Profit on sale of property, plant and equipment as these are non-recurring items.

Impairment of inventories and business restructuring costs relating to inventory provisions are recognised in cost of sales. Impairment of receivables are recognised in net impairment (losses)/gains on trade receivables. Profit on sale of property, plant and equipment is recognised in other operating income in the Consolidated Income Statement. All other non-underlying items are recognised in distribution costs or administrative expenses in the Consolidated Income Statement.

Non-underlying items relate to the following:

	2025 £M	Re-presented 2024 £M
Continuing operations		
Amortisation of acquired intangibles	(1.1)	(1.2)
Impairment of property, plant and equipment, intangible assets and right of use assets	(4.8)	(1.1)
Impairment of inventories and receivables	–	(2.9)
Cloud-based ERP system development costs	(5.6)	(2.6)
Profit on sale of property, plant and equipment	6.2	21.1
Provision relating to legal claim	(1.6)	–
Business restructuring and change-related costs	(23.2)	(19.7)
	(30.1)	(6.4)
Taxation on non-underlying items	0.7	10.2
	(29.4)	3.8
Discontinued operations		
Amortisation of acquired intangibles	(0.1)	(0.1)
Impairment of property, plant and equipment, intangible assets and right of use assets	–	(0.7)
Impairment on classification of disposal group as held for sale	(12.6)	–
Business restructuring and change-related costs	(0.1)	–
	(12.8)	(0.8)
Taxation on non-underlying items	0.1	0.1
	(12.7)	(0.7)

Amortisation of acquired intangibles is a non-cash item relating to the amortisation of intangibles acquired as part of business combinations.

Included within impairment is £3.2 million relating to the impairment of goodwill and £1.6 million impairment of intangible assets allocated to the Melrose cash generating unit following an impairment review. In the prior year, impairment included £0.4 million impairment of goodwill, £0.1 million impairment of intangible assets, £0.7 million impairment of property, plant and equipment and £0.6 million impairment of right of use assets. The impairment charges relate to a combination of the write down of assets related

to the transformation plan and the annual review of impairment. All impairment charges are non-cash items.

Impairment of inventories and receivables relating to a specific Larger Customer which entered administration in 2024, as they are specific, significant, non-recurring items. These are non-cash in nature.

Cloud-based ERP system development costs relates to the development costs to replace the current ERP system with a cloud-based software-as-a-service arrangement and are all cash costs.

Profit on sale of property, plant and equipment relates to the sale of one site which has resulted in £21.2 million of cash proceeds in the year. In the prior year this related to the sale of five properties in the year as part of the Group's continued progress against its transformation plan. This resulted in £61.3 million of cash proceeds in the prior year.

Business restructuring and change-related costs relate to the transformation plan, including severance costs and advisory fees. The costs comprise £19.8 million (2024: £10.2 million) cash costs and £3.4 million (2024: £9.5 million) non-cash costs. The non-cash costs principally relate to inventory provisions.

Impairment costs on classification of disposal group as held for sale are all non-cash in nature.

4 Taxation

Recognised in the income statement

	2025	2024
	£M	£M
Current tax charge/(credit):		
Current year	–	0.1
Adjustments in respect of prior years	0.1	(0.5)
	0.1	(0.4)
Deferred tax credit:		
Origination and reversal of temporary differences	(4.3)	(16.7)
Adjustments in respect of prior years	–	0.6
	(4.3)	(16.1)
Total tax	(4.2)	(16.5)
Income tax credit attributable to continuing operations	(4.8)	(17.0)
Income tax charge attributable to discontinued operations	0.6	0.5

	2025	2024
	£M	£M
Tax relating to items credited to equity		
Deferred tax on other comprehensive income/(expense):		
Defined benefit plans	–	(0.1)
Total tax reported directly in reserves	–	(0.1)

Factors that may affect future current and total tax charges

The UK headline corporation tax rate for the year was 25.0% (2024: 25.0%). UK deferred tax assets and liabilities have been calculated at a rate of 25.0% (2024: 25.0%).

The Group is within the scope of the OECD Pillar Two model rules. The Pillar Two legislation was enacted on 11 July 2023. The Group will take advantage of temporary 'safe harbour' provisions available in the initial years. The Group does not expect the Pillar Two legislation to have any material impact.

Reconciliation of tax credit

	2025 £M	2024 £M
Loss from continuing operations before tax	(69.6)	(38.1)
Loss from discontinued operations before tax	(16.5)	(3.4)
Loss before tax	(86.1)	(41.5)
Tax using the UK corporation tax rate of 25.0% (2024: 25.0%)	(21.5)	(10.4)
Non-deductible expense/(non-taxable income)	3.4	(7.6)
Impact of losses not recognised	13.8	1.4
Adjustments in respect of prior years	0.1	0.1
Total tax in income statement	(4.2)	(16.5)
Add back tax on non-underlying items	0.8	10.3
Total tax credit excluding non-underlying items	(3.4)	(6.2)
Loss before tax before non-underlying items	(43.2)	(34.3)
Adjusted effective tax rate excluding non-underlying items	7.9%	18.1%
Total effective tax rate	4.9%	39.7%

5 Loss per share

	2025 £M	Re-presented 2024 £M
Loss from continuing operations for basic and diluted loss per share	(64.8)	(21.1)
Loss from discontinued operations for basic and diluted loss per share	(17.1)	(3.9)
Total Loss for basic and diluted loss per share	(81.9)	(25.0)
Loss from continuing operations for underlying basic and underlying diluted loss per share	(35.4)	(24.9)
Loss from discontinued operations for underlying basic and underlying diluted loss per share	(4.4)	(3.2)
Loss for underlying basic and underlying diluted loss per share	(39.8)	(28.1)

	2025	2024
Number of shares		
Weighted average number of ordinary shares for the purposes of basic loss per share	80,268,993	80,204,515
Effect of diluted potential ordinary shares:		
Weighted average number of ordinary shares at 31 December	80,268,993	80,204,515
Dilutive effect of share options	-	-
Weighted average number of ordinary shares for the purposes of diluted loss per share	80,268,993	80,204,515
Continuing operations loss per share		
Basic	(80.7)p	(26.3)p
Diluted	(80.7)p	(26.3)p
Underlying basic	(44.1)p	(31.0)p
Underlying diluted	(44.1)p	(31.0)p
Discontinued operations loss per share		
Basic	(21.3)p	(4.9)p
Diluted	(21.3)p	(4.9)p
Underlying basic	(5.5)p	(4.0)p
Underlying diluted	(5.5)p	(4.0)p
Total loss per share		
Basic	(102.0)p	(31.2)p
Diluted	(102.0)p	(31.2)p
Underlying basic	(49.6)p	(35.0)p
Underlying diluted	(49.6)p	(35.0)p

At 31 December 2025, the Company held 5,356,544 shares (2024: 5,393,392) in relation to treasury stock and shares held in trust for satisfying options and awards under employee share schemes. These shares have been disclosed in the treasury reserve and are excluded from the calculation of earnings per share.

6 Discontinued operations

As at 31 December 2025 the subsidiaries in Continental Europe have been classified as a disposal group held for sale. The European subsidiaries had been actively marketed for sale as a package and offers were received from several interested parties. The Group is proceeding with the disposal with the preferred bidder. The sale of these subsidiaries are expected to take place H1 2026.

Financial performance of discontinued operation

	Period ended 31 December 2025			Period ended 31 December 2024		
	Underlying 2025 £M	Non- underlying (note 3) 2025 £M	Total 2025 £M	Underlying 2024 £M	Non- underlying (note 3) 2024 £M	Total 2024 £M
Revenue	66.9	–	66.9	67.4	–	67.4
Expenses	(70.6)	(0.2)	(70.8)	(70.0)	(0.8)	(70.8)
Loss on measurement to fair value less costs to sell	–	(12.6)	(12.6)	–	–	–
Loss before taxation	(3.7)	(12.8)	(16.5)	(2.6)	(0.8)	(3.4)
Taxation	(0.7)	0.1	(0.6)	(0.6)	0.1	(0.5)
Loss after taxation from discontinued operations	(4.4)	(12.7)	(17.1)	(3.2)	(0.7)	(3.9)
Exchange differences on translation of discontinued operations			0.1			(0.2)
Other comprehensive loss from discontinued operations			(17.0)			(4.1)

Impairment - discontinued operations

As a result of the classification of the European subsidiaries to a disposal group held for sale, an impairment charge of £12.6 million has been recognised within non-underlying expenses for discontinued operations. The recoverable amount has been determined based on fair value less costs of disposal. The impairment charge has been recognised as follows: £2.7 million against property, plant and equipment; £2.6 million against right of use assets; £0.4 million against other intangibles; £6.4 million against inventories and £0.5 million against prepayments and accrued income.

The Company has recognised an impairment of £6.4 million against its investments in European subsidiary undertakings. The recoverable amount has been determined based on fair value less costs of disposal for the disposal group.

For the European subsidiaries classified as a disposal group held for sale, the fair value less costs of disposal considers the offer price received for the sale less known and estimated costs associated with the sale.

Cash flows from discontinued operations:

	Period ended 31 December 2025 Total £M	Period ended 31 December 2024 Total £M
Net cash inflow from operating activities	1.0	0.3
Net cash outflow from investing activities	(0.2)	(0.1)
Net cash outflow from financing activities	(1.5)	(1.5)
Net decrease in cash generated by discontinued operations	(0.7)	(1.3)

Assets and liabilities of disposal group classified as held for sale:

The following assets and liabilities were reclassified as held for sale in relation to discontinued operations as at 31 December 2025:

	Period ended 31 December 2025 Total £M
Assets classified as held for sale	
Inventories	3.4
Trade and other receivables	9.5
Cash and cash equivalents	1.6
Total assets of disposal group held for sale	14.5
	Period ended 31 December 2025 Total £M
Liabilities directly associated with assets classified as held for sale	
Bank overdrafts	(0.1)
Lease liabilities	(3.0)
Trade and other payables	(11.0)
Employee benefits	(0.6)
Total liabilities of disposal group held for sale	(14.7)

The cumulative foreign exchange income recognised in other comprehensive income in relation to discontinued operations as at 31 December 2025 is £1.8 million (31 December 2024: £1.7 million).

7 Additional information

The financial information set out above does not constitute the Group's statutory accounts for the years ended 31 December 2025 or 2024 but is derived from those accounts. Statutory accounts for 2024 have been delivered to the registrar of companies, and those for 2025 will be delivered in due course.

The auditors have reported on those accounts; their report, whilst unmodified, contains reference to the material uncertainty disclosed in note 1 above. The auditors' report does not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The Group anticipates that the Group's statutory accounts will be posted to shareholders during April 2026 and will be displayed on the Group's website at www.headlam.com during April 2026. Copies of the statutory accounts will also be available from the Company's registered office at Headlam Group plc, Gorse Lane, Coleshill, Birmingham, B46 1JU.

This final results announcement for the year ended 31 December 2025 was approved by the Board on 25 March 2026.

ALTERNATIVE PERFORMANCE MEASURES ('APMs')

Glossary of Alternative Closest equivalent Performance Measures statutory measure

Definition and purpose

Underlying Gross Profit	Gross Profit	Calculated as gross profit before Non-Underlying Items
Underlying Operating Costs	Administrative expenses	Calculated as administrative expenses, distribution costs, net impairment losses on trade receivables, net of any other operating income and before Non-Underlying Items.
Underlying Operating Profit	Operating profit	Calculated as operating profit before Non-Underlying Items
Underlying Operating Profit Margin	None	Calculated as Underlying Operating Profit divided by revenue. This measure is used to assess how effective the Group is at converting revenue into underlying operating profit
Underlying Profit Before Tax	Profit before tax	Calculated as profit before tax before Non-Underlying Items. Underlying profit before tax is used in the determination of Executive Directors' annual bonuses
Underlying Profit After Tax	Profit after tax	Calculated as profit after tax before Non-Underlying Items
Underlying Basic Earnings Per Share	Basic earnings per share	Calculated as basic earnings per share before Non-Underlying Items
Underlying Diluted Earnings Per Share	Diluted earnings per share	Calculated as diluted earnings per share before Non-Underlying Items
Non-Underlying Items	None	Items which by virtue of their nature, size and expected frequency require adjustment to show the performance of the Group in a consistent manner which is comparable year-on-year. These comprise: amortisation of acquired intangibles; impairment of assets; business restructuring and change-related costs; profit on sale of property, plant and equipment; ERP system development; and provision for legal claim
EBIT	None	Calculated as underlying operating profit or loss adjusted to exclude the impact of IFRS 16 and share-based payments
EBITDA	None	Calculated as underlying operating profit or loss excluding the impact of depreciation and amortisation
Covenant EBITDA	None	Calculated as underlying operating profit or loss adjusted to exclude the impact of IFRS 16 and share-based payments and excluding the impact of depreciation and amortisation
Underlying Operating Cash Flow	None	Calculated as shown in the table in the Financial Review. This metric is used to assess underlying cash generation
Net Debt including lease liabilities	None	Calculated as cash and cash equivalents less other interest-bearing loans and borrowings and less lease liabilities
Net Debt / Cash	None	Calculated as cash and cash equivalents less other interest-bearing loans and borrowings. This is presented for the Group, including continuing and discontinued operations This is provided for use by investors, who used this metric before the adoption of IFRS16 and continue to do so
Like for Like Revenue Growth	None	Calculated as year-on-year revenue growth, expressed as a percentage and adjusted to normalise currency and for consistent

working days, for businesses making a full year's contribution. This allows a consistent measure of year-on-year performance

Underlying Operating Costs Ratio None

Calculated as Underlying Operating Costs divided by revenue. This measure shows how effective the Group is at converting gross profit into Underlying Operating Profit

Return on Capital Employed None

Calculated as underlying operating profit measured as a percentage of average capital employed, being total equity less non-current other interest-bearing loans and borrowings less cash and cash equivalents

This demonstrates the relative level of profit generated by the capital employed

Cash Conversion None

Calculated as Underlying Operating Cash Flow divided by Underlying Operating Profit or Loss and expressed as a percentage

This cash conversion measure demonstrates the success of the Group in converting profit to cash, which underpins the quality of earnings and reflects the effectiveness of working capital management