11 March 2025

Headlam Group plc

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

Full Year Results

Significant progress on transformation plan; challenging market conditions impacted profitability in the short-term; strong balance sheet

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 2024 (the 'Period').

FINANCIAL HIGHLIGHTS

	2024	2023
Revenue	£593.1m	£656.5m
EBITDA	£(5.4)m	£36.7m
Underlying[1] Operating (Loss)/Profit	£(27.3)m	£16.1m
Underlying[1] (Loss)/Profit Before Tax	£(34.3)m	£11.0m
Underlying[1] Basic (Loss)/Earnings Per Share	(35.0)p	11.0p
Ordinary dividend per share	-	10.0p
Underlying[1] Operating Cash Flow	£27.6m	£26.0m
Net Cash / (Debt)	£10.9m	£(29.6)m
Statutory results		
Operating (loss)/profit	£(34.5)m	£12.2m
(Loss)/profit before tax	£(41.5)m	£7.1m
Basic (Loss)/Earnings Per Share	(31.2)p	9.6p

Financial results impacted by market conditions; market share held

- Group revenue declined 9.7% year-on-year in 2024; UK down 8.9%; Continental Europe down 14.9%
- Revenue growth in Trade Counters and Larger Customers, more than offset by decline in Regional Distribution
- Market share maintained[2] in the year
- Underlying Loss Before Tax of £34.3m impacted by market decline and cost inflation, with a second consecutive year without price inflation in the core distribution market

Strong balance sheet; cash and working capital well-controlled

- Net Cash of £10.9 million at the end of the year
- Working capital well-controlled with stock levels reduced by £28.7m, driving good Underlying Operating Cash Flow of £27.6m
- £61.3 million of cash proceeds from property disposals, at an average 68% premium to book value
- Strong asset backing: the Group owns property valued[3] at £93.9m as at December 2024
- Balance sheet further strengthened from pension buy-in transaction

STRATEGIC AND OPERATIONAL HIGHLIGHTS

Acceleration of strategy through transformation plan, with upgraded targets

- As announced in September 2024, an acceleration of existing strategy through a plan to transform the business by simplifying our customer offer, network and operations

- We have upgraded the targeted benefits: upon completion of the transformation plan we are targeting profit improvement of £25m (from an original £15m+) and a cumulative one-off cash inflow of at least £90m (previously £70m+) from property disposals and working capital optimisation, with one-off cash costs of £30m (previously £25m)
- The Group has made good progress to date, with £57m of cash benefit already achieved in H2 2024, and key transformation milestones achieved:
  - Simplify our customer offer
    - Consolidated 32 trading businesses into one single, national business trading as Mercado, enabling customers to order from a broader, unified product list
    - Implemented dedicated sales teams with specialist expertise for each of the residential and commercial sectors of the market
  - Simplify our network
    - Opened a new distribution centre in Rayleigh (Essex) and a new cross-dock facility in Ipswich; Enfield and Ipswich sites have been closed
    - Consolidation of two distribution centres into one in Scotland
    - Simplification has started to deliver working capital efficiency through higher stock turn
  - Simplify our operations
    - Centralisation of back-office processes and support functions now substantially complete
    - Cost saving programme well-progressed; fuel costs locked in at lower rates
- We have implemented a comprehensive assessment programme to identify and capitalise on untapped opportunities for margin expansion and capital efficiency

Board changes

- As announced in February, following a six-year tenure with the Group, Keith Edelman, Non-Executive Chairman has stepped down from the Board and has been succeeded by Senior Independent Director, Stephen Bird

CURRENT TRADING AND OUTLOOK

- The Group's revenue for January and February 2025 declined 6% compared to the previous year
- The various external forecasts for flooring and related markets point to the flooring market returning to modest growth in 2025, albeit the timing and pace of recovery remains highly uncertain and could be influenced by macroeconomic and geopolitical developments
- In 2025 we will start to see the in-year contribution from the transformation plan
- The Board believes that the long-term outlook for Headlam remains positive, reflecting the combination of:
  - Continued implementation of the existing strategy to broaden the base of the business
  - The maturity of the Trade Counter business, recognising that the investment phase will be complete in mid 2025
  - The benefits from the transformation plan, once fully implemented
  - Market recovery, recognising that the market is now materially lower than in 2019 in volume terms

Commenting, Chris Payne, Chief Executive, said:

"In the face of ongoing market weakness, 2024 has seen Headlam accelerate a major strategic restructuring of the Group. At its heart, this transformation plan will simplify our customer offer, simplify our network and simplify our operations, positioning the Group to increase market share, structurally improve profitability and reduce the capital intensity of the business. We have made strong early progress on our plan and, today, upgrade the expected financial benefits from it.

Flooring is a discretionary 'big ticket' purchase and has been one of the weakest performing categories for consumer spending and the impact of the challenging trading conditions is evident in the Group's performance for 2024. Nevertheless the Board is encouraged by the significant amount of strategic progress that has already been driven against our plans and we remain focussed on delivering further momentum to ensure the business is positioned for market recovery and long-term success."

Presentations

The Group will be hosting a live-streamed presentation with Q&A for analysts at 9.00am UK time. To register interest in attending, please email: headlamgroup@headlam.com

The Group will also be hosting an Investor Meet presentation and Q&A for investors today at 11.00am UK time. The presentation is open to all existing and potential shareholders. Investors can attend by clicking on this link: www.investormeetcompany.com/headlam-group-plc/register-investor

A video 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.

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, plant and equipment; ERP system development; and insurance proceeds. 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. Source: commissioned specialist research from MTW Research
3. As of January 2023 valuation

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 spanning independent and multiple retailers, small and large contractors, and housebuilders. It provides its customers with a market leading service through the largest product range, in-depth knowledge, ecommerce and marketing support, and nationwide next day delivery service. To maximise customer reach and sales opportunity, Headlam operates businesses, trade brands and product brands across the UK and Continental Europe (France and the Netherlands), which are supported by the group's network, central resources and processes.

Chief Executive's Review

Introduction and market update

The Group's financial performance reflects the ongoing challenging trading environment across the flooring market. Flooring, a discretionary 'big ticket' purchase, has been one of the weakest performing categories for consumer spending. The market has been adversely affected by the recent cost of living crisis hitting disposable income, the weakness of housing transactions (until more recently) and persistent weak consumer confidence. The Board recognised this ongoing weakness during 2024 and launched its transformation plan to structurally improve profitability, as well as reduce the capital intensity of the Group. A huge amount of work has been put into the strategic transformation, which at its heart will simplify our customer offer, simplify our network and simplify our operations. While this plan was only launched during the final quarter of the year, we have made strong early progress and remain focussed on driving further momentum in 2025.

Financial performance in 2024

Group revenue was down 9.7% year-on-year at £593.1 million (2023: £656.5 million). In the UK, revenue declined by 8.9% and the Group maintained market share overall. Revenue continued to grow in our key strategic growth initiatives of Trade Counters and Larger Customers, but this was more than offset by the decline in Regional Distribution. Continental Europe revenue declined by 14.9%. The impact of volume decline, combined with a lack of price inflation and elevated cost inflation (albeit lower than in the previous year) resulted in an Underlying Loss Before Tax of £34.3 million (2023: £11.0 million profit).

Despite the impact of the market conditions on profitability, cash generation was strong with a significant reduction in borrowings as a result of working capital optimisation and property disposal proceeds, resulting from the transformation plan. The Group ended the year with Net Cash of £10.9 million compared to Net Debt of £29.6 million at the end of the previous year. The Group had £111.3 million of cash and undrawn facilities available at the end of the year and a property portfolio valued at £93.9 million, which demonstrates the strength of the balance sheet.

Full detail of the Group's financial performance is given in the Financial Review, including a breakdown of the movement in year-on-year profit.

Operational and strategic progress in 2024

Although the outputs have been masked by the impact of the external headwinds on overall financial performance, we have made good progress in the year. We have continued to invest selectively and carefully in people, in the network and infrastructure, and in customer-facing improvements; all supporting growth, efficiency, and customer service.

The key strategic growth initiatives delivered good results: revenue from Larger Customers and Trade Counters in the UK was up compared with 2023. This was offset by the decline in Regional Distribution revenue, taking the overall UK revenue decline to 8.9%. This decline was in line with the market; the Group held share in the UK market in the year. The market characteristics in France and the Netherlands were even more challenging than in the UK, resulting in our Continental Europe revenues declining 14.9% in the year.

More detail on the performance and operational progress in our sales channels is set out in the Chief Financial Officer's Review.

Digital & IT transformation

During the year we consolidated our transactional B2B websites and app, to align with the customer simplification, and providing the widest range of products in one place, as well as adding new features to improve our capability in clearance.

We have also developed a new product information portal for our colleagues; providing easily accessible information on our ranges, to help our customers make informed purchasing decisions.

We made good progress in the year in the ERP replacement project, including the selection of software and systems integrator. The project has now progressed to the "design and build" phase. As previously explained, this is a modular rollout and we expect to switch on certain elements of the new system in 2025, with more to follow in 2026. We expect the project to be fully complete in 2027. The transformation plan provides significant benefits for the ERP change, by simplifying our business processes prior to transitioning across to the new platform.

Sustainability and our people

Our focus on engaging our colleagues at Headlam to attract and retain the best people has made good progress this year and we were proud to see a 5ppt improvement in our colleague engagement survey score in September. This significant increase results from our enhanced colleague development offer, improved colleague recognition, investments in market-leading reward for our sales force and continued support for our colleagues' wellbeing. In a year of structural change at Headlam we have enhanced the support we have given to managers delivering change and to colleagues impacted by change through both training and engaging with third parties to provide practical support and advice.

We continue to see our efforts to reduce carbon emissions result in good progress against our Scope 1 and 2 reduction pathway and we have now set our targets for Scope 3 using SBTi methodology. In 2024 we worked with suppliers across the industry and with waste management providers to take a step closer to a circular economy through our successful take back trial in our Northampton trade counter. This trial will expand throughout 2025 as we test its scalability.

During the year we launched a successful trial of our first fitter training programme and we will be expanding this programme in 2025. This has only been possible with the support we have received from our suppliers, and also from our customers, who will employ our trainees at the end of their programme.

Headlam's strategy

To maintain our vision to be the leading, most trusted experts in flooring, we have a five-pillar strategy, launched in 2022:

1. Maximising sales through great service, solutions, pricing and range
2. Developing new opportunities for future growth
3. Improving our operational capabilities and effectiveness
4. Leading on sustainability and environmental responsibility
5. Making Headlam a great place to work

We have made good progress across all five pillars in the last two years, notwithstanding the impact of the unprecedented market conditions. We continue to implement this strategy as previously outlined, but at an accelerated pace through our transformation plan.

Acceleration of strategy through our transformation plan

In September 2024 we announced a transformation plan. There are three parts:

1. Simplify our customer offer
2. Simplify our network
3. Simplify our operations

The objectives are to improve profitability, increase market share and release capital from more efficient working capital management and the disposal of property.

1. Simplify our customer offer

In September we launched a single go-to-market proposition, called Mercado, consolidating our 32 trading businesses. This simplifies our offer to our customers and provides them with the broadest range of flooring through a unified product list. This major change project has now been successfully implemented with all customers now having transitioned their accounts from the 32 trading businesses into a Mercado account.

Customers benefit from dedicated customer sales support from a local Area Sales Manager ("ASM"), providing local support but drawing on a national network with substantial expertise; collectively our Mercado sales team has over 3,000 years of experience in flooring. Customers also benefit from more time with our sales teams, as we have reduced the average size of the geographical territories covered by our ASMs. We also launched our "order anywhere, collect anywhere" customer proposition during the year; enabling independent retailers, fitters, contractors and housebuilders to place an order anywhere and to collect from any of our trade counters; providing unrivalled convenience in the UK distribution market.

For the first time, we now have a unified, national product file. This provides our ASMs and customers with simplified access to a broader range of products through one customer account, making it significantly easier to do business with us.

We have also set up dedicated sales managers and leadership teams covering each of the residential and contract elements of the market, recognising that Headlam has an underweight share of the contract market and therefore a growth opportunity. Within this, we are developing a new team and proposition specifically focused on housebuilders and large contractors.

Alongside this we have invested in market-leading remuneration and incentive packages for our sales teams.

These changes will be supported by investment in innovative new display stands and other point-of-sale ("POS") materials; this rollout commences later this month and will continue through 2025, helping our independent retailer customers to grow together with us.

Finally, our online presence has been simplified and strengthened; we have now consolidated 32 ordering portals into one. This is all supported by enhanced digital marketing (enabling us to concentrate resources on one website, rather than 32) and social media (combining 64 social media accounts into one).

2. *Simplify our network*

Headlam operates from a network of distribution centres and transport cross-docks[1] out of which around 300 delivery vans (in the UK) provide next-day service to customers across the country. This is supported by a network of trade counters offering collection points for independent retailers, fitters, contractors, etc. This combined delivery and collection infrastructure provides unrivalled convenience and scale in the UK market, which we will maintain and enhance.

The configuration of the network of distribution centres is largely a legacy of Headlam's acquisitions of regional flooring distribution businesses in the 1990s and 2000s. In recent years we have made good progress in optimising and integrating elements of this network by creating regional hubs and by consolidating transport operations. We are accelerating this element of our strategy, to more rapidly simplify our network.

We have made significant progress in the last twelve months, including:

- Optimising our operations in North West England by transferring stock out of our Stockport distribution centre and opening up a cross-dock facility nearby.
- Consolidating our distribution centres in Scotland, combining two sites near Glasgow.
- Opening a new distribution centre in Rayleigh (Essex) and a new cross-dock facility in Ipswich to enable us to better serve our customers in the South East of England. As a consequence of this, our Ipswich distribution centre and Enfield cross-dock facility have become surplus to requirements and closed.

The above changes result in an improved network for customer service at slightly lower operating cost, whilst also generating significant cash proceeds.

[1] Transport cross-docks are non-stock-holding locations that are used to transfer product from overnight trunker deliveries onto local delivery vans, ready for delivery the following day to customers in the surrounding area

We will continue to review and provide updates on our network as we continually look to enhance customer service and improve operational efficiency, whilst maintaining a market-leading presence throughout the UK.

3. *Simplify our operations*

The simplification of our sales structure and our network significantly reduces complexity in supporting processes and functions. This reduces the cost of those operations as well as improving quality and control. One of the implications of these changes has been a centralisation of our Finance function, which is now complete.

By consolidating 32 trading businesses into a single, national Mercado business, we have also developed a unified product file. This is supported by a centralised buying and stock control team. Looking ahead, we will be harnessing these changes to reduce product duplication, simplify supplier interaction, and optimise stock ordering and stock holding.

Objectives and targets for the transformation plan

We have upgraded the targeted benefits since we first announced the plan in September. The objectives and targets are set out below, along with an update on progress.

Objective	Target	Progress
Market share gains in our core distribution business	Market share increase on completion of the transformation plan	The initiatives underpinning this objective are on track; POS refresh launching in March 2025
Unlock capital to deleverage and to fund the transformation	At least £90m one-off cash inflow (upgraded from original guidance of £70m)	£57m achieved in H2 2024
Structurally improve profitability	£25m of ongoing annual profit improvement (upgraded from original guidance of £15m)	Initiatives identified and in progress. £10m of the £25m is targeted to be delivered in 2025

The targeted £90m of one-off cash benefit comprises proceeds from the disposal of surplus property and optimisation of net working capital and is before c.£30 million of one-off cash costs of implementing the transformation programme.

The indicative phasing of the benefits and one-off costs is set out below. The guidance provided below is in respect of the transformation plan in isolation and does not include other factors impacting on profit and cash, such as: the impact of the existing strategic initiatives (including the growth plans for Larger Customers and Trade Counters), cost inflation, or market decline / recovery.

	2024 £m	2025 £m	2026 £m	2027 £m
Cumulative annual profit benefit	-	10	15+	25
Cumulative one-off cash flow	57	80+	90+	90+
Cumulative one-off cash costs	9	19	25	30

The one-off cash inflow in 2024 relates to H2 only (reflecting that the transformation plan was initiated halfway through the year) and comprises: £54 million from property disposals and £4 million from reduction in net working capital (adjusted for movements in stock provisions and for the VAT collected on the property disposals, i.e. the £4 million represents the actual cash improvement from working capital optimisation actions).

The one-off cash costs include: restructuring costs, fit-out of new sites, dual-running costs (for example, the costs associated with the Rayleigh distribution centre prior to operations switching over from Ipswich), investment in point-of-sale equipment, and advisory fees. The one-off cash costs in 2024 relates to costs incurred in H2, following the launch of the transformation plan.

Current trading and outlook

The Group's revenue for January and February 2025 declined 6% compared to the previous year. We are pleased to say our new distribution centre in Rayleigh is now delivering a consistent next day service following its opening in late January and the subsequent closure of our operations in Ipswich and Enfield in February.

It has undoubtedly been an exceptionally difficult few years for the flooring market, but the lead indicators are more positive. Housing transactions have been increasing year-on-year since the early summer of 2024, inflation has declined materially from its peak, interest rates are expected to reduce and disposable incomes are rising[2]. Consumer confidence is the missing ingredient to date; if this improves, we expect to see improved consumer spending on home improvements.

The various external forecasts for flooring and related markets point to the flooring market returning to modest growth in 2025, albeit the timing and pace of recovery remains highly uncertain and could be influenced by macroeconomic and geopolitical developments. In 2025 we will also start to see the in-year contribution from the transformation plan.

The Board believes that the long-term outlook for Headlam remains positive, reflecting the combination of:

- Continued implementation of the existing strategy to broaden the base of the business
- The maturity of the Trade Counter business, recognising that the investment phase will be complete in mid 2025
- The benefits from the transformation plan, once fully implemented
- Market recovery, recognising that the market is now materially lower than in 2019 in volume terms

We are confident that our strategy, accelerated by the transformation plan, will deliver sustainable improvement in our financial performance and maintain our position as the UK's number one flooring distributor, whilst also positioning the business to be at the forefront of market recovery and future growth opportunities as we remain focussed on delivering value to our shareholders and wider stakeholders.

The Board thanks all the Group's colleagues for their continued hard work during the challenging period for the flooring market.

Chris Payne

Chief Executive

11 March 2025

[2] Asda income tracker

Financial Review

Summary income statement

	Underlying[3] result 2024 £m	Non-Underlying Items 2024 £m	Total 2024 £m	Underlying[3] result 2023 £m	Non-Underlying Items 2023 £m	Total 2023 £m
Revenue	593.1	–	593.1	656.5	–	656.5
Cost of sales	(415.5)	(10.6)	(426.1)	(448.7)	–	(448.7)
Gross profit	177.6	(10.6)	167.0	207.8	–	207.8
Operating costs	(204.9)	3.4	(201.5)	(191.7)	(3.9)	(195.6)
Operating (Loss)/profit	(27.3)	(7.2)	(34.5)	16.1	(3.9)	12.2
Net finance costs	(7.0)	–	(7.0)	(5.1)	–	(5.1)
(Loss)/profit before tax	(34.3)	(7.2)	(41.5)	11.0	(3.9)	7.1
Tax	6.2	10.3	16.5	(2.2)	2.8	0.6
Profit/(loss) after tax	(28.1)	3.1	(25.0)	8.8	(1.1)	7.7

Revenue

Total revenue decreased by 9.7% to £593.1 million (2023: £656.5 million), with the UK down 8.9% and Continental Europe (France and The Netherlands) down 14.9% as shown in the table below. The UK and Continental Europe accounted for 88.6% and 11.4% of total revenue respectively in the year (2023: UK 87.9%; Continental Europe 12.1%).

	2024 £m	2023 £m	Year-on-year
Regional Distribution	315.5	375.4	(16.0)%
Larger Customers	81.8	78.7	3.9%
Trade Counters	104.3	97.1	7.4%
Other	24.1	26.1	(7.7)%
UK	525.7	577.3	(8.9)%
Continental Europe	67.4	79.2	(14.9)%
Group	593.1	656.5	(9.7)%

Regional Distribution

Our Regional Distribution business in the UK represents our sales channels into the core distribution market, principally comprising independent retailers and contractors, excluding any orders collected in one of our trade counters. The largest component of Regional Distribution is our newly-consolidated Mercado business (previously 32 local trading businesses). Our Regional Distribution business also supports operations across the Group through its national network and processing and delivery capabilities.

This part of our business, which accounted for 60.0% of total UK revenue in the year (2023: 65.0%), was particularly impacted by the market decline, as consumers cut back their spending on home improvements. Revenue declined by 16.0%. Competition in this part of the market also remained particularly concentrated,

[3] 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 2 and principally 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 insurance proceeds.

with distributors reducing prices to maximise share in a declining market and we responded with some price and promotional activity, and new value ranges, during the year. There is also some crossover of revenue between Regional Distribution and Trade Counters; for example, where a Regional Distribution customer collects an order in a trade counter site, this is recorded as a Trade Counter sale in the above revenue breakdown.

Despite the industry headwinds, we have continued to invest in service and during the year, in response to listening to customer demand, we launched live delivery tracking and updates, enabling customers to see exactly where their delivery is and have a real-time view of when they can expect their delivery to arrive. Maintaining and improving our customer service has been a key priority of ours and will remain so, including as we implement the transformation plan.

Revenue from Own Product Brands, an important point of differentiation in the marketplace, outperformed non-own-branded products and represented 38.8% (2023: 35.2%) of the revenue through the Regional Distribution channel.

Larger Customers
Revenue grew by 3.9% in the year to £81.8 million, reflecting the combination of strong share growth in certain existing customer relationships, offset by weakened demand in some of our other larger customers, reflecting the deterioration in consumer spending on home improvements.

It has been a year of significant change for the larger retailers in the home improvements market. Carpetright and Homebase went into administration in July and November respectively, and SCS made a strategic decision to exit flooring following their change of ownership. Carpetright was only a very small customer of Headlam and the Group has subsequently benefited from the transfer of Carpetright revenues into Tapi, one of the Group's largest customers. Homebase was a more significant customer of the Group, with £6.8 million of revenue in 2024 prior to it ceasing to trade. During the year we reduced our credit risk with Homebase from c.£3m to c.£1m through a lowering of credit limit and an accelerated weekly payment plan. The residual amount owed by Homebase to the Group is £1.3 million, which has been fully provided for.

We have a strong pipeline of growth, across both existing and new customers. During the year we won a new multiple retailer customer and a contract to provide delivery services for a flooring manufacturer.

Trade Counters
Revenue grew by 7.4% in the year and is now annualising at over £100 million.

Our aim is to create a nationwide footprint of counters offering expertise and collection points for all customer types, enabling us to offer unrivalled flexibility to our existing independent retailer customers and the ability to service the fitter and general contractor market. We started this investment programme in 2021 with 53 sites and, at the time, set out an expectation to invest c.£25 million in refurbishing the existing sites and increasing the estate to around 90 sites. Up to the end of 2024 we had cumulatively invested £15.7 million and had an estate of 76, an increase of nine on the previous year. We now expect the rollout programme to be complete in mid 2025 with a total estate of 83 sites. From 2026 onwards, growth in revenue in Trade Counters will drop through to profit at a greater rate, reflecting that the fixed cost will already be in place.

At maturity, which is circa 5 years after opening, each trade counter is expected to generate revenue of £2 million on average. Collectively the trade counters have continued to perform in line with expectations, despite the weak market.

Continental Europe
Revenue declined 14.9% in Continental Europe with our French and Dutch businesses both experiencing significant market decline. During the year we entered into new distribution agreements in the Netherlands, for exclusive supply of certain branded ranges, which helped revenue in the second half.

Underlying Gross Margin

Underlying gross margin was 29.9% (2023: 31.7%). The year-on-year reduction reflected four factors:

1. Heightened stock clearance activity in the UK. This was on both a national level, with a review of the overall stock portfolio undertaken in readiness for the centralisation of buying and ranging decisions, and on a local level, whereby the network optimisation developments in South East England and in Scotland have necessitated the accelerated clearance of discontinued ranges.
2. Rebates. The volume decline in the market, combined with the Group's drive to improve stock turn, reduced purchases from suppliers, which impacts on rebate tiers and thresholds.
3. Mix. The revenue from Larger Customers, whilst contributing positively at operating margin, is at a lower gross margin than revenue from Regional Distribution. Partially offsetting this was the increased proportion of revenue from Own Product Brands, which attract a higher gross margin than third party brands.
4. Price and promotional activity. In response to market activity on price, the Group responded with price and promotional activity to remain competitive. This was, however, a relatively modest driver of the overall movement in gross margin.

Costs

Underlying operating costs increased by 6.9% (£13.2 million) to £204.9 million (2023: £191.7 million). Cost inflation was the biggest factor and contributed £7.4 million of additional cost; this is lower than the £10.2 million of cost inflation in 2023 but higher than the long-term average cost inflation impact, reflecting elevated pay inflation across the UK and Continental Europe. In the UK, the 10% increase in the national minimum wage contributed to an overall average pay inflation of circa 6%.

The Group also made strategic investments for long-term growth, principally relating to the roll-out of trade counters; collectively these added £2.7 million to operating costs.

Mitigating actions provided £2.3 million of cost efficiencies; these included the benefit of the introduction of dynamic route planning in the second half of 2023, along with flexing of variable costs to adjust for market conditions. The transformation plan had limited impact on 2024 operating costs; these benefits have started to be recognised in 2025.

The Group has assessed the implications of the October 2024 budget announcement by the UK Government. The reduction in the national insurance threshold, combined with the rise in the employers' national insurance rate to 15%, will add c.£2 million to the Group's operating costs in 2025.

Underlying Profit/Loss

Underlying Loss Before Tax of £34.3 million compared to a profit of £11.0 million in 2023. The table below breaks down the year-on-year movement:

	Underlying Profit/(Loss) Before Tax £m
2023	**11.0**
Volume	(19.4)
Cost inflation	(7.4)
Gross margin	(7.1)
Strategic investments	(2.7)
Continental Europe and other	(8.9)
Mitigating actions	2.3
Interest	(2.1)
2024	**(34.3)**

Volume was, by far, the single biggest factor, contributing to a £19.4 million reduction in profit, reflecting our estimate of 10+% market decline in 2024 in the UK.

Gross margin declined by 180 basis points, as explained above.

Strategic investments contributed to a £2.7 million reduction in profit, principally reflecting the roll out of Trade Counters. As expected, and as previously guided, in the early years of the Trade Counter investment programme the profit contribution to the Group from this business, whilst remaining positive, is reduced due to the operating losses on newly invested trade counters. Strategic investments in the year also included the annualisation of incremental investments in 2023 in people and capability to deliver on other elements of the strategy (including digital, brand and customer enhancements).

Cost inflation was a £7.4 million headwind as explained above. There was no observable price inflation in the market, with very limited manufacturer price rises (which would normally drive distributor price inflation) for the second year in a row due to the manufacturers competing for volume. Ordinarily this price inflation would offset cost inflation, but this price inflation has been absent in the market for two consecutive years.

Mitigating actions provided £2.3 million of offsetting benefit. This does not include the impact of the transformation plan; this takes effect in 2025.

In Continental Europe the market conditions were even weaker than in the UK, driving a £2.6 million year-on-year reduction in profit. Other movements included the non-repeat of certain items of income in the previous year including insurance proceeds from business interruption (relating to the Kidderminster fire in 2021) and a reduction in bad debt provisions.

Interest costs of £7.0 million (2023: £5.1 million) were £2.1 million higher year-on-year reflecting higher average borrowings plus the interest component of the lease cost of incremental trade counter units.

Non-Underlying Items

Non-underlying items before tax totalled a £7.2 million expense (2023: £3.9m expense) as set out in the table below. The net cash impact of these non-underlying items in 2024 was a £48.5 million cash inflow.

	2024 Cash £m	2024 Non-cash £m	2024 Total £m	2023 Total £m
Amortisation of intangibles	-	(1.3)	(1.3)	(2.3)
Impairment of assets	-	(4.7)	(4.7)	(5.9)
Business restructuring and change-related costs	(10.2)	(9.5)	(19.7)	(5.4)
Profit on sale of property	61.3	(40.2)	21.1	1.1
ERP system development	(2.6)	-	(2.6)	-
Insurance proceeds	-	-	-	8.6
Non-underlying income/(expense) before tax	48.5	(55.7)	(7.2)	(3.9)

Consistent with previous periods, the amortisation of acquired intangibles arising upon consolidation were categorised as non-underlying and amounted to £1.3 million (2023: £2.3 million).

Impairment of assets was a £4.7 million non-cash expense in 2024 and predominantly related to the write-down of assets associated with the network optimisation initiatives, along with the write-down of inventory and receivables related to Homebase entering administration.

Business restructuring and change-related costs are in respect of the transformation plan. The cash items principally comprised severance costs and advisory costs. The non-cash expense of £9.5 million principally relates to stock provisions, reflecting the write-down of legacy stock holdings in preparation for the network optimisation initiatives in the South East of England and in Scotland, along with the write-down of stock following the centralisation of buying activities.

A £21.1 million (2023: £1.1 million) profit on sale of property was recognised in the year, generating £61.3 million cash (2023: £1.8 million), net of agent fees and associated costs.

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 £2.6 million was incurred in the year.

In the prior year, £8.6 million of income, all of which was received in cash in the year, was recognised in respect of the final settlement of the buildings and contents insurance claim on the Kidderminster building, which was destroyed by fire in 2021.

Tax

The Group's consolidated underlying effective tax rate ("ETR") for the year was 18.1% (2023: 20.0%). This is lower than the standard rate of corporation tax in the UK, primarily due to the derecognition of a deferred tax asset in respect of tax losses in France. The Group's statutory effective tax rate for the year was 39.7% (2023: 8.5% credit). The Group's underlying effective tax rate in 2025 is expected to be around 25%, broadly in line with the standard rate of corporation tax in the UK.

The Company is committed to being fully compliant with the relevant tax laws and compliance obligations regarding the filing of tax returns, payment and collection of tax. The Company maintains an open relationship with HM Revenue & Customs and currently operates within a level of tax compliance risk that is rated as 'low' (2023: 'low'); this rating was reaffirmed during the year following a scheduled inspection by HM Revenue & Customs.

The Pillar Two rules became effective from 1 January 2024 and it is expected that the Group will meet the Simplified ETR safe harbour test, which provides short-term relief in respect of Pillar Two compliance obligations.

EPS and Dividend

Basic earnings per share on an underlying basis decreased from earnings of 11.0 pence per share in the prior year to a loss of (35.0) pence per share, reflecting the factors set out above.

No interim or final ordinary dividend has been declared or proposed in respect of 2024 (2023: total dividend of 10.0 pence comprising interim and final combined). 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.

Cash flow and net debt

	2024 £m	2023 £m
Underlying operating (loss)/profit	(27.3)	16.1
Depreciation and other non-cash items	21.9	20.6
EBITDA	(5.4)	36.7
Change in inventories	17.6	10.0
Change in receivables	3.7	2.7
Change in payables	10.7	(24.0)
Other	1.0	0.6
Underlying Operating Cash Flow	27.6	26.0
Interest and Tax	(7.2)	(9.1)
Lease payments	(12.9)	(13.0)
Capital expenditure	(10.6)	(18.2)
Property disposal and insurance settlement	61.3	10.4
Other non-underlying items	(12.8)	(3.9)
Acquisitions	-	(6.1)
Dividends	(4.8)	(12.2)
Payments to acquire own shares (share buyback programme)	-	(5.2)
Net cash flow before movement in borrowings	40.6	(31.3)
Movement in borrowings	(50.0)	49.7
Net cash flows	(9.4)	18.4

Underlying Operating Cash Flow in the year was an inflow of £27.6 million (2023: £26.0 million). The impact of the underlying operating loss was more than offset by a working capital inflow of £32.0 million, comprising:

- £17.6 million reduction in inventories. The Group's average stock turn increased from 3.2x at the end of 2023 to 3.5x at the end of 2024, reflecting the initial benefits of stock optimisation initiatives.
- £3.7m inflow from receivables, reflecting the reduction in revenue.
- £10.7m inflow from payables. This includes £10.8 million of VAT chargeable on the sale of properties in December, which was paid over to HM Revenue & Customs in January 2025. Excluding this, payables were broadly flat year-on-year. There have been no significant changes to payment terms with suppliers.

Capital expenditure was £10.6 million (2023: £18.2 million) and included £4.0 million in fitting out new or refurbished trade counters, £1.4 million in the fit-out of the new Rayleigh distribution centre, £0.7 million in solar panels (with that rollout programme now complete) and the remainder in warehouse equipment.

£61.3 million cash (net of agent fees and other costs) was received in the year in respect of the sale of properties, with an aggregate book value of £37.0 million, as follows:

- £7.4 million from the disposal of the Stockport distribution centre in June 2024;
- £3.1 million from the disposal of the Uddingston distribution centre in December 2024; and,
- £50.8 million from the sale of the Gildersome, Ipswich and Leeds properties in December 2024.

Other non-underlying items contributed a £12.8 million cash outflow and comprised £10.2 million of business restructuring and change-related costs and £2.6 million of ERP development costs.

£4.8 million was paid in June 2024 in respect of the final ordinary dividend for 2023. In 2023, £17.4 million of shareholder returns were made, comprising £5.2 million of payments to acquire own shares under the share buyback programme that completed in March 2023 and £12.2 million of ordinary dividend payments.

Net Cash excluding lease liabilities was £10.9 million at the end of the year, representing a favourable movement of £40.5 million compared to the Net Debt of £29.6 million at 31 December 2023. Net Debt including lease liabilities was £50.3 million at the end of the year (31 December 2023: £73.0 million).

At the end of the year, the Group had total banking facilities available of £99.3 million (31 December 2023: £100.6 million), of which £81.5 million (31 December 2023: £81.5 million) comprised a committed revolving credit facility with three banks, expiring in October 2027. The Group had £111.3 million of cash and undrawn facilities at 31 December 2024 (31 December 2023: £71.0 million).

The Group has agreed a new covenant package with its banks. The pre-existing covenants of leverage and interest cover did not apply for the 30 June 2024 and 31 December 2024 tests and will also not apply for the 30 June 2025 or 31 December 2025 tests. Instead, a monthly minimum liquidity test and a quarterly minimum EBITDA test applied during H2 2024 and will apply throughout 2025. The banks have a legal charge over four of the Group's properties, with a combined market valuation of £59.2 million. The cash generation during 2024 from disposal of properties and working capital optimisation, combined with the opportunities for further cash generation from the transformation plan, has enabled the Group to reduce the overall size of its facilities to £72.4m, effective from January 2025, principally through a reduction in the revolving credit facility from £81.5 million to £61.0 million.

The Group continues to have strong asset backing; as at 31 December 2024, the Group owned property with a market valuation of £93.9 million, and also had inventory and receivables of £102.8 million and £111.0 million respectively.

Pension buy-in

During the year the Group completed a buy-in arrangement with Aviva in respect of the Headlam Group PLC Staff Retirement Benefits Scheme (the 'Scheme'), which further strengthens the Group's balance sheet. The buy-in secures an insurance asset from Aviva that matches the remaining pension liabilities of the Scheme, with the result that the Group no longer bears any material investment, longevity, interest rate or inflation risk in respect of the Scheme. Furthermore, the Group will no longer be required to contribute funding into the Scheme; the Group's contributions have been £1 million per annum.

This transaction is positive for the Scheme's members and has the full support of the trustee. The purchase of the insurance policy was funded by the Scheme's assets plus a top-up payment from the Group of £1.1 million, excluding advisor fees. The transaction results in a modest cash outflow for the Group in 2024, compared to if it did not proceed with it, but becomes cashflow accretive by the end of 2025. At the end of the year the Group recognised a pension liability of £1.5 million for the Scheme.

Capital allocation priorities

The Board regularly reviews and follows a clear capital allocation framework. The priorities are unchanged and are as follows:

1. *Maintain a strong balance sheet*. This ensures the financial stability and long-term sustainability of the Group. The Group has previously stated a long-term average Leverage target range of 0.5 to 1.0x, which will be reconfirmed or revised once the Group is further progressed through its transformation plan.
2. *Investment in the business*, to optimise performance and support growth, in turn leading to improved financial performance.
3. *Ordinary dividend income for shareholders*, recognising shareholders' expectation of dividend income due to the cash generative nature of the Group in normal market conditions, the Group's market-leading position, and relatively modest investment required to deliver on the strategy.
4. *Acquisitions and/or return of surplus capital*. After all of the above priorities have been fulfilled, the Board would consider M&A or a return of surplus capital to shareholders.

Going concern

The Board reviewed the Group's resilience to principal risks and uncertainties by considering stress testing forecasts through a downside scenario, which involved modelling consumer confidence for major purchases being depressed throughout 2025, leading to market volumes continuing to decline. The testing indicated that the Group would be able to operate within its current facilities and meet its financial covenants within the 12-month period considered for going concern.

The Board believes there are reasonable grounds for stating that the Group has adequate resources to continue in operational existence for a period of 12 months from the date of this Financial Review, and that it is therefore appropriate to adopt the going concern basis in preparing the Group's Financial Statements.

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 2023 Annual Report and Accounts and have been considered and updated for the 2024 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

11 March 2025

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	Underlying 2024 £M	Non-underlying (note 2) 2024 £M	Total 2024 £M	Underlying 2023 £M	Non-underlying (note 2) 2023 £M	Total 2023 £M
Revenue	1	593.1	–	593.1	656.5	–	656.5
Cost of sales		(415.5)	(10.6)	(426.1)	(448.7)	–	(448.7)
Gross profit		177.6	(10.6)	167.0	207.8	–	207.8
Distribution costs		(136.4)	(4.4)	(140.8)	(132.8)	–	(132.8)
Administrative expenses		(66.9)	(12.0)	(78.9)	(60.8)	(12.5)	(73.3)
Net impairment (losses)/gains on trade receivables[1]		(1.6)	(1.3)	(2.9)	1.5	–	1.5
Other operating income		–	21.1	21.1	0.4	8.6	9.0
Operating (loss)/profit	1	(27.3)	(7.2)	(34.5)	16.1	(3.9)	12.2
Finance income		0.1	–	0.1	0.3	–	0.3
Finance expenses		(7.1)	–	(7.1)	(5.4)	–	(5.4)
Net finance costs		(7.0)	–	(7.0)	(5.1)	–	(5.1)
(Loss)/profit before tax		(34.3)	(7.2)	(41.5)	11.0	(3.9)	7.1
Taxation	3	6.2	10.3	16.5	(2.2)	2.8	0.6
(Loss)/profit for the year attributable to the equity shareholders		(28.1)	3.1	(25.0)	8.8	(1.1)	7.7
(Loss)/earnings per share							
Basic	4	(35.0)p		(31.2)p	11.0p		9.6p
Diluted	4	(35.0)p		(31.2)p	10.9p		9.6p
Ordinary dividend per share							
Interim dividend for the financial year	5			-			4.0p
Final dividend declared	5			-			6.0p

[1]Net impairment (losses)/gains on trade receivables were included within distribution costs in the prior year and have been re-presented as a separate line item in the comparatives.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2024

	2024 £M	2023 £M
(Loss)/profit for the year attributable to the equity shareholders	(25.0)	7.7
Other comprehensive (expense)/income		
Items that will never be reclassified to profit or loss		
Remeasurement of defined benefit plans	(0.5)	(0.3)
Related tax	0.1	0.1
	(0.4)	(0.2)
Items that are or may be reclassified to profit or loss		
Exchange differences arising on translation of overseas operations	(0.2)	(0.2)
	(0.2)	(0.2)
Other comprehensive expense for the year	(0.6)	(0.4)
Total comprehensive (expense)/income attributable to the equity shareholders for the year	(25.6)	7.3

STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2024

	Note	2024 £M	2023 £M
Assets			
Non-current assets			
Property, plant and equipment		86.9	127.6
Right of use assets		55.1	41.6
Intangible assets		17.6	19.4
Deferred tax assets		3.9	0.9
		163.5	189.5
Current assets			
Inventories		102.8	131.5
Trade and other receivables		111.0	117.1
Income tax receivable		3.6	3.1
Cash and cash equivalents		12.0	21.1
Assets classified as held for sale		4.8	–
		234.2	272.8
Total assets	1	397.7	462.3
Liabilities			
Current liabilities			
Bank overdrafts		(1.1)	(0.7)
Other interest-bearing loans and borrowings		–	(50.0)
Lease liabilities		(13.8)	(11.9)
Trade and other payables		(139.2)	(129.1)
Employee benefits		–	(1.1)
		(154.1)	(192.8)
Non-current liabilities			
Lease liabilities		(47.4)	(31.5)
Provisions		(3.1)	(2.6)
Deferred tax liabilities		–	(13.2)
Employee benefits		(2.1)	(1.8)
		(52.6)	(49.1)
Total liabilities	1	(206.7)	(241.9)
Net assets		191.0	220.4
Equity attributable to equity holders of the parent			
Share capital		4.3	4.3
Share premium		53.5	53.5
Other reserves		(15.5)	(15.5)
Retained earnings		148.7	178.1
Total equity		191.0	220.4

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	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 2023		4.3	53.5	0.1	1.5	2.1	(19.5)	182.8	224.8
Profit for the year attributable to the equity shareholders		–	–	–	–	–	–	7.7	7.7
Other comprehensive expense		–	–	–	–	(0.2)	–	(0.2)	(0.4)
Total comprehensive (expense)/income for the year		–	–	–	–	(0.2)	–	7.5	7.3
Transactions with equity shareholders, recorded directly in equity									
Share-based payments		–	–	–	–	–	–	0.6	0.6
Share options exercised by employees		–	–	–	–	–	0.5	(0.5)	–
Deferred tax on share options		–	–	–	–	–	–	(0.1)	(0.1)
Dividends to equity holders	5	–	–	–	–	–	–	(12.2)	(12.2)
Total contributions by and distributions to equity shareholders		–	–	–	–	–	0.5	(12.2)	(11.7)
Balance at 31 December 2023		4.3	53.5	0.1	1.5	1.9	(19.0)	178.1	220.4
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	5	–	–	–	–	–	–	(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

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2024

	2024 £M	2023 £M
Cash flows from operating activities		
(Loss)/profit before tax for the year	(41.5)	7.1
Adjustments for:		
Depreciation and impairment of property, plant and equipment, amortisation and impairment of intangible assets	11.0	14.0
Depreciation, impairment and termination of right of use assets	14.1	13.9
Finance income	(0.1)	(0.3)
Finance expense	7.1	5.4
Insurance proceeds for property, plant and equipment (following fire)	–	(8.6)
Profit on sale of property, plant and equipment	(21.1)	(1.1)
Share-based payments	1.0	0.6
Operating cash flows before changes in working capital and other payables	(29.5)	31.0
Change in inventories	28.2	10.0
Change in trade and other receivables	5.4	2.7
Change in trade and other payables	10.7	(22.1)
Cash generated from the operations	14.8	21.6
Interest paid	(7.2)	(4.7)
Interest received	0.1	0.3
Tax paid	(0.1)	(4.7)
Net cash flow from operating activities	7.6	12.5
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	61.3	2.3
Acquisition of subsidiary, net of cash acquired	–	(6.1)
Acquisition of property, plant and equipment	(10.5)	(17.4)
Insurance proceeds for property, plant and equipment following fire	–	8.6
Acquisition of intangible assets	(0.1)	(0.8)
Net cash flow from investing activities	50.7	(13.4)
Cash flows from financing activities		
Payment to acquire own shares	–	(5.2)
Proceeds from borrowings	40.0	110.0
Repayment of borrowings	(90.0)	(60.3)
Principal elements of lease payments	(12.9)	(13.0)
Dividends paid	(4.8)	(12.2)
Net cash flow from financing activities	(67.7)	19.3
Net (decrease)/increase in cash and cash equivalents	(9.4)	18.4
Cash and cash equivalents at 1 January	20.4	2.1
Effect of exchange rate fluctuations on cash held	(0.1)	(0.1)
Cash and cash equivalents at 31 December	10.9	20.4

NOTES TO THE FINANCIAL STATEMENTS

1 Segment reporting

As at 31 December 2024, the Group had four operating segments in the UK and three operating segments in Continental Europe. 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 Chief Executive. Discrete financial information is available for each segment and used by the Chief Executive to assess performance and decide on resource allocation. In the prior year, individual distribution centres within the individual operations were classified as a segment. With the development of the business strategy, performance is now assessed at a higher level, with each individual operation reviewed.

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 is a trading operation wholly aligned to the sales, marketing, supply and distribution of floorcovering products, management considers all segments have similar economic characteristics except for the regulatory environment in which they operate, which is determined by the country in which the operating segment resides.

The Group's internal management structure and financial reporting systems differentiate the operating segments on the basis of the differing economic characteristics in the UK and Continental Europe and accordingly present these as two separate reportable segments. This distinction is embedded in the construction of operating reports reviewed by the Chief Executive, the Board and the executive management team and forms the basis for the presentation of operating segment information given below.

	UK		Continental Europe		Total	
	2024 £M	2023 £M	**2024 £M**	2023 £M	**2024 £M**	2023 £M
External revenues	**525.7**	577.3	**67.4**	79.2	**593.1**	656.5
Underlying cost of sales	**(369.7)**	(395.3)	**(45.8)**	(53.4)	**(415.5)**	(448.7)
Underlying gross profit	**156.0**	182.0	**21.6**	25.8	**177.6**	207.8
Reportable segment underlying operating (loss)/profit	**(17.2)**	22.0	**(2.4)**	0.2	**(19.6)**	22.2
Reportable segment assets	**278.3**	359.4	**29.5**	35.6	**307.8**	395.0
Reportable segment liabilities	**(190.5)**	(209.8)	**(16.2)**	(18.9)	**(206.7)**	(228.7)

During the year there were no inter-segment revenues for the reportable segments (2023: £nil).

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

	2024 £M	2023 £M
(Loss)/profit for the year		
Total underlying operating (loss)/profit for reportable segments	(19.6)	22.2
Non-underlying items	(7.2)	(3.9)
Unallocated expense	(7.7)	(6.1)
Operating (loss)/profit	(34.5)	12.2
Finance income	0.1	0.3
Finance expense	(7.1)	(5.4)
(Loss)/profit before taxation	(41.5)	7.1
Taxation	16.5	0.6
(Loss)/profit for the year	(25.0)	7.7

	2024 £M	2023 £M
Assets		
Total assets for reportable segments	307.8	395.0
Unallocated assets:		
Intangible assets	0.1	0.1
Income tax receivable	3.6	3.1
Deferred tax assets	3.9	0.9
Cash and cash equivalents	82.3	63.2
Total assets	397.7	462.3
Liabilities		
Total liabilities for reportable segments	(206.7)	(228.7)
Unallocated liabilities:		
Deferred tax liabilities	–	(13.2)
Total liabilities	(206.7)	(241.9)

	UK £M	Continental Europe £M	Reportable segment total £M	Unallocated £M	Consolidated total £M
Other material items 2024					
Acquisition of property, plant and equipment	10.4	0.1	10.5	–	10.5
Depreciation of property, plant and equipment	8.0	0.4	8.4	–	8.4
Depreciation and termination of right of use assets	12.0	1.5	13.5	–	13.5
Impairment of property, plant and equipment	0.7	–	0.7	–	0.7
Impairment of intangible assets	–	0.5	0.5	–	0.5
Impairment of right of use assets	0.3	0.3	0.6	–	0.6
Non-underlying items (excluding impairment)	4.6	–	4.6	0.8	5.4
Other material items 2023					
Acquisition of property, plant and equipment	17.1	0.3	17.4	–	17.4
Depreciation of property, plant and equipment	6.7	0.4	7.1	–	7.1
Depreciation of right of use assets	12.0	1.5	13.5	–	13.5
Impairment of property, plant and equipment	1.9	–	1.9	–	1.9
Impairment of intangible assets	–	–	–	3.6	3.6
Impairment of right of use assets	0.4	–	0.4	–	0.4
Non-underlying items (excluding impairment)	(2.3)	0.1	(2.2)	0.2	(2.0)

The Chief Executive, the Board and the senior executive management team have access to information that provides details on revenue by principal product group for the two reportable segments, as set out in the following table:

Revenue by principal product group and geographic origin is summarised below:

	UK		Continental Europe		Total	
	2024	2023	2024	2023	2024	2023
	£M	£M	£M	£M	£M	£M
Revenue						
Residential	**332.7**	377.2	**39.7**	47.5	**372.4**	424.7
Commercial	**193.0**	200.1	**27.7**	31.7	**220.7**	231.8
	525.7	577.3	**67.4**	79.2	**593.1**	656.5

2 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 2024. Such costs are expected to continue into 2025 and 2026 as the transformation plan is executed; and
- Insurance proceeds (following fire) 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. Insurance proceeds and profit on sale of property, plant and equipment are 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.

See the Group's Annual Report and Accounts for details on alternative performance measures.

Non-underlying income after tax of £3.1 million (2023: expense of £1.1 million) relate to the following:

	2024 £M	2023 £M
Amortisation of acquired intangibles	1.3	2.3
Impairment of property, plant and equipment, intangible assets and right of use assets	1.8	5.9
Impairment of inventories and receivables	2.9	-
Cloud-based ERP system development costs	2.6	-
Profit on sale of property, plant and equipment	(21.1)	(1.1)
Business restructuring and change-related costs	19.7	5.4
Insurance proceeds (following fire)	-	(8.6)
	7.2	3.9
Taxation on non-underlying items	(10.3)	(2.8)
	(3.1)	1.1

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 £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 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 five properties in the year as part of the Group's continued progress against its transformation plan. This has resulted in £61.3 million of cash proceeds in the year.

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

3 Taxation

Recognised in the income statement

	2024 £M	2023 £M
Current tax credit:		
Current year	0.1	–
Adjustments in respect of prior years	(0.5)	(0.3)
	(0.4)	(0.3)
Deferred tax credit:		
Origination and reversal of temporary differences	(16.7)	(0.5)
Adjustments in respect of prior years	0.6	0.2
	(16.1)	(0.3)
Total tax	(16.5)	(0.6)

	2024 £M	2023 £M
Tax relating to items (credited)/charged to equity		
Deferred tax on:		
Share options	–	0.1
Deferred tax on other comprehensive expense:		
Defined benefit plans	(0.1)	(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% (2023: 23.5%). In the Spring Budget of 2021, the UK Government announced that from 1 April 2023 the rate of UK corporation tax would increase from 19.0% to 25.0%. This new law was substantively enacted on 24 May 2021. UK deferred tax assets and liabilities have been calculated at a rate of 25.0% (2023: 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

	2024 £M	2023 £M
(Loss)/profit before tax	(41.5)	7.1
Tax using the UK corporation tax rate of 25.0% (2023: 23.5%)	(10.4)	1.7
Non-taxable income	(7.6)	(1.3)
Impact of losses not recognised	1.4	–
Recognition of deferred tax on losses	–	(0.9)
Adjustments in respect of prior years	0.1	(0.1)
Total tax in income statement	(16.5)	(0.6)
Add back tax on non-underlying items	10.3	2.8
Total tax (credit)/charge excluding non-underlying items	(6.2)	2.2
(Loss)/profit before tax before non-underlying items	(34.3)	11.0
Adjusted effective tax rate excluding non-underlying items	18.1%	20.0%
Total effective tax rate credit	39.7%	(8.5)%

4 (Loss)/earnings per share

	2024 £M	2023 £M
(Loss)/earnings for basic and diluted (loss)/earnings per share	(25.0)	7.7
(Loss)/earnings for underlying basic and underlying diluted (loss)/earnings per share	(28.1)	8.8

	2024	2023
Number of shares		
Weighted average number of ordinary shares for the purposes of basic (loss)/earnings per share	80,204,515	80,270,756
Effect of diluted potential ordinary shares:		
Weighted average number of ordinary shares at 31 December	80,204,515	80,270,756
Dilutive effect of share options	38,031	107,110
Weighted average number of ordinary shares for the purposes of diluted (loss)/earnings per share	80,242,546	80,377,866
(Loss)/earnings per share		
Basic	(31.2)p	9.6p
Diluted	(31.2)p	9.6p
Underlying basic	(35.0)p	11.0p
Underlying diluted	(35.0)p	10.9p

At 31 December 2024, the Company held 5,393,392 shares (2023: 5,449,419) 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.

5 Dividends

	2024 £M	2023 £M
Final dividend for 2022 of 11.2p paid 2 June 2023	–	9.0
Interim dividend for 2023 of 4.0p paid 28 November 2023	–	3.2
Final dividend for 2023 of 6.0p paid 7 June 2024	4.8	–
	4.8	12.2

The total value of dividends proposed or declared but not recognised at 31 December 2024 is £nil (2023: £4.8 million).

6 Additional information

The financial information set out above does not constitute the Group's statutory accounts for the years ended 31 December 2024 or 2023 but is derived from those accounts. Statutory accounts for 2023 have been delivered to the registrar of companies, and those for 2024 will be delivered in due course. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The Group anticipates that the Group's statutory accounts will be posted to shareholders during March 2025 and will be displayed on the Group's website at www.headlam.com during March 2025. Copies of the statutory accounts will also be available from the Company’s registered office at Headlam Group plc, Gorsey Lane, Coleshill, Birmingham, B46 1JU.

This final results announcement for the year ended 31 December 2024 was approved by the Board on 11 March 2024.

ALTERNATIVE PERFORMANCE MEASURES ('APMs')

Glossary of Alternative Performance Measures	Closest equivalent 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 insurance proceeds
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 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