headlam

Accelerating the strategy

Annual Report and Accounts
for the year ended 2024

WELCOME TO
OUR 2024 ANNUAL REPORT

The UK's leading floor covering distributor

Our Year in Review

Chris Payne,

CEO

"The challenges impacting the UK flooring market have weighed on our trading performance in the short term. However, the Board has been encouraged by the significant progress we are making against our strategy and transformation plan to simplify our operations and improve our customer offering. This progress remains critical to ensuring the business is positioned for long-term success."

Q The flooring market has had another tough year. What are your views on the timing of recovery?

A The flooring market has seen three consecutive years of significant decline in volume and is now materially lower than it was in 2019. This has been driven by the residential component of the market, reflecting heavy declines in consumer spending on home improvements in recent years as a result of reduced housing transactions, the cost-of-living crisis and poor consumer confidence, particularly for major purchases.

There are no significant structural reasons why the flooring market should not recover. We saw a significant recovery in the market following the Global Financial Crisis. Housing transactions have been back in growth in recent months, consumer confidence is improving (albeit still fragile) and disposable incomes are projected to grow. All of this points to the market returning to growth, but the timing and pace of recovery remains uncertain and difficult to predict.

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www.headlam.com

Q What are you doing to mitigate the impact of the market conditions on Headlam?

A Over recent years the Group has been implementing its strategy of broadening its customer base and implementing a programme of simplifying and consolidating the business. In light of the continued market weakness, in May 2024 we announced that the Group is accelerating its strategy, through a transformation programme aimed at delivering further integration and simplification across the business. We expect these initiatives to deliver a material improvement in profitability along with significant one-off cash benefits from disposal of surplus property and working capital reduction. We've already made good progress on this transformation plan and have increased the size of P&L and cash benefits that we are targeting, compared to what we originally set out in May.

Q What are your key focuses for 2025?

A To continue to deliver great service, and grow with new and existing customers, whilst controlling costs and driving through efficiencies. We will continue to invest in the business, including point-of-sale materials for our independent retail customers, re-platforming our Mercado online ordering portal and developing our new ERP system.

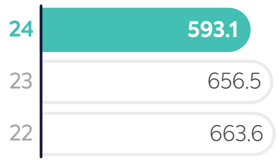
Financial Highlights

Revenue

(9.7)%

£593.1m

(2023: £656.5m)

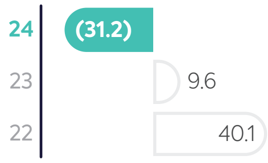


Statutory basic (loss)/earnings per share

(425.0)%

(31.2)p

(2023: 9.6p)

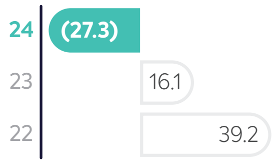


Underlying[1] operating (loss)/profit

(269.6)%

£(27.3)m

(2023: £16.1m)

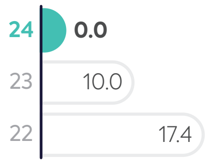


Total ordinary dividend

(100.0)%

£nil

(2023: 10.0p)

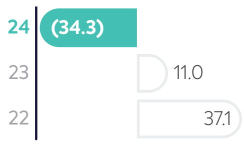


Underlying[1] (loss)/profit before tax

(411.8)%

£(34.3)m

(2023: £11.0m)

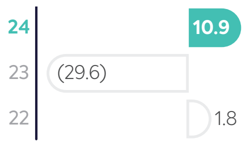


Net cash/(debt)

136.8%

£10.9m

(2023: £(29.6)m)

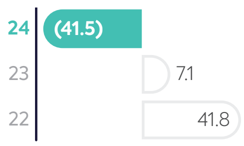


Statutory (loss)/profit before tax

(684.5)%

£(41.5)m

(2023: £7.1m)

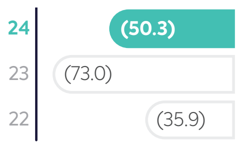


Net debt including lease liabilities

31.1%

£(50.3)m

(2023: £(73.0)m)



[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 note 3 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.

Contents

OUR BUSINESS AT A GLANCE

Headlam is the UK's leading floor covering distributor, operating for over 30 years.

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.

Headlam has an extensive customer base spanning independent and multiple retailers, small and large contractors, and house builders. 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.

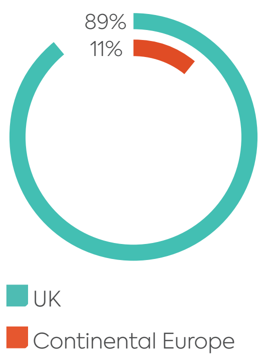
32
Years operating

Over 2,000
People

20
Distribution hubs and centres

76
Trade counters

Revenue



Serving multiple customer segments...

Contractors

Large scale, with premises and contracts that span sectors

Key needs:

- Quick ordering and delivery lifecycle
- Able to supply nationwide and to site
- Account management and contracts all in one place
- Sustainability credentials

Tradespeople, Fitters and Small House Builders

Often self-employed with or without a delivery address

Key needs:

- Nearby trade counter for collection
- Quick, one-stop shop
- Product advice and sampling showcase for end-consumer
- Ability to check stock and order out of hours and on the move

Online Retailers

Online business only (with no physical retail premises)

Key needs:

- Delivery to fulfilment centre or drop ship vendor (DSV)
- Well recognised product brands with social media appeal
- Direct to customer sample fulfilment
- Digital systems, real-time data sharing and automated ordering

Major Multiple Retailers

Flooring specialists and generalists with nationwide premises

Key needs:

- Fast and accurate delivery nationwide
- Digital systems, real-time data sharing and automated ordering
- Supply chain management and stockholding
- Sustainability credentials, exclusive products and insight

Large House Builders and Housing Associations

Nationwide with multiple developments

Key needs:

- Single account management with contracts in place
- Able to supply nationwide at scale and to site
- Product insight, with tailored ranges, point-of-sale materials and showcase options for end-consumer

Independent Retailers

A mix of large and small stores, independently owned

Key needs:

- Product availability and next day delivery
- Customer service and strong relationships with fast response to queries
- Reliable quality
- New product launches and promotions; point-of-sale materials to showcase options to end-consumer
- Digital ordering and stock checking

...and transforming our business

Through the acceleration of our strategy with a transformation plan that will:

Simplify our customer offer

Simplify our network

and simplify how we operate

For more information see pages 18 to 21

CHAIR'S STATEMENT

2024 saw a continuation of the challenging conditions for the industry as a whole, and for many businesses exposed to consumer spending on home improvements. The flooring market has now declined significantly for three consecutive years and this has impacted the Group's financial performance. In response to this we launched a transformation plan during the year to accelerate the Group's strategy to simplify the business; unlocking profit and cash benefits.

We continued to make good progress implementing our existing strategy during the year, evidenced by revenue growth in Larger Customers and Trade Counters, and an increase in the proportion of our revenue that is from our own product brands. However, this was more than offset by the impact of the weak market on the core distribution business and the Group made an underlying loss before tax of £34.3 million. The Board is resolutely focused on improving the profitability of the Group and, in response to the market conditions, launched a transformation plan during the year. This transformation plan is rapidly accelerating the journey we have been on in recent years to integrate, consolidate and simplify the business. Good early progress has been

Stephen Bird,

Non-Executive Chair

"In response to market conditions the Board launched a transformation plan during the year to rapidly accelerate the journey we have been on to integrate, consolidate and simplify the business."

made, including the consolidation of 32 trading businesses into one, and the successful implementation of a number of optimisation initiatives in our logistics network. The latter, combined with tight working capital management during the year, has resulted in a significant cash inflow in the year; and the Group ended the year in a net cash postiive position whilst also retaining an extensive property portfolio valued at £94 million.

As announced recently, I took over as Chair from 27 February 2025 following a successful handover with our previous Chair, Keith Edelman (who decided to step down from the Board as part of the Company's Chair succession plan). I know the Group well, having been a Non-Executive Director since 2021 and the Senior Independent Director since 2022, and my experience will serve the Group well as we continue to implement the transformation plan and navigate the market conditions. I am very much looking forward to making progress through the acceleration of the Group's strategy and implementation of its transformation plan.

As I look back over the last few years, we have achieved a lot as a business; growing revenue in areas of the market that the Group has been underweight in, modernising and simplifying the operations and processes, investing in making Headlam a great place to work, and developing the Group's sustainability credentials. The exceptionally weak market conditions have masked the benefit of these, but the progress made to date, combined with the implementation of the transformation plan, will position the Group well over the long term.

On behalf of the Board, I would like to thank all of our colleagues for their hard work and commitment in implementing the changes we have made, and continue to make, to the Group. I would also like to thank all our stakeholders for their support during what has been a difficult year.

Stephen Bird,
Non-Executive Chair

11 March 2025

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).

Chris Payne,

CEO

"We are confident that our strategy, accelerated by the transformation plan, will deliver sustainable improvement in our financial performance, whilst maintaining our position as the UK's number one flooring distributor."

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.

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

[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

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:

Objectives	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 £90 million 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, with a slightly improving tend in more recent weeks. 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 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[1]. 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 small 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

[1] Asda income tracker

STRATEGIC REPORT

MARKET OVERVIEW

Market Context

It has been an exceptionally difficult few years for the flooring market. Two-thirds of this market in the UK is residential and therefore reliant on consumers choosing to spend on home improvements. As a "big ticket", discretionary purchase, flooring has been one of the weakest performing categories of consumer spending, suffering from heavy decline. This reflects the impact of the cost-of-living crisis on disposable incomes, the decline in housing transactions (20% in 2023 and a further 8% in Q1 2024, improving thereafter) and weak consumer confidence. This has resulted in a sustained decline in market volume over the last three years. Headlam has maintained market share over this period.

The macroeconomic factors described above, along with the after effects of COVID-19, has caused the traditional seasonality to trading to be less pronounced in the last three years. COVID-19 has been thought to have pulled forward some home improvements works, whilst the cost-of-living crisis is thought to be causing consumers to be deferring work.

An unusual dynamic of the flooring market in the last two years has been the lack of manufacturer-led price increases. Looking back over the last 20 years or so, manufacturers would typically apply an inflationary price rise each year. This would flow through the supply chain, resulting in an increase in distributor prices and ultimately into the retailers who would typically pass that on in higher prices to the end consumer. This is important for distributors because the price inflation, whilst neutral for margin percentage, would grow absolute gross profit in order to offset their overhead inflation. Due to the exceptionally weak volumes in the market, there have been very limited price rises in 2023 and 2024, and indeed some instances of price deflation, as manufacturers compete for volume to utilise their factories.

There are a number of lead indicators for the market, including: housing transactions and consumer confidence. These are looking more positive, and external forecasts for construction output, housing output, RMI (residential, maintenance and improvement) spend and the flooring market point to growth returning in 2025 as result of improved consumer spending on home improvements. However the timing and pace of that recovery remains uncertain.

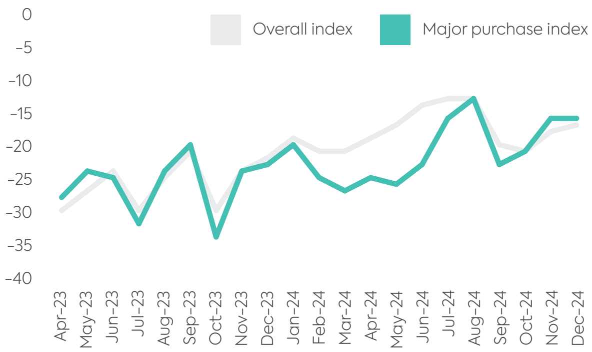
As the clear UK market leader, drawing on a heritage of over 30 years industry knowledge and expertise, a large and diverse customer base, and long-established supplier relationships, Headlam has a unique long-term opportunity. With the broadest and largest product range and the most comprehensive and scaled delivery and collection network across the UK, recent years have seen the Group strategically refocus to broaden the customer base of the business to provide incremental growth opportunities. This enables us to service an increasingly diverse range of customer types, spanning independent retailers, tradespeople, major multiple retailers, housebuilders, online retailers and contractors.

Headlam's Market Opportunity

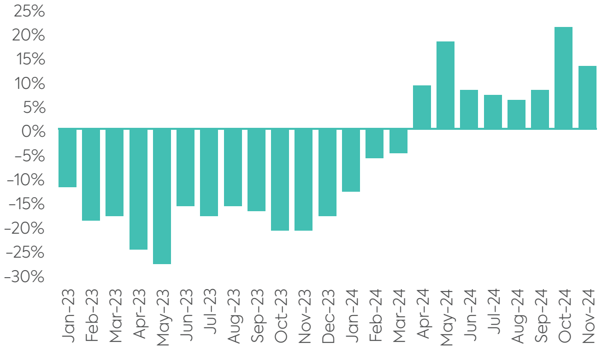
The flooring market is worth around £2.5 to £3 billion. Headlam has previously operated primarily in the traditional retailers and tradespeople/fitters elements of the market. The Group's strategy is to broaden the base of the business to access the areas of the market where Headlam is underweight, such as contractors, multiple retailers or housebuilders. Good progress was made in 2024, with 4% and 7% growth in revenue from Larger Customers and Trade Counters, respectively; however, there remains a significant opportunity for further growth as the Group continues to execute its strategy.

Market Indicators

Consumer confidence in major purchase has lagged the recovery in overall confidence



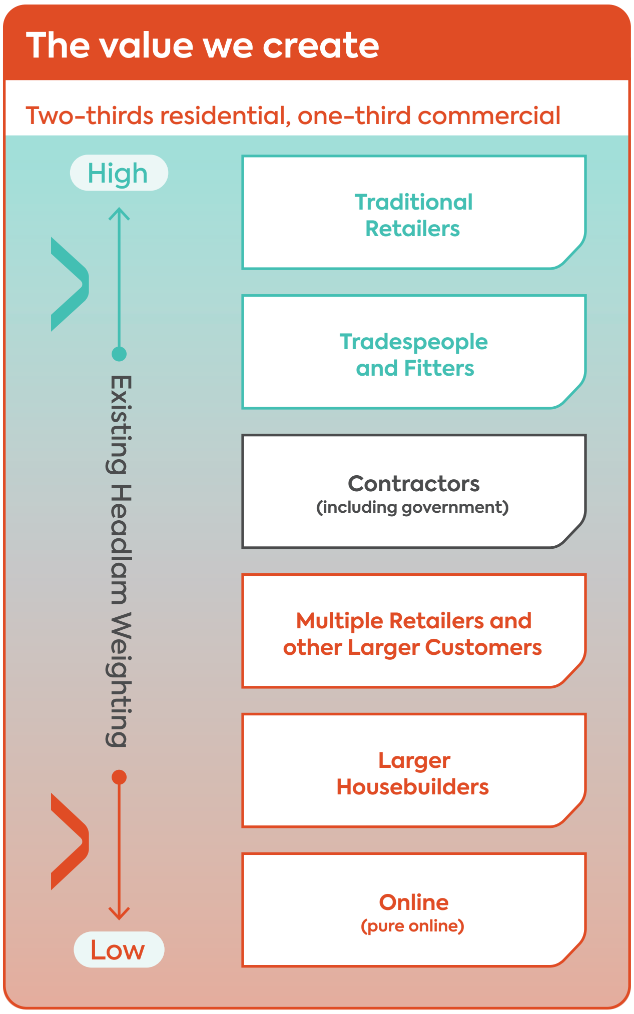
Housing transactions declined 20% in 2023 and a further 8% in Q1 2024, growing thereafter



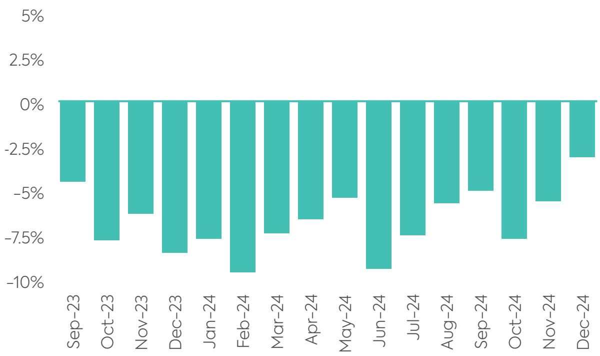
Chris Payne,

CEO

“ There is a significant long-term market opportunity for growth as the Group executes its strategy to broaden the base of the business.”



Consumer spending on home improvements continued to decline, compounding a weak 2023



Sources:

- UK market size: estimates by LEK
- Consumer confidence: NIQ GfK
- Housing transactions: www.gov.uk/government/statistics/monthly-property-transactions-completed-in-the-uk-with-value-40000-or-above
- Consumer spending on home improvements: www.barclayscorporate.com/insights/industry-expertise/uk-consumer-spending-report

OUR BUSINESS MODEL

We create value by leveraging our key relationships, supply chain expertise, and innovative approach to deliver products that are both sustainable and fit for purpose.

What we rely on

Our people
Attracting and retaining the best people to provide the highest levels of customer service, and working together to deliver success.

Our culture
A shared group of values, including to ensure a business of integrity with robust controls and ethical conduct.

Our expertise
Ensuring we retain and build upon our market leading expertise through ongoing investment in people and the business.

Our sustainable mindset
Ensuring the long-term success of the business through a focus on a sustainable business model and working closely with all stakeholders.

Our relationships
Actively engaging with all stakeholders, including people, customers and suppliers, to support each other and deliver success together.

Supporting our suppliers

Working closely with our suppliers across the globe to launch innovative and successful products into the marketplace, sharing data and ensuring an efficient and ethical supply chain.

What differentiates us

Our customer-led approach
Broadest product offering; next day delivery and collection; industry-leading App; improved B2B website.

Our differentiated offering/routes to market
The broadest offering across the different customer groups, with significant opportunity for future growth by leveraging our scale and reach.

Our material handling and processing capabilities
Largest inventory holding amongst peers. Able to process a high volume of orders for next day delivery.

What we do

Purchasing
Sourcing and purchasing leading, innovative and exclusive products from a wide range of suppliers/ manufacturers from across the globe.

Customer service
Providing our customer base with the widest range of products and comprehensive service propositions tailored to their specific needs.

Solutions
Offering an array of solutions across the value chain, including stockholding and storage solutions, product insight and knowledge, curated exclusive ranges, and sales support.

Delivery
Providing a truly nationwide delivery service, with next day delivery or trade counter network collection service for all customers.

We work alongside our suppliers to launch innovative and successful products into the marketplace, sharing data and ensuring an efficient and ethical supply chain.

Supporting our customers

Working closely with our suppliers across the globe to launch innovative and successful products into the marketplace, sharing data and ensuring an efficient and ethical supply chain.

Our extensive distribution network
The largest delivery and collection network in the UK.

Our product knowledge and ranging
Unrivalled product knowledge and expertise. Able to provide valuable insight to both customers and suppliers.

Our disciplined capital allocation strategy
Balancing investment, for growth with shareholder returns..

The value we create

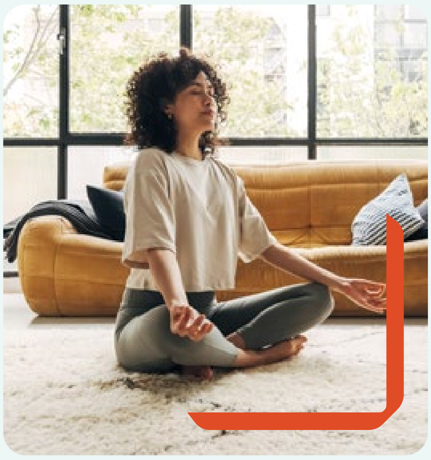
Our Colleagues
Providing an inclusive and collaborative working environment where people are supported, and can develop and succeed.

Our Customers
Helping our customers grow their businesses through an outstanding service, and giving them competitive advantages.

Our Suppliers
Providing a highly effective and efficient route to market for their products and access to a large and fragmented customer base.

Our Shareholders
A focus on ensuring the long-term success of the businesses, and improving financial performance to ensure increasing shareholder returns.

Our Communities and the Environment
Supporting local communities through employment and engagement activities, and reducing our impact on the environment through our sustainability strategy.



ACCELERATING OUR STRATEGY

Our Fundamentals + Existing strategy + Transformation Plan

Our Fundamentals

Purpose
Creating great places for our communities to live, work and play

Vision
The leading, most trusted experts in flooring

Values
- Keep each other safe and well, always
- Work together, with everyone
- Keep improving, everywhere
- Lead by example, we are all leaders
- Act sustainably, use less, waste less, give back
- Get it done, brilliantly

Culture
Colleagues are at the heart of our business, and are our greatest asset. There are over 2,000 colleagues at Headlam within a variety of departments, including warehousing, transport, sales, and administration.
We continue to focus on making Headlam a great place to work, and ensure colleagues share in the Group's long-term success.

Existing strategy

- Maximising sales through great service, solutions, pricing and range → Transformation Plan: 1 Simplify our customer offer
- Developing new opportunities for future growth
- Improving our operational capabilities and effectiveness → Transformation Plan: 2 Simplify our network; 3 Simplify our operations
- Leading on sustainability and environmental responsibility
- Making Headlam a great place to work for everyone

Existing strategy

Strategic Priority	Progress made in last two years	Links to KPIs & Principal Risks
Maximising sales through great service, solutions, pricing and range	• Launched the award-winning Everyroom brand • Increased presence in the rugs market with Melrose acquisition • Increase in Own Product Brand mix to 38.8% in 2024 • Positive progress on strategic initiatives overshadowed by impact of market weakness	**Link to Risks** 1 2 7 **Link to KPIs** 1 2 3 4 5
Developing new opportunities for future growth	• Increased Trade Counter footprint from 53 to 76 • Trade Counter business now annualising over £100m revenue • Strong growth in revenue from Larger Customers • New account wins in Larger Customers	**Link to Risks** 1 2 3 7 10 **Link to KPIs** 1 2 3 4 5 6
Improving our operational capabilities and effectiveness	• Transport integration (deliveries made from closest site) • Dynamic route planning • Added Drop Ship Vendor capability • Live customer delivery tracking	**Link to Risks** 1 3 4 10 **Link to KPIs** 2 3 4 5 7 8 10 11
Leading on sustainability and environmental responsibility	• Scope 3 targets set • Achieved ISO 14001 environmental certification at key sites • Over 85% of non-commercial vehicle fleet now hybrid or full electric • Successful trial of flooring take-back scheme	**Link to Risks** 2 7 8 9 **Link to KPIs** 10 11
Making Headlam a great place to work for everyone	• Investment in training and development • Launch of Wellbeing & Inclusion strategy • Rollout of safety enhancements, including telematics in vehicles • Launch of fitter training programme • 5ppt improvement in colleague engagement in 2024	**Link to Risks** 5 6 **Link to KPIs** 8 9

ACCELERATING OUR STRATEGY
CONTINUED

Transformation Plan

1 We are simplifying our customer offer...

Progress made

- ✓ Launched and embedded the national Mercado business, consolidating 32 trading businesses
- ✓ Developed and launched unified product list
- ✓ Implemented dedicated residential and commercial teams
- ✓ Launched "order anywhere, collect anywhere"
- ✓ Launched Mercado app and consolidate 32 online ordering portals

Outlook for 2025

- Roll out of innovative, new display stands to independent retailers, starting in March 2025
- Re-platforming the online ordering website
- Further review and investment in our proposition for all customer types

Mercado
PART OF THE HEADLAM GROUP

Targeted benefits of transformation plan

Targeting £20m+ of proft improvement and £90m+ of one-off cash benefits

£90m+ one-off cash inflow

- Targeted to be achieved by the end of 2026
- To be achieved from property disposals and working capital optimisation.
- £57m delivered in H2 2024

£25m+ annual profit improvement

- Achieved through a combination of margin benefits, operating cost savings and interest cost savings
- The annual profit improvement of over £20m is expected to be realised from 2027 onwards, (reflecting the phasing of initiatives over the next two years

£30m one-off cash costs

- Includes restructuring costs, investment in new sites, relocation costs and advisory/ consultancy fees
- We have also ringfenced significant investment in a major refresh of display stands as part of the launch of the consolidated Mercado business

Transformation Plan

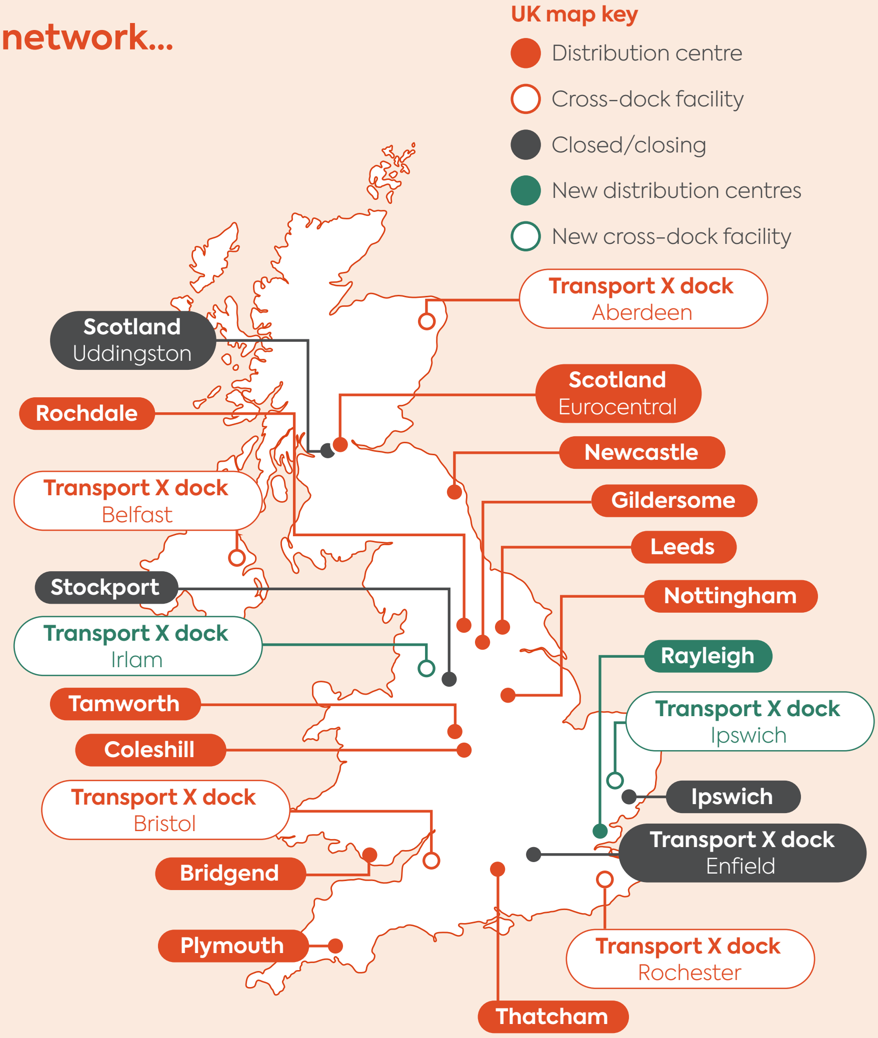
2 ...simplifying our network...

Progress made

- ✓ Opened a brand new cross-dock facility in Irlam (Manchester) and consolidated our Stockport distribution centre into other nearby sites
- ✓ Opened a new distribution centre in Rayleigh (Essex), facilitating the closure of our Ipswich distribution centre and Enfield transport cross-dock facility
- ✓ Consolidation of two distribution centres near Glasgow into one

Outlook for 2025

- We will continue to review our network as we continually look to enhance customer service and improve operational efficiency



3 ...and simplifying our operations

Progress made

- ✓ Unified product file supported by a centralised buying and stock control team
- ✓ Centralisation of Finance function

Outlook for 2025

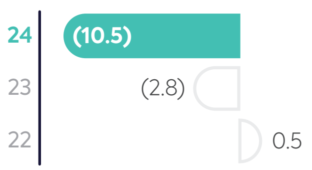
- Optimisation of stock ordering and holding, by centrally coordinating how much to buy and where to locate it

KEY PERFORMANCE INDICATORS ('KPIs')

The Board believes these Key Performance Indicators ('KPIs') provide a comprehensive and relevant list of measurements with which to assess the Group's financial, operational, and social performance towards the achievement of its strategy. Commentary on the Group's use of Alternative Performance Measures ('APMs') alongside International Financial Reporting Standards ('IFRS') Measures is given within the Financial Review on pages 30 to 37, and below.

Financial KPIs

1 Like-for-like[1] revenue growth (%)
APM



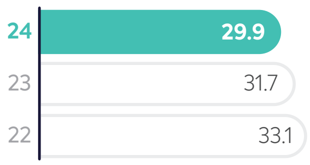
Measurement
Year-on-year revenue growth, expressed as a % and adjusted to normalise currency and for consistent working days, for businesses making a full year's contribution.

Why it's important and relevant
Allows a consistent measure of year-on-year performance.

Initiatives and actions for improvement
Organic revenue growth is a key strategic objective with specific projects to support its delivery.

Link to Strategy

2 Underlying gross profit margin (%)



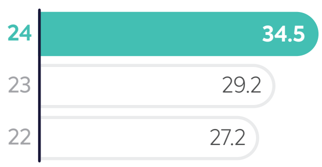
Measurement
Measured as a % of revenue.

Why it's important and relevant
Shows the effectiveness of gross profit generation from revenue.

Initiatives and actions for improvement
Ongoing pricing discipline, and product ranging.

Link to Strategy

3 Underlying[2] operating cost ratio (%)
APM



Measurement
Measured as a % of revenue.

Why it's important and relevant
Shows how effective the Company is at converting gross profit into operating profit. Underlying[2] is used to show the underlying performance of the business without non-underlyingitems.

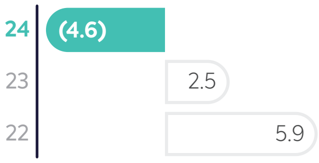
Initiatives and actions for improvement
Focus on operating efficiencies including simplifying our network and our operations under the Transformation Plan.

Link to Strategy

[1] Like-for-like revenue is calculated based on constant currency from activities and businesses that made a full contribution in both the 2024 and the comparator year(s), and is adjusted for any variances in working days.

[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 and other acquisition-related costs; 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.

4 **Underlying² operating profit /(loss) margin (%)**
APM



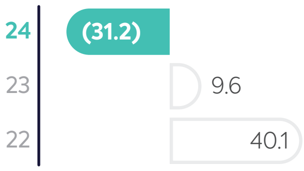
Measurement
Measured as a % of revenue.

Why it's important and relevant
Shows the effectiveness of sustainable operating profit generation from revenue. Underlying² is used to show the underlying performance of the business prior to non-underlying items.

Initiatives and actions for improvement
Existing strategy of maximising sales, complemented by the Transformation Plan to simplify our customer offer, together with the operating efficiencies described in KPI 3.

Link to Strategy

5 **Statutory basic earnings/(loss) per share ('EPS') (p)**



Measurement
Profit after tax divided by average basic weighted number of shares.

Why it's important and relevant
Shows the level of profit per share attributable to shareholders.

Initiatives and actions for improvement
In line with statutory profit performance.

Link to Strategy

6 **Underlying return on capital employed ('ROCE') (%)**
APM

Measurement
Measured as underlying² operating profit as a % of capital employed.

Why it's important and relevant
Demonstrates the relative level of underlying profit generated by the capital employed. Underlying² is used to show the underlying performance of the business without non-underlying items.

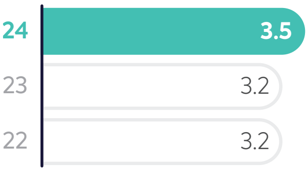
Initiatives and actions for improvement
Focus on efficient use of capital. May be offset in the short term by a period of upfront investment and maturity, e.g. trade counter roll-out.

Link to Strategy

KEY PERFORMANCE INDICATORS ('KPIs')
CONTINUED

Non-Financial KPIs

7 Inventory turn



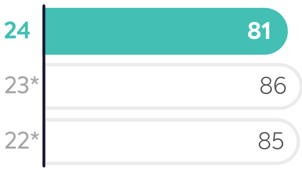
Measurement
Annual ratio measured by comparing underlying cost of goods sold during the financial period with the average annual inventory level (using averaged data points at 1 January, 30 June and 31 December).

Why it's important and relevant
A higher inventory turn is an indicator of efficient revenue generation, and more effective utilisation of distribution centre capacity.

Initiatives and actions for improvement
Centralised buying and stock control team, maintaining a unified national product file.

Link to Strategy

8 Employee retention (%)



Measurement
Retention measures the ability to retain employees in the current year compared with previous years. It is measured as a percentage of employees retained in the Company between 1 January and 31 December.

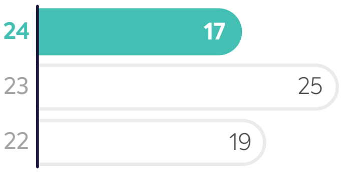
*The figures have been restated to exclude the impact of redundancies.

Why it's important and relevant
Retention demonstrates the Company's ability to retain employees. The Company is continuing to develop a cultural ethos, which attracts and retains the best talent to ensure valuable workforce knowledge is retained to support delivery of the strategy, and reduce the costs involved in hiring and training employees.

Initiatives and actions for improvement
Focus on people and culture, including investing in people through training and review of reward/benefits.

Link to Strategy

9 Reportable incidents ('RIDDOR Reports')



Measurement

Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 ('RIDDORs'). These regulations require employers, the self-employed and those in control of premises to report specified workplace incidents.

Why it's important and relevant

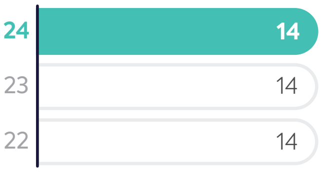
By measuring reportable injuries, it is possible to identify any deficiencies in the Company's processes, allowing continuous improvement in health and safety standards.

Initiatives and actions for improvement

Change in the National Safety Team structure to deliver effective support to the Group.

Link to Strategy

10 Deliveries per commercial vehicle



Measurement

Average deliveries per commercial vehicle per day in area following Transport Integration (delivery consolidation) project. Prior to the project, in 2019 it was 12.

Why it's important and relevant

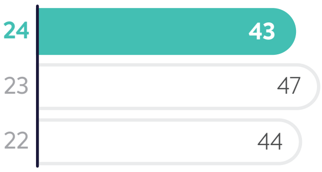
The Transport Integration project results in more deliveries per commercial vehicle, which reduces the Company's impact on the environment through a reduced number of vehicles needed to serve local areas.

Initiatives and actions for improvement

Transformation Plan simplifying our network.

Link to Strategy

11 UK Scope 1 and 2 emission reduction



Measurement

Percentage reduction in UK Scope 1 and 2 emissions (tCO_2e) against a baseline year set at 2019 on a location basis.

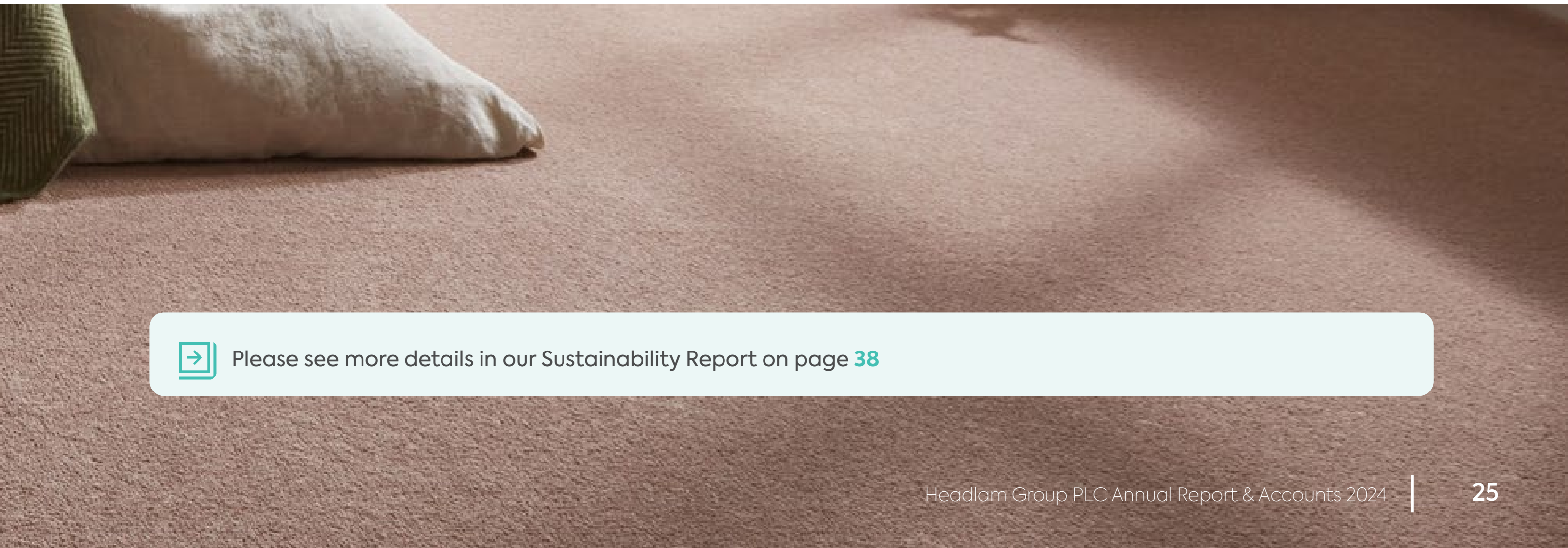
Why it's important and relevant

Need to meet the reduction pathway required to achieve the interim target of a 46% reduction by 2030, and reduce the Company's contribution to climate change.

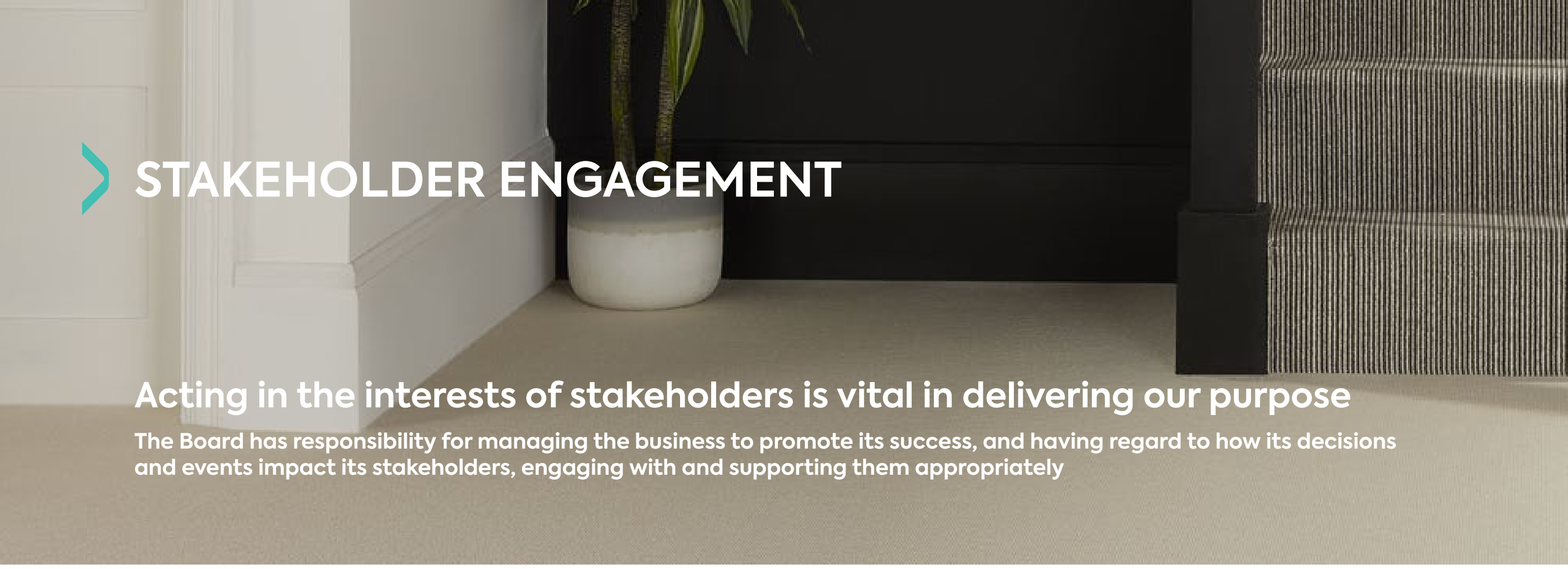
Initiatives and actions for improvement

Actively engaged in transition planning, with the main decarbonisation actions currently being pursued detailed in the Sustainability Report page 38.

Link to Strategy



Please see more details in our Sustainability Report on page 38



STAKEHOLDER ENGAGEMENT

Acting in the interests of stakeholders is vital in delivering our purpose

The Board has responsibility for managing the business to promote its success, and having regard to how its decisions and events impact its stakeholders, engaging with and supporting them appropriately

Our Colleagues

Relationship to Headlam
Colleagues are at the heart of our business, and are our greatest asset. There are over 2,000 colleagues at Headlam within a variety of departments, including warehousing, transport, sales, and administration.

How we support
We continue to focus on making Headlam a great place to work, and ensure colleagues share in the Group's long-term success.

How we engage
The CEO, CFO, Executive Team, and Non-executive members of the Board all have frequent interaction with colleagues, including site visits and both formal and informal meetings and forums (inclusive of the Employee Forum).

Effect on decision making, outcome, and benefits to stakeholders
Despite the weak market conditions, we continued to invest in the stratefic priorities. This is aligned with our fundamental belief that the long-term success of the business and the expansion of its market-leading position is of most benefit to all stakeholders.

Further investments in a strong health and safety culture.

Conducted our second colleague engagement survey, providing valuable insight into what is working well and what can be done to better engage our colleagues.

Took the decision to again tier our cost-of-living increases to ensure lowest-paid colleagues got the greatest increase.

We launched a transformation plan in September 2024, which has significant impact on some of our colleagues; we have carefully communicated and engaged with our colleagues throughout.

Our Customers

Relationship to Headlam
Imperative to our success and the growth of the Company.

We have an extensive customer base spanning independent and multiple retailers, small and large contractors, and house builders.

How we support
We provide our customers with a market-leading service through the largest product range, in-depth knowledge ecommerce and marketing support, and nationwide next day delivery service.

We help our customers grow their businesses through providing them with competitive advantages.

How we engage
Frequent interaction through sales representatives, dedicated service teams, and communications channels.

Six monthly customer surveys, and feedback mechanisms Focus groups, including on new product launches.

Effect on decision making, outcome, and benefits to stakeholders
We decided to continue investing in the strategy, and for the future, despite the difficult economic backdrop. This is aligned with our fundamental belief that the long-term success of the business and the expansion of its market-leading position is of most benefit to all stakeholders.

Considerable investment and progress in upgrading the network to increase the level of service to all customers.

Continue to improve the service propositions for all customer segments, including: i) rolling out the trade counter network to create a nationwide footprint that services both the fitter and general contractor market; and ii) rolling out a DSV proposition to larger retailers.

Our Suppliers

Relationship to Headlam
Key to ensuring we can supply the best product at a competitive price in a timely manner to customers / end-consumers.

We work with suppliers across the globe manufacturing the broadest range of products, and give them a highly effective route to market into the fragmented customer base.

How we support
Helping and supporting manufacturers with selling their products into our large and diverse trade customer base.

How we engage
Frequent visits to suppliers' sites and premises. Annual Supplier Conference held to share our insights and strategy with them, and how we can more effectively work together.

Sharing of sales data, and insight into customer and end-consumer buying.

Effect on decision making, outcome, and benefits to stakeholders
During the year we launched a transformation plan to simplify the business and its processes. This makes Headlam easier to do business with, which is beneficial for our suppliers.

We have continued to invest in growing the trade counter estate, which provides our suppliers with access to more of the fitter and contractor market.

Continued to work closely on sharing data, and ensuring an efficient and ethical supply chain.

Our Shareholders

Relationship to Headlam
The owners of the Company. It is important that the Board is aware of and solicits their views, and then evaluates these views in relation to the strategic and corporate objectives of the Company.

Key joint focus on the long-term success and sustainability of the Company.

How we support
Focus on delivering a long-term sustainable business that operates with the highest level of governance.

How we engage
Frequent regulatory announcements with appropriate levels of disclosure.

In-person presentations and meetings, including offering meetings at the Company's sites. Use of webinars and recordings to allow all shareholders to hear and view materials.

Solicitation and consideration of feedback, including on strategy and its oversight.

Effect on decision making, outcome, and benefits to stakeholders
The views of stakeholders, including shareholders were considered as we shaped and implemented both our existing strategic priorities and the transformation plan.

Efficiency and mitigating actions to help support margins and better align costs with the weak market backdrop. Ongoing scrutiny of operational performance, efficiencies, and the cost base.

The Board carefully considered the impact on shareholders of a cessation in the dividend whilst the transformation plan is executed.

Acting in the interests of stakeholders is vital in delivering our purpose

The Board has responsibility for managing the business to promote its success, and having regard to how its deceions ane events impact its stakeholders.

Our Communities and the Environment

Relationship to Headlam
Key to supporting the success of the Company's regional and national businesses.

We actively recruit people from local communities, so very important to the ongoing success of the Company by attracting great people.

Minimising environmental impact is cridtical to managing climate change, and the knock-on impact on communities.

How we support
Supporting communities through employment and engagement activities, and also by reducing our impact on the environment through out sustainability strategy.

How we engage
Engagement with colleagues to ensure aware of local causes and events.

Actively advertise job vacancies through word of mouth and locally.

Locally focused Communities Programme, which gives colleagues the opportunity to both volunteer and donate to projects and charities in their local community.

Effect on decision making, outcome and benefits to stakeholders
Through engaging with our communities and other stakeholders we identified a need for developing new trained fitters; we subsequently implemented fitter training programme, supported by our suppliers and also by our customers, who will employ our trainees at the end of their training programme.

Our s.172 statement

The Directors of the Company are required by Section 172 of the Companies Act 2006 to act in a way that promotes the success of the Company for the benefit of stakeholders as a whole and in doing so, they must also have regard to wider expectations of responsible business behaviour, specifically:

- the likely consequences of any decision in the long term;
- the interests of the Company's people;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly between members of the Company.

The Board understands the importance of engagement with its key stakeholders as only in this way can it truly understand their needs and concerns to support its decision making, and the likely impact of those decisions on each stakeholder group. The Company uses a variety of methods to engage, both formally and informally, believing that much can be gained from personal interaction.

The Board acknowledges that situations may arise where stakeholder groups have conflicting priorities of achieving its strategic objectives and the long-term sustainable success of the business.

Following consideration of the information contained within Stakeholders and Engagement, and all other activities and undertakings detailed in this Annual Report, the Board considers it has fulfilled its duty in respect of Section 172, both individually and collectively, and that it has acted in the way it considers would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1) (a) to (f) of the Act) in the decisions taken during the year ended 31 December 2024.

Chris Payne,
Chief Executive

Signed on behalf of the Board 11 March 2025

FINANCIAL REVIEW

Adam Phillips,

Chief Financial Officer

"Whilst the challenging market conditions have significantly impacted profitability, the progress on the transformation plan resulted in a significant cash inflow for the year."

Summary income statement

	Underlying[1] result 2024 £m	Non-Underlying items 2024 £m	Total 2024 £m	Underlying[1] 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 profit/(loss)	(27.3)	(7.2)	(34.5)	16.1	(3.9)	12.2
Net finance costs	(7.0)	—	(7.0)	(5.1)	–	(5.1)
Profit/(loss) 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

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 note 3 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.

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, 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.£3 million to c.£1 million 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 Operating Profit £m
2023	**11.0**
Volume	(19.4)
Gross margin	(7.1)
Strategic investments	(2.7)
Cost inflation	(7.4)
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: £3.9 million 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.
- £3.7 million inflow from receivables, reflecting the reduction in revenue.
- £10.7 million 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) was received in the year in respect of the sale of properties, 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 £72.4 million, 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

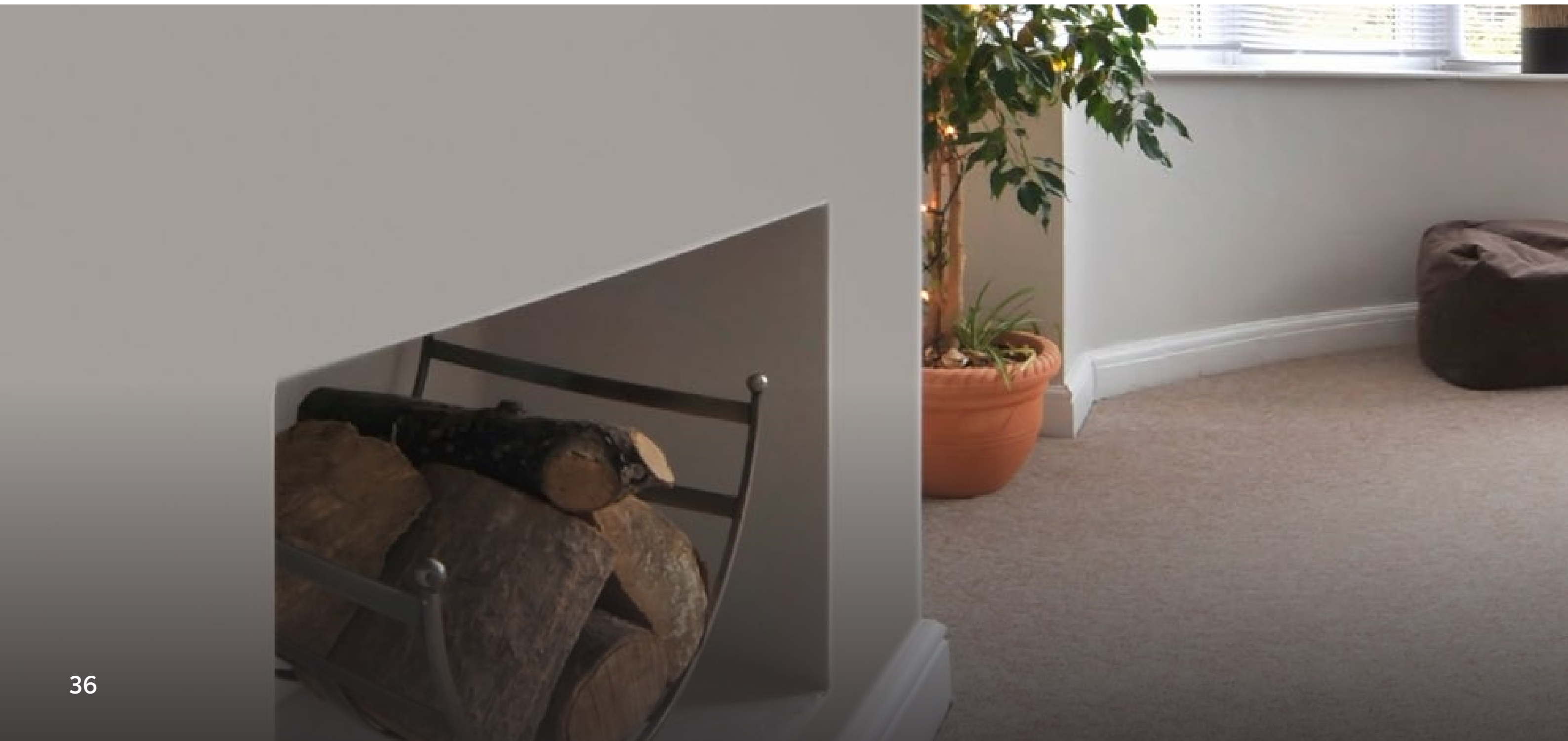
During the year the Group completed a buy-in arrangement with Aviva in respect of the Headlam Group PLC Staff Retirement Benefits Scheme (the 'Scheme'), which further strengthens the Group's balance sheet. The buy-in secures an insurance asset from Aviva that matches the remaining pension liabilities 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:

Priority		Rationale
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 it is 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

SUSTAINABILITY AT HEADLAM

Sustainable by design

As we accelerate the delivery of our strategy, we are ensuring that ESG is a key consideration in the design of our business.

Our first example of this has been the take-back trial we have successfully completed at our Northampton site. The trial has taught us about the types of materials we are likely to receive, how best to work with our waste management provider and how valuable this service is to our customers. We'll be extending this trial in 2025 and I am confident that if this extended trial is a success we will be able to scale up a take-back scheme with national geographic reach through our Trade Counter network, thus enabling our customers to recycle with ease.

We have also collaborated with several of our suppliers to create our Trainee Flooring Fitter programme in which we have funded four trainee fitters through a six-month training programme provided by our suppliers. We have created this programme to help increase this valuable skill set in the market for the long term sustainability of the industry and we envisage this programme growing over time. At the end of the programme we will work with our customers to place trainees in roles in their businesses.

As you will see from this report there have been many other achievements this year including setting our Scope 3 near term and long term targets, improving our waste management processes, improving our colleague engagement result by 5ppts, supporting our colleagues' development and improving our governance and controls. I truly believe that this has been achieved because our ESG plans are integral to our business strategy.

Chris Payne,

CEO

"As a distributor, to be truly sustainable takes a coordinated effort across the flooring industry and I am proud to say we have had successes in demonstrating our ability to do this to improve the sustainability of our environment and communities this year."

Environmental

Priorities

a. Product design
b. Service design
c. Building design

Why we have chosen them

a. To meet the long-term ambition of creating a circular product cycle we must act now to engineer products to use more recycled material and be recyclable at end of life
b. Creating a scalable take-back scheme enhances our customer offer and supports sustainability
c. As we open new sites (Rayleigh and Trade Counters) we should continuously improve their energy efficiency and minimise carbon emissions

Progress made

a. Engaged with several key suppliers to create joint product development plans. Working as part of Carpets Recycling UK to develop Sustainability Pledge across the industry
b. Take-back scheme successfully trialled in Northampton Trade Counter
c. Facilities planners fully engaged in environmental planning as part of site development which incorporates waste, energy efficiency, biodiversity etc

Outlook

a. Educate the central buying team, under the leadership of the new Chief Buying Officer, to develop more sustainable products
b. Extend the take-back trial to a further four sites
c. Work with operations and property teams to create building blueprint for optimum sustainability

Social

Priorities

a. Engagement plans to create the right environment to attract and retain the best colleagues
b. Community plans to support the sustainability of local communities and the industry

Why we have chosen them

a. We need to attract and retain colleagues with the right skills, knowledge and expertise. We truly believe that engaged and motivated colleagues provide the best service and apply their knowledge and expertise to their fullest
b. A lack of trained flooring fitters is an industry wide challenge, and by working across our supply chain we can help to grow this valuable resource whilst also providing employment and training for our local communities who need it

Progress made

a. Colleague engagement increased by 5% year on year, especially in areas of investment e.g. leadership training
b. Trial of fitter training programme successfully conducted

Outlook

a. Maintain progress on engagement throughout the implementation of further business changes focusing on improving processes, colleagues feeling heard and improved local communication
b. Extend fitter training programme to two cohorts

Governance

Priorities

a. Buying process review (supplier and product selection)
b. Systems and reporting requirements

Why we have chosen them

a. Fully centralised UK Distribution buying and supply chain teams enable consistent group processes. Scope 3 targets now set enabling focused planning
b. The new ERP implementation programme means we will be reviewing several systems across the business and have the opportunity to influence the data that will be collected

Progress made

a. ESG standards and assurances form part of the new product introduction process for own brand products. Scope 3 targets have been set and agreed
b. ESG Director has contributed to the appropriate ERP requirements workshops

Outlook

a. Scope 3 actions plans defined in 2025, continue to inform and educate buying and supply teams on responsible sourcing best practices
b. Review and develop ESG data and reporting capability to create harmonised ESG dashboard and confirm requirements for new ERP Programme

ENVIRONMENTAL

Environmental

Key achievements in 2024:

- Scope 1,2 & 3 targets aligned and set to be net zero by 2040
- 46% reduction of Scope 1 and 2 against a 2019 baseline
- Waste monitoring and reporting now implemented in all major distribution centres
- Introduced our first recycling centre service for our trade counter customers
- Partnership with waste management & recyclers to ensure end of life material is regenerated
- EV Salary sacrifice scheme available to all colleagues
- ISO 14001 certification achieved in our national distribution centres

We continue to be committed to protecting the planet and aim for our emissions to be net zero by 2040.

Our focus is on developing products that can be renewed, repurposed and easily recycled for reuse in the products we supply. We are creating a supply chain that is circular and includes taking responsibility for recovering as much material as we place onto the market.

Reducing our Carbon Emissions

We continued throughout 2024 to deliver against our carbon reduction target timeline and have now set our target and timescale for Scope 3. The Company will follow a 'true' Net Zero strategy whereby it will focus on actual decarbonisation in achieving these targets and only consider offsetting actions for the residual 10%. We will continue to use a science-based approach and have aligned our Scope 1 & 2 target to our Scope 3 timescales. We will continue to measure Scope 1 & 2 against a 2019 baseline and Scope 3 against a 2023 baseline.

We have now set an interim target for Scope 3 whilst Scope 1 & 2 will remain in line with our previously published commitment to achieve a 46% reduction by 2030.

Our focus for 2025 will be on product development following our sustainable by design principles see ESG Priorities for 2025, non-commercial fleet, promoting and educating colleagues on good energy behaviours.

Transport Efficiencies

In 2023 we invested in Webfleet, a vehicle telematics system which enables us to focus on several key metrics around driver behaviours, safety and efficiencies. We have since seen a 23% reduction in driving events, (for example heavy braking). We have also seen significant fuel savings gained through reduced idling.

Our fuel efficiency in miles per gallon (mpg) has increased by 5% since introducing Webfleet and we have reduced the number of routes we operate through smarter planning by 5% and increased the utilisation of our fleet.

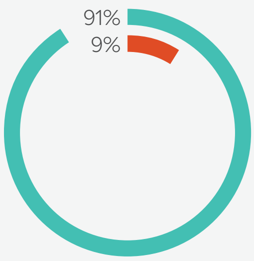
Energy Intensity

In the last 2 years we have invested in solar panels across 12 of our distribution centres with the final installation taking place in Coleshill in 2024. They are now generating an average of 49%[1] of their consumption requirements. In addition, the facilities which operate under solar have seen on average 32.5% reduction in energy costs against the comparative periods in 2023.

Gas usage has also dropped by 15% across the Headlam Group operation as we change our behaviours and reduce our reliance on fossil fuels. We will continue to review ways to further reduce our consumption and invest in renewable energy solutions whenever possible.

1 Data used May 24 to Dec 24 compared to same period in 2023, as Solar operational from May 2024.

UK and Continental Europe Scope 1 and 2 emissions 2024 Full Year Data



Scope 1: 91% (14.0ktCO_2e)

Scope 2: 9% (1.6ktCO_2e)

Net Zero Emissions Timeline

Key Achievements and Targets

2023

Solar panels installed across 11 of our 13 largest sites

Achieved ISO 14001 environmental certification at key sites

Over 85% of UK non-commercial fleet electric/low emission

Good Energy and Recycling Behaviours workshops held at 11 of our largest sites

Continued trailing of electric/low emission commercial vehicles

Transport integration completed

2024

Use telematics to improve driver behaviours resulting in emissions reductions

Review waste management across UK distribution sites in order to implement best practice, reduce waste and set targets

Scope 3 strategy and targets to be developed

Continued trial of low emission commercial fleet vehicles

Trial of Trade Counter take-back and recycling scheme in Northampton

Launched EV salary sacrifice scheme

2025

Scope 3 targets introduced

Carbon workshops commenced with buying team. Further planned through 2025

2030

Interim target of 46% reduction against 2019 (Scope 1 and 2)

Roll-out of low carbon commercial vehicles

Potential heating electrification to reduce gas consumption

2032

Interim target of 42% reduction of Scope 3 emissions against 2023 baseline

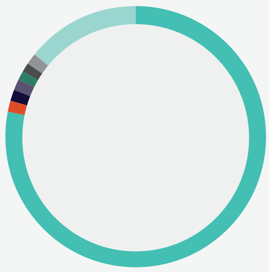
2040

Net Zero emissions target (Scope 1, 2 and 3)

Ongoing trialling and introduction of electric/low carbon commercial vehicles

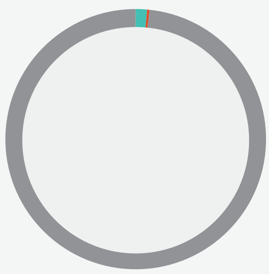
Environmental

Scope 3 Emissions 2024 Full Year Data



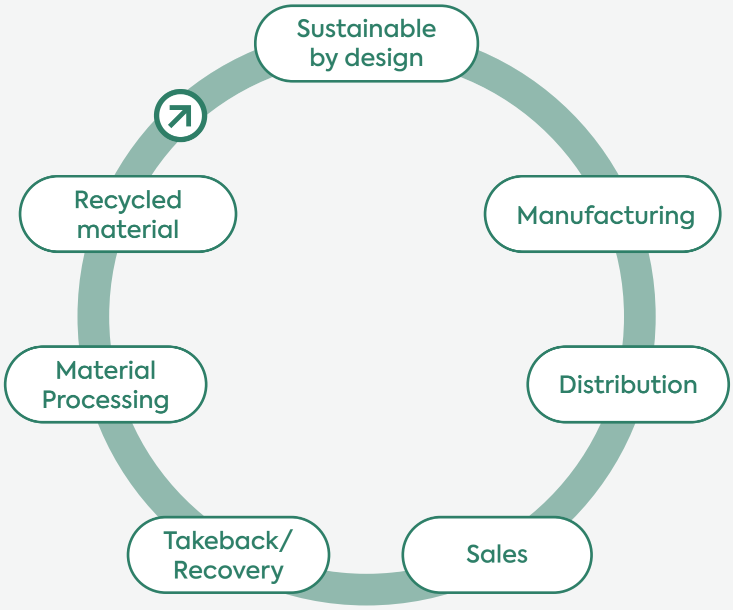
- Purchased goods and services 80.2% (653,926 $ktCO_2e$)
- Capital goods 0.5% (3,848 $ktCO_2e$)
- Fuel-related Emissions 0.5% (4,133 $ktCO_2e$)
- Upstream Transportation and Distribution 0.4% (3,215 $ktCO_2e$)
- Waste Generated in Operations 0.1% (949 $ktCO_2e$)
- Business Travel 0.4% (351 $ktCO_2e$)
- Employee Commuting 0.3% (2,204 $ktCO_2e$)
- End-of-life treatment of sold product 15.9% (129,949 $ktCO_2e$)

Total Scope 1, 2 and 3 Emissions: 815,119 tCO_2e 2024 Full Year Data



- Scope 1 1.9% (15,339 $ktCO_2e$)
- Scope 2 (location-based) 0.1% (1,205 $ktCO_2e$)
- Scope 3 98.0% (798,876 $ktCO_2e$)

Sustainable Product Development



In 2024 we focused our attention on understanding how sustainable the full product lifecycle is and how this contributes to our Sustainable by Design programme.

We have invested in trials to manage products at the end of their life, providing a facility that takes them back. Through partnerships with recyclers and manufacturers, we ensure that as much material as we recover through our recycling centres is processed back into raw materials that can be used again and again in as many of our products as possible.

Our Florprotec brand offers a collection service at end of life, and we are working with a recycler and the manufacturer to ensure this material is re-used in new Florprotec product.

We are also working with major carpet and vinyl flooring manufacturers in the UK and Europe designing new broadloom and vinyl ranges that can be easily recycled, removing the reliance on specialist recyclers and improving the quality of recycled material.

Take-back Scheme

We stated in our 2023 report that we would introduce a full take-back and recycling scheme and in May 2024 we launched this facility to our Mercado Northampton trade counter customers.

During the trial this service has been provided free to our customers to encourage them to bring back uplifted flooring (post-consumer waste), off cuts (post industrial waste), underlay, vinyl, LVT, laminate, packaging (plastics & cardboard) and general waste.

Customers using the facility have welcomed the recycling centre and are regularly using it. Having the ability to drop any off cuts or uplifted material from the previous job, without having to use additional waste disposal facilities or services, saves them both time and money and knowing that the waste material is being recycled.

Partnerships
Biffa provide the bulkers and skips and routinely collect and sort the materials into raw material component types; for example, on broadloom carpet, by using chemical analysers they sort into polypropylene, polyester, nylon, wool and mixed materials.

Once sorted, the polypropylene broadloom carpet will be sent to a specialist recycler, who process and recycle back to polypropylene pellets and make it available to the industry to produce new products.

We also promote and work with Recofloor who facilitate the collection of Vinyl and LVT on behalf of Polyfloor and Altro.

This is the first flooring recycling centre in the UK and in the first six months we collected, processed and recycled over 135 tonnes of material.

Water

The Company is not a large consumer of water, which is primarily used for cleaning its commercial vehicles, and continues to engage in limiting usage whenever possible.

Waste

In 2024, we diverted 86.5% of our operational waste from landfill of which we have recycled 15% from our UK Distribution Centres.

We have introduced recycling bins into our largest distribution centres and encourage all colleagues to reduce waste and recycle wherever possible. We continue to look for alternative solutions for repurposing stock that is discontinued or end of roll, many of which are sent to our Melrose Interiors business who transform them into rugs. Where product cannot be repurposed it will be recycled either through our manufacturers or through recycling facilities specialising in textile or resilient flooring.

The Group continues to use the most sustainable sources for packaging ensuring the products' integrity remains during transit to avoid damage and unnecessary waste.

We continue encourage all our businesses to recover and reuse poles and pallets wherever possible. All packaging that cannot be reused is recycled through our waste management partners.

Through our Mercado recycling centre in Northampton, we encourage customers to recycle all packaging through our facility and c.8% of material disposed of is derived from packaging.

Raw Materials

The Headlam Group recognises we rely on natural raw materials to produce our products and always look to use the most sustainable solutions available in a responsible way. Through our Sustainable by Design programme, we look at renewable materials first and incorporate these wherever possible, many of which can be found in our flagship brand, Crucial Trading.

We ensure all timber used is from verified and legal sources and have due diligence systems in place and by working with recognised specialist third party organisations such as Track Record Global who ensure all our imported timber supply chains are traced to source.

Where non-renewable raw materials are used, we encourage the inclusion of recycled materials and are developing our products to be easier and more recyclable at end of life.

SOCIAL

Social

Key achievements in 2024:

- Colleague Engagement score in September 2024 was 72%, an improvement of 5ppts year on year and 1ppt behind the industry benchmark
- Reduction in RIDDORs by 30% year on year
- Safety culture training has been attended by all leaders
- 1,300 colleagues have accessed online learning through our new learning portal and over 780 colleagues have attended face-to-face training on leadership, safety or sales
- Sales through Service Apprenticeship launched in Trade Counters
- New HR and payroll system implemented improving colleague visibility of their employee file and rewards
- Gender pay gap reduced year on year
- Strategic approach to community support taken in Leeds through Trainee Fitter programme delivered to help bridge the skills gap in the industry and improve employability in the area

Making Headlam a great place to work with a positive impact on communities

Our Colleagues

Across the UK, France and the Netherlands Headlam Group Plc employs c.2,330 people, with 2,075 of those based in the UK. Colleagues are at the heart of our business, and are our greatest asset. We continually focus on making Headlam a great place to work, and ensure colleagues share in the Group's long-term success.

Whether our colleagues work in our warehouses, are part of the transport team, represent us in sales and trade counters, support our customers in our sales offices or help the business behind the scenes in our support functions, we have a range of working arrangements available to attract and retain colleagues who live our values:

Keep each other safe and well, always

Lead by example, we are all leaders

Work together, with everyone

Act sustainably, use less, waste less, give back

Keep improving, everywhere

Get it done, brilliantly

And always, do the right thing

The ways of working which underpin these values and demonstrate our commitment to fostering a culture of integrity can be found in our Colleague Code of Ethics Policy and other workplace policies, many of which are published on our corporate website. Our Colleague Code of Ethics, which we refer to as The Headlam Way covers a range of topics including safety, behaviours towards each other, conflicts of interest, sustainability, bribery and corruption, fair competition, confidentiality and other topics all intended to ensure that we work together, serve our customers, do business with our suppliers, support our local communities and maintain a sustainable business for our shareholders. It also refers to and complements our Speak Up policy which ensures that our colleagues know how to confidentially raise whistleblowing concerns which are seen directly by our Audit Committee Chair. All new colleagues at Headlam have the opportunity to familiarise themselves with these policies as part of their online induction and important changes and updates are communicated through our monthly leadership call and our manager briefings.

In the UK Headlam employs salaried colleagues exclusively and we do not employ anyone on a zero-hour contract. Our colleagues are entitled to several employment benefits and rights from day one of employment including company sick pay and the right to request flexible working, with just over 5% of colleagues having flexible working patterns in place. In 2024 most of our colleagues were permanent workers with temporary workers making up approx. 0.64% of the workforce on average across the year. Temporary workers are primarily engaged to manage peaks in work, cover long term absences or support through period of transition during business change projects.

We have a number of careers available to our colleagues and we have brought these to life in 2024 with a series of articles about our colleagues who have progressed through the business. We strongly believe that this, coupled with our colleagues' commitment to support our customers and each other is why we have tenured service at Headlam.

Length of service

Our long serving colleagues, with their in-depth knowledge of our customers, services, products, processes and systems are a foundation of our success and so we continually focus on ways to retain them and you can read more about this in the Reward, Learning and Development, Colleague Engagement and Community sections of this report. Uncontrolled labour turnover is one of our 3 key People KPIs, along with attendance and engagement, and throughout 2024 we have implemented actions to improve all three.

We also believe that to achieve our strategic ambitions we also need to diversify the skills and experience of our workforce through the targeted recruitment of talent. We have brought in expertise from other industries to strengthen our knowledge base, have improved our ability to talent bank core skills, which are in high demand across our industry, and have worked with recruitment sites and agencies to ensure that candidates have a much better overview of our business and the exciting opportunities available to them. Improving our attraction and selection methods will be a key priority for us in 2025 as we invest in a new careers website and applicant tracking system to give us greater insight into who we are attracting and improve our processes to provide an excellent candidate experience whether the candidate is internal or external.

Keeping each other safe and well, every day

2024 has seen a change in the National Safety Team structure to ensure we deliver an effective support to the group. We have seen a reduction of over 30% from 2023 in RIDDOR's reported as set out in the table on the right hand side.

There has been a real focus this year on training throughout the group including 'accident Investigation' 'IOSH Leading Safely' Say it See it' and 'Felt' Training.

We maintained our ISO 45001 standards throughout 2024 with successful audits of four of our key sites.

We have seen a 3% increase in engagement survey results in relation to colleague's thoughts on how safe they feel in the workplace.

The RIDDOR incident frequency rate for every 1,000,000 was 4.12 in 2024 against the recommendation from HSE of 3.77.

Type of RIDDOR Incident	2024	2023
Slip, trips and fall	2	9
Struck by moving vehicle	3	6
Contact with machinery	2	0
Hit by moving/falling, flying object	1	0
Handling, lifting, Carrying	4	2
Fall from height	3	3
Other	2	5
Total	**17**	**25**

2025 will see us introduce a Safety Culture platform throughout the group that standardise how we manage our safety processes. This will act as a fantastic engagement tool for all colleagues to contribute to a safer working environment for all.

Supporting our colleagues through change

There were several changes across the business in 2024 as part of the acceleration of our plans to transform Headlam.

Whilst there have been many positive opportunities arising from these changes, including a move to industry leading reward for our sales teams, new roles in many of our departments, simplified processes and improved ways of working, there have sadly been colleagues who have been at risk of redundancy.

Social

In 2024 we consulted with c.230 colleagues across six business change projects. As a result of these changes c.180 colleagues left the business through redundancy, c.20 colleagues resigned before the consultation process concluded and we are pleased to say that just over 30 colleagues were redeployed within the business. Through the year we improved the support we give to colleagues who are at risk of redundancy and now ensure all at-risk colleagues have access to outplacement support through a third party, can access pensions advice and are made fully aware of the comprehensive support we have in place for all forms of wellbeing including mental and financial. You can find more information about the support we provide in the Wellbeing section of this report.

Details of the training and support that we provided to leaders to help execute these changes can be found in the Learning and Development section of this report.

Colleague Engagement

We are immensely proud of the improvement in our colleague engagement score in 2024 which improved by 5ppts to 72% against a challenging backdrop of business change and tough market conditions. This improvement is testament to the focus and importance that our leaders put on making sure that Headlam is a great place to work for everyone. We saw a year-on-year improvement against every question asked in the survey.

CEO Open Forums have continued across our sites through 2024, offering colleagues from different departments and at all levels to hear directly from Chris and ask him anything that is on their minds. Chris communicates themes arising from these forums to the appropriate senior leadership team colleagues and takes responsibility for resolving issues.

We held four face-to-face Employee Forums in 2024 and four virtual forums. More information about the discussions at these forums can be found in the Stakeholder Engagement section of this report. Our in-person Employee Forums are attended by our CEO and Karen Hubbard (Non Executive Director) who reports back to the Board on ideas, suggestions and obstacles raised by our colleagues.

As part of our ongoing commitment to listening to our colleagues and learning from their experience, several Area Sales Manager (ASM) forums took place across the year providing us with the opportunity to hear our sales colleagues' ideas regarding supporting our customers, products, sampling and point of sale materials, training, and marketing. A cross functional approach was taken to improve our product and service quality with regular colleague forums taking place to discuss quality issues and suggested improvements including colleagues from our warehouses, our drivers, sales office colleagues and ASMs.

Learning and Development

In 2024 we launched our new learning management system, Eloomi, which provides colleagues with access to over 600 elearning modules, the ability to book on to face-to-face training, the creation of playlists, reporting capability and a user-friendly way to develop bespoke elearning content. Since launching the platform over 1,300 colleagues have used it to access learning, online content has had over 15,000 views and nearly 9,000 online courses have been completed. Over 780 people have attended the 118 training sessions delivered in 2024.

We also started to deliver our new leadership programme, Lead the Way consisting of 2 levels of leadership development delivered face to face. Feedback from managers was positive across all modules and in our engagement survey 89% of our managers said that they know what is expected of them to manage their direct reports well, which was an improvement of 5ppts year on year. More importantly we saw a 7ppt improvement on questions relating to how colleagues viewed their line manager which put us 7ppts above the industry benchmark for leadership.

Managers and leaders continued to benefit from Health & Safety training throughout the year with DSS+ delivering Felt Leadership training for our senior leaders which covers the importance of creating a Safety culture, and See it, Say it training for our management teams.

We invested in training for our sales teams by providing our Area Sales Managers (ASMs) with Driving Sales Growth training, a programme designed to help them to hone their selling skills. Our Regional Sales Managers attended Delivering Sales Performance to help their ASMs embed their training, provide guidance on field observation and feedback and to support their coaching skills for 121s, appraisals and team meetings.

As part of the acceleration of our strategy through the implementation of our Sales Transformation and Network rationalisation we provided impacted leaders with training to help them to lead through the change process. This not only explored their potential reactions to change but also how their teams may react and the support they can provide to help colleagues to adapt.

To complement our existing Driver, Warehouse and Supervisor and Manager apprenticeships we successfully launched our first bespoke Headlam apprenticeship for our Trade Counter teams, Sales through Service, a level 2 Customer Service Apprenticeship. This provides our Trade Counter Assistants with an opportunity to further develop their skills to support their career development ambitions. To help bring careers at Headlam to life for all our colleagues we have commenced a series of articles on our internal communication channel, myHub, highlighting career stories of a selection of colleagues as well as "Day In The Life Of" articles.

Reward

We have continued to invest in colleague reward following the great work we had already completed on improving sick pay, increasing holidays and introducing a range of new benefits over the preceding years. This year we have focused on improving colleague benefits and incentives and visibility of their own records. We started the year by benchmarking our car allowances, and retendered for our company car fleet provider which resulted in a new partnership providing a broader range of better-quality cars for our colleagues. The provider also delivered online driver training and a voluntary Electric Vehicle scheme for non-company car drivers.

We have kept a focus on encouraging colleague recognition this year and have seen an increase of 32% in colleague recognition cards or awards through our central My Headlam Heroes scheme. As a result, our colleague engagement survey score for the question 'In the last 12 months, I have received recognition for doing a great job or to celebrate an achievement at work' increased by 6ppts.

To support our ambition to be a market leading flooring sales employer we conducted a full review of our Area Sales Managers (ASMs) pay and benefits in advance of the sales transformation announcement. This resulted in uplifting ASM pay and incentives to create market-leading packages. All sales colleagues were also awarded market value share options to better align their performance with the interests of our shareholders.

Improved visibility of pay and benefits was achieved in 2024 by launching a new people and payroll system. The new system provides colleague and manager self-service providing efficiencies to our finance team and better reporting capability for the HR team. The new system, which is integrated with our new payroll system, has allowed us to introduce holiday purchase for the first time as a direct result of feedback from our Employee Forum. This went live in January 2025.

To read more about our Reward and pay principles please refer to our corporate website.

Case study

Our colleagues continue to give both their time and Headlam donations to our local communities through myHeadlam Community.

This year we have supported charities such as Breast Cancer Now and MacMillan with coffee mornings, raised money by abseiling for Acorns Children's Hospice and the Aston Villa Foundation, run pot noodle drives for the Newbury Soup Kitchen and spinathons for the local cycling club, donated to excellent causes such as Smiling Families, Dementia Connect and even sponsoring an elephant sculpture for St Giles Hospice March of the Elephant event. Our colleagues have also supported several local sports teams to enable them to keep their local communities connected, fit and healthy including Stopsley United FC, Victoria Bowls Club, and Boldemere FC.

Social

Wellbeing

Headlam offers a range of wellbeing resources for colleagues to access on our colleague communication and benefits platform. These include an Employee Assistance Programme service which offers a broad range of advice and support and unlimited counselling for colleagues.

Finance wellbeing support has been provided by Salary Finance which supports our colleagues with personal finance products including savings and loans, resources and information; and our support of the Furniture Makers' Company provides our colleagues with access to crisis support through their helpline 'Shout'.

Finally, we continue to train a team of colleagues across the UK to provide mental health first aid, which includes a partnership with Everymind.

Our engagement survey results demonstrated that our efforts to improve wellbeing support to our colleagues has continued to be valued with an increase of 3ppts in our wellbeing score year on year, taking us to a score of 76% and 6ppts over the benchmark score for our industry comparators (as confirmed by our outsourced colleague engagement consultants who administer our survey, Workbuzz).

Diversity, Equity and Inclusion

We know that diversity brings fresh ideas, different ways of thinking and better represents the huge array of customers we support and so we remain committed to attracting and retaining a diverse workforce by creating an inclusive place to work. In 2024 we focused on attracting and retaining two of the many groups we represent in our workforce; females and colleagues from ethnic minorities, however, through all our decision making we ensure that we strive to be inclusive to all colleagues.

Diversity in gender

Females make up 24% of the overall workforce at Headlam with changes at the most senior levels of the business starting to have a positive impact on the proportion of women in leadership roles. During 2024, 50% of the Executive Committee were female, we had our first all-female trade counter team, and we saw an increase of 10 ppts of female at middle management levels in an industry which is overwhelmingly male dominated. By working closely with our recruitment agencies to insist on balanced long lists, providing females with the confidence to apply for internal opportunities and supporting them by ensuring they can access development and by showcasing the successful careers that females can have in our business we hope to see the number of females in Headlam grow. For more information about work we have completed and continue to do to encourage gender diversity please see our gender pay gap report in which we report a Headlam UK mean pay gap of -4.1% and a median pay gap of 1.6% on our corporate website.

Diversity in ethnicity

We have a target to get to 10% of colleagues who have disclosed themselves to be from an ethnic minority group across the business by 2028. We will focus on our UK businesses where we know that our local communities have an ethnic minority population of approximately 18% (based on ONS data).

We started the year by focusing on five key sites: Leeds, Ipswich, Coleshill, Scotland and Gildersome where they had the headcount, turnover and local demographic to be able to make a change over a four year period. Focusing on these sites enabled us to provide strong support to the management teams, experiment with attraction methods on a local level and build the requisite community relationships.

We have met with the hiring managers from Leeds, Ipswich and Coleshill who have all been briefed and are now underway with unconscious bias eLearning, recruitment and selection eLearning, utilising and reviewing our current onboarding guide, recruitment guide, interview questions & feedback guidelines. In 2025 we will focus on developing relationships with local community partners who support disadvantaged groups into employment.

We also have introduced a suite of Diversity and Inclusion resources for any colleague to access via our learning platform Eloomi.

This year the proportion of ethnic minority colleagues has moved from 7% to 7.7%.

Preventing harassment

From October 2024 the Worker Protection (Amendment of Equality Act 2010) Bill strengthened existing protection for workers against sexual harassment.

As part of our efforts to meet this obligation we have invested in training for every colleague at Headlam in the UK to ensure that they understand what constitutes harassment (against any of the protected characteristics), what they should do if they experience or witness it, and Headlam's likely response. We have selected a team of investigators from across the business who have received training to ensure that they can competently and confidently carry out harassment investigations which are inherently more complex than standard disciplinary cases. Posters are visible across our offices, distribution centres and trade counters to remind everyone that we will not tolerate the harassment of/by our colleagues and instructions on how to report an incident. Our Inclusion and Respect at Work policy has been updated to specifically include a section on sexual harassment. Finally, we have completed sexual harassment risk assessments for the different roles across the organisation to identify where we need to focus preventative action.

Public commitments

We have now signed the opening doors campaign led by Business in the Community (BITC) to make jobs more inclusive. Our commitments are as follows:

- Removing bias from interview process (training or guidance doc)
- Review where we are advertising jobs to attract a more diverse candidate pool
- Partner with organisations that support disadvantaged groups
- Ensure our imagery is diverse

We are signatories of BITC's Race at Work charter which publicly demonstrates our commitment to improving equality of opportunity across Headlam. This Charter has seven calls to action for businesses, many of which we are working towards.

Finally, Headlam are represented on two of the BITC Regional Boards, East Midlands and Yorkshire & Humber.

Community

Through making use of the BITC community needs analysis, we have identified which groups in the local community most need support. This provided us with insight into Bulwell, which is local to our Nottingham site and last year we reported on the partnerships we developed with Bulwell Academy and Bulwell Forest Gardens. These relationships have continued and in 2024 our Nottingham team, suppliers and customers donated over 100 Easter eggs to the children that visit the centre. Through donations we have made in 2024 we have also been able to fund a weekly forest school session throughout 2025.

This year we have extended the Community Needs analysis to Leeds which identified that we can have the biggest impact in Leeds through providing training and employment opportunities. As a result, we will have piloted our Trainee Fitter programme in Leeds. This programme looks to address the lack of training within the area, whilst also supporting the sustainability of the flooring industry, which has a reducing population of trained flooring fitters. We have created a 6-month training programme in partnership with 7 of our suppliers. The training programme gives the trainees a fully rounded experience of all aspects of floor laying. During the programme the fitters will support various local community projects to hone their skills and demonstrate competency to their assessors. At the end of this programme, we will help trainees to find jobs with our customers. This is a great example of the flooring industry pulling together to support local communities and improve the sustainability of the industry.

Governance

Our commitment

Leading on sustainability and environmental responsibility and Making Headlam a Great Place to Work for everyone are two of the five pillars of our strategy see pages 18 to 21 and as such we set targets annually to ensure continuous improvement to achieve these ambitions. The governance we have in place to track progress against these actions are hard wired into many of our ways of working, standard reporting and meetings to provide leadership and management with an opportunity to share latest performance, further actions they are taking, risks and issues which may have arisen, and any support required.

Ensuring that colleagues know what is expected of them will always be a key focus for the leadership team at Headlam, and we have a variety of ways in which we assure this. Our Colleague Code of Ethics, workplace policies and standard operating procedures are reviewed regularly and are made available to all our colleagues through our intranet and communications portal. We hold regular briefings with colleagues at all levels including monthly leadership briefings, management communications, team meetings and toolbox talks.

These communications not only provide an opportunity to remind colleagues of our policies and ways of working but also ensure that they are aware of their key priorities, how these priorities help us to achieve the business strategy and provide them with an insight into how they are progressing.

Karen Hubbard,

Non-Executive Director

"In today's business landscape, ESG governance is not just a responsibility – it's an opportunity. By embedding environmental, social, and governance principles into our core strategies, we ensure long-term resilience, drive meaningful impact, and build trust with all our stakeholders."

This is further supported by the opportunity to set objectives and review them through the check in process. Formal meetings such as Board meetings, Executive Performance Reviews, Commercial Performance Reviews, Audit and ESG Committee meetings provide high level oversight of what has been achieved, how it has been achieved and proposed actions.

ESG Committee

We have an established ESG Committee at Headlam to assist the Board of Directors in providing oversight with respect to the ongoing development and delivery of the ESG strategy. The Committee is chaired by the Chief Executive and has one of the Non-Executive Directors in attendance along with the Chief People and Sustainability Officer, the Chief Customer Officer and several senior leaders, including our ESG Director. A copy of the ESG Committee terms of reference can be found on the corporate website. In 2024, the Committee met on four occasions and discussed every aspect of the ESG strategy including Health & Safety, decarbonisation, waste management, the take-back scheme, sustainable product development, ongoing ethical sourcing audits and raw material traceability checks by recognised independent third party bodies, quality and service, fleet innovation, inclusion and wellbeing, policy changes, regulatory horizon scanning, packaging, colleague development, colleague engagement and community.

Executive Accountability

To ensure appropriate Executive focus on ESG, the Board ensures that ESG targets are included in both the Annual Bonus Scheme and the Performance Share Plan for Executive Directors and members of the Executive Team. Details of the Annual Bonus Scheme objectives for 2024 and the Performance Share Plan targets for all in-flight schemes can be found the in the Remuneration Report of the 2024 Annual Report and Accounts.

Progress against all ESG targets are presented through the ESG Committee. Key environmental, community and people initiatives are reviewed at monthly Executive Performance Review meetings and service, quality and compliance updates are provided through the Commercial Review Progress meetings on a monthly basis, or when required, at the weekly Executive meetings.

Sourcing

Our responsible sourcing programme continues to strengthen with our supplier onboarding process as the foundation, before a supplier can trade with the Group they must complete our due diligence assessment, which includes completing a comprehensive questionnaire, reading and signing up to our supply chain values through our supplier code of conduct and sustainability charter.

If required any risks associated with human rights, health & safety, environment or business ethics must be addressed before we award any business or commence mass production.

GOVERNANCE

Governance

We remain members of SEDEX and require all suppliers manufacturing products under a Headlam brand to undergo an independent audit, every two years, using the SMETA format, covering human rights, health & safety, environment & business ethics.

We are looking to further strengthen our processes in 2025 by working collaboratively with our suppliers to build a more circular supply chain, taking more accountability for material recovery, raw material selection and use; and looking at innovative solutions to further reduce our impact on the environment.

Timber remains an important commodity to the Group and we will continue to ensure all our supply chains are not causing any form of deforestation or degradation by working with manufacturers and verifying through independent specialist organisations. Our Domus business continue to maintain their FSC Certification and we only work with suppliers that can provide certified timber material.

Quality

Supplier Management

Quality is an essential part of our values and we demand that all our suppliers deliver to our agreed standards. All products sold under a Headlam brand must be compliant with all applicable UK and EU regulations, fit for purpose and perform as described. Our quality management team are continually reviewing customer feedback to ensure our brands are meeting their expectations. Any supplier or product that falls below our acceptable quality limits (AQL) undergoes an immediate quality review to understand the root cause of why our standards have not been achieved supported by a corrective action plan.

Operations

During 2024 we focused on our operations to ensure our customers are receiving their orders on time, in full and free from damage. Working alongside our customer support team and using our customer feedback our central operations team have implemented a number of key improvements to ensure our customers continue to receive the best and most reliable service available.

Speak Up (Whistleblowing)

In the event that colleagues are not complying with our Code of Ethics, and the formal mechanisms have failed to alert us to this, we have a Speak Up policy which is well publicised in sites and through our policies. There are two ways in which colleagues can raise a whistleblowing concern; through a Speak Up email account or through a third party confidential reporting service.

Either way, the Chief People & Sustainability Officer, Head of Business Partnering and Employee Relations, Company Secretary, Director of Group Finance, Head of Internal Audit and one of our Non-Executive Directors (our Audit Chair) are made immediately aware of any concerns raised and will follow the concern through the investigation stage to its conclusion. Concerns raised in this way, and the outcome of the investigations, are reported to the Board.

Improved support for colleagues

We have implemented a number of improvements, as reported elsewhere in this report, including:

- New learning management system (Eloomi)
- Safety Culture system
- New HR and payroll system

Policies and Process

The following ESG and People policies have been revised and updated in 2024: Environmental Policy, Inclusion and Respect in the Workplace and the Human Rights Policy. These policies are available on the Headlam corporate website.

Project and Programme Governance

In 2024 we had two major programmes running at Headlam in the UK; Project Fusion, the acceleration of our strategy and Project Nexus, the implementation of our new ERP system. To ensure ESG remained a key consideration through both projects the Chief People and Sustainability Officer sat on the steering committee for both programmes and the ESG Director was consulted and engaged through workshops or weekly updates. Both programmes provide us with an opportunity to fast track many of the plans across the ESG strategy by through new buildings, new processes, improved reporting, and new ways of working internally or with suppliers and customers.

Stakeholder engagement

In 2024, we continued to maintain engagement on ESG with the broader industry through Carpets Recycling UK, our suppliers, and industry bodies. During our supplier conference in September, we presented progress on our Take-back trial and how we could work together with our suppliers to ensure that we are sourcing recyclable and recycled products. We have also held meetings with a number of suppliers across the year to discuss product innovation and how they can support future Take-back efforts.

We also put an emphasis on engaging our colleagues through our Employee Forums, where we discussed sharing best practice on Health & Safety, colleague engagement, quality improvements, and discussed changes to our reward offer resulting in the implementation of a holiday purchase scheme. Our Quality improvement group, facilitated by our operations team, has brought colleagues from right across the business and at all levels to find ways to improve the quality of the products being delivered to our customers. This has led to several process improvements and changes in packaging design.

Our greatest insight into the views of our customers regarding ESG is our colleagues. We have worked hard this year to ensure that, as well as the views of our customers being fed up through colleagues reporting lines, we create forums for colleagues to share insights directly with decision makers. Examples of these opportunities include ASM forums, Quality Improvement Forums, Open Forums and Employee Forums.

We also survey our customers at least once a year and use this insight to create actions to improve performance. Interestingly, whilst our customers' perception of how environmentally friendly we are increased in 2024, the importance they give to this attribution is still very low. 25% of customer survey respondents say that their own customers are enquiring about sustainable products with the top three enquiries regarding: Products made from recycled materials, products made from sustainable materials and products that are/could be recycled at end of life. This feedback is passed on to our central buying team to inform range selection.

Our shareholders have the benefit of reviewing our progress on sustainability across the business each year through this report which is included in our annual report and accounts available online and in hard copy (for those who have requested hard copies). The Company's position and progress across various sustainability areas is reviewed and rated by various ESG rating agencies which is available online for shareholders to review.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES ('TCFD')

The table below, and continuing on pages 55 to 58 details the Group's responses consistent with the TCFD recommendations and pillars.

The Group has considered and taken into account the TCFD all-sector guidance and supplemental guidance for financial and non-financial companies and believes it to be consistent with them.

This TCFD disclosure forms part of the Group's overall Sustainability Report on pages 38 to 62. It should be read as part of the full report which includes the Group's key decarbonisation actions to reach Net Zero and reduce its contribution to climate change, together with KPIs and targets to measure progress.

Governance	Disclosure
The Board's oversight of climate-related risks and opportunities	The Board has primary oversight and ultimate responsibility for ESG strategy and performance, which includes the approach and actions in relation to climate-related issues. ESG is considered regularly as part of the Board programme of business, with ESG policy and strategy considered in depth on an annual basis. An Executive ESG Committee assists the Board with the more detailed aspects of its ESG agenda and holds management to account on the implementation of the ESG strategy approved by the Board. The Committee's terms of reference are publicly available on the Group's website, with the Chief Executive the Chair of the Committee. Whilst ultimate responsibility for risk governance sits with the Board, the Audit Committee assists in risk oversight (as described within Risk Management on page 63. The Group's most material ESG issues are included in the Group's Risk Register. During 2024, these material issues were reported to the Audit Committee by the Executive Risk Committee (detailed below) and discussed at each of their quarterly meetings, with management's approach to mitigating risk and capturing opportunity challenged appropriately.
Management's role in assessing and managing climate-related risks and opportunities	As above, the Group has an Executive ESG Committee, which, as part of its remit, focuses on decarbonisation actions and reducing the Group's contribution to climate change. The Group also has an established Executive Risk Committee, which meets quarterly and comprises the Chief Financial Officer, members of the Executive Team, senior managers and heads of department (including from operations and finance). Its role is to review identified risks, including the likelihood and potential impact of each risk, establishing and monitoring the effectiveness of mitigating and opportunistic actions, and considering emerging risk. The Group's most material ESG issues per the Materiality Assessment Map published on the Group's website are included in the Group's Risk Register, which forms the basis for Committee discussions. Materiality for climate-related risks and opportunities is assessed with reference to that used for mainstream reporting but also considers the key risks being assessed by management to inform current and future strategy along with internal feedback. The Group employs an ESG Team, reporting into the Chief People Officer and led by the ESG Director. Its principal activity is the day-to-day management and delivery of projects in relation to the Group's ESG strategy, with projects to both mitigate climate risk and capture opportunity. The projects related to decarbonisation and reducing contribution to climate change are given on page 40 of the Sustainability Report. Outputs are tracked through the ESG Committee and major projects are reviewed by the Chief Executive.

Governance	Disclosure
The organisation's processes for identifying and assessing climate-related risks	The Group's risk governance and management processes are detailed within Risk Management on page 63 of the Annual Report and Accounts. Its preparation includes a quantitative assessment of ESG risks, inclusive of climate-related, on the composite bases of likelihood and potential impact of 'raw' risk. Risks considered include Transition Risks, such as market, policy and legal (both existing and emerging), technology, and reputation, and Physical Risks (both acute and chronic). This process has allowed the Group to both identify climate-related risks and opportunities and determine their relative significance to the business.
How processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management	Climate-related risks are considered as part of the ESG Strategy and 'Environmental' Principal Risk and, therefore, integrated into the Group's overall risk management process. Additionally, through preparation of the Group's annually reviewed and publicly disclosed Environmental Policy and TCFD disclosure, the Group gives full consideration and commentary on climate-related factors.
The climate-related risks and opportunities the organisation has identified over the short, medium and long term **The impact of climate-related risks and opportunities on the organisation's business(es), strategy and financial planning** **The organisation's processes for managing climate-related risks**	The Group has identified its climate-related risks and opportunities, and assessed strategy resilience, through quantitative scenario analysis. The range of possible risks and opportunities were analysed under two future climate forecasts. Both Physical and Transition Risks were considered, modelled around the widely recognised Representative Concentration Pathways (RCPs) and Shared Socio-economic Pathways (SSPs). The scenarios chosen were: global warming of 2°C (RCP 3.4), considered the most likely scenario; and global warming of 4°C (RCP 8.5), considered a resilience scenario. Time horizons have been chosen that best reflect the Group's business plan, strategy, and various financial accounting policies. The total time horizon considered is up to 2050, split into short term (three years, 2025–2027), medium term (2028–2035) and long term (2036–2050). The assumptions used in the scenario analysis, with reference to Extended Producer Responsibility impact and the transition to a more sustainable fleet, are also discussed in note 11 to the Financial Statements.

Factors	Middle of the road	Fossil-fuelled growth
RCP	3.4	8.5
SSP	2	5
Temperature rise	2°C	4°C
Likelihood	High	Moderate
Societal response	Proactive, Disorderly	Reactive

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES ('TCFD')

CONTINUED

The quantitative assessment below considered the likelihood and estimated financial impact of each climate-related risk, before the impact of mitigating actions.

Category	Risk	Key assumptions
Scenario 1 (Transition): Average global temperatures rising by 2°C above pre-industrial levels by 2100		
Policy and Legal: Financial impact of potential new legislation/regulation (including product legislation)	**Risk:** Increased operating costs through Extended Producer Responsibility (EPR) for bulky waste	The EPR (bulky waste) legislation is assumed to come into effect in 2027, which essentially introduces an extra tax on the sale of residential floorcoverings for companies considered to be manufacturer or first point of contact in the UK for imported items. The rates used in the scenario modelling are consistent with current industry best estimates, which are uncertain whilst the legislation is under consultation. The scenario modelling assumes that the take-back scheme, currently being trialled, is rolled out across the network. In the long term, all of the EPR costs are forecast to be mitigated by offsetting collected waste against the tax. The modelling does not currently assume that any residual EPR costs in the short or medium term are passed on to customers, which is considered prudent given industry practice of passing through cost inflation to customers.
Market: Transitioning to more sustainable business and operating practices	**Risk:** Increased costs of operating a sustainable fleet with low-carbon technologies	The technology for zero-emission long-haul, heavy goods vehicles (HGVs) is less developed than for non-commercial (including company cars) and short-haul commercial vehicles. The Group operates around 300 HGVs and is monitoring the development of both electric and hydrogen powered HGVs. There is a high degree of uncertainty in the cost estimates for a zero emission HGV fleet. Current forecasts show that the total cost of ownership of electric HGVs are likely to be higher than diesel HGVs due to the high initial purchase price. However, the Group will monitor how the initial cost of electric HGVs changes as improvements in powertrains and energy storage are developed. It has been assumed, for this scenario modelling, that the cost of operating a zero emission HGV fleet is broadly comparable to that of operating a diesel fleet. This assumption is on the basis that there is a very large global market for HGVs, which provides commercial incentive for companies to develop a viable, cost-effective zero emission solution for HGVs. There could also be subsidies provided by governments to incentivise the transition to zero emission HGVs.
Market: Changing consumer preferences	**Risk:** Reduced demand for current product offering	The scenario modelling assumes a shift away from non-sustainable to more sustainable flooring at a rate of 0.5% of mix per year, settling in the medium term, with an associated gross profit reduction.
Scenario 2 (Physical): Average global temperatures rising by 4°C above pre-industrial levels by 2100		
Acute: Asset damage	**Risk:** Business interruption and loss of revenue following damage to distribution network as a result of extreme weather event; consequential impairment of assets and increased insurance premiums	A weather event, likely to be a flooding event, is assumed to occur in the long term. Only a small number of the geographically dispersed sites are considered to have a high risk of flooding. Following the acceleration of the network optimisation strategy, including the disposal of the Ipswich and Uddingston distribution centres, there are no sites, which if affected, would give rise to a material profit impact.
Chronic and Acute: Supply chain disruption	**Risk:** Potential raw material shortages and knock-on impact on product availability from supply chain disruption leading to loss of revenue	The scenario modelling assumes there is no loss of revenue from this risk due to the comprehensive inventory and homogeneous products held and sold by the Group.

Average potential financial impact on annual profit £M Short Term (2025–2027)	 Medium Term (2028–2035)	 Long Term (2036–2050)	Strategic response and resilience
(2.2)	(3.2)	–	Collaborate with suppliers on new sustainable product launches. Roll-out the take-back scheme to maximise recycling opportunities and avoid materials entering into the waste stream with a view to offsetting EPR costs. It is likely that all, or significantly all, of any residual EPR costs (after offsetting Take-back scheme waste) could be indirectly passed on to customers, reducing the potential financial impact to an immaterial amount.
–	–	–	Network optimisation will increase transport efficiency. Ongoing trials of electric commercial vehicles.
(0.5)	(2.5)	(2.5)	Due to leading position, the Group is well placed to develop its range of flooring solutions to quickly adapt its offering to reflect consumer preferences and, therefore, mitigate all or significantly all of this risk, reducing the potential financial impact to an immaterial amount.
–	–	–	The Group's assets are not expected to be exposed to high physical climate-related risk due to the geographies in which it operates. Operations are disaggregated with business continuity plans in place if specific sites are affected by isolated events.
–	–	–	Market-leading position and strategic partnerships with suppliers should enable the Group to preserve levels of availability. Comprehensive inventory levels, typically, maintained at any one time providing strong availability.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES ('TCFD')

CONTINUED

Strategy and Risk Management	Disclosure
Resilience of the organisation's strategy, taking into consideration different climate-related scenarios	The analysis suggests that EPR and reduced demand for current product offering could have the most significant impact on the Group's profits in the transition scenario. EPR would only have a significant impact if any residual costs, not mitigated by the Take-back scheme, were not passed on to customers, which is considered unlikely. There is a high degree of uncertainty around the cost of transitioning to a zero emission HGV fleet. There could be further market opportunities for the Group to increase revenue with its peer-leading sustainable practices helping to attract new larger customers and by capturing market share by responding to a shift towards sustainable products more quickly than competitors. These opportunities are not included in the quantitative scenario modelling. In the physical scenario, the analysis suggests that there would not be a significant impact on the business. There are a number of strategic responses that the Group could and is already taking against these risks, as noted above. When taking into account the judged severity of the potential risks, time horizons and mitigating actions, the Group is currently considered to remain a resilient business in both scenarios modelled above. Overall, the business model is deemed fit for purpose, with strategic aims in place to leverage the opportunities from its ESG strategy.

Metrics and Targets	Disclosure
Metrics used by the organisation to assess climate-related risks and opportunities	The Group uses the below KPIs and targets to both assess the risks and opportunities as well as its progress in relation to its overall ESG Strategy. **KPI** • Energy usage (per SECR disclosure) • Scope 1, 2 and 3 emissions (year on year) • Achieving reduction pathway required for Scope 1, 2 and 3 emissions to achieve interim target • Number of sustainable own brand product launches • ESG-related capital investment • ESG rating agency scores • Physical asset damaged related insurance claims/premiums **Target** • 100% of non-commercial fleet electric/low emission by 2025 • Interim emissions target (Scope 1, 2 and 3) • Net Zero emissions target (Scope 1, 2 and 3) An intensity metric is additionally given within the Group's SECR Disclosure on page 59. An ESG metric has been introduced into Executive Director and Executive Team performance-related variable remuneration. **Link to Risks** 9 **Link to KPIs** 10 11
Scope 1, Scope 2 and Scope 3 greenhouse ('GHG') emissions, and the related risks	The Group's Scope 1, 2 and 3 emissions are summarised on pages 60 to 61 of the Sustainability Report.
Targets used by the organisation to manage climate-related risks and opportunities and performance against targets	The Group's Scope 1, 2 and 3 targets are aligned and set to be net zero by 2040. The Group has an interim Scope 1 and 2 target for a 46% reduction against the 2019 baseline by 2030. The Group also has an interim Scope 3 target for a 42% reduction against the 2023 baseline by 2032.

STREAMLINED ENERGY AND CARBON REPORTING ('SECR')

This SECR disclosure forms part of the Company's overall Sustainability Report on pages 38 to 62, and should be read as part of the full report.

This disclosure along with the full report summarises the Company's energy usage, associated emissions, energy efficiency actions being undertaken and energy performance under the government policy Streamlined Energy and Carbon Reporting ('SECR'), as implemented by the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

This disclosure also summarises the methodologies utilised for all calculations related to the elements reported under Energy and Carbon, and includes intensity metrics. With the energy efficiency actions detailed in the full report, this disclosure fully complies with the reporting regulations under the new SECR legislation.

This disclosure, and full supporting documentation, has been prepared by Net Zero Compliance (a division of Inspired Energy PLC) in conjunction with members of Headlam's Executive Team for Headlam Group PLC by means of interpreting the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 as they apply to information supplied by Headlam Group PLC and its energy suppliers.

The following figures demonstrate year-on-year changes in consumption and resulting emissions for Headlam Group PLC for 2024 and 2023. Headlam Group PLC has chosen to disclose its consumption and emissions data for its global operations, in addition to mandatory UK consumption and emissions data.

Definitions of the Scopes used in this disclosure:

- Scope 1 consumption and emissions include direct combustion of natural gas, and fuels utilised for transportation, for example, company vehicle fleets.
- Scope 2 consumption and emissions cover indirect emissions related to the consumption of purchased electricity in day-to-day business operations, and electricity consumed in vehicles such as EVs and PHEVs.
- Scope 3 consumption and emissions cover emissions resulting from sources not directly owned by Headlam Group PLC, which relates to grey fleet business travel undertaken in employee-owned vehicles only.

UK Overview

Overall UK Carbon Intensity

29.41 tCO_2e per £m turnover YOY +16.45%	14,602.02 tCO_2e tCO_2e YOY +8.01%

UK Carbon and Consumption £m = £m Revenue

Natural Gas	Electricity	Transport
4,270,355 kWh	5,330,844 kWh	57,389,580 kWh
781.05 tCO_2e	1,103.75 tCO_2e	13,573.45 tCO_2e
tCO_2e YOY: -15.52%	tCO_2e YOY: -18.01%	tCO_2e YOY: +10.27%

UK Carbon Intensity Metric £m = £m Revenue

1.56 tCO_2e per £m	1.99 tCO_2e per £m	24.48 tCO_2e per £m
YOY: -5.71%	YOY: -8.98%	YOY: +22.30%

STREAMLINED ENERGY AND CARBON REPORTING ('SECR')
CONTINUED

Consumption (kWh) and Greenhouse Gas emissions (tCO_2e) Totals

The following tables show the consumption and associated emissions for financial years ending December 2024 and December 2023 for all operations.

Headlam have chosen to disclose its consumption and emissions data for the group's global operations, in addition to mandatory UK consumption and emissions data.

UK Totals

The total Energy Consumption (kWh) figures for reportable UK-based energy supplies are outlined below:

Utility and Scope	2024 Consumption kWh	2023 Consumption kWh
Grid-Supplied Electricity (Scope 2)	**5,330,844**	6,501,459
Gaseous and other fuels (Scope 1)	**4,270,355**	5,054,342
Transportation (Scope 1)	**56,919,467**	50,755,600
Transportation (Scope 2)	**126,675**	886,117
Transportation (Scope 3)	**343,438**	153,078
Total	**66,990,779**	63,350,597

The total emission (tCO_2e) figures for reportable UK-based energy supplies are outlined below.

Utility and Scope	2024 Consumption tCO_2e	2023 Consumption tCO_2e
Grid-Supplied Electricity (Scope 2)	**1,103.75**	1,346.28
Gaseous and other fuels (Scope 1)	**781.05**	924.59
Transportation (Scope 1)	**13,470.67**	12,066.80
Transportation (Scope 2)	**26.23**	207.98
Transportation (Scope 3)	**76.55**	34.43
Total	**15,458.25**	14,580.07

UK Intensity Metric

An intensity metric of tCO_2e per £m has been applied for our annual total emissions. The methodology of the intensity metric calculations is detailed in the appendix, and the results of this analysis are as follows:

Intensity Metric	2024 Intensity Metric	2023 Intensity Metric
tCO_2e/£m UK Revenue	**29.41**	25.25

Continental European Totals

Headlam Group PLC have sites that they are responsible for in France and in the Netherlands. The consumption and emission figures for these are shown below:

France Totals

Utility and Scope	2024 Consumption kWh	2024 Consumption tCO_2e
Grid-Supplied Electricity (Scope 2)	437,618	13.48
Gaseous and other fuels (Scope 1)	508,697	93.04
Transportation (Scope 1)	1,932,301	436.91
Total	**2,878,616**	**543.43**

Netherlands Totals

Utility and Scope	2024 Consumption kWh	2024 Consumption tCO_2e
Grid-Supplied Electricity (Scope 2)	255,345	61.68
Gaseous and other fuels (Scope 1)	271,218	49.61
Transportation (Scope 1)	2,185,113	507.46
Total	**2,711,676**	**618.75**

UK and European Totals

Utility and Scope	2024 Consumption kWh	2024 Consumption tCO_2e
Grid-Supplied Electricity (Scope 2)	6,023,807	1,178.92
Gaseous and other fuels (Scope 1)	5,050,270	923.69
Transportation (Scope 1)	61,036,882	14,415.04
Transportation (Scope 2)	126,675	26.23
Transportation (Scope 3)	343,438	76.55
Total	**72,581,072**	**16,620.43**

UK and European Intensity Metric

An intensity metric of tCO_2e per £m has been applied for our annual total emissions. The methodology of the intensity metric calculations is detailed in the appendix, and the results of this analysis are as follows:

Intensity Metric	2024 Intensity Metric
tCO_2e / £m Group Revenue	28.02

STREAMLINED ENERGY AND CARBON REPORTING ('SECR')

CONTINUED

Headlam is committed to year-on-year improvements in its operational energy efficiency. A register of energy efficiency measures has been compiled, with a view to implementing these measures in the next five years.

Energy efficiency actions

All leased sites for new trade counters have been retrofitted with best-rated energy efficiency measures. This has been done in an attempt to remove outdated inefficient hardware at these sites to reduce consumption.

Solar panel installation

Introduced solar panels and power management efficiency in Coleshill Distribution centre. This site is a significant distribution centre for the company and has a very high surface area for solar panels, reducing the site's reliance upon the national grid for electricity. Efforts will be made in 2025 to record generation data from these solar panels.

Company car fleet electrification

All new company car purchases are now either plug-in hybrid or battery-electric vehicles. Fossil fuel-consuming vehicles will gradually be phased out and retired during the transition process towards a fully electric fleet.

Measures to be addressed in 2025

Closure and rationalisation of distribution network

Headlam plans to consolidate its operations into single sites from multiple sites. This will streamline the overall operational footprint and result in a reduction in unnecessary energy wastage from a wider network of sites.

Energy behaviours workshops

Company-wide training on best practices to reduce energy consumption and use of energy efficiency measures are set to take place during 2025. These workshops aim to guide employees in their day-to-day activities to be more conscious of energy being consumed and mitigate some of this excess consumption.

Year-on-year changes

Gas and electricity emissions have reduced as there has been less estimation year-on-year. Since 2023, there has been a 95% reduction in estimated consumption, which has resulted in higher data accuracy and, as a result, lower consumption.

The key reason for the large increases in transport emissions has been driven by a 6% increase in litres consumed by diesel-fuelled company cars and fleet vehicles.

The total intensity metric has increased due to a 10% reduction in total revenue (£m) and increased transport emissions.

Total Group Revenue (£m)	**£593.1m**
Total UK Revenue (£m)	**£525.7m**
Total Continental Europe Revenue (£m)	**£67.4m**

RISK MANAGEMENT

Overview

The table on pages 66 to 67 summarises the Principal Risks (in no particular order), which the Board considers could have a material impact on the Group's reputation, operations or financial performance. No new Principal Risks have been identified.

The risk heat map on page 65 shows the Board's assessment of the level of risk for each of these Principal Risks as of the date of this Annual Report and Accounts. The assessment of the level of risk is first conducted by the Executive Risk Committee and then reviewed and approved, following any changes, by the Board.

Risk governance

Risk is encountered as part of the ordinary course of business as well as through the implementation of the Group's strategy and transformation plan.

The Board has overall responsibility for the stewardship of risk management and for ensuring that the Group exercises an appropriate level of risk management to support the achievement of its strategy. The Principal Risks faced by the Group could have a material adverse effect on its business, financial performance, or reputation, either alone or in combination, so the management of such risks through appropriate review, monitoring and control is important to the Group's long-term sustainable success. Changes to the trading environment can also affect the likelihood and impact of risks and may give rise to new risks.

The Board is supported in its risk management responsibilities and in reviewing the effectiveness of the risk management framework by the Audit Committee and the Executive Risk Committee.

The Executive Risk Committee is advised by an external risk management specialist and meets quarterly to assess the Group's internal risk register, the adequacy of and any changes in controls, and to undertake continuous identification of emerging risks. The work of the Executive Risk Committee is considered by the Audit Committee at each of its four scheduled meetings during a year, and informs the Audit Committee's risk management discussions. The Board carries out an assessment of the Group's Principal Risks and Uncertainties and identifies any emerging risks, at least annually.

The Audit Committee, on behalf of the Board, also monitors the Group's system of risk management and internal control, and conducts a review of its effectiveness at least once a year, as well as overseeing the internal and third-party assurance relating to the Principal Risks.

Risk appetite

The Board has considered the amount and type of risk that the Group is willing to pursue or retain.

The Executive Risk Committee conducted an exercise to determine risk appetite for each principal risk across a five-point scale : Averse, Cautious, Neutral, Open, High. The outcome of this was then presented to, and discussed with, and challenged by, the Audit Committee, and subsequently ratified by the Board.

Risk monitoring structure

Independent assurance[1]

Board				
The Board has overall responsibility for the Group's system of risk management and internal control.				
Committees			**Risk Identification**	**Risk Management**
Audit Committee	**Nomination Committee**	**Remuneration Committee**	Assesses strategic risks identified by management capable of threatening the business model, future performance, solvency or liquidity in the context of the Company's strategy and the interests of stakeholders and market context.	Overall responsibility for corporate governance, internal control and risk management and for setting risk appetite taking into account the expectations of stakeholders and feedback received from engagement activities. Audit Committee receives updates from Executive Risk Committee on key risks and assesses adequacy of controls and risk classification and identification processes. Other Committees consider risk management as it relates to their role and priorities.
Executive Risk Committee			Assesses risks and mitigating controls using a specified scoring system, based on likelihood and impact, and reports into the Audit Committee.	Reviews operation and design of internal controls to ensure risks remain within appetite.
Senior Leadership Team				
Group functions **Business management**			Use knowledge of best practice, business and the market in which we operate to assess changes in key risks. Applies local knowledge to identify and assess operational risk.	Responsible for ensuring that risk management is embedded within the business and appropriate actions are taken to manage risk. Applies local knowledge to identify and assess operational risk.

1 A Head of Internal Audit was appointed in 2022 and commenced independent assurance on the Group's risk management processes in 2023.

Emerging risks

Identification and review of emerging risks are integrated into our risk review process. Emerging risks are risks that are rapidly evolving, or arriving at pace, for which the impact and likelihood have not yet been fully understood and for which the appropriate mitigations have not yet been fully identified.

We continue to monitor the uncertain macroeconomic and geopolitical environment to assess impacts on customers, suppliers and colleagues. Currently we monitor this through the lens of our existing principal risks, but with a view to separating out any elements if it were considered to be a principal risk of its own. During the year the Executive Risk Committee also undertook a "horizon scanning" workshop, with external facilitation, to challenge our thinking on emerging risks and to identify if there could be other risks that we have not considered. Whilst this did not result in any new emerging or principal risks for the Group, it did identify some additional potential causes of existing risks, which we have added to our risk registers and allocated appropriate mitigating controls.

There are no other emerging risks assessed as being of significance to disclose currently.

Our principal risks

The Group has identified ten principal risks. There have been no additions or deletions to these principal risks during the year. However, a number of changes have been made to the risk ratings, taking into account the events of the year (both macro and micro) and any specific relevant circumstances for the Group, along with the mitigating actions and controls. These changes are summarised below:

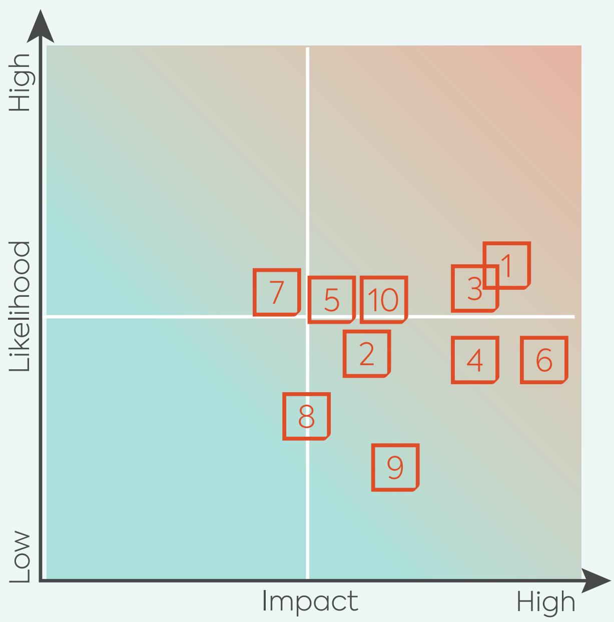
Risk 3 – IT (systems and infrastructure):

Whilst we are now closer to the eventual replacement of the legacy ERP, with strong progress made in the year, the risk profile increases slightly in the interim, due to the increasing age of the legacy system and the complexity of maintaining ongoing developments on this sytem, whilst also developing the new system.

Risk 10 – change and decision making:

This risk has increased, reflecting the scale of change that the business is undergoing through the transformation plan. Whilst we have ensured numerous mitigating controls are in place, the scale and pace of change, at the same time as an ERP change project, increases the risk.

Risk heat map



Key

1. Market (economy and competition)
2. Market (strategy)
3. IT (systems and infrastructure)
4. IT (cyber security)
5. People
6. Health and Safety
7. Supply chain
8. Legislation, regulation and reporting
9. Environmental and decarbonisation
10. Change and decision making

PRINCIPAL RISKS

Risk and description	Mitigating actions	Link to Strategy	Risk change
1 Market (economy and competition)			
Failure to sustain revenue and profit performance as a result of economic backdrop, market demand, service levels or competitive dynamics	The Group closely monitors market activity on a daily basis at both an individual business and Group level. This visibility allows the Group to take prompt action in response, including enhanced sales activity, operational efficiency, managing inventory levels, and cash management. The Group maintains customer engagement and feedback activities to gain insight into customer preferences to ensure its service proposition and offering remains competitive. In response to prolonged market weakness the Group has launched a transformation plan designed to grow market share, improve profitability and reduce borrowings.		
2 Market (strategy)			
Failure to develop and deliver on new revenue growth opportunities	Investments were made in multiple areas to support delivery of the revenue growth strategy during 2024, including £4.0 million capital expenditure on new and refurbished trade counters, (increasing the number of sites to 76) and improving the existing network and equipment to support revenue growth and efficiencies, including £1.2 million invested in upgrading equipment and premises. The Board has direct oversight of the Group's strategy, and its effective implementation, with the performance of each project team monitored against clear targets and objectives.		
3 IT (systems and infrastructure)			
Failure to develop and maintain IT systems and infrastructure that is resilient, scalable, and able to support the strategy	The Group is well progressed in its ERP replacement project. This is a modular programme, with components being developed and activated on a phased basis, with the overall project expected to be fully completed in 2027. The software solution and systems integrator have been selected, and the focus is now on designing and building modules.		
4 IT (cyber security)			
Failure to develop and maintain adequate or effective security and cyber controls	Targeted use of specialist external advice and support, including a vCISO (virtual Chief Information Security Officer). Regular employee cyber engagement programme through a refresher email requiring all colleagues to watch a short video and answer questions.		
5 People			
Failure to recruit and retain the right people with relevant skills, values and behaviours	The Board continues to focus on making the Group a great place to work, and ensure colleagues share in the Group's long-term success. For details on the developments in 2024, see pages 44 to 49. Amongst other developments, during 2024, the Group conducted its second colleague engagement survey in the UK, which resulted in a 5 ppts improvement.		

Key

Increased   Unchanged   Decreased

Risk and description	Mitigating actions	Link to Strategy	Risk change
6 Health and safety			
Failure to provide a safe place to work for our people	Health and safety is a standing agenda item at all Board Meetings. The Group has a dedicated in-house health and safety team, with a dedicated Group Health & Safety Director, reporting into the CEO. The Group also commissions independent audit, and engages external support, and is focused on having a strong and embedded health and safety culture across the group. As part of the Group's ongoing certification, ISO 45001 audits have been undertaken across all the UK's main sites.		
7 Supply chain			
Failure to maintain a supply chain that provides innovative, competitively priced, environmentally sound and legally compliant products on a reliable and ethical basis	Increased engagement with suppliers to help mitigate against any supply chain risk. Including on: Sustainability Charter; Ethical Code of Conduct; and Self-Assessment Questionnaire (delivered by a third-party leading social audit business). Working closely with certain suppliers to launch new competitive and sustainable ranges. We engage with suppliers regularly and hold an annual supplier conference.		
8 Legislation, regulation and reporting			
Failure to operate with high standards of governance supported by a sound system of internal control that ensures compliance with laws and regulations, including disclosure and reporting requirements	The Group manages its obligations through a framework of policies and procedures and, where appropriate, engages the services of specialist third-party advisers. The Group has an online compliance training portal with courses related to Anti-Bribery, Modern Slavery and Human Trafficking, Cyber Security and Social Media Awareness being rolled out to appropriate staff members. The Group has implemented a Code of Conduct, setting out clear standards and expectations for all employees (also see Supplier Ethical Code of Conduct above). All senior leaders are required to complete a twice-yearly standards and controls attestation certificate.		
9 Environmental and decarbonisation			
Failure to reduce environmental impact, including failure to deliver GHG reductions in line with Net Zero commitments and contribution to climate change	The Group continues to develop and progress its overall ESG Strategy. For full details on environmental-related actions, see the Sustainability Report on pages 38 to 62, which includes the Group's TCFD disclosure. This disclosure details the climate-related risks the Group has identified, and how it is specifically assessing and addressing them.		
10 Change and decision making			
Failure to successfully drive the cultural and operating model changes necessary to deliver the strategy	The Group's strategy and strategic objectives continue to be embedded through regular group-wide communications and engagement. Senior Leadership meetings are held regularly to discuss overall progress and focus on specific elements of the strategy. The Board has direct oversight of strategy and its progress, and investment has been made in multiple areas in support of the strategy. The Board is mindful of the impact of the market conditions on the financial performance and invests carefully and selectively in the key strategic initiatives.		

VIABILITY STATEMENT

Background

Provision 1, in line with Principle C of the UK Corporate Governance Code 2018, requires the Board to assess the risks to the sustainability of the business model and delivery of strategy, and whether these have been considered and addressed. This statement sets out, in overview, that assessment.

Consistent with previous years, a period of three years, to 31 December 2027, was chosen for the purpose of the viability assessment. This period best aligns with the Group's strategy.

The assumptions used in this longer-term viability assessment are consistent with the assumptions used in the directors' assessment of going concern.

Sensitivity analysis

Reporting on the Group's and Company's viability and assessing going concern requires the Board to consider those principal risks that could impair the solvency and liquidity of the Group and Company. In order to determine those risks, the Board considered the Group-wide principal risks as set out in the Risk Management and Principal Risks sections on pages 63 to 67.

In light of the Group's competitive position, corporate governance controls, mitigating actions and factors within its control, it is the Board's opinion that it is unlikely that any of the individual risks other than market (economy and competition) could compromise the Group's viability in the assessment period.

The identified principal risks include environmental and decarbonisation risk. It is the Board's opinion that environmental risks are unlikely to compromise the Group's viability over the assessment period, including transition risks, which are considered the most likely to occur. In particular, any new potential legislation, regarding extended producer responsibility for bulky household waste items, is unlikely to significantly impact the Group's viability after factoring in the planned mitigating actions concerning the take-back scheme.

In respect of ultimately transitioning to a sustainable fleet, it has been assumed that such costs are broadly comparable to those of operating a diesel fleet. There is a high degree of uncertainty in the cost estimates for a zero emission HGV fleet. However, the assumption is on the basis that there is a very large global market for HGVs, which provides commercial incentive for companies to develop a viable, cost-effective zero emission solution for HGVs. The Board considers that any potential changes in consumer preferences towards more sustainable products can be supported by the Group reflecting these changes in its product offering. Climate-change risks are discussed further in the TCFD quantitative analysis on pages 54 to 58, including consideration of the impact of the risks over time horizons longer than this assessment period.

The Board considered the impact of a new 'black swan' event, whereby, for example, a new pandemic surfaces with little-to-no notice and for which there is no vaccine. However, it was concluded not to specifically model this for viability purposes on the basis of probability and also in acknowledgement that the Covid-19 pandemic proved that the Group was able to withstand such a shock.

In respect of market (economy and competition) risk, the key risk relates to sustained periods of macroeconomic downturn that create reduced consumer and business confidence, which could result in a significant reduction in demand for the Group's products.

The Board considers that the severe but plausible scenario that has the potential to threaten the viability of the Group is a prolonged continuation of the volume decline, primarily in the independent retail market, that has been experienced over the last three years.

Market backdrop

2024 has seen continued decline in the flooring market, which is now estimated to be around 30% smaller than it was in 2019. While the lead indicators for the flooring and home improvements markets continue to point to improvement in the medium term, these indicators remain volatile. As has been widely reported, UK consumer confidence declined in the run-up to the UK government's budget announcement, and this resulted in a further deterioration in the rate of decline in consumer spending on home improvements.

In setting the downside scenario to be modelled, the Board recognises that, as the Group exited 2024, the market in which the Group operates had already declined by a cumulative circa 30% over recent years. The downside scenario includes an estimate of the further additional severe-but-plausible decline in revenue that could occur.

Banking facilities

As at 31 December 2024, the Group had a net cash position excluding lease liabilities of £10.9 million, and had total banking facilities available of £100.4 million, including £81.5 million of committed facilities. At 31 December 2024, the Group had cash and undrawn facilities of £111.3 million.

The Group is subject to financial covenants in relation to its revolving credit facility agreement, comprising minimum EBITDA and minimum liquidity covenants through to May 2026 and interest cover and leverage thereafter. Liquidity is the total amount of cash and available committed facilities held by the Group at a month end. Interest Cover is the ratio of EBITDA, adjusted to exclude the impact of IFRS 16 and share-based payments ('Covenant EBITDA') to Finance Charges. Leverage is the ratio of borrowings and cash and cash equivalents, excluding IFRS 16 lease liabilities to Covenant EBITDA.

In January 2025, the size of the facilities was reduced, recognising that the Group was in a net cash position at 31 December 2024 and in order to reduce the cost of maintaining unutilised facilities. The committed revolving credit facility, which is with a syndicate of three banks, was reduced to £61.0 million and the uncommitted overdraft facilities reduced to £9.7 million.

The revolving credit facility matures in October 2027, and the scenario is modelled on the basis that the facility, or a comparable facility, could be extended on broadly similar terms.

Downside Scenario – continued market decline

The scenario is modelled on the basis that consumer confidence for major purchases is depressed throughout 2025, leading to market volumes continuing to decline. The market is then assumed to partially recover over 2026 and 2027, albeit remaining heavily depressed compared to 2019 levels.

This compares to the base case which assumes a small degree of market growth in 2025.

In the base case and downside scenario, the Group and Company would continue to operate within their banking facilities and covenants until June 2026, when the current covenant amendment arrangements on the revolving credit facility would need to be rolled forward, as has successfully been achieved to date. Alternatively, mitigating actions would need to be taken in order that the Group did not require access to its revolving credit facility. Mitigating actions that could be deployed include: a freeze on capital spend; sale and leaseback of freehold properties, recognising that the Group had a property portfolio worth £94 million (as at January 2023 valuation) at 31 December 2024; factoring of receivables, a practice that occurs elsewhere in the flooring distribution sector; and, alternative forms of financing such as loans secured on assets.

Viability statement

Based on the results of the analysis, the Board has a reasonable expectation that the Group will continue in operation and be able to meet its liabilities as they fall due over the three-year period of assessment.

NON-FINANCIAL AND SUSTAINABILITY INFORMATION STATEMENT

The table below sets out where stakeholders can find information in the Strategic Report that relates to non financial matters detailed under Section 414CA and 414CB of the UK Companies Act 2006, and this, taken together, comprises the Company's Non-Financial Information Statement.

Reporting Requirement	Relevant policies	Additional Information
Matters		
Environmental matters	ESG Policy Supplier Code of Conduct	Sustainability Report – pages 38 to 62 SECR Disclosure – pages 59 to 62 Corporate Governance Report – pages 73 to 143
People	Code of Ethics	Stakeholder Engagement and Section 172 Statement – pages 26 to 29 Sustainability Report – pages 38 to 62 Corporate Governance Report – pages 73 to 143
Social matters	Equal Opportunities and diversity policy Flexible working policy	Stakeholder Engagement and Section 172 Statement – pages 26 to 29 Sustainability Report – pages 38 to 62 Corporate Governance Report – pages 73 to 143
Respect for Human Rights	Health and Safety Policy Modern Slavery Statement	Health and Safety – pages 44 to 45 Modern Slavery – page 141 Other Statutory Disclosures – pages 138 to 142
Anti-Corruption and Anti-Bribery matters	Anti-Corruption and Bribery Policy Speak Up Policy Expenses Policy	Corporate Governance Report – pages 73 to 143 Audit Committee Report – pages 100 to 106 Other Statutory Disclosures – pages 138 to 142
Information disclosed in support of the matters		
Business model		Business Model – pages 16 to 17
Principal risks, impact and mitigation		Risk Management, and Principal Risks and Uncertainties – pages 63 to 67
Non-financial key performance indicators		Key Performance Indicators – pages 22 to 25 Sustainability Report – pages 38 to 62

This Strategic Report was approved by the Board on 11 March 2025 and signed on its behalf by

Chris Payne,
Chief Executive

GOVERNANCE

COMPLIANCE STATEMENT

It is the Board's view that, throughout the financial year ended 31 December 2024, and as at the date of this report, the Company complied with the relevant principles and provisions set out in the UK Corporate Governance Code 2018 (the 'Code').

This report complies with Rule 7 of the Disclosure Rules and Transparency Rules of the Financial Conduct Authority, with the information required to be disclosed by sub-section 2.6 of Rule 7 being shown on pages 158 to 210. The Company has also complied with the relevant requirements of the Disclosure Guidance and Transparency Rules, the Listing Rules, Directors' Remuneration Reporting regulations and narrative reporting requirements.

The Corporate Governance section of this Annual Report and Accounts explains how the Code principles have been applied. The 2018 UK Corporate Governance Code is available at www.frc.org.uk

Implementation of the Principles of the Code

Board leadership and Company purpose	
The Board is responsible for: Promoting the long-term sustainable success of the Company and establishing the Company's purpose, values and strategy (ensuring that its culture is aligned). Ensuring the necessary resources are in place to meet objectives and measure performance against them within a framework of effective controls. Engaging with stakeholders to inform decisions and ensuring that workforce policies and practices are consistent with the Company's values and support long-term success.	Board of Directors – pages 78 to 79 Leadership and purpose – pages 84 to 99 Board activities during the year – pages 84, and 95 to 96 Considering stakeholders in decision making – pages 26 to 29

Division of responsibilities	
The Chair leads the Board and is responsible for its overall effectiveness in driving the Company. There is clear division of responsibilities between the leadership of the Board and the executive leadership of the business. The Non-Executive Directors dedicate sufficient time to meet their responsibilities and provide constructive challenge, strategic guidance, specialist advice and hold management to account. Board policies and processes are in place to ensure that the Board functions effectively.	Board roles – page 91 Division of responsibilities – pages 90 to 97 Nomination Committee report – pages 108 to 112 Dealing with Directors' conflicts of interest – page 93

Composition, succession and evaluation	
Formal, rigorous and transparent procedures are in place to support Board appointments, led by the Nomination Committee, which considers the importance of diversity in decision-making. The Nomination Committee regularly reviews composition of the Board and Committees to ensure appropriate combination of skills, experience and knowledge and to plan for the progressive refreshing of the Board. Annual evaluation of the Board's composition, diversity and effectiveness.	Nomination Committee report – pages 108 to 112 Appointments to the Board – pages 110 and 111 Board diversity policy – page 109 Board composition – pages 111 and 112 Board evaluation – page 98
Audit, risk and internal control	
The Board has established formal and transparent policies and procedures to ensure the integrity of the independence of the Group's external audit, and to satisfy itself of the integrity of the Group's financial statements and to confirm that they represent a fair, balanced and understandable assessment of the Company's position and prospects. Procedures have been established to manage risk, oversee the internal control framework and determine the nature and extent of the principal risks the Company is willing to take in order to achieve its long-term strategic objectives.	Audit Committee report – pages 100 to 106 Fair, balanced and understandable statement – page 143 Risk management and principal risks – pages 63 to 67
Remuneration	
The Board, through its Remuneration Committee, determines Director and senior management remuneration policies and practices and ensures they align to the Company's purpose, values, and promote the successful delivery of the Company's long-term strategy. Each element of performance-related pay allows for the independent exercise of judgement and discretion when authorising remuneration outcomes. Controls have been implemented to ensure that no Director is involved in deciding their own remuneration.	Remuneration Overview – page 115 Directors' Remuneration Policy – pages 117 to 125 Directors' Annual Report on Remuneration – pages 114 to 137

CHAIRMAN'S INTRODUCTION

On behalf of the Board, I am pleased to present the Governance report for the financial year ended 31 December 2024.

This report sets out our approach to effective governance, outlines the areas of focus for the Board and the key activities undertaken.

My role and that of the Board has been to guide the business and the executive management whilst ensuring the right strategy is in place, supported by the right people, to deliver the strategy and drive the business forward. The last financial year has been an important period and we have accelerated the implementation of our strategy and are continuing to successfully strengthen the foundations we have in place to support our strategic ambition.

Board changes and succession planning

Following Keith's decision to step down from the Board, the Nomination Committee and the Board implemented the Chair succession plan, and after a successful handover I became Chair on 27 February 2025. Jemima, Chair of the Remuneration Committee, was also appointed our Senior Independent Director at the same time. The composition of the Board and its Committees was also reviewed, to ensure that these remain appropriate with the right mix of expertise and experience to support the Company in its strategic goals.

Stephen Bird,

Non-Executive Chair

"Governance and oversight of the Company's transformation programme and securing a net cash positive position have been key priorities this year."

Strategy and culture

The Board has made progress in many key areas throughout the year, including the review of the acceleration of the Group's strategy, and governance and oversight of the transformation programme.

Karen Hubbard continues in her role of Non-Executive Director responsible for employee engagement and she continues to provide regular reports to the Board. This role and reporting, together with other activity on how the Board monitors the culture of the Group (see pages 82, 83 and 86), creates an appropriate cultural dashboard and continues to enhance the quality of the information the Board receives from our employees.

We held a further supplier conference in the year, which was attended by our key suppliers and we held a sales conference in September attended by our sales force colleagues. Our supplier code of conduct and colleague code of conduct continue to be in place.

Our on-going engagement work with all our stakeholders helps shape how the Board takes their views into consideration to support our decision-making and ensure the culture of the business is developing in line with our stated purpose and values. Information of our engagement with stakeholders can be found on pages 26 to 29 and throughout this Governance report.

This commitment to guiding and promoting a healthy culture is underpinned by a significant ongoing work programme to develop a strong safety culture. We have appointed a new Health & Safety director who reports directly to the Chief Executive to continue to drive a strong safety culture, please see pages 44 to 45 for further details.

Please see pages 82, 83 and 86 on how the Board monitors culture so that the Board continues to understand the changes and trends within the business, which deepens our ongoing relationships with all our stakeholders.

Environmental, social and governance (ESG) responsibilities

Our ESG strategy and work to deliver this has continued throughout 2024 as a key work stream and embedded into the business through the established ESG Committee which is attended by Non-Executive Director Karen Hubbard. ESG updates have regularly been given to our stakeholders and Karen Hubbard formally reports back to the Board on the ESG Committee progress; and the Board reviewed the Group's ESG strategy as part of its strategy day held in September. The highlights from the year and our progress in key areas are outlined in our Sustainability Report on pages 38 to 62.

The commitments to embedding ESG across the organisation and leading on sustainability and environmental responsibility, as well as making Headlam a great place to work for everyone, are now an integral part of our strategic pillars. We have made great strides forward during the course of the year and as a Board we are focused on delivering tangible progress in the year ahead.

Diversity

The Board recognises that diversity both on the Board and in the wider organisation leads to healthy debate, which in turn leads to better decisions and helps support the Company. The Board reviews its diversity policy annually and it was a key consideration when the Board considered who was going to appointed as the Senior Independent Director in my place. In making our appointments we have aimed to cultivate a broad spectrum of attributes and characteristics in the Boardroom and we continue to keep the position under review as we move forward in all our succession planning activity. Diversity across the organisation is summarised on page 48 and further information on Board diversity can be found in the report of the Nomination Committee on pages 108 to 112.

Board evaluation

An internally facilitated evaluation was carried out towards the end of the year, and the results were pleasing and confirmed that the Board and Committees are working well. Notwithstanding this, the Board took the opportunity to have a session on key areas it would focus upon to improve, please see page 98 for further details. However, it was recognised that there was a high level of constructive, positive challenge and support from the Board, both inside and outside the Boardroom during the year, and this will continue as the Board works together to oversee and support the continued implementation of its transformation programme. More information on the Board evaluation can be found on page 98.

Our colleagues

It has been a busy year overseeing the acceleration of of our strategy, the transformation programme and the recruitment of a number of highly skilled colleagues at all levels of the business to drive us forward, including the appointments of David Rose (Chief Operating Officer) and James Heese (Chief Buying Officer) to the Executive Committee.

The Board recognises the significant contributions from all our colleagues throughout the year and thanks them for their hard work and dedication.

Stephen Bird,
Non-Executive Chair

11 March 2025

BOARD OF DIRECTORS

The whole Board has oversight of the Company's sustainability agenda and ESG Strategy, which incorporates areas of focus including workforce engagement, health and safety, IT resilience, and DEI. Additional oversight and individual accountability for specific focus areas is given through Board and Executive Team membership of the ESG Committee, the Risk Committee, and the formal Employee Forum.

Committee Membership key

A Audit Committee	N Nomination Committee	E ESG Committee
R Remuneration Committee	D Disclosure Committee	A Committee Chair
Ri Risk Committee	F Employee Forum	

A N R

Stephen Bird

Non-Executive Chairman

Stephen was appointed our Non-Executive Chair on 27 February 2025, (previously he was Senior Independent Director from 2022). Stephen's last executive role was Group Chief Executive of Videndum plc (formerly The Vitec Group plc), the international provider of premium branded hardware products and software solutions to the growing content creation market, having held the position since 2009. He was previously Senior Independent Director of Dialight plc, the global leader in sustainable LED lighting for industrial applications, stepping down in 2021 after nearly nine years on the Board.

Stephen has extensive executive experience developing successful, customer-led growth strategies to help businesses grow and adapt to changing markets. Prior to joining Videndum plc, Stephen was Divisional Managing Director of Weir Oil & Gas, and held senior roles at Danaher Corporation, Black & Decker, and Technicolor Group. He is a member of the English National Ballet's Finance and General Purposes Committee.

E F D

Chris Payne

Chief Executive

Chris joined the Company as Chief Financial Officer in 2017, and was appointed Chief Executive in 2022 having been a key architect of the Company's strategy centred around growth, efficiency, and modernisation. Chris was previously at Biffa plc, the UK integrated waste management company, where he was Group Commercial Finance Director, a member of the Group Executive Team with responsibilities for the operational finance teams and Divisional Finance Directors, commercial pricing and leading the M&A function. Prior to that, Chris held Finance and Commercial Director positions at several listed businesses.

He is a qualified Chartered Accountant having trained with KPMG and is a Fellow of the Institute of Chartered Accountants in England and Wales.

A N R

Jemima Bird

Senior Independent Director

Jemima was appointed our Senior Independent Director on 27 February 2025 and is also our Chair of the Remuneration Committee. Jemima has over 20 years' retail experience working with many of the UK's leading high-street brands, and has held numerous executive commercial, marketing and operations positions. She is currently a Non-Executive Director and the Chair of the Remuneration Committee at Pinewood Technologies Group plc and was previously a Non-Executive Director at Carpetright plc, (a leading floorcoverings and beds provider, until it was taken private in 2020) and previously the Senior Independent Director and Chair of the Remuneration Committee at the Revel Collective plc.

Previously, Jemima was the Senior Trustee for the Football Foundation, the UK's largest sports charity.

Ri D

Adam Phillips

Chief Financial Officer

Adam joined the Company as Chief Financial Officer in March 2023.

He was previously Group Financial Controller at Mobico Group plc, the FTSE 250 multinational transport provider. Prior to this Adam was at Halfords Group plc, in a number of roles, including Corporate Finance Director and Group Strategy Director.

Adam is a qualified Chartered Accountant having trained with KPMG and is a Fellow of the Institute of Chartered Accountants in England and Wales. Adam is Chair of the Risk Committee.

A N R E F

Karen Hubbard

Independent Non-Executive Director

Karen was appointed a Non-Executive Director in 2022. Karen has over 25 years' experience in retail, at both executive and Director levels across various industries and markets. She was previously Chief Executive Officer of Card Factory plc, the UK's leading specialist retailer of greeting cards, gifts, wrap and bags, where she diversified their income from a UK high-street business to a multi-channel, international, wholesale and franchised operation. Karen has also served as Chief Operating Officer at B&M, on the ASDA Stores Executive Board as Director for Property, Multi-Channel and Format Development, in addition to working for BP Oil's retail divisions.

Karen currently serves as Non-Executive Chair in privately backed businesses Custom Materials Limited and Fun Brands Group. In addition, she is a Non-Executive Director and Chair of ESG of St Austell Brewery.

Karen is a member of the ESG Committee and the Employee Forum, and the Independent Director who has oversight of workforce engagement.

A N R

Robin Williams

Independent Non-Executive Director

Robin was appointed a Non-Executive Director and Chair of the Audit Committee in 2022. Robin has over 30 years' experience with listed companies, including as founder CEO and Executive Director with FTSE250 companies within the packaging and the building materials industries. He is currently Non-Executive Chairman of Keystone Law Group plc and of Churchill China plc and was previously a Non-Executive Director of The Manufacturing Technology Centre Ltd.

Robin is a qualified Chartered Accountant and brings experience of chairing audit committees as well as insights from a wide range of sectors as an Executive and Non-Executive Board member of public and private companies.

Keith Edelman

Non-Executive Director
(until 27 February 2025)

Keith was previously appointed a Non-Executive Director in 2018, and Non-Executive Chairman in 2022 and stood down from the Chairman role on 27 February 2025. Keith is currently a Non-Executive Director of Grupo Murano and a previous Non-Executive Director of the London Legacy Development Corporation and Non-Executive Chair of the Revel Collective plc. His last executive appointment was Managing Director of Arsenal Holdings Plc where he was responsible for the move from Highbury to Emirates Stadium. Keith has held a number of public company Non-Executive roles, including Superdry Plc, Safestore Plc, Goals Soccer Centres plc, JE Beale Plc, Thorntons Plc, Pennpetro Energy Plc and Altitude Group plc.

Keith brings extensive commercial experience to the Board coupled with a background in consumer facing businesses. In his executive career he was a director of consumer, retail and leisure companies including Ladbroke Group Plc, Carlton Communications Plc and Storehouse Plc.

EXECUTIVE TEAM

Committee Membership key

A Audit Committee	N Nomination Committee	E ESG Committee
R Remuneration Committee	D Disclosure Committee	A Committee Chair
Ri Risk Committee	F Employee Forum	

E Ri

Clare Moore

Chief People and Sustainability Officer

Clare was appointed in 2022 having previously worked as the Chief HR Officer at Midcounties Cooperative Ltd, the UK's largest independent consumer cooperative made up of Food Retail, Travel, Childcare, Utilities, and Healthcare. Prior to that she held a number of roles at Halfords Group plc spanning ten years where she was eventually promoted to the role of Group People Director.

Clare has also worked in HR in businesses such as Barclaycard, Aston Martin Lagonda Ltd and Rolls Royce plc. Clare brings experience of colleague attraction, engagement, development and reward across a broad range of colleagues.

Clare is responsible for the day-to-day oversight of the ESG strategy, activity and reporting and is a member of the ESG Committee, the Risk Committee, and the Employee Forum.

E Ri

Toni Wood

Chief Customer Officer

Toni joined in January 2023, into the new role of Chief Customer Officer with the remit of leading sales, marketing and e-commerce. Toni has previously held senior roles across FMCG (Procter and Gamble), Retail (Sainsbury's plc and DFS plc), Hospitality (Costa Coffee) and Digital and Technology (ufurnish.com) She has experience in building businesses and teams both globally and in the UK.

She is also the Senior Independent Director and Renumeration Committee Chair at H&T plc. She is a Fellow of the McKinsey Marketing Academy and was recognised in 2019 and 2022 as one of the UK's Top Marketers. She is a member of the ESG and Risk Committee.

David Rose

Chief Operating Officer

David was appointed Chief Operating Officer in November 2024, following his initial role as Operations Director, which he began in April 2024. He has day-to-day responsibility for the Company's operations and supply chain.

Before joining the Company, he was Chief Operating Officer at UK Flooring Direct, where he led transformative operational improvements at one of the UKs largest ecommerce Hard Flooring companies. Previously, he served as Group Supply Chain & Logistics Director at Studio Moderna, a leading Central and Eastern European multi-brand omni-channel retailer and held several senior roles over a decade at Home Retail Group, focusing on large-scale, multi-location operations and customer-centric supply chains.

David is a Fellow of the Chartered Institute of Logistics and Transport, a membership he has held for over 20 years, reflecting his dedication to professional excellence in logistics and supply chain management. He brings extensive experience in driving efficiency and operational excellence across diverse sectors.

James Heese

Chief Buying Officer

James was appointed in 2025 into the new role of Chief Buying Officer with the remit of leading product and supplier strategy. James was previously the Commercial Director at SCS Plc, the UK's 2nd largest upholstery retailer and a leading flooring retailer. Prior to that he was Managing Director of Tile Giant – a division of Travis Perkins Plc and led the successful transformation of the business resulting in the divestment and sale to private investors. James has also held senior buying and trading roles across The Very Group, Wickes, and Home Retail Group Plc ,including General Manager of the Asia Sourcing office. He began his career at Asda. James brings 30 years' buying experience to Headlam, and has a track record of developing winning customer-focused product propositions and building long-term supplier partnerships.

E Ri D

Alison Hughes

General Counsel & Company Secretary

Alison was appointed in December 2023 and has over 19 years' experience across several business sectors, including retail and hospitality and extensive experience in corporate and commercial legal matters, corporate governance and compliance matters. Previously she was the Director of Group Legal & Company Secretariat at Mitchells & Butlers plc, a FTSE 250 company within the hospitality industry. Prior to that she worked at Boots plc, and trained and qualified as a solicitor with Wragge & Co LLP (now Gowling WLG).

Alison is a qualified solicitor with over 19 years' post qualification experience. She is a member of the Disclosure Committee, ESG Committee and the Risk Committee.

HOW THE BOARD EMBEDS CULTURE

The Board regularly reviews a number of measures throughout the year to monitor the culture of the Company and how it is embedded through the values of the Company summarised below, please also see pages 44 to 49, and 86 on culture and colleague engagement:

Safety: Keep each other safe and well, always.

- Review of health and safety ('H&S') metrics and information included in the regular Board H&S reports.
- Review and approval of the Company's H&S policy.
- Presentations by the Company's Group H&S Director alongside visits to the site to see H&S measures and processes in practice.
- Review of the feedback and scoring from the Company's annual 'Have your Say' employee survey which includes specific feedback from employees on their perspective and rating of safety of physical work environments, employee behaviours in respect of health and safety and wellbeing all scores for these this year were improved from the prior year and where there was an applicable industry benchmark scores were higher than the industry benchmark.
- Review and approval of the Company's whistleblowing policy, the 'Speak Up Policy' and its processes.
- Oversight and visibility of whistleblowing cases during the year and the whistleblowing procedures in place mean any cases, (including those that may relate to H&S) are immediately visible to the Audit Chair (who is the designated Board Director with oversight of the Company's review and investigation process for all whistleblowing cases).
- Board Directors regularly take the opportunity to seek colleagues' feedback on a number of issues when they are out in the businesses during the year.

Teamwork: work together with everyone

- Review of regular updates on colleague turnover through the regular Chief People & Sustainability Officer reports across all areas and departments of the Company, and which also includes commentary relating to any particular trends for the Board to consider and if required investigate further.
- Review of the annual colleague engagement survey, (which includes colleagues' feedback, for example on the Company's work environment and if everyone feels included, regardless of gender, background, ethnicity, sexual orientation, age etc, feedback on line managers ability to manage changes which affect their teams, ability to be themselves at work), all of which this year showed an improvement in scores.
- Review of the annual gender pay gap report.
- Review of the updates from the Company on its diversity and inclusion plans, including changes to recruitment processes and other inclusion initiatives.
- Review of reports from each of the Employee Forums by Karen Hubbard (who is the designated Non-Executive Director for workplace engagement).
- Board Directors have, and regularly take, the opportunity to seek colleagues feedback on a number of issues when they are out in the businesses during the year.
- Review of the People Strategy as part of the Company Strategy.

Improvement: Keep improving everywhere

- Review of updates on customer satisfaction through the Company's customer survey results.
- Review of quality reporting included in various reports to the Board and including those that go to the ESG Committee.
- Review of the annual colleague engagement survey, (which includes colleagues' feedback on training, having the right tools and equipment for colleagues to fulfil their role, the right processes being in place along with other measures), which for this year scoring improved compared to the prior year.
- Review of training initiatives reported through the Chief People & Sustainability Officer reports, the Sustainability report and any specific updates provided.
- Through the Employee Forum, colleagues are regularly updated and have the opportunity to feedback on areas for improvement across the Company, and suggestions and thoughts on improvements, recent topics have included product launches and procurement processes.
- Review of reports from each of the Employee Forums by Karen Hubbard who is the designated Non-Executive Director for workplace engagement.
- Board Directors regularly take the opportunity to seek colleagues' and customers' feedback on a number of issues when they are out in the businesses during the year.
- Review of the Company's Strategy and Transformation Programme across various pillars to drive business improvement.

Leading: Lead by example, we are all leaders

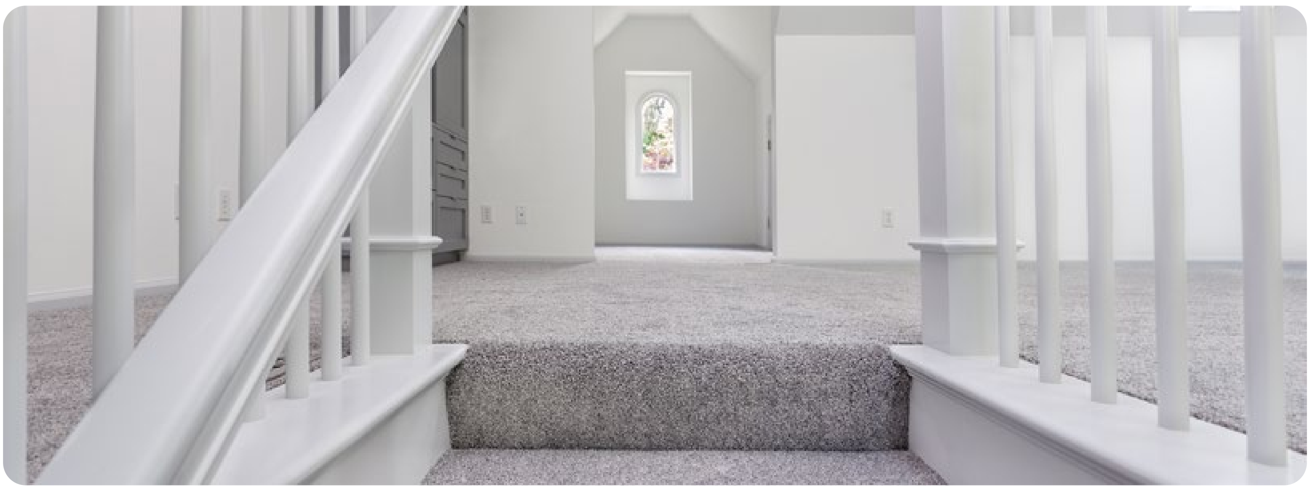
- The strength of leadership is measured as part of the colleague engagement survey which includes feedback on colleague motivation, line management, colleague recognition, line manager communication and ability to raise issues, all of which this year showed an improvement compared to the prior year.
- The Chief People & Sustainability Officer regular reports include reporting on metrics such absence which give an indication of the strength of leadership amongst other metrics.
- The visibility that the Board has of whistleblowing cases also means that any cases related to leadership or colleague behaviour would be immediately visible to the Audit Chair.
- Review of reports from each of the Employee Forums through Karen Hubbard, who is the designated Non-Executive Director for workplace engagement.
- Board Directors regularly take the opportunity to seek colleagues' feedback on a number of issues when they are out in the businesses during the year.
- Oversight of succession planning for the Board, Executive Committee and senior leaders.

Sustainability: Act sustainably, use less, waste less, give back

- Through the Sustainability report we report on a range of sustainability measures including:
  - Waste produced
  - Waste recycled
  - Carbon emissions
  - Actions taken to reduce waste and CO_2 emissions
  - Community support
  - Sustainability of product development
- Review of reports from each of the ESG Committees by Karen Hubbard, (who is the designated Non-Executive Director who is a member of the ESG Committee alongside the Chief Executive).
- Review of the ESG Strategy as part of the Company's Strategy.

Achieving: Get it done, brilliantly

- Board reviews business performance measures and metrics regularly through the various regular reports from the Executive Committee members, (including in the context of the market and the Company's competitors).
- Review of the annual colleague engagement survey, which includes on colleagues' feedback on whether they are satisfied with the communications they receive about local sites and departments in order to do their jobs effectively, which this year showed an improvement in scoring compared with the prior year.
- Board reviews our customers' feedback through the customer survey and reports on the same to the Board.
- Board reviews and receives specific reporting and presentations on major business change programmes such as the Company's transformation programme and ERP replacement programme, along with external advisers, to have the opportunity to directly ask questions of specialist advisers and subject matter experts.



Board activity in 2024

The Board maintains a comprehensive schedule of meetings and a forward agenda to ensure its time is used most effectively and efficiently. However, there is flexibility in this programme, which is important to permit key items to be added to any agenda, so that the Board can focus on evolving and important matters at the most appropriate time. This was specifically illustrated this year by the Board having a dedicated Board meeting in June on the Company's transformation programme and the acceleration of its strategy, with subsequent updates on the transformation programme for the Board at all of its meetings thereafter.

Board agendas are structured carefully to facilitate discussions and allocate appropriate time to all relevant matters, and the agendas are agreed in advance by the Chair, (along with the Chief Executive and General Counsel & Company Secretary).

A typical Board meeting will comprise the following elements:

- Reports from the Chairs of each of the Board Committees on the proceedings of those meetings, including the key discussion points and particular matters to bring to the Board's attention.
- Following every Employee Forum and ESG Committee, a report on the topics discussed is presented by Karen Hubbard to add further context at the Board meeting.
- Performance reports from the Executive Committee, including: reports from the Chief Executive, Chief Finance Officer, Chief People & Sustainability Officer, Chief Customer Officer and Chief Operating Officer.
- Deep dive reports into areas of particular strategic importance, opportunities and risks, to evaluate progress, provide insight and, where necessary, decide on appropriate action. Read more about some of the topics covered during the year opposite and page on 95.
- Legal and governance updates, including: Quarterly Reports from the General Counsel & Company Secretary, approval of delegated financial authorities across the Group; approvals of various policies (such as Speak Up Policy, Health & Safety Policy, Approval of the Anti-Slavery and Human Trafficking Statement).
- Time is set aside at various meetings for the Chair to hold an Independent Non-Executive Director only meeting, (where it is considered appropriate, to provide the opportunity for discussion on key matters without the Executive Directors and management present).
- All of the Board also meet over dinner on a number of occasions before certain Board meetings, also joined by members of the Executive Committee, to enable Board members and Executive Committee members to build a rapport with each other and a relationship on a personal level, share external views and consider issues impacting the Group, resulting in better Board dynamics and decision making.

March

Health & safety policy

Board reviews and approves the Company's Health & safety policy

July

Trade Counters

Board receives update from Trade Counters leadership team and reviews the Trade Counter strategy

August

ERP Programme update

Board receives update of the Company's Project Nexus ERP replacement programme

December

Property disposal transactions

Board approves various property disposal transactions to simplify operations and generate £54m cash proceeds

April

Domus site visit

Board visits its Domus business in London for a site visit and receives updates on its strategy and hears from its independent retail leadership team

May

Key Accounts

Board receives update from the Key Accounts leadership team

June

Transformation Programme

Board receives the acceleration of its strategy and transformation programme proposals

September

Strategy Day

Board receives updates from our key areas of the business and its strategy for each area

October

Melrose site visit

Board visits Melrose site and receives update on its rug and sampling strategy from the Melrose leadership team

November

Customer insight

Board reviews the latest results from its customer survey and insights

BOARD LEADERSHIP AND COMPANY PURPOSE
CONTINUED

Our Board is ultimately responsible for the strategy, management, performance and long-term sustainable success of the Group.

It is the principal decision-making forum for the Group, providing entrepreneurial leadership, both directly and through its Committees and by delegating authority to the Executive Team.

This responsibility includes: setting the Company's purpose, values and strategy; reviewing and promoting the desired organisational culture; ensuring the necessary resources are available to meet agreed objectives; and ensuring that all of these elements are aligned. The Company's business model and strategy is detailed on pages 16 to 21.

Through the strong governance framework that it has in place, the Board is able to deliver on its strategy of providing strong sustainable financial and operational performance. The Board is also accountable for ensuring that in carrying out its duties the Group's legal and regulatory obligations are being met; and for ensuring that it operates within appropriately established risk parameters.

Culture and colleagues

The Board is responsible for monitoring and assessing culture. The Board does not have a single way to assess culture, instead it draws on multiple sources to understand the way colleagues feel about the Company. This is done through formal and informal methods, through the outputs from the Employee Forums and the reports of the Executive Team to the Board. Please also see pages 44 to 49.

Colleagues are encouraged to incorporate the values into work every day, to work the Headlam Way and deliver our long-term objectives, together.

Karen Hubbard is the Independent Non-Executive Director accountable for representing the voice of our colleagues in Board meetings. Karen attended four Employee Forum meetings during 2024, please see page 89 for feedback from Karen on 2024 Employee Forums.

Work continues to enhance communication to ensure that staff across the business, especially those more remotely situated and any new colleagues are briefed on relevant Company news, so they do not feel isolated. The Group-wide intranet continues to be developed as a place for colleagues to access all communication and information about benefits and personal and financial wellbeing. In addition to this, the following improvements have been during the year; the sales conference was held off-site in September, the ongoing leadership development programme, ongoing regular manager and leadership weekly calls, as well as the employee engagement survey (the results of which were presented to the Board in December 2024).

The Speak Up Policy (which continues to include an externally managed helpline) which was launched in 2022 continued to be in place during the year and this, together with a well-established grievance policy, provides a mechanism for colleagues to raise matters of concern more formally. In addition, the Headlam Code of Ethics continues to be issued to all new employees and is part of the new induction programme. As well as reviewing People KPIs at the Board and the outputs from the listening channels, the Board has continued to influence and monitor Group culture in a number of additional ways summarised below but please also see pages 82 to 83 on how the Board assesses how its culture is embedded in the Group:

- Increasing the focus on the health, safety and working practices of our colleagues and reviewing key health and safety performance indicators, please see page 45.
- Reviewing and revising remuneration structures for senior management.
- Reviewing the progress of the implementation of the People Strategy.
- Regular meetings with management and inviting presentations at the Board and Committee meetings from relevant managers and colleagues.
- Assessing other cultural indicators such as the attitude to risk, the implementation and compliance with Group-wide policies such as Anti-Corruption and Bribery, Fraud and Money Laundering.

Board Engagement with Stakeholders

Information on our stakeholder engagement and Section 172 Statement of the Strategic report on pages 26 to 29.

By understanding the interests and needs of all our stakeholders, the Board can take these views into account in Boardroom discussions and decisions. The relevance of each stakeholder group may change depending on the issue under discussion.

The Board continued to develop its methods of engagement during the year and this work will be continued during 2025.

Our Colleagues

Board members engage with a wide variety of colleagues. Karen Hubbard is our dedicated Employee Non-Executive Director and attends the Employee Forum.

See pages 44 to 49 for employee engagement

Our Customers

The Board receives customer insights from the Chief Executive, Chief Customer Officer and Chief Operating Officer, through Board reports and strategy presentations.

See page 03 for customer segments

Our Suppliers

Supplier relationships provide valuable insights through engagement with operations teams and through the Chief Executive and Chief Operating Officer.

See page 27 for supplier engagement

Our Shareholders

There is regular dialogue with our shareholders.

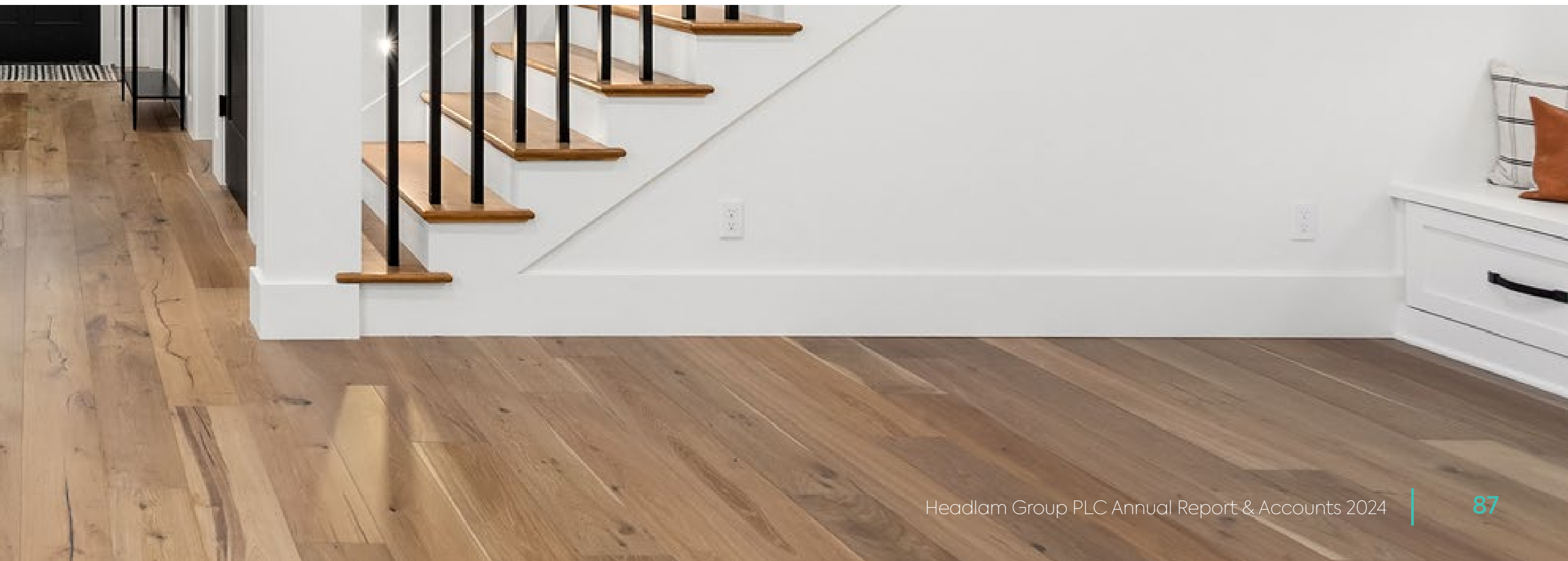
See page 27 for shareholder engagement

Our Communities and the Environment

It is important that we operate safely and sustainably and that we review the impact of our operations on local communities and on the environment. The Board receives regular updates on these activities.

Karen Hubbard is our dedicated ESG Non-Executive Director and attends the ESG Committee.

Further information can be found in our Sustainability Report on pages 38 to 62



Examples of how the Board considered the interests of its key stakeholders when making decisions.

Project Nexus – ERP Replacement Programme

The Board considered multiple stakeholders in its consideration of the proposed ERP replacement programme. This programme will enhance the ability for the Group and its employees to operate business critical processes across various areas of the business. It will also utilise the Group's data more efficiently to further enhance the end-to-end service it offers its customers. Overall, this will enhance the value of the Group for the benefit of all of its stakeholders, (including its shareholders).

Property disposals

The Board considered multiple stakeholders in its decision-making to dispose of a number of properties in the second half of 2024 for £53.9 million (excluding VAT) representing a premium of 64% to book value and generating a substantial profit from the sales.

This was part of the Board consideration of accelerating the Group's strategy and its transformation plan to optimise its network operations for the benefit of colleagues, suppliers and customers and reinforce its market-leading customer service, as well as driving improved operational efficiency for the benefit of the Group and all of its stakeholders, including its shareholders. Also a result of completing the property disposals, the aggregate proceeds were received in cash, putting the Group in a net cash position for the benefit of all of its stakeholders.

Transformation programme

Over recent years the Group has been implementing its strategy of broadening its customer base and implementing a transformation programme of simplifying and consolidating sales teams and operations.

Following volume declines and macro data indicating continued weakness in consumer spending on home improvements, as well as housing transactions which indicated a further delay for a recovery in the floor coverings market, in the first part of the year the Board considered that it was in the best interests of all stakeholders to accelerate the Group's strategy for further integration and simplification across the Group. This would make Headlam a more effective organisation and simplify the Group's offer to its customers, whilst also investing in the proposition across all of our customer groups, in order to maintain and grow market presence for the benefit of the Group, its shareholders, colleagues and suppliers. The Board also considered the initiatives which will deliver a material reduction in operating costs, enhanced customer service, significant one-off cash benefits from the disposal of surplus property (as above) and reduction in working capital and profit improvement.

Q&A WITH KAREN HUBBARD

Karen Hubbard,

Non-Executive Director nominated to represent the employee voice at the Board

“Pleased to hear directly from our colleagues about the continued improvement in communications and engagement this year.”

Q

Describe the Employee Forum and your role as designated Non-Executive Director, workforce engagement and how it adds value to the Group

A

The Employee Forum is one of the ways we engage with our colleagues. It provides the opportunity for colleagues to meet with myself and senior members of management on a regular basis, helping them to stay connected to the strategy and direction of the Company. It also provides the opportunity for us to listen directly to what colleagues have to say and hear about matters the Board is reviewing and considering.

I also actively spend time with colleagues, without management present, to give colleagues the opportunity to provide feedback directly to the Board.

As the nominated Non-Executive Director for workplace engagement, I then provide this feedback directly to the Board which helps us all gain a better understanding of day-to-day operations and insight into the implementation of the transformation plans, and how that impacts our colleagues. It also helps ensure the Board understands how the Company’s culture is embedded.

I continue to liaise with the Chief People and Sustainability Officer and support the Group in how it can better communicate and engage with colleagues. In addition, as a member of the Remuneration Committee my insight is also very helpful in the context of Executive pay.

Q

What have been your highlights this year?

A

I have once again been especially impressed by the willingness of the forum members to raise issues and confidently challenge business processes and provide constructive insights.

Good progress has also been made this year in getting communication to all levels, functions and sites. I’ve been pleased to hear about the improvements in the level and cascade of communications across the Company, especially as the Company implements its transformation plans. I’ve also been pleased to see a good representation at the Employee Forums of a workforce that is diverse in terms of functions and also geographically spread. I’m looking forward to seeing continued improvements in 2025 as the format of the Employee Forum is reviewed by senior management and it continues to evolve as a successful way to engage with our colleagues.

DIVISION OF RESPONSIBILITIES

Board balance

As at 31 December 2024 the Board consisted of the Non-Executive Chair, the Chief Executive, the Chief Financial Officer and four Non-Executive Directors (one of whom was the Senior Independent Director).

As such, at least half the Board, excluding the Chair, were Non-Executive Directors in accordance with the Code during the year.

The Board undertook a review of the size and balance of the Board and confirmed that it was appropriate to meet the business and operational objectives. Further information on the changes to the Board in 2025 can be found in the Nomination Committee report on page 108.

Decisions are made by the Board following detailed consideration of the items under review and no one individual or small group of individuals dominate the Board's decision-making.

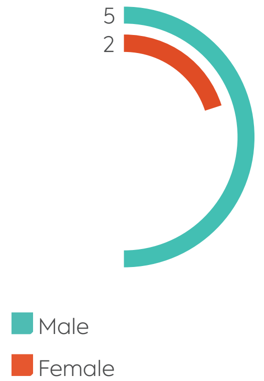
The Board operates within a corporate governance framework designed to support the achievement of long-term sustainable success. The Board has overall responsibility for setting the Group's strategy and setting objectives for the business, taking into account the risk appetite of the business. The Board has a formal schedule of matters reserved for its approval and then delegates responsibilities to its committees and management. The list of the key matters considered by the Board in 2024 can be found on page 95.

The schedule of matters reserved for the Board has been reviewed and is available from the Governance section of the Company's website, www.headlam.com. It includes matters relating to strategy and management, structure and capital, financial reporting and controls, risk management and internal controls, contracts, Board membership and delegation of authority, acquisitions and risk management. An overview of the main duties, roles and responsibilities of the Board are also available on the Company's website.

The Statement of the Responsibilities of the Chair, Chief Executive and Senior Independent Director has been reviewed and is also available on the Company's website.

Board at a Glance

Gender representation
as at 31 December 2024



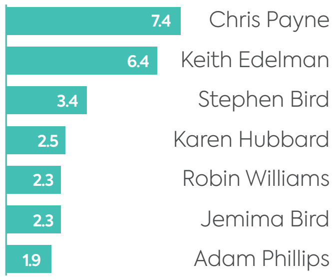
Board Independence

as at 31 December 2024

Chair	1
Executive Directors	2
Independent Non-Executive Directors (including the Senior Independent Director)	4

Board Director tenure

as at 31 December 2024



Board and Committee Structure as at 31 December 2024

Non-Executive Chair
The Chair leads the Board and sets the cultural tone from the top. He ensures high standards of corporate governance are maintained. He is responsible, with the Board, for understanding the views of all key stakeholders and ensuring they are considered in all decision-making. He ensures that all Directors are able to participate in discussions and constructive challenge and to promote effective communication between the Executive and Non-Executive Directors. The Chair leads the annual Board effectiveness review and ensures all new Directors have a tailored induction.

Chief Executive
The Chief Executive leads the Group and ensures the delivery of its commercial objectives, whilst ensuring that operational policies and practices are driving the appropriate behaviour in line with the desired culture. He proposes and develops the Group's strategy in consultation with the Executive Team, the Chair and the Board and leads the communication programme with all key stakeholders including employees. He is responsible for overseeing Group health and safety and diversity initiatives and ensuring the Board has all the information it requires.

Chief Financial Officer
The Chief Financial Officer is responsible for bringing the commercial and financial perspective to the Boardroom. He is responsible for managing the Group's finance function and ensuring that the appropriate financial support and processes are in place to support the implementation of the Group's strategy. He oversees and supports the relationship with the investment community and shareholders. He chairs the Executive Risk Committee which oversees the Group's risk profile and risk management process.

Senior Independent Director
In addition to their role as a Non-Executive Director, They act as a sounding board for the Chair and acts as an intermediary for other Directors when necessary. They are available to shareholders where communication through the Chair or Executive Directors may not seem appropriate and to provide additional support in resolving significant issues. They are also responsible for leading the effectiveness evaluation of the Chair and discussions regarding the term of appointment and fees of the Chair.

Independent Non-Executive Directors
The role of the Independent Non-Executive Director is to provide strategic and specialist guidance with effective and constructive challenge. They critically assess the strategy and scrutinise the performance of management in meeting agreed goals and objectives within the risk and control framework set by the Board. They ensure all stakeholders are considered in the decision-making process. They have a prime role in succession planning and setting appropriate levels of remuneration for the Executive Directors and senior management team.

General Counsel & Company Secretary
The General Counsel & Company Secretary is secretary to the Board and its Committees. The role is to support the Chair and Chief Executive in fulfilling their duties particularly in relation to induction, training and Board effectiveness evaluations. In addition, she supports the Non-Executive Directors and provides updates to the Board and advice on corporate governance and compliance matters.

DIVISION OF RESPONSIBILITIES
CONTINUED

Group Board

Nomination Committee

To monitor the size, diversity and composition of the Board and its Committees and ensure a formal, rigorous and transparent procedure for the appointment of new Directors and to plan for succession. To take an active role in monitoring the Company's diversity strategy and approach and monitoring its effectiveness.

See page 108 to read more

Audit Committee

To assist the Board in fulfilling its obligations relating to the Group's financial reporting practices, internal control and risk management framework, and its external audit and other assurance processes.

See page 100 to read more

Remuneration Committee

To determine and agree the remuneration policy for Executive Directors and Executive Team, and to monitor and report on it. To review wider workforce remuneration and related policies in accordance with the Code.

See page 114 to read more

Disclosure Committee

Meets as required to assist the Board in discharging its responsibilities in relation to the control of inside information and obligations under the Market Abuse Regulation.

Executive Risk Committee

Meets quarterly to evaluate and propose policies and processes to current and emerging risks.

Committee attendance

Membership of the Board and its Committees and attendance at meetings held during the year ended 31 December 2024.

	Board	Nomination Committee	Audit Committee	Remuneration Committee
Keith Edelman (Chair)	11/12	6/7	–	4/4
Chris Payne	12/12	–	–	4/4
Stephen Bird	11/12	6/7	4/4	4/4
Jemima Bird	11/12	7/7	4/4	4/4
Karen Hubbard	11/12	7/7	4/4	4/4
Robin Williams	12/12	7/7	4/4	4/4
Adam Philips	12/12	–	–	4/4

The numbers in the table above confirm how many meetings each Director attended and the total each was eligible to attend during the year
There were no Disclosure Committee meetings during the year.

Group Chief Executive

ESG Committee

The Committee meets quarterly to further develop the Sustainability Strategy and to monitor progress towards achieving the agreed commitments. It seeks to embed good sustainability practices across the Group and is attended by a group of leaders from across the business.

For more information on the Sustainability strategy see page 38

Group Executive Team

The Executive Team meets every month to develop and monitor strategy, operational plans and procedures and to ensure financial performance against the budget is monitored. The Executive Committee assesses and controls risk and prioritises and allocated resources to deliver the strategy. Group health and safety is now monitored during each Executive Team monthly meeting.

See page 16 onwards and 45

Employee Forum

The Employee Forum seeks to allow colleagues to express and discuss their views on any issue, and provides an opportunity for them to influence and develop a more inclusive working environment. The Employee Forum meets quarterly, and is chaired by the Chief Executive. There are additional check in meetings between the formal meetings attended by Employee Forum representatives only.

For more information on Employee Forum see page 46

Board roles and responsibilities

All Directors share collective responsibility for the activities of the Board; the long-term success of the business and its impact on stakeholders and the wider society. The Board roles are constructed to ensure a clear distinction between leadership of the Board and the executive leadership of the business. Specific Board roles are outlined in the table on page 91.

Board Committees and delegation

Various operational matters and decisions have been delegated to Board or management committees.

The Company has long-established Audit, Disclosure, Nomination and Remuneration Committees which, oversee and debate important issues of policy and assist the Board in attending to its responsibilities.

Terms of reference for the Audit, Nomination and Remuneration Committees have been reviewed during the year and are available on the Governance section of the Company's website.

The Executive Directors are responsible for the detailed implementation of the strategic decisions of the Board. The Non-Executive Directors are responsible for evaluating and challenging management's proposals and their mix of skills and experience bring a broader perspective to the Board's dialogue and decision-making process.

Independence

The Company recognises the importance of its Non-Executive Directors remaining independent of executive management in character and judgement, in order for them to effectively support and challenge management's proposals. The Board has considered the independence of the four Non-Executive Directors and, taking into account the Board's review of the Conflicts of Interests register, consider that all remain independent in character and judgement and free from any business or other relationship that could materially interfere with the exercise of independent and objective judgement. None of the circumstances outlined in the Code that may impair, or could appear to impair, independence apply in the case of any Non-Executive Director.

Keith Edelman was considered independent upon appointment to the Board in 2018 and continued to be so upon taking up his role as Non-Executive Chair. Both Stephen Bird and Jemima Bird were considered independent upon their appointment to the Board in September 2021 and October 2022 and they both continued to be so upon taking up their respective roles as Non-Executive Chair and Senior Independent Director on 27 February 2025.

The Senior Independent Director is available to shareholders if they have concerns which are not resolved through the normal channels of the Chair, Chief Executive or Chief Financial Officer, or for which such contact is inappropriate.

DIVISION OF RESPONSIBILITIES
CONTINUED

The Non-Executive Chair and Non-Executive Directors do not participate in any bonus, share option or pension scheme of the Company, nor are they subject to minimum shareholding requirements. They are initially appointed for a three-year term and, subject to review and re-election by shareholders, can serve up to a maximum of three such terms.

In line with the Code, all Board members stand for re-election by shareholders annually and will do so at the 2025 AGM (with the exception of Keith Edelman who stepped down from the Board on 27 February 2025 and therefore not seeking re-election at the AGM).

Board activity in 2024

Board meetings provide the forum for the debate, review and challenge of strategic, operational and governance matters, please also see pages 84 and 95 .

The Board had 12 meetings during the year to discuss the latest operating and financial information, key strategic items, additional deep dives into specific items and other topics requiring discussion or decision. The agenda has strong links to the strategic objectives of the Group and is set via a collaborative process between the Chair, Chief Executive and the General Counsel & Company Secretary. Sufficient time is allocated to each item to ensure effective discussion.

Standing agenda items include the Chief Executive, Chief Financial Officer, Chief People and Sustainability Officer, Chief Customer Officer and Chief Operating Officer on trading matters, health and safety, people and financial reports. The annual Board work programme ensures that the view of all stakeholders, including employees, suppliers, customers and shareholders are taken into consideration. This ensures that the Directors discharge their duties including those under section 172(1) of the Companies Act 2006. Further detail on stakeholders can be found on pages 26 to 29.

Board papers are issued where possible, five working days prior to each meeting to allow adequate consideration of the matters to be discussed. The Board's meeting agenda is structured to ensure sufficient time is given to each item under consideration.

A separate strategy day is held during the year, which in 2024 was in September, and is attended by the Executive team and other key management. This allows detailed consideration of the strategic plan and key focus areas, which then forms the basis of the budget, which is approved at the end of the year. This provided the Board with another opportunity to meet senior leaders in a more formal way and constructively challenge the detailed direction of strategy implementation.

For further information on strategy see page 18

The Board receives an update from the General Counsel & Company Secretary on a quarterly basis including updates on matters of corporate governance. Matters requiring attention between these quarterly updates are shared at the next meeting, or between meetings as required. The Board performs deep dives into areas of importance such as sales, buying, ecommerce and digital, and conducts post implementation reviews of key capital projects.

Key highlights of the Board discussions during the year under review are outlined.

Strategy and management

- Review of Group strategy and priorities
- Review of organisation structure to deliver the strategy and the resources required
- Consideration of the operational strategy to deliver the strategic goals
- Deep dives into strategic areas, including ERP replacement programme
- Approval of various property disposals for £54m cash proceeds and simplify operations
- Oversight of the acceleration of Company Strategy through a two-year transformation plan
- Considered the impact of Company culture on initiatives and projects

See page 18 to read more on Strategy

Financial and performance reporting

- Review of the trading performance and the approval of the Company's annual and half-year results
- Approval of the Company's dividend policy
- Reviewed the Company's capital allocation priorities
- Reviewed and approved the Company's 2025 budget, forecasts and key performance targets
- Long term viability statement, and time frame over which it should be considered
- Approved the UK Tax strategy

See page 68 for long term viability statement

People

- Review of purpose and culture
- Approval of the appointment of Stephen Bird (as replacement Chair with effect from 2025 AGM)
- Senior management and Executive Committee succession planning
- Consideration of health and safety leadership
- Consideration of the external review of Group diversity
- Gender pay gap reporting
- Modern slavery reporting
- Employee share grants and long service awards
- Agreed a tiered pay award

See pages 44, 48, 82–83, and 89 on culture, colleague engagement and diversity

Internal controls and risk management

- Consideration of the effectiveness of the internal audit function
- Completed an assessment of the Company's emerging and principal risks and risk appetite
- Monitored health and safety performance and implementation of continual improvements to procedures
- Monitored the ongoing implementation of recommendations arising out of the external review of IT security
- Received a presentation from the newly appointed Health & Safety Director

See page 63 on risk management

ESG and stakeholder engagement

- Interacted with shareholders and the wider investment community
- Reviewed investor relations programme and feedback provided by the Company's investors, stockbrokers and financial PR agency plus reports on investor roadshows
- Received progress updates on ESG Committee activity and ESG strategy
- Received feedback from the Supplier Conference

See page 38 for Sustainability report

Governance and culture

- Participated in and reviewed the results of an externally facilitated Board and Committee self-evaluation exercise and agreed areas of focus for 2025
- Approved the terms of reference of each Board Committee
- Reviewed and approved the Board's principal policies
- Reviewed the Company's Register of Conflicts
- Approved the Company's Anti-Corruption and Bribery policy, procedures on gifts and hospitality, Fraud and Anti-Money Laundering policy and Speak Up policy
- Received and considered reports on compliance with financial, regulatory, corporate responsibility and environmental commitments
- Reviewed the feedback from the Colleague 'Have your say' engagement survey

DIVISION OF RESPONSIBILITIES
CONTINUED

Outside the Boardroom

Throughout the year the Board undertook site visits across the business.

In April they visited the Domus business in London and in October the Board visited the Melrose business site near Bradford. Each visit included a tour of the site as well as presentations from site management on the performance and opportunities for the business (including health and safety performance). The Board also meets and speaks with a variety of employees during these visits.

In addition the Directors undertook further site and customer visits, which allowed an additional opportunity to discuss areas relevant to the customers and the Board and meet a variety of customer managers and employees.

The Non-Executive Directors have access at any time to the Executive Directors, senior management and employees.

All this activity allows the development of a deeper understanding of the Company and to ask questions about any specific areas of interest. This improves the constructive challenge at Board meetings.

The Chair is kept up to date about emerging issues through regular interaction with the Chief Executive, Chief Financial Officer and other members of the Executive Committee.

The Chair and Non-Executive Directors schedule meetings without the Executive Management present to allow an opportunity to discuss the operation of the Board and any areas for consideration are fed back to the Executive Directors.

The Senior Independent Director also held a meeting of the Non-Executive Directors without management or the Chair present.

Risk management

The Board has overall responsibility for Group's system of risk management and internal control and for reviewing its effectiveness and is supported in this regard by the Audit Committee and the Executive Risk Committee.

Emerging risks are considered by the Board at least annually. Further information on the Company's approach to risk management is available in the Strategic report on page 63 and in the Audit Committee report on page 100.

A description of the risks identified, together with details of how they are managed or mitigated, is set out on pages 66 to 67.

The Audit Committee, on behalf of the Board, monitors the Company's system of risk management and internal control with papers from the Executive Risk Committee at each of its meetings, and conducts a review of its effectiveness at least once a year.

Board induction and training

The process for identifying and evaluating new candidates for Board positions has been delegated to the Nomination Committee under its terms of reference. Once a preferred candidate has been identified they are recommended to the Board for appointment. Further information on this process is outlined below.

Induction

Upon joining, each new Director receives a tailored induction programme relevant to their experience, expertise and committee membership. Particular emphasis is placed on the new Director visiting several operating locations and businesses and meeting the associated senior managers and colleagues to aid with deep understanding of the Group's business operations and the day-to-day challenges facing the business. The Director is also able to accompany a salesperson and a driver for a day to help develop an all-round understanding of the roles and the challenges faced at all levels of the organisation.

An induction programme will typically include briefings on strategy and other matters, site visits, and one-to-one meetings with senior colleagues, including other Directors and each member of the Executive Team, in addition to advisers such as the Company's stockbrokers and auditor. Briefings are included on health and safety, investor and workforce engagement, culture, governance and risk.

Meetings will also be scheduled with each Committee Chair and relevant advisers.

A comprehensive information pack is provided which includes (but is not limited to):

- Background information about the Group and current strategy documents;
- Board and Committee minutes and meeting procedures;
- Group policies;
- Matters reserved for the Board and Committee terms of reference;
- Financial budgets;
- Shareholder and other stakeholder feedback;
- Customer insights; and
- Relevant industry and financial reports.

Training and development

All Directors are considered to be suitably qualified, trained and experienced so as to be able to participate fully in the work of the Board. To assist with the independent conduct of their function and, if required, in connection with their duties, a process is in place for the Non-Executive Directors to obtain professional advice at the Company's expense.

The Directors keep their knowledge and skills up to date and have the opportunity to discuss areas for development with the Chair. Virtual seminars and on-line courses run by professional bodies on various commercial, operational and regulatory matters were attended by the Directors as part of their ongoing development . As required, professional advisers are invited to the Board meetings to provide in-depth updates and the Board also receives updates on environmental, employee and governance issues as appropriate. The General Counsel & Company Secretary provides regular updates on regulatory matters.

Presentations at the Board during 2024 have covered ESG updates, branding, culture, cybersecurity, investor views and market remuneration and policy trends. In addition, the General Counsel & Company Secretary provides regular updates on developments in Corporate Governance.

The Non-Executive Directors further enhance their understanding and knowledge of the business and culture by spending time with the Executive Directors, the Executive Team, other senior management and colleagues.

COMPOSITION, SUCCESSION AND EVALUATION

Board evaluation

Progress during 2024 versus actions identified as part of the prior year's Board evaluation (2023)

	ESG	Risk	Employee Forum
Actions identified in 2023	To ensure that feedback from the ESG Committee is formally fed back to the Board following each ESG Committee, and to ensure that ESG Committee feedback becomes a standing agenda item at the relevant Board meetings immediately following the quarterly ESG Committee meetings.	Risk is discussed in detail at the Board and within Committees. The evaluation results were good in this area but it was agreed that the Board would carry out an annual review of risk appetite as well as an annual review of the Principal Risks.	It was agreed that a paper would be submitted to provide formal written feedback to the Board following each Employee Forum to further enhance the oversight of points raised by employees through the Employee Forums.
Progress made in 2024	The Board receive (as a standing agenda item) a written report from Karen Hubbard with feedback from the Executive ESG Committee.	The Board carried out an annual review of risk appetite and an annual review of the Principal Risks.	The Board receive (as a standing agenda item) a written report from Karen Hubbard with feedback from the Employee Forum.

2024 Board evaluation

The Code recommends that there should be a formal and rigorous annual evaluation of the performance of the Board and its Committees and that this process is externally facilitated at least every three years. The Board undertook an externally facilitated self-evaluation in 2023, and for 2024 it was considered that an internally facilitated Board evaluation was appropriate. This was conducted through the General Counsel & Company Secretary seeking feedback through an evaluation questionnaire towards the end of the year, and the responses were anonymous. The resulting scoring and commentary was received and analysed in draft by the Chair, prior to being submitted to the Nomination Committee for review on behalf of the Board at its meeting in December 2024.

The evaluation noted the positive performance of the Board in several areas and highlighted areas, which would benefit from further improvement.

Following careful consideration of the findings of the review, the Board and its Committees noted a number of strengths, including:

- The Directors have a good understanding of management's agenda and key issues and investor perspectives are well understood by the Board.
- The Committee meetings (an area also examined in the prior year) are well led and operating effectively.
- The contributions from the Non-Executive Directors are balanced and reflect each individual's area of expertise. However, a few points were signposted through this evaluation and these are outlined below.

2024 outcomes and actions

	Customer	Continued Board engagement with Executive team	Meetings
2024 Outcomes and actions	To ensure that the Board continued to understand the Company's different customer segments it was agreed that each of the Board members would contact and/or visit different customer types to gain further insight.	To ensure the continued dialogue and engagement between Executive team members and individual Board members outside of the Boardroom to get the benefit of the Board Directors' experiences and input into the Company's strategy and its implementation.	It was agreed that the Board would continue with a recent practice of each Non-Executive Director providing direct feedback at the end of each meeting for the benefit of the Executive Directors to share with the Executive team members.

The Board discussed the report and agreed actions to take forward based on the suggestions in the report. The General Counsel & Company Secretary is responsible for tracking these actions and reporting back to the Board periodically on the progress made.

Performance review of the Chair during the financial year

The previous Senior Independent Director (Stephen Bird), following results of the Board evaluation and consultation with other Directors, provided feedback to Keith Edelman as the then Chair on his own performance. The review noted that Keith was very engaged and it was noted that Keith's regular contact with the Non-Executive Directors before each Board meeting gave an additional opportunity to ensure their interests and concerns were brought into the Boardroom. During the year, Keith had been instrumental in overseeing the acceleration of the Company's strategy through its transformation programme and the recent sale of various properties, to simplify operations and generate £54 million of cash for the Company. At this point, Keith confirmed his desire to step down from the Board and implement the Chair succession plan. Please see the Nomination Committee report on pages 108 to 112 on how it ensured that the Company continues to have the most effective Board composition and combination of skills to support the delivery of the acceleration of the Company's strategy.

Individual Director performance reviews during the financial year

As part of the annual effectiveness review of the Directors, the then Chair, Keith Edelman provided feedback to each Director on their own performance and discussed training and development opportunities.

Following the results of the evaluation and the relevant performance reviews described in this section, the Board confirms that all Directors, including the current Chair of the Board, continue to be effective and demonstrate commitment to the role, including dedicating sufficient time to attend all necessary meetings and to carry out all other duties required of them.

AUDIT COMMITTEE REPORT

Robin Williams,

Chair of the Audit Committee

“ The Audit Committee has continued to closely monitor the impact of market conditions, and the transformation plan, on the Group’s significant accounting matters and key judgements.”

Key responsibilities:

- Monitoring the integrity of the Group’s financial statements and results announcements and any other published financial information and significant financial reporting issues and judgements, as well as other required disclosures.
- Reviewing the adequacy and effectiveness of the Group’s internal controls and risk management systems.
- Approving the activities, reviewing the findings and assessing the effectiveness of the Group’s internal audit function.
- Recommending the external auditor appointment; assessing audit quality and effectiveness; assessing independence, objectivity and approving fees; and monitoring non-audit services.

Statement from the Chair of the Audit Committee

On behalf of the Board, I am pleased to present the Audit Committee’s report for the year ended 31 December 2024.

This report summarises the role that the Audit Committee has continued to play in providing challenge and oversight over the Group’s financial reporting, internal controls and risk management. Throughout the year, macroeconomic and industry headwinds have continued to present externally driven challenges, and the Audit Committee has continued to carefully monitor for their impact on the Group.

Membership and meetings

The Audit Committee had four scheduled meetings during the year, each of which are structured around the annual programme of business and the financial reporting cycle. A verbal update is provided from the Chair of the Audit Committee to the Board following each meeting. The Audit Committee is scheduled close to, and shortly preceding, the Board meetings to ensure effective and timely reporting.

The Audit Committee members are Stephen Bird, Jemima Bird, Karen Hubbard and myself. All members of the Audit Committee are independent Non-Executive Directors and the remuneration of the members of the Audit Committee is set out in the Report on Directors’ Remuneration on page 114. See pages 78 and 79 for further information on the Audit Committee members experience, as set out in the Directors’ biographies. This wide range of relevant expertise allows robust challenge and the ability to analyse the issues that are discussed.

The Chief Executive, Chief Financial Officer, Chair and representatives of the external auditor attend the Audit Committee’s meetings at the invitation of the Audit Committee Chair. The Director of Group Finance, other members of senior management and the Head of Internal Audit are invited to attend the meetings where appropriate. Meetings of the Audit Committee with the external auditor without the presence of management were held during the year and. separately, with the Head of Internal Audit. I hold meetings with the Lead Audit Partner outside of the formal meeting schedule and keep in regular contact with the Chief Financial Officer and the Head of Internal Audit. The role of Secretary to the Committee is performed by the Company Secretary.

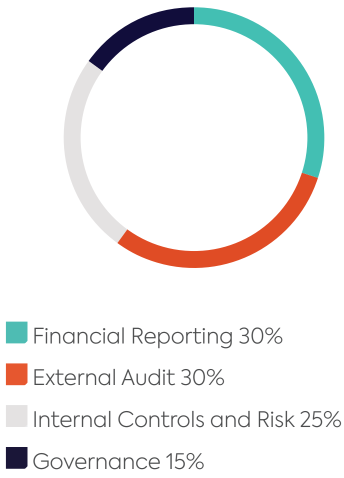
In addition to attending the Audit Committee meetings, the Audit Committee members met with operational and finance team members, and other members of senior management during the year.

Main role and key responsibilities

The Audit Committee is appointed by the Board and operates under written terms of reference (available in the investors section at www.headlam.com). At the start of the year the Audit Committee agreed its priority areas of focus for 2024. These are set out in the table below along with a summary of the progress the Audit Committee has made on these priorities.

Key priorities	Progress made
Progress on the implementation of the plan to meet the requirements from the BEIS review	The workstreams that will underpin the requirements are underway. A key development during the year was a materiality assessment using guidance from the Financial Reporting Council and ICAEW, and publications from audit firms.
The continued improvement of the system of internal controls, including consideration of the ERP replacement programme	Internal controls continue to be improved through the work being performed for the updated Corporate Governance Code requirements, as well as through other internal control initiatives, such as improvements to IT general controls. During the year the Group selected the software and systems integrator for the ERP replacement. Internal control requirements are integral to the design and build of the replacement system and the Audit Committee will review progress in due course. Consideration has also been given to the impact of the transformation plan, which is expected to enhance the internal control environment as it results in simplification and centralisation of processes.
Review of the internal assurance plan	Reviewed on an ongoing basis at the Audit Committee meetings.
Playing a further enhanced role in the monitoring of the Group's risk management processes and in reviewing principal risks and setting risk appetite	Risk management matters are now referred and addressed firstly at the Audit Committee meetings, before being taken to the main Board meeting for any further discussion or ratification. The Audit Committee set risk appetite formally for the first time in February 2024. This is now an annual exercise that was repeated in February 2025.
Assessing impact of macroeconomic and trading environment on the Group's accounting judgements, estimates and disclosures	The Audit Committee assessed this on numerous occasions, both through the lens of the review and scrutinisation of the half year and full year results, and also through review of management's accounting updates during the year, including management's assessments of the impact of the transformation plan on key accounting judgements, estimates and disclosures.
Assessing compliance with Global Internal Audit Standards	Management performed an assessment against the updated standards, which concluded that there is compliance, acknowledging the context of the size and maturity of the Internal Audit function. The Audit Committee reviewed this assessment during the year.

How the Committee spent its time



Activities of the Audit Committee during the year

The key activities of the Audit Committee in discharging its principal areas of responsibility are outlined below.

Financial reporting

- Reviewed the half year and annual financial statements and reports, and the significant financial reporting judgements and estimates.
- Reviewed the risk disclosures in the half year and annual financial statements and reports.
- Reviewed the process established for ensuring that the report and accounts are fair, balanced and understandable, and provided the information necessary for shareholders to assess the Group's performance, business model and strategy.
- Considered the impact of the macroeconomic and trading environment, and management's responses to those (including the implementation of the transformation plan), on the Group's accounting judgements, estimates and disclosures.
- Considered liquidity risk and the basis for preparing the half year and full year accounts on a going concern basis and reviewed the related disclosures.
- Reviewed and challenged the pension buy-in transaction and the accounting treatment thereof.
- Reviewed the Auditor's findings and recommendations, and management's response.
- Reviewed and approved the Audit Committee Report to be published in the Annual Report and Accounts.

Governance

- Reviewed and approved the Audit Committee's terms of reference and annual programme of business.
- Approved the Speak Up, Fraud and Anti-Money Laundering and the Anti-Corruption and Bribery Policies. Further information can be found on pages 52 and 141.
- Considered the Company's approach to the avoidance of modern slavery and human trafficking.
- Received updates on corporate governance requirements and the BEIS review relevant to its responsibilities.

Going concern and viability reporting

- Reviewed the financial modelling conducted for the going concern assessment.
- Reviewed and challenged the viability assessment process in support of the long-term viability statement based on scenarios arising from identified key risks and their impacts.

External Audit

- Considered and approved the external audit plan, the materiality level, the risk assessment and the key members of the external audit team.
- Discussed the audit fee and the increase proposed due to increased regulatory requirements and increased costs within the audit profession. Information on the audit fees can be found on page 171.
- Discussed the reports on audit findings and met with the Auditor without management present. There were no significant issues to report.
- Considered the independence and objectivity of PwC LLP. The Audit Committee confirmed the independence of PwC. See page 105.
- Reviewed the effectiveness of the external audit process. The Audit Committee concluded that the audit was effective and a recommendation was made to the Board on the reappointment of PwC at the AGM.

Internal controls and Risk

- Approved the internal audit charter and the work plan for 2024.
- Considered reports from management and the Auditor on their assessment of the control environment.
- Reviewed the effectiveness of the risk management framework and considered the systems and processes for identifying, managing and mitigating risks.
- Assisted the Board in its assessment of the emerging and principal risks, reviewed minutes from the Executive Risk Committee and challenged management on its activities, ensured that the Board reviewed and discussed the Risk Register.
- Reviewed reporting disclosures in relation to internal controls, risk management, principal risks and uncertainties and the work of the Committee.

Transformation plan

- Consideration of accounting implications of the consolidation and centralisation of functions and processes.
- Review the basis of Cash Generating Units for the assessment of impairment.

Significant financial reporting issues and areas of estimate and judgement

The Audit Committee received and discussed reports and recommendations from management and the Auditor setting out the significant areas of judgement and estimation.

Significant issues and areas of estimate and judgement	How they were addressed
Supplier arrangements The Group has a significant number of rebate agreements with suppliers. These agreements can contain multiple terms or tiered arrangements based on the volume of goods purchased. The majority of these rebates are paid to the Group after the year-end, meaning that there is typically a significant rebate receivable at the year-end balance sheet date.	Management explained to the Audit Committee the process of calculating the amounts expected to be received and confirming these balances with suppliers and discussed the assumptions made in the calculations. The Audit Committee challenged the assumptions used by management and reviewed the level of cash receipts and credit notes received after the year-end. The work of the external auditor in relation to supplier rebates was discussed by the Audit Committee. Based on this, the Audit Committee was satisfied that the amounts recognised have been appropriately scrutinised and that the assumptions upon which the calculation was based are sufficiently robust.
Non-underlying items The Group accounting policy for non-underlying items states that performance measures will be presented which exclude items which are associated with the acquisition of businesses and other items which by virtue of their nature, size and expected frequency, warrant separate additional disclosure in the financial statements in order to fully understand the underlying performance of the Group. Management must exercise judgement in deciding whether items should be treated as non-underlying by reference to this policy.	The Audit Committee considered the presentation of non-underlying items in accordance with the Group accounting policy. This year the non-underlying items included income of £21.1 million in respect of the profit on disposal of properties, and expenses of £28.3 million comprising: £1.3 million of amortisation of intangibles and other acquisition-related expenses, £4.7 million impairment of assets, £19.7 million business restructuring and change-related costs, and £2.6 million ERP system development. The Audit Committee received reports from management and the Auditor, outlining the judgements applied including consideration of materiality. The Audit Committee also considered whether the Annual Report and Accounts was fair, balanced and understandable and challenged management's designation of items as non-underlying. The Audit Committee concluded that the disclosure of non-underlying items was sufficient and appropriate for the user of the accounts to understand the nature of the items and reason for their treatment as non-underlying.
Carrying value of non-current assets The Group had £10.8 million of goodwill allocated on its balance sheet at 31 December 2024, resulting from past acquisitions, along with intangible assets, property, plant and equipment and right-of-use assets. The assessment of the recoverable amount of these assets are estimated based on future cashflows and any impairment has the potential to be material.	Management performed the annual impairment review of goodwill, along with impairment reviews for other groups of assets at both June 2024 and December 2024 where indicators of impairment were identified. Management performed the annual impairment review of goodwill, along with impairment reviews for other groups of assets at both June 2024 and December 2024 where indicators of impairment were identified. Management concluded that an impairment of £1.8 million was necessary during 2024, as described in note 11. The key assumptions used in an impairment review are the level of revenue growth, gross margin and the discount rate. Climate change risks were also considered by management and included in the sensitivity analysis. Judgements are made by the Directors in identifying the cash generating units ('CGU'). The restructuring activities undertaken during the year have necessitated a change to CGUs due to the consolidation and integration of regional trading businesses into a single, national business. This has reduced the number of CGUs from 16 to 7. The Audit Committee considered the change in CGUs and the impairment reviews carried out by management and discussed the basis of the key assumptions and the sensitivities performed. The Audit Committee also considered the external auditor's findings and discussed this matter with the external auditors. Based on this the Audit Committee was satisfied that the approach taken by management was robust and that the assumptions made were reasonable.

AUDIT COMMITTEE REPORT
CONTINUED

Internal audit

The Group has an internal Audit function with a Head of Internal Audit, who reports into the Audit Committee at each meeting. During the year the Internal Audit function executed the approved annual internal audit plan. The plan was developed by assessing the Group's principal risks and during this first year of operation the plan continued to be refined during the year. The internal audit programme for 2024 has concluded that there has been an improvement in the control environment over the course of the year.

Assurance is also provided to the Audit Committee in the form of internal control audits undertaken by the Group finance team; various additional reports provided by management including a summary of all sources of assurance in place throughout the Group and internal self-certification reports relating to the compliance with regulation and Group policies.

The Internal Audit function will continue to evolve to support the Group's strategy and objectives by evaluating and assessing the effectiveness of risk management systems, business policies and procedures, systems and key internal controls. Once any recommendations to address issues are made, they will be reviewed by management and the Internal Audit function will then monitor implementation and report back to the Audit Committee at each meeting.

The Audit Committee is satisfied that the internal Audit function is independent and effective. The Head of Internal Audit reports directly to the Chair of the Audit Committee with an administrative reporting line to the Chief Executive and has no other responsibilities as required under the Institute of Internal Auditors Code of Practice.

The Audit Committee has a formal private session with the Head of Internal Audit twice a year and the Head of Internal Audit meets with the Chair of the Committee at least quarterly.

External auditor

Non-audit services

During the year, no non-audit services were provided by the Auditor and therefore no fees were paid to the Auditor for non-audit services. The general policy is that the external auditor must not carry out any non-audit services. The Group's statutory auditor will only be engaged to carry out non-audit services in exceptional circumstances or where there is a regulatory request and any such engagement would be approved by the Audit Committee. This is to ensure the independence of the external auditor is safeguarded.

The Audit Committee has reviewed its policy for the provision of non-audit services ('Non-Audit Policy') within the last 12 months. Under the Non-Audit Policy and in line with the EU Audit Directive and Regulations, non-audit fees paid to the external auditor should not exceed 70% of the average audit fee for the preceding three periods.

Independence and objectivity

The Audit Committee annually reviews the appointment of the external auditor and considers their independence and objectivity.

PwC was appointed as Auditor in 2016 following a full tender exercise. Gill Hinks took over as lead audit partner for Headlam Group plc following the conclusion of the 2019 audit and as she has now served as lead audit partner for nearly five years the Audit Committee will consider, in conjunction with the external auditors, appropriate lead audit partner arrangements in accordance with current professional standards.

In 2026, PwC will have been the Group's Auditor for ten years; accordingly the Group has commenced planning for a tender process.

The Audit Committee considered the conduct of the external auditor and the level of challenge displayed during the course of the year-end audit, in particular the depth of discussions and the challenge to the Group's approach to its significant judgements.

The external auditor has processes in place to ensure that independence is maintained and has written to the Audit Committee confirming that, in their opinion, they remain independent within the meaning of the relevant regulations on this matter and their own professional standards and that no conflict of interest exists that would affect their professional judgement.

Taking into account the external auditor's confirmation, its own deliberations and feedback from management, the Audit Committee agreed that the external auditor remained independent from management and able to display an independent view on the position of the business.

Effectiveness of external audit

An effectiveness review is performed after the conclusion of each year's audit. Feedback was obtained from members of the Audit Committee, regular attendees and members of the finance team. The review covers several themes including the calibre of the external auditor, the team and relationship with the business and the independence and objectivity displayed. The progress achieved against the agreed audit plan and the competence with which the auditor handled the key accounting and audit judgements were also considered.

Following the review, the Audit Committee concluded that the external auditor, PwC LLP, remained independent and that the external audit process remained effective.

Consideration of external auditor appointment

In determining whether to recommend the external auditor for reappointment this year, the Audit Committee considered the length of tenure and ability to perform an independent audit as well as the quality of planning and the ability to meet deadlines. They also considered the expertise of the Lead Audit Partner and the wider audit team and concluded that a comprehensive and timely audit had been undertaken.

The Audit Committee therefore concluded that it was in the best interest of Company shareholders to reappoint PwC as the Company's external auditor. The Audit Committee's recommendation, that a resolution to reappoint PwC LLP be proposed at the AGM, was accepted and endorsed by the Board.

Misstatements

Management reported to the Audit Committee that they were not aware of any material misstatements or immaterial misstatements made intentionally to achieve a particular presentation. The external auditor reported to the Audit Committee the misstatements that had been found in the course of the audit work and no material amounts remained unadjusted.

Information security and cyber risk

The Company has a clear approach to identifying and mitigating information security risk which is outlined further on page 66. The Audit Committee, with its membership consisting of only Non-Executive Directors, oversees the Group's approach to information security and cyber risk management as part of its review of the risk management and internal control framework and its oversight of the work of the Executive Risk Committee. Information security and cyber risks are mitigated through processes and procedures employed by the Group; training provided to all colleagues with email access and annual cyber awareness training; and independent assurance and annual penetration testing. Further improvements to information security were implemented in the year, building on the progress made in the previous year. These improvements were evidenced in a reduction in the premium payable for cyber insurance.

Risk management and internal control effectiveness review

The Board has ultimate responsibility for the effective management of risk throughout the Group, including determining its risk appetite and identifying key strategic and emerging risks. The role of the Audit Committee is to monitor, on behalf of the Board, the Group's financial and non-financial risk and internal control management systems and assess their effectiveness.

In supporting the Board in its assessment of the effectiveness of risk management and internal control process, the Audit Committee relies on a number of different sources of assurance: at each meeting, the Audit Committee reviews the minutes of and considers assurance provided by the Executive Risk Committee as part of its assessment of the effectiveness of the risk management framework; reports provided by management and the Executive Risk Committee; and the assurance provided by third parties in specific risk areas.

The Audit Committee also receives reports from the external auditor on matters identified during the course of its statutory audit work. The Audit Committee takes into account the resources within the finance team including the structure of the team, and the qualifications, experience and competence of the people within it, in forming its view.

The Group's control framework is intended to manage rather than eliminate the risk of failure to achieve business objectives. Such a framework can only provide reasonable and not absolute assurance against material misstatement or loss. The control framework is evolving in line with the strategic objectives and has been enhanced by the implementation of a set of minimum controls standards, with a rolling programme of testing to ensure that all of the minimum control standards are designed and operating effectively.

Health and safety risks are managed by the Executive Risk Committee but performance is monitored directly by the Board at each of its scheduled meetings.

An overview of the risk management framework and the principal risks and uncertainties it identifies, is set out on pages 63 to 67.

The Audit Committee was satisfied that the reporting disclosures in respect of internal controls and risk management are a fair representation of the Group's position.

Fair, balanced and understandable

At the request of the Board, the Audit Committee reviewed the Group's Annual Report and Accounts and considered if when taken as a whole, it was fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy, as required by the Code Provision 25.

The key themes are considered early in the process and this process involved a wide range of individuals including the Chief Executive, Chief Financial Officer, Company Secretary, Finance Team, Chief People & Sustainability Officer and senior managers of the businesses.

The Audit Committee followed robust procedures to make this assessment. These included reviewing the early stages of drafting and any feedback was then incorporated into the subsequent drafts. Each Director also had the opportunity to review and feedback on a full copy of the report which provides additional oversight. The Audit Committee also had oversight of the overall process and also the results of the evaluations of the remuneration committee report and the governance section as well as private sessions with the external auditor.

In addition, the Audit Committee considered and challenged the going concern assumptions and the management's areas of significant judgements as part of the year end process as did the external auditor.

The Audit Committee considered the content and if it was balanced with both negative and positive factors being presented and that it represented the events throughout the year. The balance and consistency between narrative and financial reporting was reviewed.

It was recommended to the Board that the 2024 Report and Accounts did reflect a fair, balanced and understandable assessment of the Company's position and prospects and contained sufficient information for shareholders to assess the Company's position, performance, business model and strategy.

Speak up policy

The Group has a Speak Up Policy that sets out the formal process by which an employee of the business may, in confidence, raise concerns about possible improprieties in financial reporting or other matters. All employees receive a copy of the Speak Up policy as part of the induction process and training is provided. Regular training and communication about the Policy is sent to all employees throughout the year. The channels through which an employee can raise concerns are clearly defined and there is a Speak Up Committee (speakup@headlam.com) consisting of the Chief People & Sustainability Officer, General Counsel & Company Secretary, Director of Group Finance and Head of Internal Audit.

An independent external organisation provides a further channel for concerns to be raised confidentially and anonymously through a website or via the telephone. When an incident is logged the policy clearly defines the procedures in place to investigate and when to inform the Board of the result of any investigations. All incidents are reported to the Chair of the Audit Committee.

The Group is committed to a zero-tolerance position with regard to bribery. The Anti-Corruption and Bribery, and Fraud and Anti-Money Laundering policies were each considered by the Audit Committee during the year and recommended to the Board for approval. Further information on Anti-Corruption and Bribery is available on page 141.

Committee effectiveness review

The effectiveness of the Audit Committee was evaluated as part of the Board evaluation. This was an externally facilitated self-evaluation process using questionnaires. Further details of this can be found on page 141. The review found that the Audit Committee is operating effectively and that its role and remit remain appropriate for the current needs of the business. This year, it was also acknowledged that the meetings of the plc Board's sub-committees, (including the Audit Committee) were well-led and operating effectively.

Summary

The Audit Committee has concluded, as a result of its work during the year, that it has acted in accordance with its terms of reference and fulfilled its responsibilities.

The Audit Committee remains committed to maintaining an open and constructive dialogue on relevant audit matters with shareholders. If you should have any questions on any aspect of this report, please do email headlamgroup@headlam.com and I will also be available at the AGM to answer any questions about the work of the Audit Committee.

This Audit Committee report forms part of the Corporate Governance Report and is signed on behalf of the Audit Committee by:

Robin Williams
Chair of the Audit Committee

11 March 2025

NOMINATION COMMITTEE REPORT

Stephen Bird,

Chair of the Nomination Committee

"Succession planning is a key process for the committee, as demonstrated by the implementation of our Chair succession plan."

Key responsibilities:

- Monitoring the structure, size and composition of the Board, its Committees and the senior management on an ongoing basis to ensure they remain appropriate and effective and have the right balance of skills, knowledge, experience and diversity to deliver the Company's strategy now and in the future.
- Making recommendations to the Board of any changes required and leads the process regarding appointments to the Board, including the role as Chair and Senior Independent Director.
- Succession planning for the Board (including Chair and Committee Chairs) and senior management and making recommendations to the Board.
- Considering the diversity of the Board and the talent pipeline.

Full details of responsibilities delegated to the Nomination Committee by the Board in the written terms of reference which are available on the Company's website.

Statement from the Chair of the Nomination Committee

On behalf of the Board, I am pleased to present the Nomination Committee report for the year ended 31 December 2024.

The focus in 2024 was to consider the composition of the Board, considering executive and senior management succession planning, and strategic hires to support the Company through its transformation programme. We also considered Board diversity and reviewed the results of the Board effectiveness evaluation. However, a key area of focus was the implementation of the Chair succession plan.

Board composition and succession planning

Following a succession Chair transition between Keith and myself, I took over as Chair of the Board and Chair of the Nomination Committee with effect from 27 February 2025. The Nomination Committee then also considered the balance of skills and experience on the Board to support the delivery of the key strategic aims of the Company. As a result, I'm pleased to confirm that Jemima Bird, our Chair of the Remuneration Committee was appointed as the Senior Independent Director with effect from 27 February 2025. Full details of all the Board can be found in their biographies on pages 78 and 79. However, the Nomination Committee will continue to monitor the composition of the Board, its Committees and senior management on an ongoing basis to ensure they remain appropriate and effective and have the right balance of skills, knowledge, experience and diversity to deliver the Company's strategy now and in the future.

As part of the Nomination Committee's monitoring during the year, it carried out a skills mapping self-assessment exercise for all of the Board members, the results of which were debated and the Nomination Committee concluded that the Board and its Committees have appropriate skills and experience to support the delivery of the key strategic aims of the Company.

The Nomination Committee also annually considers the tenure of the Board and when considering succession planning for the Board, consideration is given to skills, experience and diversity to ensure that there is the appropriate mix to continue to lead the Company and deliver long-term success of the Company for all of our stakeholders. The Board evaluation confirmed that the Non-Executive Directors have a good understanding of management's agenda and key issues, and also that investor perspectives are well understood by the Board. It also concluded that the Committee meetings are well led and operating effectively, and that the contributions from the Directors are balanced and reflect each individual's area of expertise.

Strengthening the senior management team

The Nomination Committee continued to focus on the Company's talent management strategy with the Chief Executive to ensure the right people with the right skills were in place to deliver the strategy and ensure performance management was strengthened throughout the business.

As a result, a comprehensive review was undertaken of the senior management team, to ensure the continuing delivery of the strategy in the current challenging market conditions. A number of senior appointments were made during the year, including the addition of David Rose (Chief Operating Officer) and James Heese (Chief Buying Officer) to the Executive Team, their biographies are included on pages 80 to 81.

Board diversity

Board diversity and the advantages it can make to decision making are acknowledged by the Board. Diversity is considered for every appointment, which are made on merit against objective criteria. Recruitment agencies are instructed to present a diverse list of candidates for all roles.

Any appointments are made to ensure the correct and complementary skills are on the Board, and provide the level of experience required to deliver the strategy for our stakeholders. The Board diversity policy is considered every year by the Board, which was last reviewed in July 2024 and can be found on the Company's website.

The key statement of the Board diversity policy is that the Company is committed to developing a diverse workforce and equal opportunities for all and that the Board recognises the valuable contribution that diversity including gender, ethnicity and personal strengths can bring to the Board.

The Board diversity policy also commits to maintaining the current gender balance of the Board, and the Nomination Committee continues to be committed to increasing gender and ethnic diversity at Board level and will seek to achieve this when the opportunity arises and appropriate candidates are identified. Notwithstanding this, all Board appointments will be made on merit and against objective criteria and the Nomination Committee will monitor progress against the Board diversity policy.

In terms of Board gender diversity, as at 31 December 2024, there were seven Board members, two of which were female (28.6%). As at 11 March 2025, there are six Board members, two of which are female (33%) and five are male (77%).

On 27 February 2025, one of our female Board Directors, Jemima Bird was appointed as our Senior Independent Director. However, the Board recognises that it currently has less than 40% female Board Directors and that it does not have a Director from an ethnic minority background which means it does not comply with all of the diversity and inclusion targets set out in the Listing Rules. Although, the Board has reviewed its size, structure and composition during the year, (and more recently on 27 February 2025), and concluded that its remains suitable to meet the Company's needs and to promote the desired culture, (please also see the results of the 2024 Board Evaluation on pages 98 to 99). The Board believes that it currently has the right balance of Board Directors, especially in light of the Board appointments made in the past couple of years. However, the Board is committed to increasing diversity when the opportunity arises and appropriate candidates are identified.

It remains the policy that all appointments to the Board and Executive team should be made on merit and against objective criteria, whilst addressing diversity considerations of the Board. The Board's diversity objective is to have a broad range of age, gender, ethnicity, approach, skills, experience and educational/professional backgrounds represented at Board level and in senior management positions, and the Nomination Committee will continue to review what steps and recruitment processes are appropriate for achieving diversity.

The information required by the listing rule for companies to report information and disclose the gender and ethnic background representation on their boards and executive management on a comply or explain basis is included below.

Data concerning gender and ethnicity representation is collected directly from all the individual Board and Executive team members as part of their onboarding process, or in the case of the Non-Executive Directors, through a Diversity and Inclusion Monitoring Form (the 'Form') which was issued for completion asking individuals to disclose their gender and ethnicity using the options included on the Form, which align with the detail in the left-hand columns of the tables below and therefore includes the option to not specify an answer.

Gender representation as at 31 December 2024

	Board			Executive Committee	
	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in Executive management	Percentage of Executive management
Men	5	71%	4	3	60%
Women	2	29%	–	2	40%
Not specified/prefer not to say	–	–	–	–	–

Ethnicity representation as at 31 December 2024

	Board			Executive Committee	
	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in Executive management	Percentage of Executive management
White British or other White (including minority-white groups)	7	100%	4	4	80%
Mixed/Multiple Ethnic Groups	–	–	–	1	20%
Asian/Asian British	–	–	–	–	–
Black/African/Caribbean/Black British	–	–	–	–	–
Other ethnic group, including Arab	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

Group-wide diversity

The Company has continued to implement its inclusion and wellbeing strategy, which includes actions to improve the diversity, equity and inclusion of our workforce, please see further details on page 48.

Colleague engagement

Karen Hubbard is appointed as the designated Non-Executive Director for workforce engagement. Further information on the establishment of the Employee Forum and how the employee voice is heard in the Boardroom can be found on page 46.

Effectiveness of the Nomination Committee

The effectiveness of the Nomination Committee was evaluated as part of the 2024 Board and Committees evaluation, which was undertaken internally this year (having been undertaken by an external third-party consultant, Gould Consulting in 2023), utilising a questionnaire with metrics and scoring to produce a report. This highlighted that the Board and its Committees continue to function well. The findings were discussed and it was agreed that the Nomination Committee remained effective. This year, it was also acknowledged that evaluation scores for the Nomination Committee all increased since the prior year.

Retirement and re-election of Directors

As previously mentioned, the Chair succession plan was implemented following Keith's decision to step down from the Board, and I was appointed Chair of the Company and its Nomination Committee with effect from 27 February 2025. I, together with the rest of the Board will be standing for re-election at the 2025 AGM.

Each Director has been subject to a performance evaluation and the Nomination Committee has conducted its own annual review of the appropriateness of the Directors' skills and experience; their time commitment to the Company; and their contribution to the Board during the year. As part of this review, each Director has confirmed that they continue to allocate sufficient time to discharge their responsibilities effectively, and the Nomination Committee evaluates their ability to do so, taking into consideration other external commitments, in addition to their individual performance throughout the year and their skills and experience set against the agreed strategy.

Following this review the Nomination Committee, and subsequently the Board has concluded that each Director continues to make an effective and valuable contribution and demonstrates commitment to their role. It is recommended that shareholders approve the resolutions to be proposed to the forthcoming AGM relating to the re-election of each Director.

A year of progress

Despite the challenges throughout the year, we have continued to invest in the business and the people to ensure the future growth of the business can be supported and we will continue to do so throughout 2025. The Nomination Committee always has the long-term success of the business for all stakeholders in mind.

Membership and attendance at 2024 meetings

During the year, Keith Edelman was Chair of the Nomination Committee, and it comprises a majority of Independent Non-Executive Directors as required by the Code, their biographies are set out on pages 78 to 79. Appointments to the Nomination Committee are made by the Board. The Nomination Committee considers the composition of the Board and its committees on an annual basis.

The Nomination Committee met on seven occasions in order to fulfil its responsibilities delegated to it by the Board. Attendance is shown in the table below.

Only members of the Nomination Committee are entitled to be present at meetings. However, other Directors (including the Chief Executive), members of the Executive team and advisers may be invited to attend Nomination Committee meetings at the discretion of the Chair. The General Counsel & Company Secretary performs the role of Secretary to the Nomination Committee.

No Director is involved in any decisions regarding their own continuation in office, re-appointment or re-election, including the Chair.

Name	No. of meetings attended
Keith Edelman (Chair)	6/7
Stephen Bird	6/7
Jemima Bird	7/7
Karen Hubbard	7/7
Robin Williams	7/7

There was one Nomination Committee meeting held to discuss specifics relating to Chair succession and the replacement Chair appointment and given this, it was appropriate that neither Stephen Bird nor Keith Edelman attended this meeting and so their attendance record in the table above reflects this.

Appointment and re-appointment of Directors

The Nomination Committee has procedures in place for a formal, rigorous and transparent process leading to Board appointments, ensuring that appointments to the Board are made on merit, against objective criteria and promote diversity of gender, social and ethnic backgrounds. This has been shown by the recent decision to appoint Jemima Bird as our Senior Independent Director.

The Chair and the other Non-Executive Directors are appointed for an initial period of three-years, which, with the approval of the Nomination Committee and the Board, would normally be extended for a further three years term. All appointments are subject to annual election by the shareholders.

The letters of appointment of all Non-Executive Directors (alongside the service contracts for the Executive Directors) are available for inspection at the Company's registered office during normal office hours. Copies are also made available at each of the Company's Annual General Meetings for 15 minutes prior to the meeting and throughout.

Time commitments

The letters of appointment clearly set out the time commitment expected from each Non-Executive Director and this is reviewed annually by the Committee to ensure it remains appropriate. Each Non-Executive Director confirms at the time of their appointment, and each year thereafter, with careful consideration to their external appointments, that they can continue to dedicate sufficient time to the Group's business.

All Directors have demonstrated strong time commitment to their roles during the year.

The Nomination Committee confirms that it is fully satisfied that each Director dedicates the appropriate amount of time to their roles on the Board and the Nomination Committee.

Board size, structure and composition

The composition and performance of the Board and its Committees was considered by the Nomination Committee as part of its annual assessment and it was concluded that the Board and each Committee continue to function effectively. The Nomination Committee concluded that the composition of the Board is compliant with the provisions of the Code, is appropriate to meet the business and operational objectives, and is sufficient to bring a balanced and experienced view to the decision-making process.

Activities of the Nomination Committee

The Nomination Committee agrees an annual workplan and, in addition to matters relating specifically to its terms of reference, agendas incorporate matters arising and topical items upon which the Nomination Committee has chosen to focus.

The key activities of the Nomination Committee during the year in discharging its principal areas of responsibility are shown below:

Skills assessment and succession

- Reviewed the skills and experience required by the Board in the context of wider business needs and culture, long-term strategic objectives and stakeholder feedback
- Reviewed the skills and experience of Non-Executive Directors to fully support the achievement of the Group's strategic objectives and carried out a skills mapping exercise to support this review
- Reviewed succession plans for the Chair, Board, Executive team and senior management
- Supported the recruitment of key management positions
- Implemented the Chair succession plan

Governance

- Reviewed the structure, size and composition of the Board and its Committees
- Reviewed and updated the terms of reference of the Committee and its annual plan
- Reviewed the time commitment required of Non-Executive Directors and evaluated whether enough time had been committed to fulfil their duties
- Agreed that all Non-Executive Directors (excluding the Chair) remain independent
- Recommended the re-election of all Directors due to retire at the AGM
- Reviewed the role descriptions of the Chair, Chief Executive and Senior Independent Director positions
- Considered and re-approved the policy on approving external appointments
- Reviewed and approved the Board diversity policy

Evaluation

- Reviewed the results of the Board effectiveness in relation to the Board, its Committees and their own performance
- Considered the composition, size and diversity of the Board

Reporting

- Considered and recommended to the Board the Nomination Committee report for inclusion in the Annual Report and Accounts

This report and the information on pages 74 to 143 forms part of the Corporate Governance report and is signed on behalf of the Nomination Committee by:

Stephen Bird
Chair of the Nomination Committee

11 March 2025

Jemima Bird,

Chair of the Remuneration Committee

> "Careful consideration in exercising our discretion has been vital this year, allowing us to strike the right balance for our stakeholders during what has been a challenging period for the Company."

Key responsibilities:

- Designing the framework and policy for Executive Directors' remuneration and determining remuneration packages for the Executive Directors, Chair and senior managers.
- Establishing remuneration schemes that promote long-term shareholdings by Executive Directors and that support alignment with shareholders' interests, both in employment, and post cessation.
- Reviewing workforce remuneration and related policies.

Annual Statement

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for 2024.

The report includes this Annual Statement, an abridged version of the Directors' Remuneration Policy ('Policy') which was approved by shareholders at the 2023 AGM and the Annual Report on Remuneration for the financial year ended 31 December 2024. The Directors' Remuneration Report (excluding the Policy) will be subject to an advisory shareholder vote at the AGM on 22 May 2025.

Business performance and incentive out-turn for 2024

As set out in the Chair's statement on page 4, 2024 proved to be a difficult year for the industry as a whole, and for many businesses exposed to consumer discretionary spend. Financial performance was hampered by a declining market and high operational cost inflation. Despite this backdrop, the Company made good progress with the acceleration of its strategy to optimise and simplify the business through a transformation plan, reinforcing its market-leading customer service and driving improved operational efficiency. Following completion of the sales of various properties in December, the Company achieved a net cash positive position and continues to have a property portfolio valued at £94 million.

For 2024, annual bonus opportunity was capped at 125% of base salary. 70% of the bonus was assessed against the Company's underlying profit before tax performance and 30% against key strategic and ESG-related objectives. While the threshold Underlying PBT target was not met, most of the strategic targets were met and the ESG related target was met in full, resulting in 20% of the maximum bonus payable. However, notwithstanding the significant progress that has been achieved by the management team in respect of delivering the Company's strategy and implementation of its transformation programme, the Committee decided to apply negative discretion and therefore reduced the bonus to zero in light of the Company's financial performance and broader stakeholder experience.

In respect of PSP awards granted in April 2022 and due to vest in April 2025, which were based on EPS and relative Total Shareholder Return measured against the constituents of the FTSE SmallCap Index (excluding investment trusts), EPS was below threshold and Headlam's TSR was below median based on performance to 31 December 2024. As such, none of the 2022 PSP awards will vest. Further details of the 2022 PSP award are set out on page 128.

Discretion

The Remuneration Committee is conscious of its role in ensuring that remuneration is appropriate when considering the performance of the business and the individual Directors. As detailed above, whilst the Remuneration Committee recognises the significant progress that has been achieved by the management team in respect of delivering the Company's strategy and implementation of its transformation programme, the Remuneration Committee considered the formulaic outcomes of the annual bonus plan and applied negative discretion to reduce the bonus award for 2024 to zero. No discretion was applied in respect of the 2022 PSP awards which will lapse in full in April 2025.

Remuneration for 2025

Base salary

Executive Director base salaries were increased in line with the workforce from 1 January 2025. As such, Chris Payne's salary increased by 2% from £484,500 to £494,190 and Adam Phillips' salary increased by 2% from £325,000 to £331,500 with effect from 1 January 2025.

Pension

Pension contributions will continue to be capped at 8% of salary for both the Chief Executive and Chief Financial Officer which is comparable to the majority of employees.

Annual bonus and PSP

Maximum bonus potential will remain at 125% of salary for the Chief Executive and Chief Financial Officer. 70% of the annual bonus opportunity will be based key financial metrics and 30% will be based on a number of key strategic and ESG-related objectives. The targets, which are considered to be commercially sensitive at this time, together with the level of achievement, will be detailed in the 2025 Annual Report and Accounts.

It is the Committee's intention to make PSP awards in 2025 up to 150% of salary for the Chief Executive and Chief Financial Officer. As per last year's award, vesting will be subject to EPS targets for the majority of the award and relative TSR targets and ESG targets for a minority of the award. The combination of a post-vesting holding period requirement under the PSP, the deferral into shares under the annual bonus scheme and the shareholding guidelines will continue to provide alignment between the interests of Executive Directors, the shareholders and delivery of the strategy.

Shareholder views and voting outcomes

The Remuneration Committee conducted a consultation exercise with our larger shareholders and the major proxy voting agencies in advance of the 2023 AGM when our current Policy was approved and was grateful for the level of support received. No changes are proposed to the Remuneration Policy this year and at last year's AGM over 91% of votes cast in favour of the Directors' Remuneration Report (excluding the Policy). We hope we will again receive your support at the forthcoming 2025 AGM.

2025 AGM Resolution

On the basis that the Directors' Remuneration Policy was approved by shareholders at the 2023 AGM and no changes are proposed, the Directors' Remuneration Report (excluding the Policy) will be subject to an advisory shareholder vote at the AGM on Thursday 22 May 2025.

Conclusion

We remain committed to a responsible approach to executive pay, as I trust this Directors' Remuneration Report demonstrates. That said, I would be happy to meet or speak with shareholders if there are any questions or feedback on our approach to executive remuneration.

Jemima Bird
Chair of the Remuneration Committee

11 March 2025

At a glance remuneration overview

Executive Remuneration for the year ending 31 December 2024

Fixed Remuneration	Salary	Workforce Aligned Pension	Benefits
	(c.30% of total reward assuming maximum performance)		

Variable Remuneration	Annual Bonus	Performance Share Plan
	Link to Strategy	
	Performance measures support Group strategy to: – increase profitability for shareholders – deliver key strategic and ESG-related priorities	Performance measures support Group strategy to deliver: – higher returns to shareholders – increased earnings – the ESG strategy
	Potential	
	(Maximum 125% of Salary) 1/3rd deferred into shares under the Deferred Bonus Plan	**(Maximum 150% Salary)** Two year post vesting holding period Dividend equivalents accrue to extent awards vest
	FY2024 Performance Metrics	
	Underlying Profit Before Tax – 70% (to support profitability of the business) Key strategic and ESG-related objectives – 30% (to support business growth and ESG objectives)	Underlying Basic Earnings Per Share (EPS) – 70% (to support the growth of earnings) Relative Total Shareholder Return (TSR) – 20% (to align the interests of Directors with those of shareholders) ESG-related objectives – 10% (to support key strategic and ESG objectives)

Shareholder alignment	In Employment	Post Employment
	200% of salary	Lower of shareholding at cessation of employment and 200% of salary to be held for two years post cessation

Directors' Remuneration Policy

This part of the Directors' Remuneration Report sets out an abridged version of the Directors' Remuneration Policy which was approved by shareholders at the AGM on 25 May 2023. The Policy took formal effect from the date of approval and is intended to apply until the 2026 AGM. The full shareholder approved Policy can be found in the 2022 Annual Report which can be viewed via the Company's website at www.headlam.com.

Considerations when determining the remuneration policy

The overarching objective of the remuneration policy is to promote the long-term success of the Group. In seeking to achieve this objective the policy has been designed based on the following key principles:

- to operate remuneration arrangements which are simple and transparent, and which help to build and maintain a sustainable performance culture;
- to appropriately align executive reward with the Group's strategic objectives and with the best interests of shareholders and other key stakeholders;
- to promote appropriately the long-term success of the Group, and to not pay more than is necessary in doing so; and
- to have a competitive mix of base salary and short- and long-term incentives, with an appropriate proportion of the package determined by the rigorous application of stretching targets linked to the Group's performance.

Consideration of employment conditions elsewhere in the Group

In setting remuneration for the Executive Directors, the Remuneration Committee takes note of the overall approach to reward for employees in the Group. Salary increases will ordinarily be (in percentage of salary terms) no higher than those of the wider workforce. The Company operates an Employee Forum at which aspects of remuneration across the Group (including Executive Director remuneration) is discussed. In addition, the Chair of the Remuneration Committee receives feedback on remuneration matters directly from the designated workforce engagement Non-Executive Director and the Group People Director updates the Remuneration Committee periodically on remuneration arrangements and employment conditions across the Group.

Shareholder views

The Remuneration Committee is committed to an ongoing dialogue with shareholders and welcomes feedback on Executive and Non-Executive Directors' remuneration. The Remuneration Committee will seek to engage directly with larger shareholders and their representative bodies should any material changes be made to the Policy. The Remuneration Committee also considers shareholder feedback received in relation to the remuneration-related resolutions each year following the AGM. This, plus any additional feedback received from time to time, is then considered as part of the Committee's annual review of remuneration policy and its implementation.

Summary Policy table for Executive Directors

Component	Purpose and link to strategy	Operation
Base salary	To provide a competitive base salary for the market in which the Group operates to attract and retain Executives of a suitable calibre.	Salaries are usually reviewed annually, with any increases typically effective 1 January. Salaries are typically set after considering: • pay and conditions elsewhere in the Group; • overall Group performance; • individual performance and experience; • progression within the role; and • competitive salary levels in companies of a broadly similar size and complexity and market forces.
Benefits	To provide broadly market competitive benefits as part of the total remuneration package.	Executive Directors receive benefits in line with market practice, and these include life assurance, private medical insurance, company car or car allowance and, where relevant, relocation expenses. Executive Directors are also provided with the opportunity to join any HMRC approved all-employee share plan arrangements on the same basis as other employees. Executive Directors will be eligible for any other benefits which are introduced for the wider workforce on broadly similar terms and other benefits might be provided from time to time based on individual circumstances and if the Committee decides payment of such benefits is appropriate. Any reasonable business-related expenses can be reimbursed (and any tax thereon met if determined to be a taxable benefit).
Retirement benefits	To provide employees with long-term savings to allow for retirement planning.	The Group may offer participation in a defined contribution pension plan or may permit Executive Directors to take a cash supplement in lieu of pension up to the same value.
Annual bonus	Rewards performance against targets which support the strategic direction of the Group. Bonus deferral provides a retention element through share ownership and direct alignment with shareholders' interests.	Awards are based on performance typically measured over one year. Pay-out levels are determined by the Remuneration Committee after the year end based on performance against pre-set targets. Executive Directors will defer at least one-third of any bonus award into shares, typically for a two-year period. The Committee may decide to pay the whole of the bonus earned in cash where the amount to be deferred would, in the opinion of the Remuneration Committee, be so small as to make deferral administratively burdensome. Deferred shares will typically take the form of nil-cost share options but may be structured as an alternative form of share award. Deferred bonus awards may be granted on the basis that the participant shall be entitled to an additional benefit (in cash or shares) in respect of dividends paid over the deferral period, calculated on such basis as the Committee shall determine. The vesting of the deferred shares is not subject to the satisfaction of any additional performance conditions. The annual bonus plan includes provisions which enable the Remuneration Committee (in respect of both the cash and the deferred elements of bonuses) to recover or withhold value in the event of certain defined circumstances.

Maximum opportunity	Performance measures
While there is no maximum salary, increases will normally be in line with the typical range of salary increases awarded (in percentage of salary terms) to the wider workforce. Larger salary increases may be awarded to take account of individual circumstances, such as: • where an Executive Director has been promoted or has had a change in scope or responsibility; • where the Remuneration Committee has set the salary of a new hire at a discount to the market level initially, a series of planned increases can be implemented over the following few years to bring the salary to the appropriate market position, subject to individual performance; • where there has been a change in market practice; or • where there has been a significant change in the scale of the role or the size and/or complexity of the business. Increases may be implemented over such time period as the Remuneration Committee deems appropriate.	Although there are no formal performance conditions, any increase in base salary is only implemented after careful consideration of individual contribution and performance and having due regard to the factors set out in the Operation column of this table.
Whilst the Remuneration Committee has not set an absolute maximum on the level of benefits Executive Directors may receive, the value of benefits is set at a level that the Remuneration Committee considers appropriate against the market and provides a sufficient level of benefits based on individual circumstances.	Not applicable.
Workforce aligned (currently 8% of base salary).	Not applicable.
125% of base salary.	Targets are set annually with measures linked to the Group's strategy and aligned with key financial, strategic and/or individual targets. The majority, if not all, of the annual bonus will be assessed against key financial performance metrics of the business and any balance will be based on non-financial strategic, ESG-related and/or personal objectives. A graduated scale of targets is set for each measure, with up to 10% of each element payable for achieving the relevant threshold performance level and 100% of maximum potential for achieving stretch performance. The Remuneration Committee has discretion to amend the pay-out should any formulaic output not reflect the Remuneration Committee's assessment of overall business performance.

Component	Purpose and link to strategy	Operation
Performance Share Plan ('PSP')	To incentivise Executive Directors, and to deliver genuine long-term performance-related pay, with a clear line of sight for Executives and direct alignment with shareholders' interests.	Awards will be in the form of nil-cost share options, conditional shares or other such form as has the same economic effect. Awards will be granted with vesting dependent on the achievement of performance conditions set by the Remuneration Committee, with performance normally measured over at least a three-year performance period. The Remuneration Committee retains discretion to adjust vesting levels in exceptional circumstances, including but not limited to regard of the overall performance of the Company or the grantee's personal performance. Awards will usually be subject to a two-year holding period following the end of the performance period, and shares will typically not be released to participants until the end of any such holding period. Awards under the PSP may be granted on the basis that the participant shall be entitled to an additional benefit (normally in shares) in respect of dividends paid over the holding period. This amount shall be calculated on such basis as the Remuneration Committee determines. The PSP includes provisions which enable the Remuneration Committee to recover or withhold value in the event of certain defined circumstances.
Shareholding guidelines	To further align the Executive Directors' long-term interests with those of shareholders.	**In employment:** Until the guideline has been reached Executive Directors are required to retain all of the net number of vested shares from the PSP and DBP. Vested shares which are subject to a holding period under the PSP and shares which are subject to DBP awards will count towards the limit (on a net of assumed tax basis). **Post employment:** Executive Directors will normally be required to hold shares at a level equal to the lower of their shareholding at cessation of employment and 200% of salary for two years post cessation in respect of any share awards granted after the 2021 AGM and excluding own shares purchased.
Non-Executive Directors (including the Chair)		
Annual Fee	To attract individuals with appropriate knowledge and experience.	Fees are normally reviewed annually taking into account factors such as the time commitment and contribution of the role and market levels in companies of comparable size and complexity. The Chairman is paid an all-inclusive fee for all Board responsibilities. Fees for the other Non-Executive Directors may include a basic fee and additional fees for further responsibilities (for example, chairmanship of Board committees or holding the office of Senior Independent Director). In exceptional circumstances, if there is a temporary yet material increase in the time commitments for Non-Executive Directors, the Board may pay extra fees on a pro rata basis to recognise the additional workload.

Maximum opportunity	Performance measures
150% of salary.	PSP performance measures may include, and are not limited to, relative TSR, EPS, strategic measures and ESG-related objectives. A maximum of 25% of any element vests for achieving the threshold performance target and 100% for maximum performance. Performance metrics and weightings are reviewed annually and may be varied for future award cycles as appropriate to reflect the prevailing strategic priorities of the Group at that time.
200% of salary.	Not applicable.
Neither the Chairman nor the Non-Executive Directors participate in any of the Group's performance related schemes (i.e. annual bonus or incentive arrangements). Nor do they receive any pension or private medical insurance or taxable benefits, other than the potential to receive gifts at the end of a long-standing term of appointment. Non-Executive Directors may be eligible to receive benefits such as the use of secretarial support, travel costs or other benefits that may be appropriate and the Company repays any reasonable expenses that a Non-Executive Director incurs in carrying out their duties as a director, including any tax liabilities thereon, if appropriate.	Not applicable.

Explanation of performance measures chosen

Performance measures for the annual bonus are selected annually to align with the KPIs and prevailing strategic imperatives of the Group, and the interests of shareholders and other stakeholders. Financial measures (e.g. underlying profit before tax) will be used for a majority of the bonus with any remainder based on key strategic, ESG-related and/or personal objectives designed to ensure that Executive Directors are incentivised to deliver across a range of objectives. 'Target' performance is typically set in line with the business plan for the year, with threshold to stretch targets set around this based on a sliding scale which takes account of relevant commercial factors. Only modest rewards are available for delivering threshold performance levels, with rewards at stretch requiring material outperformance of the business plan. Details of the specific measures used for the annual bonus are set out in the annual report on remuneration.

Performance measures for the PSP are selected in order to provide a robust and transparent basis on which to measure the Group's performance, to demonstrably link remuneration outcomes to delivery of the business strategy over the longer term, and to provide strong alignment between senior management and shareholders. In achievement of these aims, PSP awards granted in 2025 will be based on underlying basic Earnings Per Share ('EPS'), relative Total Shareholder Return ('TSR') and ESG-related metrics. EPS is currently a critical KPI for the Group, supporting a focus on profitability and growth; TSR is aligned with the Group's focus on creating value for our shareholders; and ESG-related objectives are being built in to reflect the increasing importance of this aspect of the Group's overall strategy. However, the policy provides for Remuneration Committee discretion to alter the PSP measures and weightings to ensure they can continue to facilitate an appropriate measurement of performance over the life of the policy, taking account of any evolution in the Group's strategic ambitions.

When setting performance targets for the bonus and PSP, the Remuneration Committee will take into account a number of different reference points, which may include the Group's business plans and strategy, external forecasts and the wider economic environment.

The Remuneration Committee retains discretion to amend the bonus pay-out and to reduce the PSP vesting level if any formulaic outcome is not reflective of the Remuneration Committee's assessment of overall business performance over the relevant performance period.

Malus and clawback

The following provisions apply:

- Prior to the payment of an annual bonus or vesting of a DBP or PSP award, the Remuneration Committee may operate 'malus' (or 'withholding') to cancel the award.
- For up to two years following the payment of an annual bonus award, the Remuneration Committee may operate 'clawback' (or 'recovery') to require the repayment of any cash amount paid or may cancel any deferred bonus award.
- For up to two years after the vesting of a PSP award, the Remuneration Committee may operate clawback to cancel the award during the holding period (or require repayment of the award if it has been released prior to the end of the holding period); reduce future vesting under the Company's share plans; or reduce the number of shares already vested but unexercised.

The circumstances in which malus and clawback may be operated are as follows:

- the Company materially misstated its financial results (excluding any changes resulting from a change in accounting standards);
- the Executive's conduct being such that it would entitle (or, where the Employment has terminated prior to the date on which the Board becomes aware of such act or omission, would have entitled) the Group to terminate the Employment summarily;
- a material error having occurred in determining whether any corporate or personal performance conditions relating to the bonus or PSP award have been met (or any other material error having occurred in calculating the sum that was awarded as a bonus or the size of the PSP award);
- circumstances which in the opinion of the Board would have (or would have if made public) a sufficiently significant impact on the reputation of the Company or Group;
- the Company becomes insolvent or otherwise suffers a corporate failure and the Board determines that such circumstances arose from events occurring (in whole or substantial part) during any period in which the relevant individual was a participant; or
- such other exceptional circumstances which, in the Remuneration Committee's absolute discretion, justify such reimbursement being imposed.

Discretion retained by the Committee in operation of the incentive plans

The Remuneration Committee will operate the Company's incentive plans according to their respective rules and consistent with normal market practice, the Listing Rules and HMRC rules where relevant, including flexibility in a number of regards. These include making awards and setting performance criteria each year, dealing with leavers, and adjustments to awards and performance criteria following acquisitions, disposals, special dividends, changes in share capital and to take account of the impact of other merger and acquisition activity, and to settle awards in cash. The Remuneration Committee also retains discretion within the policy to adjust the targets, set different measures and/or alter weightings for the annual bonus plan and PSP, pay dividend equivalents on vested shares up to the date those shares can first reasonably be exercised and, in exceptional circumstances, under the rules of the long-term incentive plans to adjust performance conditions to ensure that the awards fulfil their original purposes (for example, if an external benchmark or measure is no longer available).

All assessments of performance are ultimately subject to the Remuneration Committee's judgement. Any discretion exercised, and the rationale, will be disclosed in the Annual Remuneration Report.

Differences in pay policy for Executive Directors compared to employees more generally

The Remuneration Policy applied to the Executive Directors is similar to the policy for the wider senior management team in that a significant element of remuneration is dependent on Group performance and the key principles of the remuneration philosophy are applied consistently across the Group below this level, taking into account seniority and market practice. Key features include:

- we aim to provide market competitive levels of remuneration across the workforce in order to recruit and retain high calibre employees at all levels;
- we have aligned pension contributions for Executive Directors with the workforce;
- all UK employees have the opportunity to participate in an HMRC-approved employee share scheme arrangement; and
- employees at selected levels participate in an annual bonus arrangement.

At senior levels, remuneration is increasingly long term, and 'at risk' with an increased emphasis on performance-related pay and share-based remuneration.

Recruitment remuneration

The policy aims to facilitate the appointment of individuals of sufficient calibre to lead the business, to execute the Group's strategy effectively and to promote the long-term success of the Group for the benefit of shareholders and other stakeholders. When appointing a new Executive Director, the Remuneration Committee seeks to ensure that arrangements are in the best interests of the Group and not to pay more than is appropriate.

The Remuneration Committee will take into consideration a number of relevant factors, which may include the calibre and experience of the individual, the candidate's existing remuneration package, and the specific circumstances of the individual, including the jurisdiction from which the candidate was recruited.

When hiring a new Executive Director, the Remuneration Committee will typically align the remuneration package with the above Policy. The Remuneration Committee may include other elements of pay which it considers are appropriate; however, this discretion is capped and is subject to the principles and the limits referred to below.

- Base salary will be set at a level appropriate to the role and the experience of the Executive Director being appointed and the circumstances of the appointment. This may include agreement on setting the salary at below the market rate with a series of future staged increases planned in order to bring the salary up to a market level, in line with progression in the role, increased experience and/or responsibilities, and subject to satisfactory performance, where it is considered appropriate.
- Retirement benefits will be workforce aligned and other benefits will be provided in line with the above policy.
- If the Executive Director will be required to relocate in order to take up the position, it is the Group's policy to allow reasonable relocation, travel and subsistence payments. Any such payments will be at the discretion of the Remuneration Committee.
- The Remuneration Committee will not offer non-performance related incentive payments (for example a 'guaranteed sign-on bonus').
- If an Executive Director is recruited at a time in the year when it would be inappropriate to provide a bonus or long-term incentive award for that year as there would not be sufficient time to assess performance, subject to the limit on variable remuneration set out below, the quantum in respect of the months employed during the year may be transferred to the subsequent year so that reward is provided on a fair and appropriate basis.
- The Remuneration Committee may also alter the performance measures, performance period, vesting period, deferral period and holding period of the annual bonus or PSP, if the Remuneration Committee determines that the circumstances of the recruitment merit such alteration. The rationale will be clearly explained in the following Directors' Remuneration Report.
- The maximum level of variable remuneration which may be granted (excluding 'buyout' awards as referred to below) is 275% of salary.
- The Remuneration Committee may make additional payments or awards in respect of hiring an employee to 'buyout' remuneration arrangements forfeited on leaving a previous employer. In doing so, the Committee will take account of relevant factors including any performance conditions attached to the forfeited arrangements and the time over which they would have vested. The Remuneration Committee will generally seek to structure buyout awards or payments on a like-for-like basis to the remuneration arrangements forfeited. Any such payments or awards are limited to the expected value of the forfeited awards. Where considered appropriate, such buyout awards will be liable to forfeiture or 'malus' and/or 'clawback' on early departure.
- Any share awards referred to in this section, including any buyout awards, will be granted as far as possible under the Group's existing share plans. If necessary, and subject to the limits referred to above, awards in relation to a recruitment may be granted outside of these plans as permitted under the Listing Rules which allow for the grant of awards to facilitate, in unusual circumstances, the recruitment of an Executive Director.
- Where a position is filled internally, any ongoing remuneration obligations or outstanding variable pay elements shall be allowed to continue according to the original terms.
- Fees payable to a newly appointed Chairman or Non-Executive Director will be in line with the fee policy in place at the time of appointment.

Service contracts and letters of appointment

Executive Directors' service contracts are on a rolling basis and may be terminated on up to 12 months' notice by the Group or by the Executive.

All Non-Executive Directors have letters of appointment providing for fixed-term agreements with the Group which may be terminated by the giving of three months' notice by either party (Chairman six months' notice). The agreements last for an initial period of three years and may then be extended for two additional periods of three years, subject to re-election by shareholders at the relevant AGM.

Copies of Executive Directors' service contracts and Non-Executive Directors' letters of appointment are available for inspection at the Company's registered office during normal hours of business.

Payments for loss of office

The principles on which the determination of payments for loss of office will be approached are set out below:

Component	Policy
Payment in lieu of notice	If notice is served by either party, the Executive Director can continue to receive base salary, benefits and pension for the duration of their notice period, during which time the business may require the individual to continue to fulfil their current duties or may assign a period of garden leave. The Group has discretion to make a payment in lieu of notice. Such a payment would include base salary and, at the election of the Remuneration Committee, compensation for benefits and pension contributions (if applicable) for the unexpired period of notice.
Annual bonus	This will be at the discretion of the Remuneration Committee on an individual basis and the decision as to whether or not to award an annual bonus award in full or in part will be dependent on a number of factors, including the circumstances of the individual's departure (i.e. normal good leaver provisions) and their contribution to the business during the annual bonus period in question. Any annual bonus award amounts paid in respect of a good leaver will normally be prorated for time in service during the annual bonus period and will, subject to performance, be paid at the usual time (although the Remuneration Committee retains discretion to pay the annual bonus award earlier in appropriate circumstances) and normally subject to deferral policy. Any bonus earned for the year of departure and, if relevant, for the prior year may be paid wholly in cash at the discretion of the Remuneration Committee.
Deferred bonus awards	The extent to which any unvested deferred bonus award will vest will be determined in accordance with the rules of the Deferred Bonus Plan ('DBP'). If a participant ceases employment for any reason (other than summary dismissal, in which case his award will lapse), his award will ordinarily continue until the normal vesting date. The Remuneration Committee retains discretion to release awards when the participant leaves. Awards (in the form of nil cost options) which have vested and been released but remain unexercised at the date of cessation may be exercised, for such period as the Remuneration Committee determines, if a participant leaves for any reason (other than summary dismissal).
PSP	The extent to which any unvested award will vest will be determined in accordance with the rules of the PSP. Unvested awards will normally lapse on cessation of employment. However, if a participant leaves due to death, ill health, injury, disability, the sale of his employer or any other reason at the discretion of the Remuneration Committee, the Remuneration Committee shall determine whether the award will be released at cessation or on the normal release date or at some other time (such as following the end of the performance period). In any case, the extent of vesting will be determined by the Remuneration Committee taking into account the extent to which the performance condition is satisfied and, unless the Remuneration Committee determines otherwise, the period of time elapsed from the date of grant to the date of cessation relative to the performance period. Awards may then be exercised during such period as the Remuneration Committee determines. If a participant leaves for any reason (other than summary dismissal) after an award has vested but before it has been released (i.e. during a 'holding period'), his award will ordinarily continue until the normal release date when it will be released to the extent it vested. The Remuneration Committee retains discretion to release awards when the participant leaves. Awards (in the form of nil cost options) which have vested and been released but remain unexercised at the date of cessation may be exercised, for such period as the Remuneration Committee determines, if a participant leaves for any reason (other than summary dismissal).

Component	Policy
Change of control	The extent to which unvested awards under the DBP and PSP will vest will be determined in accordance with the rules of the relevant plan. Awards under the DBP will vest in full in the event of a takeover, merger or other relevant corporate event. Unvested awards under the PSP will vest early on a takeover, merger or other relevant corporate event. The Committee will determine the level of vesting taking into account the extent to which the performance condition is satisfied and, unless the Committee determines otherwise, the period of time elapsed from the date of grant to the date of the relevant corporate event relative to the performance period. Awards under the PSP which have vested but not been released (i.e. awards which are subject to a holding period) will be released, to the extent vested.
Mitigation	If an Executive Director's employment is terminated, any compensation payment will be calculated in accordance with normal legal principles including the application of mitigation to the extent appropriate to the circumstances of the termination. Payments will be made in instalments and reduced to the extent employment is taken up elsewhere.
Other payments	Payments may be made either in the event of a loss of office or a change of control under any of the Group's HMRC-favoured all-employee share plans in line with the associated plan rules. There is no discretionary treatment for leavers or on a change of control under these schemes. In appropriate circumstances, payments may also be made in respect of accrued holiday, outplacement and legal fees and other benefits that may be considered appropriate taking into account the circumstances of the termination. The Remuneration Committee reserves the right to make additional exit payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement or compromise of any claim arising in connection with the termination of a Director's office or employment.

Where a buy-out award is made under the Listing Rules then the leaver provisions would be determined at the time of the award.

Where the Remuneration Committee retains discretion, it will be used to provide flexibility in certain situations, taking into account the particular circumstances of the Director's departure and performance.

There is no entitlement to any compensation in the event of Non-Executive Directors' fixed-term agreements not being renewed or the agreement terminating earlier.

Existing contractual arrangements and historical awards

The Remuneration Committee retains discretion to make any remuneration payment or payment for loss of office outside the policy in this report (including exercising any discretions available to it in connection with any such payment):

- where the terms of the payment were agreed before the policy came into effect (including the satisfaction of options granted under the CIP), provided in the case of any payment whose terms were agreed after the previous Directors' Remuneration Policy was approved and before the policy in this report became effective, the remuneration payment or payment for loss of office was permitted under that former policy;
- where the terms of the payment were agreed at a time when the relevant individual was not a Director of the Group and, in the opinion of the Remuneration Committee, the payment was not in consideration of the individual becoming a Director of the Group.

External appointments

The Board believes that experiences of other companies' practices and challenges is valuable both for the personal development of its Executive Directors and for the Group. Any external appointments are subject to Board approval (which would not be given if the proposed appointment would lead to a material conflict of interest). Fees received by Executive Directors in respect of external non-executive appointments are retained by the individual Director. Details of such appointments are included in the Annual Report on Remuneration.

Annual report on remuneration

Certain information provided in this part of the Directors' Remuneration Report is subject to audit. This is annotated as audited. Any information not annotated as audited is unaudited.

Single total figure of remuneration for each Director

The table below reports the total remuneration receivable in respect of qualifying services by each of the Executive Directors for the years 2024 and 2023.

Directors' remuneration as a single figure (audited)

Executive Directors		Base salary/ fees £000	Non-salary benefits[2] £000	Pension related benefits[3] £000	Total fixed £000	Annual performance bonus[4] £000	Share-based incentive schemes[5] £000	Total variable £000	Total £000
Chris Payne	**2024**	**484.5**	**9.2**	**38.7**	**532.4**	**–**	**–**	**–**	**532.4**
	2023	475	12	38	525	119	–	119	644
Adam Phillips[1]	**2024**	**325**	**1.6**	**16.2**	**342.8**	**–**	**–**	**–**	**342.8**
	2023	229	1	10	240	54	–	54	294
Non-Executive Directors									
Keith Edelman	**2024**	**150**	**2.5**	**–**	**152.5**	**–**	**–**	**–**	**152.5**
	2023	150	4.5	–	154.5	–	–	–	154.5
Stephen Bird	**2024**	**60**	**0.9**	**–**	**60.9**	**–**	**–**	**–**	**60.9**
	2023	60	0.9	–	61.9	–	–	–	61.9
Karen Hubbard	**2024**	**57**	**3**	**–**	**60**	**–**	**–**	**–**	**60**
	2023	57	5.8	–	62.8	–	–	–	62.8
Robin Williams	**2024**	**57**	**0.4**	**–**	**57.4**	**–**	**–**	**–**	**57.4**
	2023	57	1	–	58	–	–	–	58
Jemima Bird	**2024**	**57**	**0.9**	**–**	**57.9**	**–**	**–**	**–**	**57.9**
	2023	57	1.2	–	58.2	–	–	–	58.2
Total	**2024**	**1,190.5**	**18.5**	**54.9**	**1,263.9**	**–**	**–**	**–**	**1,263.9**
	2023	1,085	26.4	48	1,159.4	173	–	173	1,332.4

1. Adam Phillips was appointed Chief Financial Officer on 20 March 2023.
2. Non-salary benefits for Executive Directors include the provision of a company car or car allowance, private medical insurance and other benefits deemed to be an employment benefit such as some fuel costs. Non-salary benefits for Non-Executive Directors relates to taxable expenses.
3. The amount of employer contribution to a scheme or paid as cash in lieu of retirement benefits based on a fixed percentage of base salary. Chris Payne received pension contributions from the Company equivalent to 8% of his base salary (£9,980 as pension, £28,760 as a salary supplement, totalling £38,700) which aligns with the contribution level (i) received by a significant proportion of our employees and (ii) available to all new joiners under the Headlam Master Trust Pension Scheme. Adam Philips received pension contributions from the Company equivalent to 5% of his base salary.
4. Details of the annual bonus award are set out on the following page.
5. 2022 PSP awards granted on 8 April 2022 will lapse in full in April 2025 as a result of below threshold performance against EPS (80%) and relative TSR (20%) targets.

Annual performance bonus in respect of financial year 2024 (audited)

For 2024, the Chief Executive and Chief Financial Officer had a maximum annual bonus opportunity equal to 125% of base salary, with 50% of maximum payable for a target level of performance. The bonus was assessed against the Company's underlying profit before tax (PBT) (70% of bonus opportunity) and against the achievement of a number of key strategic and ESG-related objectives (30% of bonus opportunity) as shown in the tables below:

Performance metric	Weighting	Threshold	Target	Maximum	Actual	Bonus earned (% max)	Bonus Receivable – C Payne[1] (£)	Bonus Receivable – A Phillips[1] (£)
Underlying PBT	70%	£7m	£7.7m	£11m	£(34.3)m	0%	0	0
Strategic/ESG objectives	30%	See table below				20%	121,124	81,252
	100%					20%[1]	121,124	81,252

1 Before the application of negative discretion (see overleaf) to reduce the 2024 bonus to zero.

Strategic and ESG-related objectives (audited)

The following non-financial strategic objectives were designed to focus on the achievement of certain key elements of Company strategy.

Objective	Target	Maximum	Committee Assessment/ Result	Potential Bonus (% of bonus opportunity)	Bonus Achieved (% of bonus max)
Key Accounts (Growth) Develop strategic customer relationship with a new margin enhancing model	All new accounts will exceed the current average operating margin of the division	At least 2 existing accounts to move to new commercial model to improve existing operating margin	Achieved at Target as three new key accounts exceeded the average operating margin of the division	10%	5%
Brand (Growth) Improve long term resilience of the business by enhanced branded sales	Increase share of regional distribution sales going through the Branded Business Unit (excluding Key Accounts and Trade Counters)	Increase share of regional distribution sales going through the Branded Business Unit by 2% (excluding Key Accounts and Trade Counters)	Achieved at Maximum as the share of regional distribution sales through the Branded Business Unit increased by the Maximum target	5%	5%
Service Improve service related customer feedback scores	Improve the following Headlam Customer survey delivery scores between 1-2 ppts Products are delivered in good condition A delivery service that is on time Next day delivery service	Improve the following Headlam Customer survey delivery scores between 3 ppts or more Products are delivered in good condition A delivery service that is on time Next day delivery service	Missed Target	5%	0%
Environmental, Social & Governance Improve colleague engagement	Increase engagement index by 3 ppts	Increase engagement index by 5ppts	Achieved at Maximum as engagement increased more by 5ppts	10%	10%
Total				30%	20%

Based on the above performance assessment in the table on the previous page, while the threshold Underlying PBT target was not met, half of the strategic targets were met and the ESG related target was met in full, resulting in 20% of the maximum bonus payable, (subject to the discretion of the Remuneration Committee). However, notwithstanding the significant progress that has been achieved by the management team in respect of delivering the Company's strategy and implementation of its transformation programme, the Committee decided to apply negative discretion and therefore reduced the bonus to zero in light of the Company's financial performance and broader stakeholder experience. As such, neither Chris Payne nor Adam Phillips received a bonus for the financial year ended 31 December 2024.

2022 PSP due to vest in 2025 (audited)

Awards granted under the PSP in April 2022 are based on underlying Earnings Per Share ('EPS') performance condition (80% of the award) and a relative Total Shareholder Return ('TSR') performance condition (20% of the award). The performance targets are shown in the table below:

Performance Target	% vesting	Underlying Basic EPS growth (80% of award)	TSR v FTSE SmallCap (excluding ITs) (20% of award)
Below Threshold	–	Less than 6% p.a.	Below median
Threshold	25	6% p.a.	Median
Maximum	100	10% p.a.	Upper quartile
Actual Performance		**<6% p.a.**	**Below median**
Vesting		**0%**	**0%**

Director	Shares granted	Shares vesting	Value of shares vesting
Chris Payne	111,548	0	£0

Share awards granted during the financial period (audited)

PSP awards

PSP awards were granted to the Executive Directors on 18 March 2024 as follows (audited)

	Number of nil-cost options over which award granted	Value of Award	% of salary	% of award vesting at threshold	Date of grant	Performance period
Chris Payne	395,402	£726,748	150%	25%	18 March 2024	3 years ending 31.12.2026
Adam Phillips	265,233	£487,498	150%	25%	18 March 2024	3 years ending 31.12.2026

The share price used to determine the number of shares under the PSP was 183.8 pence, being the average mid-market closing share price for the five business days prior to the date of award.

The Awards are subject to an underlying Basic Earnings Per Share ('EPS') performance condition (70% of the award), a relative Total Shareholder Return ('TSR') performance condition (20% of the award) and an ESG performance condition (10% of award). The performance targets are shown in the table below:

Performance Target	% vesting	Underlying Basic EPS for 2026 (70% of award)	TSR v FTSE SmallCap (excluding ITs) (20% of award)	tCO_2e% reduction (10% of award)
Below Threshold	–	Less than 16p	Below median	Less than 25%
Threshold	25	16p	Median	25%
Maximum	100	25p	Upper quartile	29%

The vesting of the awards is additionally subject to a financial underpin whereby the extent of vesting may be adjusted to reflect the overall financial performance of the Company over the three-year performance period. The Remuneration Committee also has full discretion to ensure that the final outcome is warranted based on the performance of the Company in the light of all relevant factors and to ensure there have been no windfall gains. Any awards vesting are additionally subject to a two-year holding period following the date of vesting.

DBP awards (audited)

In addition, following the decision to defer 100% of the annual bonus in respect of the financial year ended 31 December 2023, the Company granted nil-cost options to Chris Payne and Adam Phillips over 64,608 and 29,583 shares respectively under the Deferred Bonus Plan (DBP) on 18 March 2024. The award will not vest until the second anniversary of the grant date, and is subject to dividend equivalents in the form of additional shares to the extent awards vest. The number of ordinary shares over which the awards were granted was calculated based on a share price of 183.8 pence per ordinary share.

Payment for loss of office and to past Directors (audited)

No payments were made for loss of office and there have been no payments to past directors to be reported for the year under review.

Executive Directors' share awards outstanding (audited)

Scheme	Number of shares /options as at 31 December 2023	Shares/options granted	Shares/options lapsed	Shares/option exercised	Number of shares/options at 31 December 2024	Date of grant	Share price at grant (pence)	Exercise Price (pence)	Market price on exercise date (pence)	Vesting date	Expiry date
Chris Payne											
PSP	–	395,402	–	–	395,402	18 March 2024	183.80	Nil	–	March 2027[1]	March 2034
DBP	–	64,608	–	–	64,608	18 March 2024	183.80	Nil	–	March 2026	March 2034
PSP	277,669	–	–	–	277,669	29 June 2023	257	Nil	–	June 2026[1]	June 2033
DBP	22,563	–	–	–	22,563	13 April 2023	301	Nil	–	April 2025	April 2033
PSP	111,548	–	–	–	111,548	8 April 2022	381	Nil	–	April 2025[1]	April 2032
PSP	64,137	–	64,137	–	–	9 April 2021	454	Nil	–	April 2024[1]	April 2031
DBP	39,822	–	–	46,287[2]	–	8 April 2022	381	Nil	127.29	April 2024	April 2032
SAYE	–	12,513	–	–	12,513	16 Oct 2024	143.42	114.74	–	Nov 2027	April 2028
SAYE	10,214	–	10,214	–	–	6 Oct 2023	220	181.6	–	Nov 2026	May 2027
SAYE	7,929	–	7,929	–	–	5 Oct 2020	271	227	–	Nov 2023	May 2024
Adam Phillips											
PSP	–	265,233	–	–	265,233	18 March 2024	183.80	Nil	–	March 2027[1]	March 2034
DBP	–	29,583	–	–	29,583	18 March 2024	183.80	Nil	–	March 2026	March 2034
PSP	127,143	–	–	–	127,143	29 June 2023	257	Nil	–	June 2026[1]	June 2033
SAYE	–	6,272	–	–	6,272	16 Oct 2024	143.42	114.74	–	Nov 2027	May 2028
SAYE	5,107	–	5,107	–	–	6 Oct 2023	220	181.6	–	Nov 2026	May 2027

1 Award vests on date shown but is subject to a further two-year holding period during which time the option may not be exercised.

2 On 17 October 2024, Chris Payne exercised his 2022 nil-cost option to purchase 46,287 ordinary shares of 5 pence each in the capital of the Company ('Shares') under the Company's Deferred Bonus Plan. The number of Shares under option reflect the addition dividend equivalents in Shares, calculated on a reinvestment basis. Chris Payne subsequently sold 22,064 Shares to cover exercise costs (including tax and NI) arising on exercise and has 24,763 retained Shares.

Statement of Directors' shareholding and share interests (audited)

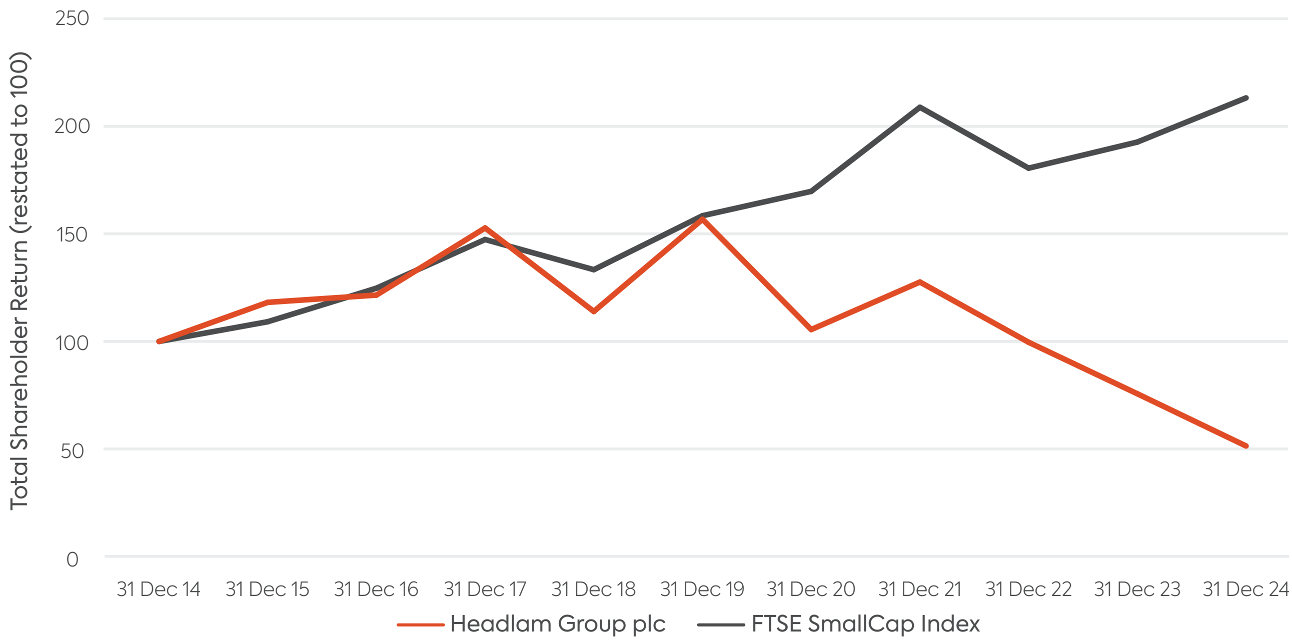
The interests of Directors and their connected persons in the Company's ordinary shares as at 31 December 2024 were as set out below. There have been no changes to those interests between 31 December 2024 and the date of signing of these financial statements and reports.

	Owned Shares at 31 December 2024	PSP	Deferred Bonus	Vested but not exercised	SAYE	Shares under Shareholding Guidelines[1]	Guidelines achieved[1] (%)
Chris Payne	78,618	784,619	87,171	0	12,513	124,818	18%
Adam Philips	12,168	392,376	29,583	0	6,272	17,847	4%
Keith Edelman	37,415	N/A	N/A	N/A	N/A	N/A	N/A
Jemima Bird	7,677	N/A	N/A	N/A	N/A	N/A	N/A
Stephen Bird	5,000	N/A	N/A	N/A	N/A	N/A	N/A
Karen Hubbard	3,708	N/A	N/A	N/A	N/A	N/A	N/A
Robin Williams	17,720	N/A	N/A	N/A	N/A	N/A	N/A

1 This includes all owned shares plus, on a net of tax basis: (i) vested scheme interests; and (ii) deferred bonus awards which vest based on continued service only, as permitted under the Company's share ownership policy.

TSR graph

The graph below shows the value at 31 December 2024 of £100 invested in the Company on 1 January 2015 compared to the value of £100 invested in the FTSE SmallCap Index, making the assumption that dividends are reinvested to purchase additional equity. The SmallCap has been chosen given that the Company is a constituent of this index and has been over the period presented.



Chief Executive remuneration table

The table below sets out the remuneration of the Chief Executive for the last ten financial year periods.

Period		Chief Executive single figure of total remuneration (£000)	Annual bonus (% of maximum opportunity)	Long-term incentive vesting rates against maximum opportunity (%)
2024	Chris Payne	532	–	–
2023	Chris Payne	644	20	–
2022	Chris Payne	674	38	–
2021	Chris Payne	205[1]	100	–
2021	Steve Wilson	864[2]	100	–
2020	Steve Wilson	514	–	–
2019	Steve Wilson	798	45.5	5.7
2018	Steve Wilson	588	–	53.5
2017	Steve Wilson	1,069	65.8	97.5
2016	Steve Wilson	1,067[3]	76.8	98.6
2016	Tony Brewer	737[4]	N/A	88.9
2015	Tony Brewer	1,175	87.1	N/A

1 The remuneration shown is on a pro-rated basis for the period Chris Payne was Interim Chief Executive from 7 October 2021 to 31 December 2021 only.

2 Steve Wilson stepped down as Chief Executive and a Director on 6 October 2021. The 2021 figures reflect his remuneration earned from the start of 2021 until the date of his resignation as a Director. This remuneration is for a part year and does not include a termination payment.

3 The remuneration shown is for the full year and incorporates his remuneration as Group Finance Director from 1 January 2016 until 14 September 2016 when he became Chief Executive.

4 Tony Brewer stepped down as Chief Executive and a Director on 14 September 2016. The 2016 figures reflect his remuneration earned from the start of 2016 until the date of his resignation as a Director. This remuneration is for a part year and does not include a termination payment.

Percentage change in remuneration of Directors compared with other employees

The table below shows the percentage increase/(decrease) in each Executive and Non-Executive Directors' remuneration compared with the Company's employees as a whole between the financial periods 2020, 2021, 2022, 2023 and 2024.

	2024			2023			2022			2021			2020		
Director	**Salary and fees (% change)**	**All taxable benefits (% change)**	**Annual Bonuses[2] (% change)**	Salary and fees (% change)	All taxable benefits (% change)	Annual Bonuses[2] (% change)	Salary and fees (% change)	All taxable benefits (% change)	Annual Bonuses[2] (% change)	Salary and fees (% change)	All taxable benefits (% change)	Annual Bonuses[2] (% change)	Salary and fees (% change)	All taxable benefits (% change)	Annual Bonuses[2] (% change)
Executive Directors															
Chris Payne	**2**	**-23.3**	**-100**	14	-37	-42	25	27	(55)	–	(10)	100	2	–	(100)
Adam Phillips[8]	**41.9**	**60**	**-100**	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Non-Executive Directors															
Keith Edelman[5]	**0**	**0**	**N/A**	27	-72	N/A	95	N/A	N/A	–	N/A	N/A	–	N/A	N/A
Stephen Bird[3]	**0**	**0**	**N/A**	15	-73	N/A	282	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Jemima Bird[6]	**0**	**0**	**N/A**	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Karen Hubbard[6]	**0**	**0**	**N/A**	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Robin Williams[6]	**0**	**0**	**N/A**	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Former Directors															
Philip Lawrence[7]	**N/A**	**N/A**	**N/A**	N/A	N/A	N/A	(60)	N/A	N/A	–	N/A	N/A	–	N/A	N/A
Amanda Aldridge[7]	**N/A**	**N/A**	**N/A**	N/A	N/A	N/A	12	N/A	N/A	–	N/A	N/A	–	N/A	N/A
Simon King[3]	**N/A**	**N/A**	**N/A**	N/A	N/A	N/A	120	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Steve Wilson[4]	**N/A**	**N/A**	**N/A**	N/A	N/A	N/A	N/A	N/A	N/A	(23)	(24)	100	2	2	(100)
Alison Littley[4]	**N/A**	**N/A**	**N/A**	N/A	N/A	N/A	N/A	N/A	N/A	(75)	N/A	N/A	8	N/A	N/A
All employees[1]	**12**	**8**	**0**	7	-3	-100	3	(6)	(74)	–	5	100	2	(14)	(100)

1. Reflects the average percentage change in salary, benefits and bonus for employees of the parent company (excluding the Board).
2. This reflects annual bonus paid in respect of the financial year as per the single figure table.
3. Stephen Bird and Simon King joined the Board on 13 September 2021 and 14 May 2021 respectively. Simon King stepped down from the Board on 11 October 2022.
4. Alison Littley and Steve Wilson left the Board on 31 March 2021 and 6 October 2021 respectively and their pro-rated salary is reflected in the percentage change shown.
5. Keith Edelman was promoted from Senior Independent Director to Non-Executive Chairman on 19 May 2022.
6. Jemima Bird and Robin Williams joined the Board on 11 October 2022 and Karen Hubbard joined the Board on 1 September 2022.
7. Philip Lawrence stepped down from the Board on 19 May 2022 and Amanda Aldridge stepped down from the Board on 11 October 2022.
8. Adam Phillips joined the Board on 20 March 2023.

Relative importance of spend on pay

The table below shows the overall expenditure on dividends and on pay as a whole across the Company along with the percentage change between each.

	2024 £000	2023 £000	% change
Dividends[1]	**Nil**	12,169	(100)%
Pay	**105,530**	99,270	6.3%

1 Includes dividends paid during the financial year.

CEO pay ratio

The data shows how the Chief Executive's single figure remuneration for 2024 (as taken from the single figure remuneration table) compares to equivalent single figure remuneration for the year ended 31 December 2024 for full-time equivalent UK employees as at 31 December 2024, on a Group basis, ranked at the 25th, 50th and 75th percentile.

Period	Method	25th percentile ratio	Median (50th percentile) ratio	75th percentile ratio
2024	Option A	21.5:1	18.3:1	13.5:1
2023	Option A	27.3:1	22.7:1	16.6:1
2022	Option A	29.2:1	24.0:1	16.9:1
2021[1]	Option A	51.1:1	38.9:1	26.5:1
2020	Option A	25.8:1	20.7:1	14.4:1
2019	Option A	39.3:1	31.8:1	22.7:1

1 The remuneration for comparison for 2021 reflects the total remuneration included in the single total figure of remuneration table paid to Steve Wilson and Chris Payne in relation to the period that each were undertaking the role of Chief Executive. Pension payments have been omitted from the CEO pay ratio calculation for the period that Steve Wilson was Chief Executive to maintain consistency as he did not receive a pension payment. Pension payments have been included for the period in which Chris Payne was Chief Executive to align with his pay package.

Option A was selected given that this method of calculation was considered to be the most efficient and robust approach in respect of gathering the required data and was consistent with reporting for previous years.

The salary and total pay and benefits for the UK employees at the relevant percentiles, and upon which the pay ratios have been calculated, are as follows:

Year	Percentile	Salary (£)	Total pay and benefits (£)
2024	25th percentile	24,782	24,782
	Median	29,109	29,109
	75th percentile	39,496	39,496

The CEO pay ratios for 2024 are lower than those for 2023. This is primarily due to the CEO single figure reducing year on year which reflects the no annual bonus award for 2024 compared to 2023 (20% of maximum). As such, given that the change in the ratios is due to the CEO's performance related pay (which will by its nature fluctuate year on year) rather than a material change to employee pay, the Remuneration Committee considers the median CEO pay ratio to be representative of the UK employee base and not inconsistent with the Company's pay, reward and progression policies. The median pay ratio has shown a steady upward trend over the past three years, increasing by 2% from 2021 to 2022, 1% from 2022 to 2023, and 3% from 2023 to 2024. While the fluctuation in growth rates suggests some variability, the overall trajectory indicates a continued rise. This reflects adjustments in compensation structures, changes in workforce composition, and broader economic factors influencing pay distribution.

Executive Directors' service contracts

Chris Payne was appointed on 13 September 2017 and the date of his current service contract is 8 March 2022.

Adam Phillips was appointed on 20 March 2023 and the date of his current service contract is 14 November 2022.

Executive Director service contracts may be terminated on 12 months' notice from either party

Non-Executive Directors' letters of appointment

Details of the current Non-Executive Directors' appointment dates are set out below:

Non-Executive Director	Date of appointment	Expiry of current term
Keith Edelman	1 October 2018	27 February 2025
Jemima Bird	11 October 2022	10 October 2025
Stephen Bird	13 September 2021	12 September 2027
Karen Hubbard	1 September 2022	31 August 2025
Robin Williams	11 October 2022	10 October 2025

Statement of implementation of remuneration policy in 2025

Details of how the Company will operate the Remuneration Policy in 2025 are provided below.

Base salaries for 2025

Executive Director base salaries were increased in line with the workforce from 1 January 2025. As such, Chris Payne's salary increased by 2% from £484,500 to £494,190 and Adam Phillips' salary increased by 2% from £325,000 to £331,500 with effect from 1 January 2025.

Pension

Pension contributions will continue to be capped at 8% of salary for both the Chief Executive and Chief Financial Officer.

Annual bonus

The maximum annual bonus opportunity for 2025 will remain at 125% of base salary and on-target bonus will continue to 50% of maximum potential. The payment of the annual bonus will be based on 70% on financial performance of the Company based on EBITDA (on a pre-IFRS16 basis) and 30% linked to the achievement of a number of key strategic and ESG-related objectives. The strategic targets relate to various measurable objectives that underpin Company growth and ESG strategy. Full disclosure of the targets, which are considered to be commercially sensitive, will be provided in the 2025 Annual Report and Accounts. In line with our Remuneration Policy, a minimum of one-third of any amount earned will be deferred into shares for two years.

PSP

In considering the performance targets for the 2025 PSP Awards the Committee has considered the need to set stretching and challenging targets which are aligned to the short- and long-term performance of the Group. The Committee will set targets based on the underlying Basic EPS growth and relative TSR and ESG. PSP awards in respect of 2025 will be granted in the form of nil cost options over ordinary shares in the Company at the level up to 150% of salary for the Chief Executive and Chief Financial Officer.

The proposed performance targets are set out in the table below:

Vesting (% of maximum)	Underlying Basic EPS for 2027 (70% of award)	TSR v FTSE SmallCap (ex ITs) (20% of award)	tCO_2e% reduction (10% of award)
0%	Less than 0p	Below median	Less than 25%
25%	More than than 0p	Median	More than 25%
100%	13.1p or more	Upper quartile	More than 29%

Note: 50% of awards based on EPS vest for a Basic EPS for 2027 of 6.6p.

Straight-line vesting between points. In addition to the above performance targets, the Committee will consider whether there has been any windfall gains at the point of vesting.

To balance the overall long-term nature of the package, and in line with best practice, awards will be subject to a two-year holding period following the date of vesting.

Non-Executive Directors' fees for 2025

Current fees for the financial year ending 31 December 2025 are as follows:

Role	Fees effective 1 Jan 2025 £000	Fees effective 1 Jan 2024 £000
Chairman fee	**150.0**	150.0
Non-Executive Director base fee	**50.0**	50.0
Senior Independent Director fee	**10.0**	10.0
Audit Committee chair fee	**7.5**	7.5
Remuneration Committee chair fee	**7.5**	7.5
Employee Forum and ESG committee fee	**7.5**	7.5

Remuneration Committee activity

The Board approved the terms of reference, delegating certain responsibilities to the Remuneration Committee, most recently on 24 September 2024. The terms of reference are reviewed periodically and are available on the Company's website within the Governance section at www.headlam.com. The Remuneration Committee comprises the Chairman and each of the other Non-Executive Directors. Attendance at scheduled meetings of the Committee during the year was as follows:

Members	Meetings attended	Eligible to attend
Keith Edelman	4	4
Jemima Bird	4	4
Stephen Bird	4	4
Karen Hubbard	4	4
Robin Williams	4	4

Members additionally correspond on urgent matters between formal Remuneration Committee meetings. Other Directors may attend Remuneration Committee meetings by invitation, including the Chief Executive and Chief Financial Officer where appropriate. The Remuneration Committee also receives assistance from the Chief People and Sustainability Officer, the General Counsel & Company Secretary and from independent external advisers, FIT Remuneration Consultants LLP. The General Counsel & Company Secretary acts as Secretary to the Remuneration Committee.

No one attending a Remuneration Committee meeting may participate in discussions relating to their own terms and conditions of service or remuneration.

Main role and key responsibilities

The Remuneration Committee's main responsibilities include:

- designing the framework and policy for Executive Directors' remuneration and determining remuneration packages for the Executive Directors, Chairman and Senior Management, including the Company Secretary, to promote the achievement of the Group's strategy and long-term sustainable success. When setting executive remuneration, take into account the link between Executive Director and senior manager remuneration and that provided to the wider workforce;
- establishing remuneration schemes that promote long-term shareholding by Executive Directors and that support alignment with Shareholders' interests, both in post and post cessation;
- approving the design and operation of the Company's short-term and long-term incentive arrangements. This includes agreeing the targets that are applied to awards made to Executive Directors and the Senior Management Team;
- oversight of the administration of share plans as required;
- review workforce remuneration and related policies; and
- determine the policy for and scope of pension arrangements for Executive Directors and Senior Management.

Remuneration Committee activities

The key matters discussed at the meetings of the Remuneration Committee in 2024 were as follows:

Remuneration

- reviewed wider workforce remuneration arrangements, and annual bonus scheme and considered in conjunction with pay strategy for Executive Directors and Senior Management;
- considered pay awards for Executive Directors and Senior Management;
- considered Annual Bonus payments;
- reviewed and confirmed that no vesting would occur for the 2021 PSP;
- approved the Annual Bonus payments for 2023;
- approved the PSP Award and targets; and
- considered remuneration for Executive Directors, Senior Management and the Chairman; using updated benchmarking data where appropriate.

Governance

- reviewed guidance from investor bodies and institutional shareholders;
- received feedback from the Employee Forum on matters relating to remuneration;
- received an AGM debrief and governance update and considered recommendations made by the voting agencies in their AGM reports;
- reviewed its own terms of reference; and
- approved its annual workplan.

Reporting

- approved the Remuneration Report (including CEO pay ratio and Gender pay gap disclosure).

Effectiveness

- reviewed the Committee's effectiveness; and
- reviewed the performance of its independent advisor FIT Remuneration and determined that they should remain in office.

Remuneration Committee effectiveness

The effectiveness of the Remuneration Committee was evaluated as part of the Board performance evaluation process. The review found that the Committee is operating effectively.

Advisers

FIT Remuneration Consultants LLP (FIT) has served as independent adviser to the Remuneration Committee throughout the year under review. FIT was appointed by the Committee in 2019 following a competitive tender process. FIT also provided additional related advice to the Company in relation to drafting this report, share plan operation and Non-Executive Director fee benchmarking. FIT's fees in respect of advice provided during the year ended 31 December 2024 were £39,006 (excluding VAT) and were charged on a time and disbursements basis. FIT is a member of the Remuneration Consultants Group and as such voluntarily operates under its Code of Conduct in relation to executive remuneration in the UK. The Remuneration Committee reviewed the performance of the FIT and was satisfied that all advice received was of good quality, objective and independent.

Statement of shareholders' votes

The following table sets out the results of the binding vote on the Directors' Remuneration Policy at the 2023 AGM and the vote on the 2023 Directors' Remuneration Report at the 2024 AGM.

	% of votes cast For	% of votes cast Against	Number of Shares Withheld
2023 Remuneration Policy	90.72	9.28	1,903,961
2023 Annual Report on Remuneration	91.60	8.40	1,256

This report has been approved by the Board of Directors and signed on its behalf by Jemima Bird, Chair of the Remuneration Committee.

Jemima Bird
Chair of the Remuneration Committee

11 March 2025

DIRECTORS' REPORT

The Directors present their report, together with the audited financial statements for the Group, for the year ended 31 December 2024. This report contains additional information which the Directors are required by law and regulation to include within the Annual Report and Accounts. In conjunction with the information from the Chair's Statement on page 4 to the Statement of Directors' Responsibilities on page 143, this section constitutes the Directors' Report in accordance with the Companies Act 2006 and the Management Report as required by DTR 4.1.5 R(2).

Principal activities

The principal activities of the Group are the sales, marketing, supply and distribution of floorcoverings and certain other ancillary products in the UK and certain Continental Europe territories. The principal activity of the Company is that of a holding company and its subsidiaries are listed on page 203. Further details of the Group's activities and future plans are set out in the Strategic Report on pages 14 to 70.

Headlam Group plc is a company incorporated and domiciled in the UK, company number 00460129. The address of the registered office is Gorsey Lane, Coleshill, Birmingham B46 1JU.

Strategic report and future developments

The Group is required by the Companies Act 2006 to include a Strategic Report in this document. The information that fulfils the requirements of the Strategic Report, and which is incorporated in this report by reference, can be found on pages 14 to 70. The Strategic Report includes certain disclosures required to be contained in the Directors' Report as follows: the viability statement (page 68), approach to diversity (pages 48 and 109), workforce engagement (pages 44 to 48 and page 89), an indication of likely future developments (page 6 onwards, Strategic Report), and the approach to risk management (pages 63 to 67).

Directors

The following were Directors of the Company during the period ended 31 December 2024 and at the date of this report unless otherwise stated:

- Keith Edelman (until 27 February 2025)
- Chris Payne
- Adam Phillips
- Stephen Bird
- Jemima Bird
- Karen Hubbard
- Robin Williams

Corporate governance statement

The corporate governance statement as required by the Financial Conduct Authority's Disclosure and Transparency Rules (DTR) 7.2.1 is set out on pages 74 and 75 and is incorporated into this report by reference.

Acquisitions

There have been no acquisitions during the year.

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 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. Please see page 36 for further details.

Property Disposals

During the year, as part of the Company's transformation programme, it sold its Uddingston, Ipswich, Gildersome and Leeds properties for a total of £53.9 million (excluding VAT) which was a significant transaction under the Listing Rules. Please also see pages 18 to 21 for more information of the Company's transformation programme.

Financial results and ordinary dividends

The results for the year and financial position at 31 December 2024 are shown in the Consolidated Income Statement on page 152 and Statements of Financial Position on page 154.

No interim dividend was paid in 2024 per ordinary share (2023: 4.0p) to shareholders and the Directors propose no final dividend is paid per ordinary share (2023: 6.0p) in respect of the financial year ended 31 December 2024 which means the total dividend for FY24 will be nil p per ordinary share.

Share capital

As at 31 December 2024, the issued share capital of the Company comprised a single class of ordinary shares of 5p each ('Ordinary Shares').

The Company's Ordinary Shares are listed on the Main Market of the London Stock Exchange. No new Ordinary Shares were issued during the year. The Company's total issued share capital therefore remains 85,639,209 Ordinary Shares as at 31 December 2024.

The balance of shares in treasury stock as at 31 December 2024 was 4,804,315 Ordinary Shares (5.6% of the Company's total issued share capital).

Details of the Company's share capital are set out in note 24 to the financial statements, which should be treated as forming part of this report. Subject to the provisions of the Articles of Association and the Companies Act 2006, shares may be issued with such rights or restrictions as the Company may by ordinary resolution determine or, if the Company has not so determined, as the Directors may decide. There are, however, no restrictions on the transfer of securities in the Company, except that certain restrictions may from time to time be imposed by law or regulation, for example, insider trading laws, and pursuant to the Listing Rules of the Financial Conduct Authority (the 'Listing Rules'), and the UK Market Abuse Regulation, whereby certain employees require the approval of the Company to deal in the Company's shares. On a show of hands at a general meeting of the Company every holder of ordinary shares present in person and entitled to vote shall have one vote, and on a poll every member present in person or by proxy and entitled to vote shall have one vote for every ordinary share held. The Notice of AGM specifies deadlines for exercising voting rights and appointing a proxy or proxies to vote in relation to resolutions to be passed at the AGM. All proxy votes are counted and the numbers for, against or withheld in relation to each resolution are announced at the AGM and published on the Company's website by the next business day after the meeting. The holders of ordinary shares are entitled to receive the Annual Report and Accounts, to attend and speak at general meetings of the Company, to appoint proxies and to exercise voting rights. The Company is not aware of any agreements between holders of securities that may result in restrictions on voting rights. Further shareholder information is available in the Notice of AGM which contains explanations as to the resolutions proposed.

Subject to certain limits, at the AGM on 23 May 2024, the Directors were granted general authority to allot shares in the Company together with an authority to allot shares in the Company in connection with a rights issue and in respect of cash without first offering them to existing shareholders. The Directors will be seeking to renew these authorities to allot unissued shares and to disapply statutory pre-emption rights at the forthcoming AGM. Full details are set out in the Notice of AGM which is contained in a separate circular to shareholders.

In line with usual practice, the Directors will also seek to renew the authority to purchase shares under the at the forthcoming AGM. The Company intends to exercise this authority: (i) to purchase and hold shares in treasury to fulfil the Company's future obligations under its employee share schemes; and/or (ii) after following its Capital Allocation Priorities as detailed on page 36 and considering market conditions and the share price prevailing at the time, where the Board believes that the purchase and subsequent cancellation of shares would be in the best interest of shareholders generally. A full explanation and details are set out in the Notice of AGM sent in a separate circular to shareholders and which is also available on the Company's website, www.headlam.com

Directors

Biographies of Directors currently serving on the Board are set out on pages 78 and 79.

Changes to the Board in 2025 are set out on page 108. Details of the Directors' service agreements are set out below:

Director	Date of appointment	Date of original letter of appointment/ service agreement	Effective date of current letter of appointment/service agreement	Next due for election/re-election
Executive Director				
Chris Payne	13 September 2017	N/A	8 March 2022	22 May 2025
Adam Phillips	20 March 2023		14 November 2022	22 May 2025
Non-Executive Director				
Keith Edelman (Chair until 27 Feb 2025)	1 October 2018	15 August 2018	1 October 2021	N/A
Stephen Bird (Chair from 27 Feb 2025)	13 September 2021	10 August 2021	13 September 2024	22 May 2025
Jemima Bird	11 October 2022	10 October 2022	10 October 2022	22 May 2025
Karen Hubbard	1 September 2022	1 September 2022	1 September 2022	22 May 2025
Robin Williams	10 October 2022	10 October 2022	10 October 2022	22 May 2025

Remaining service agreement term for Non-Executive Directors as at 31 December 2024 (in whole months)

- Keith Edelman – 6 months
- Stephen Bird – 33 months
- Jemima Bird – 9 months
- Karen Hubbard – 8 months
- Robin Williams – 9 months

As Keith Edelman stepped down from the Board on 27 February 2025 there is no remaining service agreement term for him.

The Directors shall be not less than three and not more than eight in number, although the Company may by ordinary resolution vary these numbers. Directors may be appointed by the ordinary resolution of the shareholders or by the Board. A Director appointed by the Board holds office only until the next AGM of the Company after their appointment, at which they are then eligible to stand for election. As set out in the AGM Notice of Meeting, all of the Board Directors are standing for re-election (with the exception of Keith Edelman who stepped down from the Board on 27 February 2025 and so will not be standing for re-election) at the 2025 AGM.

As noted elsewhere in this report, all Directors are subject to annual election by shareholders at the AGM in line with the provisions of the UK Corporate Governance Code.

Related party transactions

The Board and certain members of Senior Management are related parties within the definition of IAS 24 (Revised) 'Related Party Disclosures' ('IAS 24') and the Board are related parties within the definition of Chapter 8 of the UK Listing Rules. There is no difference between transactions with key personnel of the Company and transactions with key personnel of the Group. During the year, the Group did not enter into any transaction which, for the purposes of IAS 24, is considered to be a 'related party transaction'. No related party transactions that require disclosure have been entered into during the year under review. Please see page 125 for information on the Board's conflict of interest process.

Directors' powers

Subject to the Company's Articles of Association, the Companies Act 2006 and any directions given by the Company by special resolution, the business of the Company will be managed by the Board which may exercise all the powers of the Company, whether relating to the management of the business of the Company or otherwise. The matters reserved for the Board are detailed in a specific schedule, which is reviewed annually and is available on the Company's website, www.headlam.com.

Change of control

The Group has entered into certain agreements that may take effect, alter or terminate upon a change of control of the Company following a successful takeover bid. The significant agreements in this respect are the Group's banking facility and certain of its employee share schemes. The Group's term loan facilities include a provision such that, in the event of a change of control, the lender may cancel all or any part of the facility and/or declare that all amounts outstanding under the facility are immediately due and payable by the Group. Outstanding options granted under the SAYE scheme may be exercised within a period of six months from a change of control of the Company following a takeover taking place.

Rights under employees' share schemes

As at 31 December 2024, Kleinwort Hambros, as trustee of the Headlam Group Employee Trust Company Limited ('Trust') held 589,077 shares, approximately 0.007% of the issued share capital of the Company (excluding treasury shares) for the purpose of satisfying options and awards under the various employee share schemes operated by the Company. Kleinwort Hambros waives dividends due on all but 0.01p per share of their total holding.

Details of employee share schemes are set out in note 23 to the Financial Statements. Details of long-term incentive schemes for the Directors are shown in the Remuneration Report starting on page 114.

Securities carrying special rights

There are no requirements for prior approval of any transfers and no person holds securities in the Company carrying special rights with regard to control of the Company.

Substantial interests in voting rights

Notifications of the following voting interests in the Company's ordinary share capital had been received by the Company (in accordance with Chapter 5 of the DTR), with the information received from the discloser stated to be correct at the time of disclosure.

As at and up to 31 December 2024, the persons set out in the table below have notified the Company, pursuant to DTR 5.1, of their interests in the voting rights in the Company's issued share capital.

Ordinary shares of 5p each	Number of shares[1]	% of total voting rights[2]
Aberforth	11,668,732	14.44%
Perpetual Limited	8,918,052	11.03%
(Lombard Odier Asset Management (Europe) Limited	5,032,390	6.23%
Orbis Allan Gray Limited	4,023,153	4.98%
LA FINANCIERE DE L'ECHIQUIER	2,413,758	2.99%
FIL Limited	8,044,135	9.96%

1 Represents the number of voting rights last notified to the Company by the respective shareholder in accordance with DTR 5.1.

2 Based on the Total Voting Rights in the Company as at 31 December 2024.

Since 31 December 2024, there have been the following notifications since 31 December 2024 to 10 March 2025

Ordinary shares of 5p each	Number of shares[1]	% of total voting rights[2]
Perpetual Limited	8,937,856	11.057%

1 Represents the number of voting rights last notified to the Company by the respective shareholder in accordance with DTR 5.1.

2 Based on the Total Voting Rights in the Company as at 31 December 2024.

Directors' interests and indemnity arrangements

During the year, no Director held any material interest in any contract of significance with the Company or any of its subsidiary undertakings, other than service agreements between each Executive Director and the Company. In addition, the Company has purchased and maintained throughout the year and up to the date of approval of the financial statements, Directors' and Officers' liability insurance in respect of itself and its Directors. The Directors also have the benefit of the indemnity provision contained in the Company's Articles of Association. This provision extends to include the Directors of Headlam Group Pension Trustees Limited, a corporate trustee of the Scheme, in respect of liabilities that may attach to them in their capacity as Directors of that corporate trustee. These provisions were in force throughout the year and are currently in force. Details of Directors remuneration, service agreements, and interests in the shares of the Company are set out in the Directors' Remuneration Report.

Anti-corruption and bribery

It is the Company's policy to conduct all business in an honest and ethical manner. The Company takes a zero-tolerance approach to bribery and corruption and is committed to acting professionally, fairly and with integrity in all business dealings and relationships. The policy is detailed on the Company's website, www.headlam.com

Modern Slavery Act

The Board fully supports the aims of the Modern Slavery Act and the Company has a zero-tolerance approach to slavery and human trafficking. The Company issues a supplier Code of Conduct which our suppliers are expected to engage and adhere to. Headlam works with all suppliers to ensure compliance. However, if any supplier is found to be involved in any form of Modern Slavery or unethical behaviour, the Company will look to suspend or cease trading with that supplier.

Full information can be found in the Company's Modern Slavery Statement which is published annually on the Company's website and which details the actions undertaken to prevent slavery and human trafficking in both the Company's organisation and its supply chain.

Human rights

We have policies and processes in place to ensure that we act in accordance with our cultural values which encompass areas such as equal opportunities, diversity, inclusion and respect, anti-corruption and bribery, whistleblowing and fraud. We do not believe this to be a material issue in our business.

Employment policies

The Group is an equal opportunities employer and we are committed to the elimination of unlawful and unfair discrimination and the fair and equal treatment of all colleagues and applicants during the recruitment and selection process, training and career development. We have a zero-tolerance approach to matters of discrimination, harassment and bullying across the business. Polices are in place for reporting and dealing with such matters.

This commitment applies regardless of anyone's physical ability, sexual orientation or gender identity, pregnancy and maternity, race, religious beliefs, age, nationality or ethnic origin. Our Company policies ensure this is reflected in the culture of the business and include an Inclusion and Respect at Work policy. Full consideration is given to employment applications from people with diverse backgrounds, including disabilities whenever suitable vacancies exist. If a colleague becomes disabled efforts are made to ensure their continued employment within the company with appropriate training as required.

Further details on diversity are included in the Nomination Committee Report on page 108.

Colleague engagement

We are committed to keeping our colleagues informed and communicating with them on matters of importance relating to our company performance and their employment. We also recognise that communication should be two-way and we actively encourage feedback and involvement from our colleagues, either through formal channels such as our Employee Forum (pages 46 to 48, and page 89), our engagement survey, or more informal methods such as the dedicated internal communications email address or MyHub portal. Further information can be found on page 46.

A summary of how Directors have engaged with employees and had regard to employee interests and the effect of that regard on the principal decisions taken by the Company during the financial year is provided on pages 26, 82 to 83 and 88.

Sharesave and long service awards

During the year, the Company invited all eligible employees to participate in:

a. its HMRC approved Sharesave Scheme, (this Scheme allows eligible employees to save up to £500 per month in one or a combination of Sharesave Schemes in order to further align their interests with the performance of the Group); and
b. its long service award scheme which awards colleagues after certain milestones of service with a monetary gift and, for longer serving employees, an award of ordinary shares in the Company to be granted bi-annually under the scheme using service milestones and as at 31 December 2024, a total of 9,200 ordinary shares of 5 pence each were awarded in 2024 to eligible employees at nil cost under the scheme.

Management long-term incentive plan

During the year, to allow eligible employees to further align their interests with the performance of the Group, the Company granted a number of Open Market Value share options to eligible employees being:

a. senior leadership teams (a total of 1,108,697 Open Market Value Options over ordinary shares of 5 pence each were awarded in 2024 to a select group of senior leaders approved by the Remuneration Committee and typically granted once per year; and
b. the Company's sales force, they were awarded Open Market Value Options as a one-off exercise (a total of 2,088,067 Open Market Value Options over ordinary shares of 5 pence each were awarded to eligible employees within this group approved by the Remnueration Committee).

Stakeholder engagement

The directors understand the need to develop good business relationships with its suppliers, customers and other stakeholders and the success with which this is achieved is paramount to business success. Further information on the Company's approach to engagement with its stakeholders and how this feeds through into the decision-making process can be found on pages 26 and 27.

Directors' and auditor's responsibilities

A statement by the Directors on their responsibilities in respect of the Annual Report and Accounts is given on page 143 and a statement by the Auditor on their responsibilities is given on page 146.

Political donations and expenditure

The Company's policy is not to make any donations for political purposes in the UK or to donate to political parties or incur political expenditure outside of the UK. Accordingly, neither the Company nor its subsidiaries made any political donations or incurred political expenditure in the financial period under review (2023: £nil).

Charitable donations

Charitable giving is undertaken through both monetary and product donations to good local causes. Monetary donations made during the year in support of charitable causes nationally, and those of interest to employees amounted to £63,518 (2023: £114,134).

Amendments to the Articles of Association

The Company's Articles of Association may only be amended by a special resolution at a general meeting of shareholders. The Company's Articles of Association were last amended at the general meeting held on 21 May 2021 with the updated articles being filed with the Registrar of Companies.

Financial instruments

The disclosures required in relation to the use of financial instruments by the Group together with details of our treasury policy and management are set out in note 25 to the financial statements.

External auditor

PricewaterhouseCoopers LLP have indicated their willingness to continue as Auditor and their reappointment has been approved by the Audit Committee. Resolutions to reappoint them and to authorise the Directors to determine their remuneration will be proposed at the 2025 AGM.

AGM

This year's AGM will be held at the Company's head office in Coleshill on Thursday 22 May 2025 at 10.00am. The notice convening this meeting is in a separate document to this Annual Report and Accounts along with the explanatory notes regarding the resolutions that will be proposed at the meeting. A copy of the Notice of Meeting is available on the Company's website: www.headlam.com

Other disclosures

Certain information that is required to be included in the Directors' Report can be found elsewhere in this document as referred to below, each of which is incorporated by reference into the Directors' Report:

- Information on greenhouse gas emissions can be found on page 60.
- Information on energy consumption can be found on page 60.
- Information on energy efficiency can be found on page 40.
- For the purposes of Listing Rule (LR) 9.8.6R(8) the information on climate-related financial disclosures consistent with the TCFD recommendation and the TCFD recommended disclosure can be found on pages 54 to 58.
- Further details of the actions which the Group is taking to reduce emissions can also be found in the Sustainability Report starting on page 40.
- An indication of likely future developments in the Group's business can be found throughout the Strategic Report, starting on page 14.
- The long-term viability statement can be found on page 68.
- Information on the appropriateness of adopting the going concern basis of the accounts can be found on page 37.
- Our approach to risk management can be found on pages 63 to 65.
- Information for shareholders can be found on the Company's website.
- A list of the Company's overseas subsidiaries is on page 203.

This report was approved by the Board and signed on its behalf by:

Alison Hughes
General Counsel & Company Secretary

11 March 2025

Company registration number: 00460129

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Listing Rule (LR) 6.6.1R information Section

(1)	Capitalised interest	Not applicable
(2)	Publication of unaudited financial information	Not applicable
(3)	Details of long-term incentive schemes established specifically to recruit or retain a Director	Pages 114 to 137
(4) (5)	Waiver of emoluments by a Director	Not applicable
(6) (7)	Allotments of equity securities for cash	Not applicable
(8)	Participation in a placing of equity securities	Not applicable
(9)	Contracts of significance	Not applicable
(10) (13)	Controlling shareholder disclosure	Not applicable
(11) (12)	Dividend waiver	Page 194

The directors are responsible for preparing the Annual Report and Accounts and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and the Company financial statements in accordance with UK-adopted international accounting standards.

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

The directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and Company's position and performance, business model and strategy.

Each of the directors, whose names and functions are listed in the Annual Report and Accounts confirm that, to the best of their knowledge:

- the Group and Company financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities and financial position of the Group and Company, and of the loss of the Group; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the Group's and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group's and Company's auditors are aware of that information.

Chris Payne
Director

11 March 2025

FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HEADLAM GROUP PLC

Report on the audit of the financial statements

Opinion

In our opinion, Headlam Group Plc's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2024 and of the group's loss and the group's and company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the Group and Company Statements of Financial Position as at 31 December 2024; the Consolidated Income Statement and Consolidated Statement of Comprehensive Income, the Group and Company Cash Flow Statements, and the Group and Company Statements of Changes in Equity for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

We have provided no non-audit services to the company or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope

- The Group financial statements are a consolidation of a number of reporting components, comprising the group's operating businesses, centralised functions and non-trading entities.
- We performed full scope audits on the financial information of three UK reporting components: HFD Limited, Domus Group of Companies and Headlam Group plc (the company) due to their size and risk characteristics. These UK reporting components comprise 83% consolidated revenue and 87% absolute consolidated underlying loss before tax.
- In addition, we targeted significant balances in other components. These were identified as cash balances within the components of MCD Group and Headlam BV.
- All work was performed by the group team and no reliance was placed upon the work of component auditors.
- Our audit of the Company Financial Statements included substantive procedures over all material balances and transactions.
- Finally, we performed analytical procedures on non-significant components for group reporting purposes.

Key audit matters

- Supplier arrangements (group)
- Recoverability of investments in subsidiary undertakings (company)

Materiality

- Overall group materiality: £1,710,000 (2023: £1,398,000) based on 5% of underlying loss before tax (2023 basis: a three year average of underlying profit before tax).
- Overall company materiality: £1,624,000 (2023: £1,328,000) based on 1% of total assets, capped at allocated component materiality of £1,624,000 (2023: £1,328,000).
- Performance materiality: £1,282,000 (2023: £1,050,000) (group) and £1,218,000 (2023: £996,000) (company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Impairment of goodwill and intangible assets, and impairment of tangible assets, which were key audit matters last year, are no longer included because of the simplification of the business CGU structure reducing the risk and amount of audit effort involved in the testing over these impairments. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Supplier arrangements (group) Refer to the Audit Committee Report and the use of estimates and judgements in note 1(b) to the financial statements. The group has a significant number of rebate agreements with suppliers. These agreements can contain multiple terms or tiered arrangements based on the volume of goods purchased. The majority of agreements are co-terminous with the financial year, meaning that, although the calculation of the rebate does not rely on estimates of future purchases, there are significant amounts of rebates receivable subject to recovery at the year end.	We tested a sample of rebate balances by requesting confirmations directly from the counterparty. For those balances subject to testing, we agreed post year end settlements back to evidence of cash receipt or credit notes received, to provide evidence over the recoverability of the balances. In addition for any amounts not yet settled we assessed the recoverability, for example, through consideration of any evidence to suggest the counterparty was not able to pay the amounts due and the timing of payments received in previous years. No material inconsistencies or exceptions were noted during our testing of supplier arrangements.
Recoverability of investments in subsidiary undertakings (company) Refer to note 12 to the company financial statements. As at 31 December 2024 the company's balance sheet includes investments of £102.4m (2023: £101.7m). Annually, the Directors consider whether any events or circumstances have occurred that could indicate that the carrying amount of fixed asset investments may not be recoverable. There was an indicator of impairment present for some of the subsidiaries given the net assets of subsidiaries were below the carrying value of the investment. Furthermore, at 31 December 2024, the market capitalisation of the group implied a valuation of the underlying subsidiaries below the carrying value on an aggregated basis. Management have assessed the recoverable amount using a value in use model in order to determine whether an impairment is required. The value in use model includes a number of judgemental assumptions including, revenue growth, gross margin and discount rate. No impairment was identified by management based on the assessment performed.	We evaluated management's assessment of potential impairment triggers across all investments. Where impairment triggers were identified, we obtained management's impairment models and tested their integrity and accuracy. We agreed the revenue and cash flows used as the basis of the model back to board approved forecasts. We reviewed corroborative and contradictory evidence available for growth rates from 2025 onwards by performing independent research for market and wider economic forecasts. We reviewed gross margins and confirmed they were consistent with historical margins achieved by the subsidiary and wider business performance. We engaged valuation experts to benchmark the discount rate and terminal growth rate calculated by management. We reviewed management's sensitivity analysis on key assumptions, including revenue growth, gross margin and discount rate. We performed independent sensitivities which included replacing future revenue growth with external industry forecasts. We reviewed management's previous forecasts against actual results, assessing management's ability to forecast accurately. We also considered 2025 actual results to date against management's forecasts. We reviewed the associated disclosures within the financial statements. As a result of these procedures, we consider the directors' assessment of the carrying value of investment in subsidiaries to be supportable and appropriately disclosed.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

The Group operates as a supplier and distributor of floorcovering products and has two operating segments; the UK and Continental Europe. The Group financial statements are a consolidation of a number of reporting companies, comprising the group's operating businesses, centralised functions and non-trading group companies.

In establishing the overall approach to the group audit, we identified three UK reporting components which, in our view, required an audit of their complete financial information both due to their size and risk characteristics: HFD Limited, Domus Group of Companies and Headlam Group plc (the Company). These reporting components were audited by the group engagement team.

In addition, we targeted significant balances in other components. These were identified as cash balances within the components of MCD Group and Headlam BV.

The work on these components, together with additional procedures performed at the Group level, including analytical procedures and specific testing of the consolidation, gave us the evidence we needed for our opinion on the Group financial statements as a whole.

Our audit of the Company Financial Statements was undertaken by the Group audit team and included substantive procedures over all material balances and transactions.

The impact of climate risk on our audit

As part of our audit, we made enquiries of management to understand their process to assess the extent of the potential impact of climate change risks on the Group and its financial statements. Management's assessment has considered the climate-related risks disclosed in the Annual Report including the Group's transition to its net zero emissions targets by 2040 (Scope 1, 2 & 3), and potential exposure to changing consumer preferences and potential new legislation. In particular, management considered the extent to which:

- The group may incur costs in the transition to net zero, for example, replacements to renewable energy, buildings and vehicles;
- The group may be exposed to government imposed end-of-life disposal taxes on bulky waste (extended producer responsibility); and
- The group may be exposed to changing consumer preferences towards more sustainable flooring products.

As disclosed within notes 1 and 11 of the financial statements, management considers that the impact of climate change does not give rise to a material financial statement impact based on the assumption that the increased cost of sustainable products is passed onto consumers as consumer preferences shift towards more sustainable products in the medium term.

In response, we used our understanding of the Group to evaluate management's assessment; in particular, we considered how climate change risks, both physical and transitional, would impact the assumptions made in the forecasts prepared by management used in their impairment analyses and in their going concern and viability assessments. We concluded that climate change risks do not materially impact the Group's financial statements. We also read the disclosures made in relation to climate change in the other information within the Annual Report, and considered their consistency with the financial statements and our knowledge from the audit.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements - group	Financial statements - company
Overall materiality	£1,710,000 (2023: £1,398,000).	£1,624,000 (2023: £1,328,000).
How we determined it	5% of underlying loss before tax (2023 basis: a three year average of underlying profit before tax)	1% of total assets, capped at allocated component materiality of £1,624,000 (2023: £1,328,000)
Rationale for benchmark applied	Based on the benchmarks used in the annual report, underlying profit/loss before tax is the primary measure used by the shareholders in assessing the performance of the group, and is a generally accepted auditing benchmark. A 3 year average benchmark was used in the prior year to take into consideration the decreasing profitability of the group despite similar revenue and scale of operations. In the current year we consider underlying loss before tax is a more appropriate benchmark for materiality.	Total assets is the primary measure used by the shareholders in assessing the performance of the Company, and is a generally accepted auditing benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £452,000 and £1,624,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2023: 75%) of overall materiality, amounting to £1,282,000 (2023: £1,050,000) for the group financial statements and £1,218,000 (2023: £996,000) for the company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £85,000 (group audit) (2023: £70,000) and £81,000 (company audit) (2023: £66,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

- Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:
- Evaluating management's detailed cash flow forecasts and liquidity headroom under both base case and downside scenarios.
- Testing the cashflows were consistent with board approved forecasts and considering whether they were reasonable in light of previous performance, future expectations and management's track record of accurate forecasting.
- Assessing whether there were any significant doubts over the ability of the group to meet its debt covenants under both base case and downside scenarios.
- Confirming the amendment to covenants as agreed on 30 January 2025.
- Assessing the adequacy of disclosures in the going concern statement and statements in note 1a of the notes to the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2024 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement, included within the Governance section is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the group's and company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the group and company was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the group and company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to employment regulation, health and safety legislation and the Listing Rules, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and tax regulations. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of inappropriate journal entries and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Inquiries of management and reviewing minutes of meetings of those charged with governance regarding any known or suspected instances of fraud or non-compliance with laws and regulations.

- Challenging assumptions and judgements made by management in their significant accounting estimates and judgements; and
- Testing of journals posted to revenue and non-underlying items that have unusual account combinations, including immaterial journals below our usual threshold for testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 20 May 2016 to audit the financial statements for the year ended 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement is 9 years, covering the years ended 31 December 2016 to 31 December 2024.

Other matter

The company is required by the Financial Conduct Authority Disclosure Guidance and Transparency Rules to include these financial statements in an annual financial report prepared under the structured digital format required by DTR 4.1.15R – 4.1.18R and filed on the National Storage Mechanism of the Financial Conduct Authority. This auditors' report provides no assurance over whether the structured digital format annual financial report has been prepared in accordance with those requirements.

Gillian Hinks
(Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands

11 March 2025

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	Underlying 2024 £M	Non-underlying (note 3) 2024 £M	Total 2024 £M	Underlying 2023 £M	Non-underlying (note 3) 2023 £M	Total 2023 £M
Revenue	2	**593.1**	**—**	**593.1**	656.5	—	656.5
Cost of sales	2	**(415.5)**	**(10.6)**	**(426.1)**	(448.7)	—	(448.7)
Gross profit	2	**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	2	**(27.3)**	**(7.2)**	**(34.5)**	16.1	(3.9)	12.2
Finance income	6	**0.1**	**—**	**0.1**	0.3	—	0.3
Finance expenses	6	**(7.1)**	**—**	**(7.1)**	(5.4)	—	(5.4)
Net finance costs		**(7.0)**	**—**	**(7.0)**	(5.1)	—	(5.1)
(Loss)/profit before tax	3	**(34.3)**	**(7.2)**	**(41.5)**	11.0	(3.9)	7.1
Taxation	7	**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	9	**(35.0)p**		**(31.2)p**	11.0p		9.6p
Diluted	9	**(35.0)p**		**(31.2)p**	10.9p		9.6p
Ordinary dividend per share							
Interim dividend for the financial year	24			**-**			4.0p
Final dividend declared	24			**-**			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

	Note	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	22	**(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

STATEMENTS OF FINANCIAL POSITION

AT 31 DECEMBER 2024

	Note	Group 2024 £M	Group 2023 £M	Company 2024 £M	Company 2023 £M
Assets					
Non-current assets					
Property, plant and equipment	10	**86.9**	127.6	**2.2**	3.2
Investment properties	10	**—**	—	**46.1**	87.7
Right of use assets	19	**55.1**	41.6	**3.2**	0.8
Intangible assets	11	**17.6**	19.4	**0.1**	0.1
Deferred tax assets	13	**3.9**	0.9	**—**	—
Investments in subsidiary undertakings	12	**—**	—	**102.4**	101.7
		163.5	189.5	**154.0**	193.5
Current assets					
Inventories	14	**102.8**	131.5	**—**	—
Trade and other receivables	15	**111.0**	117.1	**14.1**	13.6
Non-current trade and other receivables	15	**—**	—	**14.6**	11.8
Income tax receivable	8	**3.6**	3.1	**0.6**	1.5
Cash and cash equivalents	16	**12.0**	21.1	**82.3**	63.2
Assets classified as held for sale	17	**4.8**	—	**4.8**	—
		234.2	272.8	**116.4**	90.1
Total assets		**397.7**	462.3	**270.4**	283.6
Liabilities					
Current liabilities					
Bank overdrafts	18	**(1.1)**	(0.7)	**—**	—
Other interest-bearing loans and borrowings	18	**—**	(50.0)	**—**	(50.0)
Lease liabilities	19	**(13.8)**	(11.9)	**(1.8)**	(0.1)
Trade and other payables	20	**(139.2)**	(129.1)	**(49.2)**	(41.4)
Employee benefits	22	**—**	(1.1)	**—**	(1.1)
		(154.1)	(192.8)	**(51.0)**	(92.6)
Non-current liabilities					
Lease liabilities	19	**(47.4)**	(31.5)	**(4.6)**	(0.8)
Provisions	21	**(3.1)**	(2.6)	**—**	—
Deferred tax liabilities	13	**—**	(13.2)	**(3.9)**	(7.7)
Employee benefits	22	**(2.1)**	(1.8)	**(1.5)**	(1.2)
		(52.6)	(49.1)	**(10.0)**	(9.7)
Total liabilities		**(206.7)**	(241.9)	**(61.0)**	(102.3)
Net assets		**191.0**	220.4	**209.4**	181.3
Equity attributable to equity holders of the parent					
Share capital	24	**4.3**	4.3	**4.3**	4.3
Share premium		**53.5**	53.5	**53.5**	53.5
Other reserves	24	**(15.5)**	(15.5)	**3.4**	3.2
Retained earnings		**148.7**	178.1	**148.2**	120.3
Total equity		**191.0**	220.4	**209.4**	181.3

The notes on pages 158 to 203 are an integral part of these consolidated financial statements.

The Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement, however the profit for the year attributable to the equity shareholders is £32.3 million (profit in 2023: £3.1 million).

The financial statements on pages 152 to 209 were approved by the Board of Directors on 11 March 2025 and were signed on its behalf by

Chris Payne
Director

Company Number: 00460129

STATEMENT OF CHANGES IN EQUITY – GROUP

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	23	—	—	—	—	—	—	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	24	—	—	—	—	—	—	(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	23	**—**	**—**	**—**	**—**	**—**	**—**	**1.0**	**1.0**
Share options exercised by employees		**—**	**—**	**—**	**—**	**—**	**0.2**	**(0.2)**	**—**
Dividends to equity holders	24	**—**	**—**	**—**	**—**	**—**	**—**	**(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**

STATEMENT OF CHANGES IN EQUITY – COMPANY

FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	Share capital £M	Share premium £M	Capital redemption reserve/ £M	Special reserve £M	Treasury reserve £M	Retained earnings £M	Total equity £M
Balance at 1 January 2023		4.3	53.5	0.1	22.1	(19.5)	129.5	190.0
Profit for the year attributable to the equity shareholders		—	—	—	—	—	3.1	3.1
Other comprehensive expense		—	—	—	—	—	(0.2)	(0.2)
Total comprehensive income for the year		—	—	—	—	—	2.9	2.9
Transactions with equity shareholders, recorded directly in equity								
Share-based payments	23	—	—	—	—	—	0.6	0.6
Share options exercised by employees		—	—	—	—	0.5	(0.5)	—
Dividends to equity holders	24	—	—	—	—	—	(12.2)	(12.2)
Total contributions by and distributions to equity shareholders		—	—	—	—	0.5	(12.1)	(11.6)
Balance at 31 December 2023		4.3	53.5	0.1	22.1	(19.0)	120.3	181.3
Balance at 1 January 2024		**4.3**	**53.5**	**0.1**	**22.1**	**(19.0)**	**120.3**	**181.3**
Profit for the year attributable to the equity shareholders		**—**	**—**	**—**	**—**	**—**	**32.3**	**32.3**
Other comprehensive expense		**—**	**—**	**—**	**—**	**—**	**(0.4)**	**(0.4)**
Total comprehensive income for the year		**—**	**—**	**—**	**—**	**—**	**31.9**	**31.9**
Transactions with equity shareholders, recorded directly in equity								
Share-based payments	23	**—**	**—**	**—**	**—**	**—**	**1.0**	**1.0**
Share options exercised by employees		**—**	**—**	**—**	**—**	**0.2**	**(0.2)**	**—**
Dividends to equity holders	24	**—**	**—**	**—**	**—**	**—**	**(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**	**22.1**	**(18.8)**	**148.2**	**209.4**

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

		Group		Company	
	Note	2024 £M	2023 £M	2024 £M	2023 £M
Cash flows from operating activities					
(Loss)/profit before tax for the year		**(41.5)**	7.1	**31.6**	4.5
Adjustments for:					
Depreciation and impairment of property, plant and equipment, amortisation and impairment of intangible assets		**11.0**	14.0	**1.8**	6.7
Depreciation, impairment and termination of right of use assets		**14.1**	13.9	**0.1**	0.1
Finance income	6	**(0.1)**	(0.3)	**(12.4)**	(7.3)
Finance expense	6	**7.1**	5.4	**4.6**	11.5
Insurance proceeds for property, plant and equipment (following fire)	3	**—**	(8.6)	**—**	(7.1)
Profit on sale of property, plant and equipment	3	**(21.1)**	(1.1)	**(21.4)**	(1.1)
Share-based payments	23	**1.0**	0.6	**0.3**	—
Operating cash flows before changes in working capital and other payables		**(29.5)**	31.0	**4.6**	7.3
Change in inventories		**28.2**	10.0	**—**	—
Change in trade and other receivables		**5.4**	2.7	**(0.9)**	(4.6)
Change in trade and other payables		**10.7**	(22.1)	**4.8**	2.9
Cash generated from the operations		**14.8**	21.6	**8.5**	5.6
Interest paid		**(7.2)**	(4.7)	**(4.7)**	(2.6)
Interest received		**0.1**	0.3	**9.7**	5.7
Tax paid		**(0.1)**	(4.7)	**—**	(4.4)
Net cash flow from operating activities		**7.6**	12.5	**13.5**	4.3
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		**61.3**	2.3	**61.3**	2.3
Acquisition of subsidiary, net of cash acquired		**—**	(6.1)	**—**	—
Acquisition of property, plant and equipment		**(10.5)**	(17.4)	**(0.8)**	(3.0)
Insurance proceeds for property, plant and equipment following fire		**—**	8.6	**—**	7.1
Acquisition of intangible assets	11	**(0.1)**	(0.8)	**—**	(0.7)
Net cash flow from investing activities		**50.7**	(13.4)	**60.5**	5.7
Cash flows from financing activities					
Payment to acquire own shares		**—**	(5.2)	**—**	(5.2)
Proceeds from borrowings		**40.0**	110.0	**40.0**	110.0
Repayment of borrowings		**(90.0)**	(60.3)	**(90.0)**	(60.0)
Principal elements of lease payments		**(12.9)**	(13.0)	**(0.1)**	(0.1)
Dividends paid	24	**(4.8)**	(12.2)	**(4.8)**	(12.2)
Net cash flow from financing activities		**(67.7)**	19.3	**(54.9)**	32.5
Net (decrease)/increase in cash and cash equivalents		**(9.4)**	18.4	**19.1**	42.5
Cash and cash equivalents at 1 January		**20.4**	2.1	**63.2**	20.7
Effect of exchange rate fluctuations on cash held		**(0.1)**	(0.1)	**—**	—
Cash and cash equivalents at 31 December	16	**10.9**	20.4	**82.3**	63.2

NOTES TO THE FINANCIAL STATEMENTS

1 Presentation of the Financial Statements and Accounting Policies

Reporting entity

Headlam Group PLC (the 'Company') is a public limited company which is listed on the London Stock Exchange and incorporated and domiciled in the UK. The address of its registered office is Gorsey Lane, Coleshill, Birmingham, B46 1JU.

Statement of compliance

Both the Company's and the Group's financial statements have been prepared and approved by the Directors in accordance with UK adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. On publishing the Company's financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements.

The Company and Group financial statements were authorised for issuance on 11 March 2025.

Basis of preparation

The principal accounting policies applied in the preparation of the financial statements of the Company and the financial statements of the Group are set out below. These policies have been applied consistently to all years presented, unless otherwise stated.

Judgements made by the Directors, in the application of these accounting policies that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year, are discussed below.

(a) Measurement convention

These financial statements are presented in pounds sterling, which is the Company's functional currency. All financial information presented in pounds sterling has been rounded to the nearest hundred thousand.

The Company and Group financial statements are prepared on the historical cost basis with the exception of derivative financial instruments and pension scheme assets and liabilities, both of which are stated at fair value.

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 can continue in operational existence for a period no shorter than 12 months from the date of approval of the financial statements.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chair's Statement on pages 04 to 05 and Chief Executive's Review on pages 06 to 10.

The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 30 to 37. In addition, note 25 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Group meets its day-to-day working capital requirements through its banking facilities. As at 31 December 2024, the Group has a committed sterling revolving credit facility agreement with Barclays Bank PLC, The Bank of Ireland and Credit Industriel Et Commercial (London Branch) for £81.5 million, with maturity in October 2027. During January 2025, following the receipt of proceeds in December 2024 from the property disposals, the Group reduced this revolving credit facility agreement to £61.0 million.

As at 31 December 2024 the Group also had short term uncommitted facilities of £15.0 million and €4.7 million which are renewable on an annual basis. During January 2025, the short term uncommitted facility of £15.0 million was reduced to £7.5 million, and the €4.7 million facility was reduced to €2.7 million following a review of facility requirements after the property disposal proceeds.

As at 31 December 2024, the Group had Net Cash of £10.9 million and had total banking facilities available of £100.4 million, of which £99.3 million was undrawn. Lease liabilities are excluded from this metric to be consistent with measurements used in the facility agreement and to allow comparison to total banking facilities available.

The Group has agreed new covenant arrangements with its lenders whilst the transformation plan is implemented. These arrangements were first agreed in June 2024 and are rolled forward every circa six months. In January 2025 these were rolled forward to cover the period up to, and including, May 2026. The pre-existing covenants of leverage and interest cover no longer apply for the June and December tests within that period. Instead, a monthly minimum liquidity test (based on committed facilities) and a quarterly minimum EBITDA test apply. The Group has complied with these new tests to date and, later in 2025, intends to roll forward the covenant arrangements for a further six months to encompass the second half of 2026.

As detailed on pages 68 and 69, the Directors have reviewed the Group's and Company's resilience to the principal risks and uncertainties by considering forecasts through a downside scenario, which involves modelling market volumes continuing to decline. The testing indicated that the Group would be able to operate within its current facilities and meet its current financial covenants, for a period of 12 months from the date of approval of the financial statements.

The Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for a period of 12 months from the date of approval of the financial statements. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

In preparing the Financial Statements the Directors have considered the potential impact of climate change, particularly in the context of the Taskforce for Climate-related Financial Disclosures ('TCFD') included in the Strategic Report. It is the Directors' opinion that the potential impact of climate change, after mitigating actions, is unlikely to be material.

(b) Use of accounting estimates and judgements

Estimates

The preparation of financial statements in conformity with UK adopted International Accounting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates are based on management's best knowledge of the amounts, events or actions, actual results ultimately may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key sources of estimation uncertainty at the Statement of Financial Position date that have significant risk of material adjustment to the carrying value of assets and liabilities within the next financial year are as follows:

Supplier arrangements

The Group has a number of rebate agreements with suppliers. The majority of agreements are co-terminus with the financial year, meaning that, although the calculation of the rebate does not rely on estimates of future purchases, there are significant amounts of rebates receivable subject to recovery at the year-end. At 31 December 2024, rebates receivable are estimated to be fully recoverable.

Impairment

The Group determines whether goodwill is impaired on an annual basis unless there is an indication of impairment at an earlier date. The Group also assesses whether property, plant and equipment, right of use assets and other intangible assets are impaired if there is an indication of impairment at the end of the reporting period. Estimations are required of the value in use of the CGUs to which the assets are allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Estimations are also required of the fair value less costs of disposal of the assets in the CGUs, including the market value of the property. An impairment has been recognised as a result of impairment testing in the current year in addition to a specific property, plant and equipment impairment following strategic decisions to close certain sites. Further details of the impairment review can be found in note 11.

The Company determines annually whether there are any indications that its investment in its subsidiaries may be impaired. The Company then assesses whether there is an impairment in this investment. Estimations are required of the value in use of the subsidiaries in which the investments are held. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the subsidiaries and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Inventory provision

Inventory provision calculations involve an estimation of the net realisable value of inventory by considering ageing profiles, items sold for less than carrying value and discontinued items.

This is a significant estimate in the current year due to the non-underlying inventory provisions recognised as part of the business restructuring. Further details can be found in note 3.

A 10% decrease in the level of non-underlying inventory provision recognised would result in a £0.9 million credit to the Consolidated Income Statement.

Judgements

Judgements made by the Directors, in the application of these accounting policies that have a significant effect on the financial statements are as follows:

Impairment

Judgements are made by the Directors in identifying the cash generating units ('CGU'), being the smallest groups of assets that generate independent cash flows, with the development of the business strategy, as well as in assessing whether any CGUs trigger an impairment review. As a result of the continuing development of the business strategy and transformation plan, with sites being fulfillment locations for sales orders that go through one central system. CGUs in UK Distribution have moved from being site-base to being one CGU for UK Distribution as a whole.

1 Presentation of the Financial Statements and Accounting Policies continued

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, see note 3.

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. See note 3 for further details; 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.

(c) Impact of newly adopted accounting standards

The Group has applied the following standards and amendments for the first time for its annual reporting period commencing 1 January 2024:

Classification of liabilities as current and non-current liabilities with covenants – Amendments to IAS 1; and

Lease liability in sale and leaseback - Amendments to IFRS 16

(d) IFRS not yet applied

There are no new standards, amendments to existing standards, or interpretations that are not yet effective that would be expected to have a material impact on the Group.

(e) Accounting policies

Basis of consolidation

The Group financial statements consolidate those of the Company and its subsidiaries which together are referred to as the 'Group'. The Company's financial statements present information about the Company as a separate entity and not about its Group.

Subsidiaries are entities controlled by the Group. Control exists when the Group has power over an entity, is exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account.

The financial results of subsidiaries are included in the Group's financial statements from the date that control commences until the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment and any gain on a bargain purchase is recognised in the Consolidated Income Statement immediately. Transaction costs are expensed as incurred, with the exception of costs that relate to the issue of debt or equity securities.

Intercompany transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated in the Group's financial statements.

Foreign currency

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in UK sterling currency units (£), which is Headlam Group PLC's functional and presentational currency.

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. There are no derivatives in the current or prior year. Monetary assets and liabilities denominated in foreign currencies at the Statement of Financial Position date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Financial statements of foreign operations

The assets and liabilities of foreign subsidiaries are translated at foreign exchange rates ruling at the Statement of Financial Position date.

Foreign currency exposure

The revenues, expenses and cash flows of foreign subsidiaries are translated at an average rate for the period where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

Exchange differences arising from this translation of foreign subsidiaries are taken directly to the translation reserve and reflected as a movement in the statement of comprehensive income.

When a foreign subsidiary is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss of disposal.

Note 25 contains information about the foreign currency exposure of the Group and risks in relation to foreign exchange movements.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the income statement on a straight-line basis in order to depreciate assets to their residual value over their useful economic lives. Assets begin to be depreciated from the date they become available for use. The annual rates applicable are:

Land and buildings

Freehold and long leasehold properties – 2%

Plant and equipment

Motor and commercial vehicles	–	10% – 25%
Office and computer equipment	–	10% – 33%
Warehouse and production equipment	–	10% – 20%
Solar panels	–	4%

Land is not depreciated.

The residual balances are reviewed annually.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in the income statement.

Assets under construction are reported within property, plant and equipment. These assets are stated at cost and are not depreciated until they are complete and utilised by the Group. The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use.

Investment properties

Investment properties are stated at cost less accumulated depreciation and impairment losses.

Depreciation is charged to the income statement on a straight-line basis in order to depreciate assets to their residual value over their useful economic lives. The annual rate applicable is:

Freehold and long leasehold properties – 2%

The residual balances are reviewed annually.

1 Presentation of the Financial Statements and Accounting Policies continued

Goodwill and other intangible assets

Goodwill

All business combinations are accounted for by applying the acquisition method. Goodwill arises on the acquisition of subsidiaries and represents the excess of the fair value of the consideration of the business combination over the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired. Transaction costs associated with acquisitions and movements in contingent consideration are recognised in the Consolidated Income Statement.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but tested annually for impairment, or more frequently when there is an indicator that the unit may be impaired.

In respect of acquisitions prior to 1 January 2004, goodwill is included on the basis of its deemed cost, which represents the amount recorded under UK GAAP which was broadly comparable save that only separable intangibles were recognised and goodwill was amortised. This is in accordance with IFRS 1.

Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses. Intangible assets recognised as a result of a business combination are stated at fair value at the date of acquisition less cumulative amortisation and impairment losses. Other intangible assets are amortised from the date they are available for use.

Amortisation

Amortisation is charged to the income statement and is split over the estimated useful lives of each separately identifiable intangible asset unless such lives are indefinite. Amortisation occurs on brand names, order book, non-compete agreements, customer relationships, supply agreements and software development and is charged to administrative expenses in the income statement. The estimated useful lives are assessed to be:

Order book	– 1–36 months
Customer relationships	– 5–10 years
Brand names	– 10–15 years
Non-compete agreements	– 1–3 years
Supply agreements	– 1–5 years
Software development	– 5–10 years

Software-as-a-Service (SaaS) arrangements

SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise are expensed to the Consolidated Income Statement and are classed as non-underlying when they are judged to be significant, non-recurring items. The ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received.

Financial assets

At initial recognition, the Group measures a financial asset (unless it is a trade receivable without a significant financing component) at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. A trade receivable without a significant financing component is initially measured at the transaction price. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

There are three measurement categories under IFRS 9 into which debt instruments may be classified, these are:

- Amortised cost;
- Fair value through other comprehensive income;
- Fair value through profit and loss

All material financial assets of the Group are held at amortised cost. Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss.

Financial assets are no longer recognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Trade and other receivables

Trade receivables are recognised at the transaction price if the trade receivables do not contain a significant financing component. Other receivables are measured at fair value on initial recognition.

The Group assesses, on a forward-looking basis, the expected credit losses associated with its trade and other receivables. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 25.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. This includes management's best estimate of overheads to be absorbed in the cost of inventory and rebates to be received from suppliers. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Provisions to write down inventory to its net realisable value are calculated by reference to each individual product, based on the ageing profile, consideration of inventory sold for less than its carrying value, and consideration for discontinued items.

Cash and cash equivalents

Cash and cash equivalents are carried in the Statement of Financial Position at amortised cost. Where there is a pooling arrangement in place and where there is a right to set-off under the overdraft facilities and the intention to settle the balance is on a net basis, cash and cash equivalents are reported net of overdrawn bank accounts.

Cash and cash equivalents relate to cash balances held. Bank overdrafts that are repayable on demand and form an integral part of cash management of both the Company and Group are included as a component of cash and cash equivalents for the purpose only of the Cash Flow Statement.

Assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell.

Non-current assets classified as held for sale are not depreciated or amortised and are presented separately from other assets in the balance sheet.

Impairment

The carrying amounts of the Group's assets, other than financial assets, inventories and deferred tax assets, are reviewed at each Statement of Financial Position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Financial assets are assessed using an expected credit loss model.

Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment annually.

For the purposes of impairment testing, assets are grouped together into cash generating units, being the smallest group of assets that generates cash flows from continuing use that are largely independent of the cash inflows from other groups of assets. During the year, there has been a change in the assessment of cash-generating units. With the development of the business strategy, performance is now assessed at a higher level, with each trading legal entity reviewed, considering these to be the smallest group of assets generating independent cash flows. In the prior year, each distribution centre (including satellite trade counters) was classified as a cash generating unit.

An impairment loss is recognised in the income statement whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

Calculation of recoverable amount

The recoverable amount of assets, with the exception of the Group's receivables, is the greater of their fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

1 Presentation of the Financial Statements and Accounting Policies continued

Reversals of impairment

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Trade payables

Trade payables are initially recognised at fair value and then are stated at amortised cost.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are made for property dilapidations for the estimated costs of the repairs over the period of the tenancy where a legal obligation exists.

Employee benefits

The Company and the Group operate both defined benefit and defined contribution plans. The assets of the defined benefit plans are held in independent trustee-administered funds. The pension cost is assessed in accordance with the advice of a qualified actuary.

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

Defined benefit plans

The Group's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The liability discount rate is the yield at the Statement of Financial Position date using AA rated corporate bonds that have maturity dates approximating to the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement immediately.

To the extent that any benefits vest immediately, the expense is recognised directly in the income statement.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. The cost is included in finance expenses in the income statement.

All actuarial gains and losses that arise in calculating the Group's obligation in respect of a scheme are recognised immediately in reserves and reported in the statement of comprehensive income.

Where the calculation results in a benefit to the Group, the asset recognised is limited to the present value of any future refunds from the plan or reductions in future contributions to the plan. The Company does not have an unconditional right to a refund, or reduction in future contribution, under IFRIC 14. Consequently, the surplus balance sheet position at 31 December 2023 was reduced to a deficit in recognition of the asset ceiling and the minimum funding requirement (i.e. the present value of future contributions the Company is contractually obliged to pay via the schedule of contributions).

The Group operates a UK defined benefit pension plan. There is no contractual agreement or stated Group policy for allocating the net defined benefit liability between the participating subsidiaries and as such the full deficit is recognised by the Company, which is the sponsoring employer.

The participating subsidiary companies have recognised a cost equal to contributions payable for the period as advised by a professionally qualified actuary.

During the year the Group completed a buy-in arrangement in respect of the UK defined benefit pension plan. The buy-in arrangement secures an insurance asset that matches the remaining net obligation.

Share-based payment transactions

The Company and Group operate various equity-settled share option schemes under the approved and unapproved executive schemes and savings-related schemes.

For executive share option schemes, the option price may not be less than the mid-market value of the Group's shares at the time when the options were granted or the nominal value.

Further details of the share plans are given in the Directors' Remuneration Report on pages 114 to 137.

The fair value of options granted is recognised as an employee expense with a corresponding increase in equity over the period that the employees unconditionally become entitled to the award. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting and market conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

When options are granted to employees of subsidiaries of the Company, the fair value of options granted is recognised as an employee expense in the financial statements of the subsidiary undertaking together with the capital contribution received. In the financial statements of the Company, the options granted are recognised as an investment in subsidiary undertakings with a corresponding increase in equity.

The Company and Group also operate an Employee Long Service Award scheme whereby shares are issued to employees meeting certain milestones of service for no cash consideration and vest immediately on the grant date. The market value of the shares issued at grant date is recognised as an employee expense with a corresponding increase in equity.

Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. Where the Group has committed to buy back its own shares, but not yet repurchased them, the amount of the commitment is recognised as a deduction from equity with a corresponding amount recognised as a liability. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is transferred to or from retained earnings.

Own shares held by Employee Benefit Trust

Transactions of the Group sponsored Employee Benefit Trust are included in the Group financial statements. In particular, the Trust's purchases of shares in the Company are debited directly to equity.

Revenue

Revenue from the sale of floorcoverings is measured at the fair value of the consideration and excludes intra-group sales and value added and similar taxes. The primary performance obligation is the transfer of goods to the customer. Revenue from the sale of floorcoverings is recognised when control of the goods is transferred to the customer (which is typically the point at which goods are received by the customer), at an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods. Provisions for returns, discounts and other allowances are reflected in revenue at the point of recognition.

Supplier arrangements

Rebates received from suppliers comprise volume related rebates on the purchase of inventories. Volume related rebates are accrued as units are purchased based on the percentage rebate applicable to the forecast total purchases over the rebate period, where it is probable the rebates will be received and the amounts can be estimated reliably. Rebates relating to inventories purchased but still held at the balance sheet date are deducted from the carrying value so that the cost of inventories is recorded net of applicable rebates. Rebates received for the financial year are deducted from cost of sales. Rebates recoverable at the end of the financial year are accrued within other debtors.

Insurance proceeds

Insurance proceeds are recognised when recovery is virtually certain and the amounts can be measured reliably. Insurance proceeds recognised are shown as other operating income, separately from any related costs. Insurance proceeds recoverable at the period end are recognised within other receivables.

1 Presentation of the Financial Statements and Accounting Policies continued

Leases – Group as a lessee

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognises a right-of-use asset and a corresponding lease liability at the lease commencement date, with the exception of short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets, comprising mainly of IT equipment.

The Group has elected to use a practical expedient as permitted by IFRS 16, not to separate non-lease components and instead account for the lease and non-lease component as a single lease component.

Lease liability

Assets and liabilities arising from a lease are initially measured at the present value of the future lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease liabilities for the Group include the net present value of the following payments:

- fixed payments, less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease liability is measured at amortised cost using the effective interest method, by increasing the carrying amount to reflect interest in the lease liability and reducing the carrying amount to reflect the lease payments made. The lease liability is subsequently remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured, an equivalent adjustment is made to the right-of-use asset unless its carrying amount is reduced to zero, in which case any remaining amount is recognised in the income statement.

The lease liability is presented separately in the Statement of Financial Position.

Right-of-use assets

Right-of-use assets are measured at cost less accumulated depreciation and impairment losses, comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are depreciated over the shorter of the asset's useful life (in line with property, plant and equipment) and the lease term on a straight-line basis. In addition, right-of-use assets are periodically reduced by impairment losses, if any, and adjusted for remeasurements of the corresponding lease liability.

The right-of-use assets are presented separately in the Statement of Financial Position.

Short-term and low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Sale and leaseback of property, plant and equipment

In determining whether a transaction is a sale-and-leaseback, the Group first considers whether the initial transfer of the underlying asset from the seller to the buyer is a sale in accordance with IFRS 15.

When a transaction meets the definition of a sale-and-leaseback, the Group derecognises the underlying asset and applies the lessee accounting models as per IFRS 16. The Group records a right-of-use-asset at the retained portion of the previous carrying amount, such that the amount of any gain or loss on sale recognised is only that related to the rights transferred to the lessor.

Net financing costs
Net financing costs include interest receivable on funds invested, interest payable, interest on lease liabilities and net interest expense on the net defined benefit liability.

Interest income and interest payable is recognised in the income statement as it accrues, using the effective interest method.

The Group determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments.

Interest paid and interest received are classified as operating cash flows in the cash flow statement.

Dividends
Paid
Interim and final dividends are recognised when they are paid or when approved by the members in a general meeting. Final dividends proposed by the Board and unpaid at the end of the year are not recognised in the financial statements.

Received
The Company receives dividends from its UK and Continental European subsidiaries. Dividends are recognised in the financial statements when they have been received by the Company.

Taxation
Income tax comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case the related tax is also recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the Statement of Financial Position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the Statement of Financial Position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group has applied the temporary exception issued by the IASB in May 2023 from the accounting requirements for deferred taxes in IAS 12. Accordingly, the Group neither recognises nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

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. 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, see note 3. The principal items classed as non-underlying are described in the basis of preparation in this note.

See pages 204 to 205 for details on alternative performance measures.

2 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 £M	2023 £M	2024 £M	2023 £M	2024 £M	2023 £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

3 (Loss)/profit before tax

The following material items are included in (loss)/profit before tax:

	2024 £M	2023 £M
Underlying items:		
Depreciation of property, plant and equipment	**8.4**	7.1
Depreciation of right of use assets	**13.9**	13.5
Increase/(reduction) in impairment loss allowance	**1.6**	(1.5)
Non-underlying items:		
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 to a combination of the write down of assets related to the transformation plan and the annual review of impairment as disclosed in note 11. 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.

In the prior year, included within impairment is £3.6 million impairment of intangible assets, £1.9 million impairment of property, plant and equipment and £0.4 million impairment of right of use assets. The impairment charges related to the write off of software development costs following the decision to replace the existing ERP system and the write down of assets following the decision to close certain sites.

In the prior year, insurance proceeds related to an insurance claim for losses arising from the Kidderminster fire in December 2021. Profit on sale of property, plant and equipment includes £1.2 million loss on disposal of items under construction relating to previously capitalised costs associated with the rebuild of the Kidderminster site, including site clearance fees and professional adviser fees incurred before the decision was made to dispose of the site and also a £2.3 million profit on sale relating to the ultimate disposal of the Kidderminster land.

In the prior year, business restructuring and change-related costs related to network optimisation, including headcount reduction costs as a result of the restructuring, together with the cost of closing certain sites and the implementation of dynamic transport planning which led to further headcount reductions and vehicle termination costs. The costs comprise £3.4 million cash costs and £2.0 million non-cash costs and relate to the period from January 2023 to December 2023.

See pages 204 to 205 for details on alternative performance measures.

Auditors' remuneration:

	2024 £M	2023 £M
Audit of these financial statements	**0.2**	0.2
Amounts received by the Auditors and their associates in respect of:		
Audit of financial statements of subsidiaries of the Company	**0.4**	0.4
	0.6	0.6

4 Staff numbers and costs

The monthly average number of people employed, including Executive Directors, during the year, analysed by category, was as follows:

	Number of employees			
	Group		Company	
	2024	2023	2024	2023
By sector:				
Floorcoverings	**2,351**	2,311	**—**	—
Central operations	**26**	27	**26**	27
	2,377	2,338	**26**	27
By function:				
Sales and distribution	**2,136**	2,106	**—**	—
Administration	**241**	232	**26**	27
	2,377	2,338	**26**	27

The aggregate payroll costs were as follows:

	Group		Company	
	2024 £M	2023 £M	2024 £M	2023 £M
Wages and salaries	**88.7**	83.8	**3.0**	2.7
Equity settled share-based payment expense (note 23)	**1.0**	0.6	**0.3**	—
Social security costs	**11.2**	10.4	**0.4**	0.2
Other pension costs (note 22)	**4.9**	4.4	**0.6**	0.2
	105.8	99.2	**4.3**	3.1

The table above excludes non-underlying staff costs which total £5.6 million (2023: £nil).

5 Emoluments of key management personnel

Executive and Non-Executive Directors are considered to be the key management personnel of the Group.

	2024 £M	2023 £M
Short-term employee benefits	**1.3**	1.3
Equity settled share-based payment expense	**0.3**	—
	1.6	1.3

Short-term employee benefits comprise salary and benefits earned during the year and bonuses awarded for the year. Further details on Directors' remuneration, share options and long-term incentive schemes are disclosed in the Remuneration Report on pages 114 to 137.

6 Finance income and expense

	2024 £M	2023 £M
Interest income:		
Bank interest	**0.1**	0.3
Finance income	**0.1**	0.3
Interest expense:		
Bank loans, overdrafts and other financial expenses	**(4.5)**	(3.0)
Interest on lease liability	**(2.5)**	(2.1)
Net interest on defined benefit plan obligations (note 22)	**(0.1)**	(0.1)
Other	**—**	(0.2)
Finance expenses	**(7.1)**	(5.4)

7 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)%

8 Income tax receivable

The Group's current tax asset of £3.6 million (2023: asset of £3.1 million) represents the amount of income tax receivable (2023: receivable) in respect of current and prior year periods. The Company's current tax asset of £0.6 million (2023: asset £1.5 million) represents the amount of income tax receivable (2023: receivable) in respect of current and prior year periods.

9 (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.

10 Property, plant and equipment

Group property, plant and equipment

	Land and buildings £M	Plant and equipment £M	Under construction £M	Total £M
Cost				
Balance at 1 January 2023	131.9	40.4	5.3	177.6
Acquisitions	0.1	0.5	—	0.6
Additions	4.7	10.8	1.9	17.4
Disposals	(0.4)	(3.1)	(2.3)	(5.8)
Transfers	0.9	2.2	(3.1)	—
Effect of movements in foreign exchange	(0.1)	(0.2)	—	(0.3)
Balance at 31 December 2023	137.1	50.6	1.8	189.5
Balance at 1 January 2024	**137.1**	**50.6**	**1.8**	**189.5**
Additions	**4.2**	**4.6**	**1.7**	**10.5**
Disposals/transfer to assets held for sale	**(52.1)**	**(6.0)**	**(0.1)**	**(58.2)**
Transfers	**0.4**	**1.1**	**(1.5)**	**—**
Effect of movements in foreign exchange	**(0.3)**	**(0.3)**	**—**	**(0.6)**
Balance at 31 December 2024	**89.3**	**50.0**	**1.9**	**141.2**
Accumulated depreciation and impairment				
Balance at 1 January 2023	32.8	24.9	—	57.7
Depreciation charge for the year	3.4	3.7	—	7.1
Impairment charge	0.7	0.1	1.1	1.9
Disposals	(0.4)	(3.1)	(1.1)	(4.6)
Effect of movements in foreign exchange	(0.1)	(0.1)	—	(0.2)
Balance at 31 December 2023	36.4	25.5	—	61.9
Balance at 1 January 2024	**36.4**	**25.5**	**—**	**61.9**
Depreciation charge for the year	**3.6**	**4.8**	**—**	**8.4**
Impairment charge	**—**	**0.7**	**—**	**0.7**
Disposals/transfer to assets held for sale	**(12.2)**	**(4.0)**	**—**	**(16.2)**
Effect of movements in foreign exchange	**(0.2)**	**(0.3)**	**—**	**(0.5)**
Balance at 31 December 2024	**27.6**	**26.7**	**—**	**54.3**
Net book value				
At 1 January 2023	99.1	15.5	5.3	119.9
At 31 December 2023	100.7	25.1	1.8	127.6
At 31 December 2024	**61.7**	**23.3**	**1.9**	**86.9**

The £0.7 million impairment charge in the year relates to the impairment of specific assets following the decision to close certain sites. These impairment charges are reported in non-underlying administrative expenses in the Consolidated Income Statement.

In the prior year, £1.1 million of the impairment charge in the year relates to specific IT assets held in 'under construction' that have been written off. £0.8 million of the impairment charge in the year relates to the impairment of specific assets following the decision to close certain sites. These impairment charges are reported in non-underlying administrative expenses in the Consolidated Income Statement.

The club of banks has a legal charge over a number of properties that are included in land and buildings.

Company investment properties and plant and equipment

	Investment properties £M	Plant and equipment £M	Plant and equipment under construction £M	Plant and equipment total £M
Cost				
Balance at 1 January 2023	116.8	0.8	1.8	2.6
Additions	—	2.2	0.8	3.0
Disposals	—	—	(2.3)	(2.3)
Balance at 31 December 2023	116.8	3.0	0.3	3.3
Balance at 1 January 2024	**116.8**	**3.0**	**0.3**	**3.3**
Additions	**—**	**0.8**	**—**	**0.8**
Transfers	**—**	**0.3**	**(0.3)**	**—**
Disposals/transfer to assets held for sale	**(51.3)**	**(1.7)**	**—**	**(1.7)**
Balance at 31 December 2024	**65.5**	**2.4**	**—**	**2.4**
Accumulated depreciation				
Balance at 1 January 2023	27.2	—	—	—
Depreciation charge for the year	1.9	0.1	—	0.1
Impairment	—	—	1.1	1.1
Disposals	—	—	(1.1)	(1.1)
Balance at 31 December 2023	29.1	0.1	—	0.1
Balance at 1 January 2024	**29.1**	**0.1**	**—**	**0.1**
Depreciation charge for the year	**1.6**	**0.2**	**—**	**0.2**
Disposals/transfer to assets held for sale	**(11.3)**	**(0.1)**	**—**	**(0.1)**
Balance at 31 December 2024	**19.4**	**0.2**	**—**	**0.2**
Net book value				
At 1 January 2023	89.6	0.8	1.8	2.6
At 31 December 2023	87.7	2.9	0.3	3.2
At 31 December 2024	**46.1**	**2.2**	**—**	**2.2**

The Company holds investment properties which are predominantly freehold distribution centres, occupied by its UK subsidiary companies for trading purposes. The Company obtains a valuation triennially, by an external valuer. Investment properties were valued by an independent professional valuer on 18 January 2023. This valuation of the investment properties, not including those under construction at the same date and updated for subsequent disposals was £83.6 million (2023: £138.5 million), however the Company has chosen to hold them at cost. External valuers were also used to provide a valuation of the Group's main sites in France and the Netherlands, for the first time in 2023, which amounted to £10.3 million.

The club of banks has a legal charge over a number of properties that are included in investment properties, whose market value is broadly equivalent to the size of the Group's committed bank facility.

11 Intangible assets

Group	Goodwill £M	Order book £M	Customer relationships £M	Brand names £M	Non-compete £M	Supply agreements £M	Software development £M	Total £M
Cost								
Balance at 1 January 2023	37.9	6.5	7.4	7.6	0.1	0.2	3.3	63.0
Additions	3.6	—	0.5	1.7	—	—	0.8	6.6
Disposals	—	—	—	—	—	—	(3.6)	(3.6)
Balance at 31 December 2023	41.5	6.5	7.9	9.3	0.1	0.2	0.5	66.0
Balance at 1 January 2024	**41.5**	**6.5**	**7.9**	**9.3**	**0.1**	**0.2**	**0.5**	**66.0**
Additions	**—**	**—**	**—**	**—**	**—**	**—**	**0.1**	**0.1**
Balance at 31 December 2024	**41.5**	**6.5**	**7.9**	**9.3**	**0.1**	**0.2**	**0.6**	**66.1**
Accumulated impairment and amortisation								
Balance at 1 January 2023	30.3	6.5	4.4	3.5	0.1	0.1	0.3	45.2
Amortisation charge for the year	—	—	0.7	0.7	—	—	—	1.4
Impairment charge	—	—	—	—	—	—	3.6	3.6
Disposals	—	—	—	—	—	—	(3.6)	(3.6)
Balance at 31 December 2023	30.3	6.5	5.1	4.2	0.1	0.1	0.3	46.6
Balance at 1 January 2024	**30.3**	**6.5**	**5.1**	**4.2**	**0.1**	**0.1**	**0.3**	**46.6**
Amortisation charge for the year	**—**	**—**	**0.6**	**0.7**	**—**	**—**	**0.1**	**1.4**
Impairment charge	**0.4**	**—**	**—**	**0.1**	**—**	**—**	**—**	**0.5**
Balance at 31 December 2024	**30.7**	**6.5**	**5.7**	**5.0**	**0.1**	**0.1**	**0.4**	**48.5**
Net book value								
At 31 December 2023	11.2	—	2.8	5.1	—	0.1	0.2	19.4
At 31 December 2024	**10.8**	**—**	**2.2**	**4.3**	**—**	**0.1**	**0.2**	**17.6**

The impairment charge of £0.5 million during the year relates to the Dersimo cash-generating unit. The impairment charge is reported in non-underlying administrative expenses in the Consolidated Income Statement.

The remaining useful economic lives of intangible assets is as follows: customer relationships is 8 years and brand names is 8 years.

Amortisation charged during the year of £1.4 million (2023: £1.4 million) is presented within administration expenses in the Consolidated Income Statement.

Cumulative impairment losses recognised in relation to goodwill is £30.7 million (2023: £30.3 million).

Company	Software development £M
Cost	
Balance at 1 January 2023	3.0
Additions	0.7
Disposals	(3.6)
Balance at 31 December 2023	0.1
Balance at 1 January 2024 and 31 December 2024	**0.1**
Accumulated impairment and amortisation	
Balance at 1 January 2023 and 31 December 2023	**—**
Balance at 1 January 2024 and 31 December 2024	**—**
Net book value	
Net book value at 31 December 2023	**0.1**
Net book value at 31 December 2024	**0.1**

Software development is internally generated.

Impairment tests for cash-generating units ('CGU') containing goodwill

Goodwill is attributed to the operations identified below for the purpose of testing impairment. These businesses are the lowest level at which goodwill is monitored and represent operating segments and CGUs. In the prior year, each distribution centre within these businesses was classified as a CGU. With the development of the business strategy, performance is now monitored and assessed at a higher level. Prior year figures below have been updated to align with the newly defined CGUs as outlined above.

The aggregate carrying amounts of goodwill allocated to each CGU are as follows:

	Reported segment	2024 £M	2023 £M
UK Distribution	UK	**7.6**	7.6
Melrose	UK	**3.2**	3.2
Other	Continental Europe	**—**	0.4
		10.8	11.2

Impairment of intangibles, property, plant and equipment and right of use assets

Each year, or whenever events or a change in the economic environment or performance indicates a risk of impairment, the Group reviews the value of goodwill and other assets allocated to its CGU.

An impairment test is a comparison of the carrying value of the assets of an operation or CGU to their recoverable amount. The recoverable amount represents the higher of the CGU's fair value less costs of disposal and value in use. Where the recoverable amount is less than the carrying value, an impairment results. For Melrose, Domus and Dersimo CGUs, the recoverable amount has been determined based on value in use and for UK Distribution and LMS CGUs, the recoverable amount has been determined based on fair value less costs of disposal.

An impairment of £1.8 million has been recognised as a result of impairment testing in the current year with £0.7 million recognised against property, plant and equipment, £0.6 million recognised against right of use assets, £0.4 million recognised against goodwill and £0.1 million recognised against other intangible assets. This is included within non-underlying administrative expenses in the Consolidated Income Statement.

11 Intangible assets continued

Key assumptions – value in use

Cash flows were projected based on actual operating results, the approved 2025 business plan and management's assessment of planned performance in the period to 2029. For the purpose of impairment testing, where there was goodwill allocated to CGUs, the cash flows were assumed to grow into perpetuity at a rate of 2.0% beyond 2029. For CGUs with no associated goodwill, revenue and central costs were assumed to grow at a rate of 2.0% for each year after 2029 up to the end of the deemed useful life of the assets being assessed for impairment.

The main assumptions within the operating cash flows used for 2025 include the achievement of future sales volumes and prices for all key product lines, control of purchase prices, achievement of budgeted operating costs and no significant adverse foreign exchange rate movements. These assumptions have been reviewed in light of the current economic environment. The assumptions for sales growth are as follows, with gross margin held flat across all years:

	Sales growth assumptions				
CGU	Year 1	Year 2	Year 3	Year 4	Year 5
Melrose	11.7%	4.7%	5.0%	6.1%	6.4%
Domus	13.6%	14.3%	12.0%	7.0%	5.0%
Dersimo	38.5%	7.2%	2.5%	2.5%	2.5%

The Directors have estimated the discount rate by reference to an industry average weighted average cost of capital. This has been adjusted to include an appropriate risk factor to reflect current economic circumstances and the risk profile of the CGUs. As the CGUs in the UK have similar characteristics and risk profiles, a single discount rate has been applied: a pre-tax weighted average cost of capital of 13.1% (2023: 13.3%). The CGUs in Continental Europe operate under a different regulatory environment which is reflected in the risk factor used to determine the discount rates. In the Netherlands, the pre-tax weighted average cost of capital is 12.8% (2023: 12.0%).

Climate-related risks have been considered in relation to the impairment testing, assuming that a transition scenario is most likely, including Extended Producer Responsibility (EPR) for bulky waste and reduced demand for current product offering. As noted in the TCFD disclosure, the Group could mitigate the EPR risk in the long term by rolling out the take back scheme, currently being trialled. Similarly, any risk from a reduced demand for the Group's current product offering could be mitigated by the Group quickly adapting its offering to reflect consumer preferences. As such, neither risk is included in the base models but sensitivity analysis has been performed.

There is a high degree of uncertainty in the cost estimates for a zero emission HGV fleet. It has been assumed, for this impairment modelling, that the cost of operating a zero emission HGV fleet is broadly comparable to that of operating a diesel fleet. This assumption is consistent with the TCFD disclosure and is on the basis that there is a very large global market for HGVs, which provides commercial incentive for companies to develop a viable, cost-effective zero emission solution for HGVs.

Key assumptions – fair value less costs of disposal

The most significant component of the fair value less costs of disposal figures for the CGUs relate to the freehold and long leasehold properties. The fair values have been calculated with reference to the independent valuation of the properties that was performed on 18 January 2023. The valuation is considered to be level 3 in the fair value hierarchy due to unobservable inputs used in the valuation. After considering movements in the macro-economic environment relating to commercial properties and the recent disposals of property in the year, the fair values have been uplifted based on the evidence of the profit achieved over the fair values on these sales.

Sensitivity analysis

The Group has applied sensitivities to assess whether any reasonable possible changes in these key assumptions could cause a further impairment to goodwill and subsequently intangible assets, property, plant and equipment and right-of-use assets that would be material to these Consolidated Financial Statements.

The Directors performed sensitivity analysis on the estimated recoverable amounts focusing on a reasonably possible change in key assumptions:

Key assumptions - value in use:

- sales growth decrease of 5% in the first year and 2% in the following four years;
- gross margin decrease of 1% in the first five years;
- pre-tax discount rate, used to convert the cash flow forecasts to present values, increase of 1%;
- a shift away from non-sustainable to more sustainable flooring at a rate of 0.5% of mix per year, settling in the medium term, with an associated gross profit reduction; and
- introduction of EPR from 2027 with some of the cost mitigated by the take back scheme with none of the residual costs passed on to customers in the short or medium term.

Key assumptions - fair value less costs of disposal:

- decreases in fair values of the property of 5%

The following table details those CGUs that are materially sensitive to the sensitivities mentioned above and the impairment value that would be required if this sensitivity was to occur independently and then combined:

Sensitivity	CGU	Goodwill £M	Intangibles £M	Property, plant and equipment £M	Right of use assets £M	Total impairment £M
Sales growth	Melrose	3.3	0.4	0.1	0.5	4.3
Sales growth	Dersimo	–	0.5	0.2	1.1	1.8
Gross margin	Dersimo	–	0.4	0.1	0.9	1.4
Discount rate	Dersimo	–	0.3	0.1	0.6	1.0
Shift to more sustainable flooring	Dersimo	–	0.3	0.1	0.6	1.0
Combined sensitivities	Melrose	3.3	0.9	0.3	1.1	5.6
Combined sensitivities	Domus	–	0.5	0.1	0.4	1.0
Combined sensitivities	Dersimo	–	0.7	0.2	1.5	2.4

12 Investments in subsidiary undertakings

Company

Summary information on investments in subsidiary undertakings is as follows:

	£M
Cost	
Balance at 1 January 2023	117.7
Share options granted to employees of subsidiary undertakings	0.6
Balance at 31 December 2023	118.3
Balance at 1 January 2024	**118.3**
Share options granted to employees of subsidiary undertakings	**0.7**
Balance at 31 December 2024	**119.0**
Impairment	
Balance at 1 January 2023 and 31 December 2023	(16.6)
Balance at 1 January 2024 and 31 December 2024	**(16.6)**
Carrying value	
At 1 January 2023	101.1
At 31 December 2023	101.7
At 31 December 2024	**102.4**

A full list of the Group's subsidiaries is listed on page 203.

The Company determines annually whether there are any indications that its investment in its subsidiaries may be impaired. The Company then assesses whether there is an impairment in this investment by comparing the carrying value of the investment with the recoverable amount of the relevant subsidiaries.. Where the recoverable amount is less than the carrying value, an impairment results.

Estimations are required of the value in use of the subsidiaries in which the investments are held. No impairment has been recognised as a result of impairment testing in the current year.

The key assumptions used in the value in use calculations for the first five years can be seen in the below table, with gross margin held flat across all years. The cash flows were assumed to grow into perpetuity at a rate of 2.0% beyond 2029.

	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue growth	6.4%	10.5%	8.6%	8.7%	8.3%

12 Investments in subsidiary undertakings continued

The Directors have estimated the discount rate by reference to an industry average weighted average cost of capital. This has been adjusted to include an appropriate risk factor to reflect current economic circumstances. A pre-tax weighted average cost of capital of 13.1% has been applied to the value in use calculation.

Sensitivity analysis

The Company has applied sensitivities to assess whether any reasonable possible changes in these key assumptions could cause a further impairment to investments in subsidiary undertakings that would be material to these Consolidated Financial Statements.

The Directors performed sensitivity analysis on the estimated recoverable amounts focusing on a reasonably possible change in key assumptions:

Key assumptions – value in use:

- sales growth decrease of 5% in the first year and 2% in the following four years;
- gross margin decrease of 1% in the first five years;
- pre-tax discount rate, used to convert the cash flow forecasts to present values, increase of 1%;
- a shift away from non-sustainable to more sustainable flooring at a rate of 0.5% of mix per year, settling in the medium term, with an associated gross profit reduction; and
- introduction of EPR from 2027 with some of the cost mitigated by the take back scheme with none of the residual costs passed on to customers in the short or medium term.

Investments in subsidiary undertakings are materially sensitive to the sales growth sensitivity and would require an impairment of £56.9 million should this sensitivity occur independently as above. Should all value in use sensitivities occur simultaneously as above, an impairment of £83.3 million would be required.

13 Deferred tax assets and liabilities

Group

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2024 £M	2023 £M	2024 £M	2023 £M	2024 £M	2023 £M
Property, plant and equipment	**—**	—	**(7.8)**	(11.9)	**(7.8)**	(11.9)
Intangible assets	**—**	—	**(2.0)**	(2.4)	**(2.0)**	(2.4)
Leases	**23.7**	7.5	**(24.4)**	(7.9)	**(0.7)**	(0.4)
Employee benefits	**0.5**	1.0	**—**	—	**0.5**	1.0
Tax losses	**13.6**	1.1	**—**	—	**13.6**	1.1
Other items	**0.3**	0.3	**—**	—	**0.3**	0.3
Tax assets/(liabilities)	**38.1**	9.9	**(34.2)**	(22.2)	**3.9**	(12.3)
Set-off of tax	**(34.2)**	(9.0)	**34.2**	9.0	**—**	—
	3.9	0.9	**—**	(13.2)	**3.9**	(12.3)

A deferred tax asset has been recognised in respect of certain tax losses in the year. The Group has assessed future trading forecasts and has concluded that the deferred tax assets will be recoverable. The losses can be carried forward indefinitely and have no expiry date.

Movement in deferred tax assets during the year

	1 January 2024 £M	Acquisition of subsidiary £M	Recognised in income £M	Recognised in equity £M	31 December 2024 £M
Property, plant and equipment	**(11.9)**	**—**	**4.1**	**—**	**(7.8)**
Intangible assets	**(2.4)**	**—**	**0.4**	**—**	**(2.0)**
Leases	**(0.4)**	**—**	**(0.3)**	**—**	**(0.7)**
Employee benefits	**1.0**	**—**	**(0.6)**	**0.1**	**0.5**
Tax losses	**1.1**	**—**	**12.5**	**—**	**13.6**
Other items	**0.3**	**—**	**—**	**—**	**0.3**
	(12.3)	**—**	**16.1**	**0.1**	**3.9**

Movement in deferred tax liabilities during the prior year

	1 January 2023 £M	Acquisition of subsidiary £M	Recognised in income £M	Recognised in equity £M	31 December 2023 £M
Property, plant and equipment	(11.3)	(0.1)	(0.5)	—	(11.9)
Intangible assets	(2.1)	(0.5)	0.2	—	(2.4)
Leases	(0.4)	—	—	—	(0.4)
Employee benefits	1.5	—	(0.5)	—	1.0
Tax losses	—	—	0.2	—	0.2
Other items	0.2	0.1	—	—	0.3
	(12.1)	(0.5)	(0.6)	—	(13.2)

Movement in deferred tax assets during the prior year

	1 January 2023 £M	Acquisition of subsidiary £M	Recognised in income £M	Recognised in equity £M	31 December 2023 £M
Tax losses	—	—	0.9	—	0.9
	—	—	0.9	—	0.9

Company

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2024 £M	2023 £M	2024 £M	2023 £M	2024 £M	2023 £M
Property, plant and equipment	**—**	—	**(4.4)**	(8.5)	**(4.4)**	(8.5)
Employee benefits	**0.5**	0.8	**—**	—	**0.5**	0.8
Tax assets/(liabilities)	**0.5**	0.8	**(4.4)**	(8.5)	**(3.9)**	(7.7)
Set-off of tax	**(0.5)**	(0.8)	**0.5**	0.8	**—**	—
	—	—	**(3.9)**	(7.7)	**(3.9)**	(7.7)

Movement in deferred tax during the year

	1 January 2024 £M	Recognised in income £M	Recognised in equity £M	31 December 2024 £M
Property, plant and equipment	**(8.5)**	4.1	**—**	(4.4)
Employee benefits	**0.8**	(0.4)	**0.1**	0.5
	(7.7)	3.7	**0.1**	(3.9)

Movement in deferred tax during the prior year

	1 January 2023 £M	Recognised in income £M	Recognised in equity £M	31 December 2023 £M
Property, plant and equipment	(9.2)	0.7	—	(8.5)
Employee benefits	1.2	(0.5)	0.1	0.8
	(8.0)	0.2	0.1	(7.7)

Unrecognised deferred tax assets and liabilities – Group and Company

At 31 December 2024, the Group and Company has unused capital losses of £nil (2023: £4.0 million) available for offset against future chargeable gains. In addition, the Group has an unrecognised deferred tax asset in respect of tax losses in France of £1.5 million (2023: £0.3 million). The Directors have considered the probability that the deferred tax asset will be recoverable within the foreseeable future and concluded that no deferred tax asset should be recognised at 31 December 2024.

14 Inventories

	Group		Company	
Goods for resale	**2024 £M**	**2023 £M**	**2024 £M**	**2023 £M**
Balance as at 31 December	**102.8**	131.5	**—**	—

During the period, inventories of £426.1 million (2023: £448.7 million) were recognised as an expense and included in cost of sales in the Consolidated Income Statement. Included within this expense is a £18.5 million charge (2023: £8.0 million charge) for write-downs of inventory to net realisable value.

15 Trade and other receivables

	Group		Company	
Current	**2024 £M**	**2023 £M**	**2024 £M**	**2023 £M**
Trade receivables	**75.7**	79.7	**—**	—
Prepayments and accrued income	**9.9**	10.1	**1.3**	1.0
Other receivables	**25.4**	27.3	**1.8**	1.4
Amounts due from subsidiary undertakings	**—**	—	**11.0**	11.2
	111.0	117.1	**14.1**	13.6

	Group		Company	
Non-Current	**2024 £M**	**2023 £M**	**2024 £M**	**2023 £M**
Amounts due from subsidiary undertakings	**—**	—	**14.6**	11.8
	—	—	**14.6**	11.8

Amounts due from subsidiary undertakings are unsecured, interest bearing and are repayable on demand.

£2.9 million (2023: £1.5 million reduction) was recognised as an increase in the impairment loss allowance in the Consolidated Income Statement in respect of trade receivables.

The receivables written off during the year as uncollectible are attributable to the reportable segments as follows:

	Group		Company	
	2024 £M	**2023 £M**	**2024 £M**	**2023 £M**
UK	**0.1**	0.6	**—**	—
Continental Europe	**0.4**	0.2	**—**	—
	0.5	0.8	**—**	—

Further details on the impairment of trade receivables is provided in note 25.

16 Cash and cash equivalents

	Group		Company	
	2024 £M	2023 £M	2024 £M	2023 £M
Cash	**12.0**	21.1	**82.3**	63.2
Cash and cash equivalents per Statement of Financial Position	**12.0**	21.1	**82.3**	63.2

Cash and cash equivalents of £12.0 million (2023: £21.1 million) is shown net of overdrawn bank accounts of £345.2 million (2023: £186.0 million) that have a right of set-off, and an intention to settle net, under the UK overdraft facilities. Gross cash without the set-off agreement is £357.2 million (2023: £207.1 million).

Reconciliation to cash flow statement

	Group		Company	
	2024 £M	2023 £M	2024 £M	2023 £M
Cash and cash equivalents per Statement of Financial Position	**12.0**	21.1	**82.3**	63.2
Bank overdraft	**(1.1)**	(0.7)	**—**	—
Cash and cash equivalents per Cash Flow Statement	**10.9**	20.4	**82.3**	63.2

17 Assets classified as held for sale

	Group		Company	
	2024 £M	2023 £M	2024 £M	2023 £M
Non-current assets held for sale	**4.8**	—	**4.8**	—

As part of the acceleration of strategy announced in September 2024, certain UK non-core property is expected to be sold in 2025. The non-current assets held for sale are presented within total reportable segments assets of the UK.

18 Other interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's and Company's interest-bearing loans and borrowings.

At 31 December 2024, the Group had a committed sterling revolving credit facility agreement with Barclays Bank PLC, The Bank of Ireland and Credit Industriel Et Commercial (London Branch) for £81.5 million which will expire in October 2027. In January 2025, following receipt of proceeds in December 2024 from the property disposals, the Group has reduced this credit facility agreement to £61.0 million. The Group had short term uncommitted facilities of £15.0 million in the UK and €4.7 million facility in Continental Europe. In January 2025, The £15.0 million uncommitted facility in the UK was reduced to £7.5 million and the €4.7 million facility in Continental Europe was reduced to €2.7 million following a review of facility requirements after the property disposal proceeds. These are renewable on an annual basis. The total banking facilities available to the Group at 31 December 2024 were £100.4 million (2023: £100.6 million).

	Facilities	
	31 December 2024 £M	31 December 2023 £M
Sterling RCF	**81.5**	81.5
Sterling uncommitted facilities UK	**15.0**	15.0
Euro uncommitted facilities Continental Europe	**3.9**	4.1
	100.4	100.6

For more information about the Group's and Company's exposure to interest rate and foreign currency risk, see note 25.

18 Other interest-bearing loans and borrowings continued

	Group		Company	
	2024 £M	2023 £M	2024 £M	2023 £M
Current liabilities				
Bank overdraft	**1.1**	0.7	**—**	—
Interest-bearing loan	**—**	50.0	**—**	50.0
	1.1	50.7	**—**	50.0

The Group has undrawn borrowing facilities at 31 December 2024, which amounted to £99.3 million (2023: £49.9 million). The facility conditions for drawdown had been met during the period. The facility is secured against four of the Group's properties with a combined market valuation of £59.2 million. In the prior year, the facility was not secured against properties. There is a cross guarantee in place between the Company and its UK, French and Dutch subsidiaries. Covenant calculations have been prepared for the year ending 31 December 2024 and there were no breaches.

The undrawn borrowing facilities are as follows:

	Interest rate %	2024 £M	Interest rate %	2023 £M
UK	**7.0**	**96.5**	5.9	46.5
Netherlands	**6.0**	**0.9**	7.2	1.4
France	**4.2**	**1.9**	5.0	2.0
		99.3		49.9

The undrawn borrowing facilities consisted of £81.5 million committed and £17.8 million uncommitted facilities (2023: £31.5 million committed and £18.4 million uncommitted).

All the borrowing facilities above bear interest at floating rates.

Changes in net (debt)/cash

	At 1 January 2024 £M	Acquisitions £M	Non-cash items £M	Cash flows £M	Foreign exchange movements £M	At 1 December 2024 £M
Cash at bank and in hand	**21.1**	**—**	**—**	**(9.0)**	**(0.1)**	**12.0**
Bank overdraft	**(0.7)**	**—**	**—**	**(0.4)**	**—**	**(1.1)**
Debt due within one year	**(50.0)**	**—**	**—**	**50.0**	**—**	**—**
Lease liabilities	**(43.4)**	**—**	**(33.4)**	**15.4**	**0.2**	**(61.2)**
Liabilities from financing activities	**(94.1)**	**—**	**(33.4)**	**65.0**	**0.2**	**(62.3)**
Net (debt)/cash	**(29.6)**	**—**	**—**	**40.6**	**(0.1)**	**10.9**
Net debt including lease liabilities	**(73.0)**	**—**	**(33.4)**	**56.0**	**0.1**	**(50.3)**

	At 1 January 2023 £M	Acquisitions £M	Non-cash items £M	Cash flows £M	Foreign exchange movements £M	At 31 December 2023 £M
Cash at bank and in hand	2.1	0.5	—	18.6	(0.1)	21.1
Bank overdraft	—	—	—	(0.7)	—	(0.7)
Debt due after one year	(0.3)	—	—	(49.7)	—	(50.0)
Lease liabilities	(37.7)	(2.7)	(18.2)	15.1	0.1	(43.4)
Liabilities from financing activities	(38.0)	(2.7)	(18.2)	(35.3)	0.1	(94.1)
Net cash/(debt)	1.8	0.5	—	(31.8)	(0.1)	(29.6)
Net debt including lease liabilities	(35.9)	(2.2)	(18.2)	(16.7)	—	(73.0)

Non-cash items relate to lease additions, modifications and interest.

19 Leases

The Group leases various properties, commercial vehicles and cars. Rental contracts are typically made for fixed periods of 5 to 10 years on properties and 3 to 7 years on commercial vehicles and cars, but might have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets cannot be used as security for borrowing purposes.

Information about leases for which the Group is a lessee is presented below.

Right-of-use assets

	Group			Company
	Properties £M	Non-property £M	Total £M	Properties £M
Net book value at 1 January 2023	11.9	24.8	36.7	0.7
Acquisitions	2.6	0.1	2.7	—
Additions	6.8	7.6	14.4	0.2
Contract modifications/terminations	2.0	(0.2)	1.8	—
Depreciation	(4.1)	(9.4)	(13.5)	(0.1)
Impairment	(0.4)	—	(0.4)	—
Effect of movements in foreign exchange	(0.1)	—	(0.1)	—
Net book value at 31 December 2023	18.7	22.9	41.6	0.8
Net book value at 1 January 2024	**18.7**	**22.9**	**41.6**	**0.8**
Additions	**23.7**	**4.8**	**28.5**	**2.5**
Contract modifications/terminations	**0.6**	**(0.9)**	**(0.3)**	**—**
Depreciation	**(4.8)**	**(9.1)**	**(13.9)**	**(0.1)**
Impairment	**(0.3)**	**(0.3)**	**(0.6)**	**—**
Effect of movements in foreign exchange	**(0.1)**	**(0.1)**	**(0.2)**	**—**
Net book value at 31 December 2024	**37.8**	**17.3**	**55.1**	**3.2**

The right-of-use assets are shown as non-current assets in the balance sheet. The non-property right-of-use assets relate mainly to commercial and motor vehicles.

19 Leases continued

Lease liabilities

	Group		Company	
	2024 £M	2023 £M	2024 £M	2023 £M
Current	**13.8**	11.9	**1.8**	0.1
Non-current	**47.4**	31.5	**4.6**	0.8
	61.2	43.4	**6.4**	0.9

Amounts recognised in the Consolidated Income Statement

	Group	
	2024 £M	2023 £M
Interest on lease liabilities	**2.5**	2.1
Expenses relating to leases of low-value assets	**0.1**	0.1

The total cash outflow for leases during the year ended 31 December 2024 was £15.5 million (2023: £15.2 million) for the Group and £0.1 million (2023: £0.1 million) for the Company.

Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held, are exercisable only by the Group and not by the respective lessor.

Sale and Leaseback Transactions

During the period the Group entered into a sale and leaseback transaction for a package of two properties. The proceeds were used to reduce the Group's net debt. The portfolio of two properties were sold for combined proceeds of £29.2 million and completed on 19 December 2024. The leases are at market rates and the aggregate annual lease cost of the properties is £2.1 million. The total gain recognised due to the sale and leaseback transactions is £13.7 million and is included within profit on disposal of property plant and equipment in non underlying items. The leases commenced on the transaction date and are for a term of three years.

20 Trade and other payables

	Group		Company	
Current	2024 £M	2023 £M	2024 £M	2023 £M
Trade payables	**95.4**	**93.3**	**3.2**	0.6
Taxation and social security	**26.0**	**14.7**	**13.4**	3.2
Non-trade payables and accrued expenses	**17.8**	**21.1**	**1.4**	1.8
Amounts due to subsidiary undertakings	**—**	**—**	**31.2**	35.8
	139.2	**129.1**	**49.2**	41.4

Amounts due to subsidiary undertakings are unsecured, interest free and are repayable on demand.

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 25.

21 Provisions

	Property	
	2024 £M	2023 £M
Balance at 1 January	**2.6**	1.7
Acquired through business combination	**—**	0.8
Utilisation of provisions	**(0.2)**	—
Charged to the income statement:		
Additional provisions	**0.7**	0.1
Balance at 31 December	**3.1**	2.6

The property provisions relate to property dilapidations. Dilapidation provisions are expected to be utilised between 1 and 111 years as the individual lease term comes to an end.

22 Employee benefits

During the year, the Group operated a UK defined benefit plan and defined contribution plans in the UK, France and the Netherlands.

UK defined benefit plan

The Headlam Group PLC Staff Retirement Benefits Scheme (the 'plan') is the defined benefit plan operated by the Company which provides pensions in retirement and death benefits to members. The majority of members are entitled to receive pensions from age 65, equal to either 1/50 or 1/60 of final salary for each year of service that the employee provided, depending on which section of the plan the member is part of. The plan is closed to new members and from 31 March 2020 was closed to future accrual of benefits.

The plan is a registered scheme under UK legislation and is contracted out of the State Second Pension. The plan is legally separated from the Company and assets are held independently of the Company's finances. The plan is subject to the scheme funding requirements outlined in UK legislation.

The Company has a right to a refund of any surplus in the plan if the plan winds up, after payment of expenses, members benefits and any enhancements to the members' benefits as the Trustee sees fit. In addition, if the assets of the plan exceed the estimate by the actuary of the cost of buying out the benefits of all beneficiaries with an insurance company, including the associated expenses, and the plan is not being wound up, then the Company may request a payment of the excess funds though does not have an unconditional right to a refund. There have been no payments made to the Company out of the plan's assets over the year.

The plan was established from 11 February 1983 under trust and is governed by the plan's Trust Deed and Rules dated 26 March 2015. The Trustee of the plan comprises one sole corporate trustee. The Trustee of the plan is required by law to act in the best interests of the plan participants. The Trustee is responsible for the operation and the governance of the plan, including making decisions regarding the plan's funding and investment strategy in conjunction with the Company.

There have been no curtailments or settlements made to the plan over 2024. On 31 March 2020, the plan closed to future accrual which would typically be treated as a curtailment event. Historically the future salary increase assumption used to calculate the Scheme's IAS 19 liabilities has been set equal to the assumption for expected future RPI inflation (the rate of increase applied to pensions in deferment) and therefore there was no impact on the reported liabilities in respect of this event.

The plan's current investment strategy is to hold 100% annuity policies, following a buy-in transaction in March 2024.

The last scheme funding valuation of the plan was as at 31 March 2023 and revealed a fully funded position.

The main annual rate assumptions used by the actuary were, increase of pensions in payment 3.24%, discount rate before retirement 3.68%, discount rate after retirement 3.68% and inflation 3.24%. Assets were taken at their audited market value at the valuation date.

The schedule of contributions was agreed between the Company and Trustee in June 2024. No regular contributions are required to be paid by the Company into the scheme.

The liabilities of the plan are based on the current value of expected benefit payment cash flows to members of the plan over the next 65 years or more. The average duration of the liabilities is approximately 11 years.

22 Employee benefits continued

Defined benefit obligation

In the UK there is no contractual agreement or stated Group policy for allocating the net defined benefit liability between the participating subsidiaries and as such the full deficit is recognised by the Company, which is the sponsoring employer.

	Group		Company	
	2024 £M	2023 £M	2024 £M	2023 £M
Present value of funded defined benefit obligations	**(62.2)**	(69.2)	**(62.2)**	(69.2)
Fair value of plan assets	**60.7**	73.6	**60.7**	73.6
(Deficit)/surplus in funded scheme	**(1.5)**	4.4	**(1.5)**	4.4
Adjustment in respect of asset ceiling and minimum funding requirement	**—**	(6.7)	**—**	(6.7)
	(1.5)	(2.3)	**(1.5)**	(2.3)
Other long-term employee benefits	**(0.6)**	(0.6)	**—**	—
Total employee benefits	**(2.1)**	(2.9)	**(1.5)**	(2.3)
Analysed as:				
Current liabilities	**—**	(1.1)	**—**	(1.1)
Non-current liabilities	**(2.1)**	(1.8)	**(1.5)**	(1.2)
Total employee benefits	**(2.1)**	(2.9)	**(1.5)**	(2.3)

Movements in present value of defined benefit obligation

	Group		Company	
	2024 £M	2023 £M	2024 £M	2023 £M
At 1 January	**69.2**	72.0	**69.2**	72.0
Interest cost	**3.0**	3.4	**3.0**	3.4
Net remeasurement (gains)/losses – financial	**(7.8)**	0.7	**(7.8)**	0.7
Net remeasurement gains – demographic	**(0.1)**	(1.4)	**(0.1)**	(1.4)
Net remeasurement gains – experience	**(0.4)**	(2.4)	**(0.4)**	(2.4)
Deferred buy-in premium	**2.1**	—	**2.1**	—
Benefits paid	**(3.8)**	(3.1)	**(3.8)**	(3.1)
At 31 December	**62.2**	69.2	**62.2**	69.2

Movements in fair value of plan assets

	Group		Company	
	2024 £M	2023 £M	2024 £M	2023 £M
At 1 January	**73.6**	74.1	**73.6**	74.1
Interest income on plan assets	**3.2**	3.5	**3.2**	3.5
Return on assets, excluding interest income	**(13.7)**	(2.2)	**(13.7)**	(2.2)
Contributions by employer:				
Past service deficit contributions	**1.7**	1.3	**1.7**	1.3
Benefits paid	**(3.8)**	(3.1)	**(3.8)**	(3.1)
Administration expenses	**(0.3)**	—	**(0.3)**	—
At 31 December	**60.7**	73.6	**60.7**	73.6

The fair value of the plan assets were as follows:

	Group		Company	
	2024 £M	2023 £M	2024 £M	2023 £M
Equities*	**1.3**	3.4	**1.3**	3.4
Government debt*	**—**	61.7	**—**	61.7
Corporate bonds*	**—**	6.2	**—**	6.2
Liability and currency hedging	**—**	0.7	**—**	0.7
Cash and other	**0.2**	0.7	**0.2**	0.7
Insured annuities	**59.2**	0.9	**59.2**	0.9
	60.7	73.6	**60.7**	73.6

* These assets are held within pooled investment vehicles that are unquoted. The fair value of the underlying assets within these funds have a quoted market price in an active market.

Movements in the effect of the asset ceiling

	Group		Company	
	2024 £M	2023 £M	2024 £M	2023 £M
At 1 January	**6.7**	5.3	**6.7**	5.3
Interest cost on the asset ceiling	**0.3**	0.2	**0.3**	0.2
Changes in the effect of the asset ceiling excluding interest cost	**(7.0)**	1.2	**(7.0)**	1.2
At 31 December	**—**	6.7	**—**	6.7

Expense recognised in the Consolidated Income Statement relating to defined benefit obligation

	Group	
	2024 £M	2023 £M
Net interest expense on the net defined benefit liability (note 6)	**0.1**	0.1
Administration expenses	**0.3**	—
Total	**0.4**	0.1

Net interest is charged to net finance costs, administration expenses are charged to administrative expenses.

Remeasurement of the net defined benefit liability in the Statement of Comprehensive Income

	Group	
	2024 £M	2023 £M
Return on assets, excluding interest income	**13.7**	2.2
Net remeasurement – financial	**(7.8)**	0.7
Net remeasurement – demographic	**(0.1)**	(1.4)
Net remeasurement – experience	**(0.4)**	(2.4)
Deferred buy-in-premium	**2.1**	—
Adjustment in respect of asset ceiling and minimum funding requirement	**(7.0)**	1.2
	0.5	0.3

22 Employee benefits continued

Principal actuarial assumptions

	2024 %	2023 %
Discount rate (net of management fees)	**5.5**	4.5
Revaluation of deferred benefits in excess of GMPs	**3.3**	3.2
Inflation-linked pension increases	**3.3**	3.2
Price inflation (RPI)	**3.3**	3.2
Commutation of pension at retirement	**85% of members assumed to take maximum tax-free cash using the Scheme's current commutation terms**	85% of members assumed to take maximum tax-free cash using the Scheme's current commutation terms
Mortality table assumptions:		
UK pre-retirement	**AC00 (Ultimate) table**	AC00 (Ultimate) table
UK post-retirement – future pensioners	**98%(M)/107%(F) of the S3PA tables with future improvements from 2013 in line with the CMI 2023 projections model with the initial addition to mortality improvements parameter of 0.5% and a long term rate of improvement of 1.5% per annum, 2020/2021 weighting parameters of 0% and 2022/2023 weighting parameters of 15%.**	98%(M)/107%(F) of the S3PA tables with future improvements from 2013 in line with the CMI 2022 projections model with the initial addition to mortality improvements parameter of 0.5% and a long term rate of improvement of 1.5% per annum, 2020/2021 weighting parameters of 0% and a 2022 weighting parameter of 25%.
UK post-retirement – current pensioners	**98%(M)/107%(F) of the S3PA tables with future improvements from 2013 in line with the CMI 2023 projections model with the initial addition to mortality improvements parameter of 0.5% and a long term rate of improvement of 1.5% per annum, 2020/2021 weighting parameters of 0% and 2022/2023 weighting parameter of 15%.**	98%(M)/107%(F) of the S3PA tables with future improvements from 2013 in line with the CMI 2022 projections model with the initial addition to mortality improvements parameter of 0.5% and a long term rate of improvement of 1.5% per annum, 2020/2021 weighting parameters of 0% and a 2022 weighting parameter of 25%.

The mortality assumption implies the expected future lifetime from age 65 is as follows:

	Group	
	2024 Years	2023 Years
Non-pensioner male	**23.8**	23.8
Pensioner male	**22.2**	22.2
Non-pensioner female	**25.8**	25.7
Pensioner female	**24.1**	24.0

Company

The principal actuarial assumptions for the Company are the same as those disclosed for the UK above.

Sensitivity analysis

The table below shows the impact on the defined benefit obligation of changing each of the most significant assumptions in isolation.

		Impact on scheme liabilities 2024		Impact on scheme liabilities 2023	
Effect in £M	Change in assumption	Increase	Decrease	Increase	Decrease
Discount rate	1.0% movement	**(6.0)**	**7.2**	(7.7)	9.4
Rate of inflation (RPI)*	0.25% movement	**1.1**	**(1.1)**	1.7	(1.6)
Assumed life expectancy	One-year movement	**1.8**	**(1.7)**	2.3	(2.4)

* With corresponding changes to the salary and pension increase assumptions.

The figures in the table as at 31 December 2024 have been calculated using the same valuation method that was used to calculate the defined benefit obligation at the same date. The figures in the table as at 31 December 2023 have been calculated by applying the same percentage increase or decrease as at 31 December 2024.

Extrapolation of the sensitivity analysis beyond the ranges shown may not be appropriate.

The plan exposes the Group to risk of life expectancy changes which can affect the value of the liabilities.

The Group operated an employment indemnity scheme in connection with a foreign subsidiary undertaking to provide for lump sum cash payments due to employees retiring on their normal retirement date. The present value of the retirement indemnity obligation at 31 December 2024 is £0.6 million (2023: £0.6 million). This is reported as other long-term employee benefits within the employee benefits disclosure.

Total Group pension costs

Included within the total staff costs as disclosed in note 4 are costs relating to the Group's defined contribution plans. The pension cost for the year represents contributions payable by the Group to the plans and amounted to £4.9 million (2023: £4.4 million). Contributions amounting to £nil (2023: £0.5 million) in respect of the December 2024 payroll were paid in January 2025.

23 Share-based payments

Group and Company

Executive Directors and executive management currently participate in executive share option schemes. The Group operates the Headlam Group Performance Share Plan 2017 and Deferred Bonus Plan 2017. Further details of these schemes and plans are given in the Directors' Remuneration Report on pages 114 to 137.

The Group operates the Headlam Management Incentive Plan which was approved by shareholders at the 2023 Annual General Meeting. The plan enables the grant of market value options to senior managers below the Executive Team. The options are intended to focus and incentivise senior managers for multi-year strategy delivery. Options granted will vest three years after the date of grant and remain exercisable up until the tenth anniversary of their grant date.

Additionally, the Group operates a savings-related share option scheme ('Sharesave scheme') which is open to employees subject to eligibility criteria determined by the Directors prior to each option grant. The most recent grant was on 16 October 2024 when employees with over one month's service were invited to participate.

The Group also operates an Employee Long Service Award Scheme to recognise the long service of employees across the Group. Employees are awarded ordinary shares for no cash consideration after certain milestones of service. There were two share grants during the year, 5,400 shares were granted on 9 April 2024 with a fair value of 175.0p and 3,800 shares were granted on 6 September 2024 with a fair value of 153.0p. The fair value of the services received in return for the shares issued is measured at the closing share price on the grant date.

23 Share-based payments continued

The terms and conditions of the grants are as follows, whereby all options are settled by physical delivery of shares:

Grant date/employees entitled	Number of instruments 2024	2023	Vesting conditions	Contractual life of options
Headlam Group Performance Share Plan 2017 granted to key management 5 July 2017[1]	**767**	767	Exercisable	06/07/17 – 06/07/27
Five-year Sharesave scheme granted to other employees 1 May 2018	**–**	16,344	Continuous service	01/07/18 – 01/01/24
Three-year Sharesave scheme granted to other employees 5 October 2020	**792**	716,212	Continuous service	01/11/20 – 30/04/24
Headlam Group Performance Share Plan 2017 granted to key management 9 April 2021[1]	**–**	165,434	Awards will vest between 25% and 100% for performance between 'threshold' performance and 'maximum' performance	10/04/21 – 09/04/31
Three-year Sharesave scheme granted to other employees 6 October 2021	**42,165**	73,530	Continuous service	01/11/21 – 30/04/25
Headlam Group Performance Share Plan 2017 granted to key management 8 April 2022[1]	**167,114**	167,114	Awards will vest between 25% and 100% for performance between 'threshold' performance and 'maximum' performance	09/04/22 – 08/04/32
Three-year Sharesave scheme granted to other employees 16 September 2022	**134,830**	294,392	Continuous service	01/11/22 – 30/04/26
Headlam Group Performance Share Plan 2017 granted to key management 7 October 2022	**36,976**	36,976	Awards will vest between 25% and 100% for performance between 'threshold' performance and 'maximum' performance	08/10/22 – 07/10/32
Deferred Bonus Plan granted to Executive Directors 13 April 2023[1]	**22,563**	22,563	Continuous service	14/04/23 – 13/04/33
Headlam Group Performance Share Plan 2017 granted to key management 29 June 2023[1]	**627,142**	627,142	Awards will vest between 25% and 100% for performance between 'threshold' performance and 'maximum' performance	30/06/23 – 29/06/33
Management Incentive Plan granted to senior management 29 June 2023	**407,345**	633,961	Continuous service	30/06/23 – 29/06/33
Three-year Sharesave scheme granted to other employees 6 October 2023	**411,980**	1,169,301	Continuous service	01/11/23 — 01/05/27
Headlam Group Performance Share Plan 2017 granted to key management 18 March 2024[1]	**935,334**	–	Awards will vest between 25% and 100% for performance between 'threshold' performance and 'maximum' performance	19/03/24 - 18/03/34
Deferred Bonus Plan granted to Executive Directors 18 March 2024[1]	**94,191**	–	Continuous service	19/03/24 – 18/03/34
Management Incentive Plan granted to senior management 18 April 2024	**854,309**	–	Continuous service	19/04/24 – 18/04/34
Three-year Sharesave scheme granted to other employees 16 October 2024	**1,174,783**	–	Continuous service	01/11/24 – 01/05/28
Management Incentive Plan granted to senior management 28 October 2024	**2,031,254**	–	Continuous service	29/10/24 – 28/10/34
Total share options	**6,941,545**	3,923,736		

1 Further details are provided on pages 114 to 137 of the Directors' Remuneration Report.

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price (pence) 2024	Number of options 2024	Weighted average exercise price (pence) 2023	Number of options 2023
Outstanding at the beginning of the year	**163.0**	**3,923,736**	172.9	2,597,531
Exercised during the year	**–**	**–**	227.0	(6,673)
Granted during the year	**110.3**	**5,426,098**	145.6	2,649,701
Lapsed during the year	**230.2**	**(703,366)**	255.9	(20,199)
Forfeited during the year	**165.7**	**(878,664)**	45.5	(727,225)
Cancelled during the year	**193.2**	**(826,259)**	272.8	(569,399)
Outstanding at the end of the year	**111.1**	**6,941,545**	163.0	3,923,736
Exercisable at the end of the year	**389.8**	**43,724**	229.6	733,323

The weighted average share price at the date of exercise for options exercised during the year was £nil (2023: 250.0p).

The options outstanding at the year-end have an exercise price in the range of 0.0p to 400.0p and a weighted average remaining contractual life of 7.6 years (2023: 5.1 years).

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. In order to estimate the fair value of the services received the Group uses an appropriate option pricing model, either the Black–Scholes or the Monte Carlo option pricing model.

It is expected that the options will be exercised as soon as they reach maturity.

The expected volatility is based on historic volatility calculated over the weighted average remaining life of the share options.

Details of share options granted during 2024 are shown below:

2024		Performance Share Plan 2017	Deferred Bonus Plan 2017	Management Incentive Plan 2023	Sharesave scheme	Management Incentive Plan 2023
Number of options granted		**935,334**	**94,191**	**1,108,697**	**1,199,809**	**2,088,067**
Grant date		**18 March 2024**	**18 March 2024**	**18 April 2024**	**16 October 2024**	**28 October 2024**
Fair value at measurement date:						
No performance conditions (p)		**—**	**156.98**	**28.38**	**25.27**	**24.00**
Performance conditions (p)	EPS 70%, ESG 10% & TSR 20%	**134.80**	**–**	**–**	**–**	**–**
Share price at grant date (p)		**177.0**	**177.0**	**174.5**	**127.0**	**133.0**
Exercise price (p)		**—**	**—**	**174.40**	**114.74**	**128.20**
Expected volatility		**30%**	**32%**	**32%**	**33%**	**33%**
Option life		**Three years**	**Two years**	**Three years**	**Three years**	**Three years**
Dividend yield		**6.0%**	**6.0%**	**6.0%**	**6.0%**	**6.0%**
Risk-free rate of interest		**4.20%**	**4.20%**	**4.50%**	**3.74%**	**4.00%**

23 Share-based payments continued

The total expenses recognised for the year arising from share-based payments are as follows:

	Group		Company		Subsidiaries	
	2024 £M	2023 £M	2024 £M	2023 £M	2024 £M	2023 £M
Options issued	**1.0**	0.2	**0.3**	—	**0.7**	0.2
Shares issued	**—**	0.4	**—**	—	**—**	0.4
Total expense recognised	**1.0**	0.6	**0.3**	—	**0.7**	0.6

24 Capital and reserves

Share capital

	Ordinary shares	
	2024	2023
Number of shares		
Authorised		
In issue at 1 January and 31 December	**107,840,000**	107,840,000
Fully paid		
In issue at 1 January and 31 December	**85,639,209**	85,639,209

	2024 £M	2023 £M
Allotted, called up and fully paid		
Ordinary shares of 5p each	**4.3**	4.3
Shares classified in shareholders' funds	**4.3**	4.3

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. Dividends are not payable on these shares and they are excluded from the calculation of earnings per share. The shares held in treasury and trust represented 6.3% (2023: 6.4%) of the issued share capital as at 31 December 2024 with a nominal value of £0.3 million (2023: £0.3 million).

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

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).

Reserves

Other reserves

Other reserves as disclosed on the Statement of Financial Position comprise the capital redemption reserve, translation reserve, treasury reserve and special reserve.

Capital redemption reserve

The capital redemption reserve represents the nominal value of shares repurchased and cancelled during 2007.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Treasury reserve

The treasury reserve comprises the cost of the Company's shares held by the Group.

Special reserve

The special reserve (merger reserve) arose on the issuance of shares in connection with acquisitions made by the Company. At 31 December 2024, this reserve was £1.5 million and there were no changes to this special reserve during the current or previous year.

25 Financial instruments

The main financial risks arising in the normal course of the Group's business are credit risk, liquidity risk, and market risks arising from interest rate risk and foreign currency risk. This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risks and the Group's management of capital. Further quantitative disclosures are included throughout these financial statements.

Credit risk and credit quality

Credit risk arises from cash and cash equivalents, contractual cash flows of debt investments carried at amortised cost, at fair value through other comprehensive income and at fair value through profit or loss, favourable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables.

For Headlam Group PLC credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's trade receivables.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset and, as at the Statement of Financial Position date, in the Directors' opinion, there were no significant concentrations of credit risk likely to cause financial loss to the Group.

The Group has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all new customers requiring credit and these are frequently reviewed by management to limit exposure. Businesses must obtain central approval from Executive Directors or senior executive management for credit limits in excess of £10,000. The Group does not require collateral in respect of financial assets.

The credit control procedures described above, coupled with the diversified nature of the Group's trade receivables, lead the Directors to believe that there is limited credit risk exposure and that the credit quality of these assets is robust.

Other receivables comprise amounts due to the Group which historically have been received within three months of the year-end. The Directors have considered the inherent risk profile of other receivables at the year-end and are of the view that this historical experience will prevail for the foreseeable future and accordingly consider the credit quality of these assets to be robust.

Cash and cash equivalents represent deposits with reputable financial institutions in the UK and Continental Europe and hence, the Directors consider the credit quality of cash and cash equivalents to be robust.

25 Financial instruments continued

Impairment of financial assets

The Group has trade receivables for sales of inventory as financial assets that are subject to the expected credit loss model. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

The carrying amount of financial assets at the Statement of Financial Position date was:

	Group		Company	
	2024 £M	2023 £M	2024 £M	2023 £M
Trade and other receivables (note 15)	**101.1**	107.0	**27.4**	24.4
Cash and cash equivalents (note 16)	**12.0**	21.1	**82.3**	63.2
	113.1	128.1	**109.7**	87.6

The fair values of the above financial assets at both 31 December 2024 and 2023, are deemed to approximate to carrying value due to the short-term maturity of the instruments.

All other receivables and derivative financial assets are not past due (2023: not past due).

The Company had trade receivables of £nil (2023: £nil).

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2024 or 31 December 2023 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors, including gross domestic product growth, affecting the ability of the customers to settle the receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and ageing based on invoice date. The loss allowance provision as at 31 December 2024 is determined as follows;

Ageing based on invoice date	Current < 30 days	30–60 days	60–90 days	Over 90 days	Total
31 December 2024					
Expected loss rate	**0.3%**	**0.3%**	**1.2%**	**56.7%**	
Gross carrying amount – trade receivables (£millions)	**34.3**	**26.1**	**13.7**	**4.6**	**78.7**
Loss allowance (£millions)	**0.1**	**0.1**	**0.2**	**2.6**	**3.0**

This provision excludes a specific trade receivable which has been provided for in full and as at 31 December 2024 totalled: £1.3 million (2023: £Nil).

Ageing based on invoice date	Current < 30 days	30–60 days	60–90 days	Over 90 days	Total
31 December 2023					
Expected loss rate	0.2%	0.2%	0.9%	39.9%	
Gross carrying amount – trade receivables (£millions)	43.8	25.9	7.6	4.3	81.6
Loss allowance (£millions)	0.1	—	0.1	1.7	1.9

The maximum exposure to credit risk for trade receivables at the Statement of Financial Position date by geographic region was:

	Group		Company	
	2024 £M	2023 £M	2024 £M	2023 £M
UK	**69.0**	71.2	**—**	—
Continental Europe	**6.7**	8.5	**—**	—
	75.7	79.7	**—**	—

During the year the Group's impairment charge as a percentage of revenue amounted to 0.5% (2023: reversal 0.2%).

The loss allowances for trade receivables as at 31 December reconcile to the opening loss allowances as follows:

	Group trade receivables		Company trade receivables	
	2024 £M	2023 £M	2024 £M	2023 £M
Opening loss allowance at 1 January	**1.9**	4.2	**—**	—
Increase / (decrease) in loan loss allowance recognised in profit or loss during the year	**2.9**	(1.5)	**—**	—
Receivables written off during the year as uncollectible	**(0.5)**	(0.8)	**—**	—
Closing loss allowance at 31 December	**4.3**	1.9	**—**	—

Trade receivables are written off where there is no reasonable expectation of recovery. It is the Group's policy wherever possible to engage the debtor in a repayment plan to reduce the exposure to credit losses.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

The Company assesses the expected credit loss associated with amounts due from subsidiary undertakings on a forward-looking basis, relying upon cash flow forecasts of the subsidiary to determine expected recoverability. The Company has loss allowances against amounts due from subsidiary undertakings of £10.0 million (2023: £11.3 million). The decrease in the loss allowance in the year is driven by the decrease in the effective interest rate implicit in the amounts due from subsidiary undertakings alongside an increase in forecasted cash flows of the borrowing subsidiary.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, with sufficient headroom to cope with abnormal market conditions. Details of the total facilities that the Group has access to are given in note 18.

The following are the contractual maturities of financial liabilities:

31 December 2024 Group	Carrying amount £M	Contractual cash flows £M	1 year or less £M	1–2 years £M	2–5 years £M	5 years or more £M
Non-derivative financial liabilities						
Overdraft	**1.1**	**(1.1)**	**(1.1)**	**—**	**—**	**—**
Trade and other payables	**113.2**	**(113.2)**	**(113.2)**	**—**	**—**	**—**
Lease liabilities	**61.2**	**(76.8)**	**(16.3)**	**(15.3)**	**(24.4)**	**(20.8)**
	175.5	**(191.1)**	**(130.6)**	**(15.3)**	**(24.4)**	**(20.8)**

25 Financial instruments continued

31 December 2023 Group	Carrying amount £M	Contractual cash flows £M	1 year or less £M	1–2 years £M	2–5 years £M	5 years or more £M
Non-derivative financial liabilities						
Overdraft	0.7	(0.7)	(0.7)	—	—	—
Unsecured bank loans	50.0	(50.0)	(50.0)	—	—	—
Trade and other payables	114.4	(114.4)	(114.4)	—	—	—
Lease liabilities	43.4	(50.9)	(13.7)	(11.4)	(17.3)	(8.5)
	208.5	(216.0)	(178.8)	(11.4)	(17.3)	(8.5)

31 December 2024 Company	Carrying amount £M	Contractual cash flows £M	1 year or less £M	1–2 years £M	2–5 years £M	5 years or more £M
Non-derivative financial liabilities						
Trade and other payables	**35.8**	**(35.8)**	**(35.8)**	**—**	**—**	**—**
Lease liabilities	**6.4**	**(8.2)**	**(2.2)**	**(2.2)**	**(2.2)**	**(1.6)**
	42.2	**(44.0)**	**(38.0)**	**(2.2)**	**(2.2)**	**(1.6)**

31 December 2023 Company	Carrying amount £M	Contractual cash flows £M	1 year or less £M	1–2 years £M	2–5 years £M	5 years or more £M
Non-derivative financial liabilities						
Unsecured bank loans	50.0	(50.0)	(50.0)	—	—	—
Trade and other payables	38.2	(38.2)	(38.2)	—	—	—
Lease liabilities	0.9	(2.0)	(0.1)	(0.1)	(0.1)	(1.7)
	89.1	(90.2)	(88.3)	(0.1)	(0.1)	(1.7)

The value of the Group's and Company's financial liabilities as detailed above at 31 December 2024 and 2023 were not materially different to the carrying value. Fair values were calculated using market rates, where available. Where market values are not available, fair values have been estimated by discounting expected future cash flows using prevailing interest rate curves. Amounts denominated in foreign currencies are valued at the exchange rate prevailing at the Statement of Financial Position date.

All financial assets and liabilities for the Group and Company are recognised at amortised cost.

All derivative financial instruments not in a hedge relationship are measured at fair value through the profit or loss. The Group and Company does not have derivatives in the current or prior year.

Interest rate risk

The Company and Group are exposed to interest rate fluctuations on their borrowings and cash deposits. Borrowings are principally held in sterling at floating rates. Deposits are in sterling, euros and US dollars and are at floating rates.

Floating rate borrowings are linked to the Sterling Overnight Index Average. The Group adopts a policy of reviewing its floating rate exposure to ensure that if interest rates rise the effect on the Group's income statement is manageable.

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	Group carrying amount		Company carrying amount	
	2024 £M	2023 £M	2024 £M	2023 £M
Variable rate instruments				
Financial assets	**12.0**	21.1	**82.3**	63.2
Financial liabilities	**(1.1)**	(50.7)	**—**	(50.0)
	10.9	(29.6)	**82.3**	13.2

Sensitivity analysis

A change of 100 basis points in the interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2023.

	Group				Company			
	Profit or loss		Equity		Profit or loss		Equity	
	100bp increase £M	100bp decrease £M	100bp increase £M	100bp decrease £M	100bp increase £M	100bp decrease £M	100bp increase £M	100bp decrease £M
31 December 2024								
Variable rate instruments	**0.1**	**(0.1)**	**—**	**—**	**0.8**	**(0.8)**	**—**	**—**
31 December 2023								
Variable rate instruments	(0.3)	0.3	—	—	0.6	(0.6)	—	—

Foreign currency risk

The Group and Company are exposed to movements in currency exchange rates arising from transaction currency cash flows and the translation of the results and net assets of overseas subsidiaries. The currencies giving rise to this risk are primarily the euro, and US dollar.

The Group and Company use forward exchange contracts to hedge their foreign currency transactional risk. A future foreign currency contract would be entered into where there was a known requirement for the currency due to planned imports that are not invoiced in the functional currency of the acquiring company. These forward exchange contracts would have a maturity of less than one year after the Statement of Financial Position date. The Group also enters into foreign currency contracts at spot rate where the amounts are not frequent or material.

The exposure to foreign currency risk was as follows:

	Group			Company		
2024	Euro amount £M	Other amount £M	Total £M	Euro amount £M	Other amount £M	Total £M
Trade and other receivables	**0.6**	**—**	**0.6**	**—**	**—**	**—**
Cash and cash equivalents	**0.4**	**0.5**	**0.9**	**0.1**	**—**	**0.1**
Trade and other payables	**—**	**(0.3)**	**(0.3)**	**—**	**—**	**—**
	1.0	**0.2**	**1.2**	**0.1**	**—**	**0.1**

25 Financial instruments continued

2023	Group Euro amount £M	Group Other amount £M	Group Total £M	Company Euro amount £M	Company Other amount £M	Company Total £M
Trade and other receivables	0.1	0.2	0.3	—	—	—
Cash and cash equivalents	0.6	0.4	1.0	0.1	—	0.1
Trade and other payables	(1.0)	(0.3)	(1.3)	—	—	—
	(0.3)	0.3	—	0.1	—	0.1

Sensitivity analysis

A 10% weakening of sterling against the following currencies at 31 December would have increased/(decreased) profit or loss by the amounts shown below; there is no equity effect. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2023.

	Group 2024 £M	Group 2023 £M	Company 2024 £M	Company 2023 £M
Euro	**0.1**	—	**—**	—
Other	**—**	—	**—**	—

A 10% strengthening of sterling against the above currencies at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Fair values hierarchy

The financial instruments carried at fair value are categorised according to their valuation method. The different levels have been defined below:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly, as prices or indirectly, derived from prices.
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair values

The carrying amounts shown in the Statement of Financial Position for financial instruments are a reasonable approximation of fair value.

Trade receivables, trade payables and cash and cash equivalents

Fair values are assumed to approximate to cost due to the short-term maturity of the instrument.

Borrowings, other financial assets and other financial liabilities

Where available, market values have been used to determine fair values. Where market values are not available, fair values have been estimated by discounting expected future cash flows using prevailing interest rate curves. Amounts denominated in foreign currencies are valued at the exchange rate prevailing at the Statement of Financial Position date.

Capital management

The Group views its finance capital resources as primarily comprising share capital, bank loans and operating cash flow.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board closely monitors its shareholder base, dividend yield and earnings per share. In the medium-term the Group aims to maintain a dividend cover of 2.0 times.

The Board encourages employees of the Group to hold the Company's ordinary shares. The Group operates a number of employee share option schemes.

Certain subsidiaries of the Company are required to maintain issued share capital at levels to support capital adequacy requirements prevailing in the legislative environment in which they operate.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends made payable to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

At 31 December 2024, the Group had a committed sterling revolving credit facility agreement with Barclays Bank PLC, The Bank of Ireland and Credit Industriel Et Commercial (London Branch) for £81.5 million. The Group had short term uncommitted facilities of £15.0 million in the UK and €4.7 million facility in Continental Europe. In January 2025, following a review of facility requirements after the receipt of proceeds in December 2024 from property disposals, the Group reduced this revolving credit facility agreement to £61.0 million. The £15.0 million uncommitted facility in the UK was reduced to £7.5 million and the €4.7 million facility in Continental Europe was reduced to €2.7 million. These are renewable on an annual basis. The total banking facilities available to the Group at 31 December 2024 were £100.4 million (2023: £100.6 million).

No changes were made to the objectives, policies or processes during the years ended 31 December 2024 and 31 December 2023.

Covenants

The Group is subject to financial covenants in relation to its £81.5 million revolving credit facility agreement which are tested and reported every half year and year end. In June 2024, and amended in January 2025, the Group agreed a new covenant package with its banks. The previous covenants of leverage and interest cover no longer apply for the 30 June 2024, 31 December 2024, 30 June 2025 and 31 December 2025 tests. Instead, a monthly minimum liquidity test and a quarterly minimum EBITDA test apply.

Liquidity is the total amount of cash and available committed facilities and the minimum EBITDA is calculated using EBITDA, adjusted to exclude the impact of IFRS 16 and share-based payments.

The Group met both the covenants during the year and there is headroom in both of the covenants at 31 December 2024. The Group is forecast to meet the covenants in the going concern period as detailed on pages 68 to 69.

26 Capital commitments

Group

As at 31 December 2024, the Group entered into commitments to purchase property, plant and equipment for £nil million (2023: £0.9 million).

Company

At 31 December 2024, the Company had commitments to purchase property, plant and equipment for £nil million (2023: £0.5 million).

27 Related parties

Group and Company

Identity of related parties

The Group has a related party relationship with its subsidiaries and with its Directors and executive officers.

Transactions with key management personnel

The Group annually re-evaluates its interpretation of key management personnel and considers that this relates to the Executive and Non-Executive Directors of the Group as identified on pages 78 and 79.

As at 31 December 2024, Directors of the Company and their immediate relatives controlled 0.2% of the total voting rights of the Company (2023: 0.1%).

Non-Executive Directors receive a fee for their services to the Board.

Other than as disclosed in the Remuneration Report, there were no other transactions with key management personnel in either the current or preceding year. The cost charged to administrative expenses relating to share plans of key personnel amounted to £nil (2023: £nil).

Company only

In addition to the transactions with key personnel, the Company has the following transactions:

Transactions with other Group companies

	Balance at 31 December 2024 £M	Balance at 31 December 2023 £M
Amounts due from subsidiaries	**25.6**	23.0
Amounts due to subsidiaries	**(31.2)**	(35.8)

Transactions with Group companies typically comprise management, rent and interest charges during the period.

Related party transactions reported in the income statement

	For year ended 31 December 2024 £M	For year ended 31 December 2023 £M
Rental income	**10.2**	11.0
Recharge of operating expenses	**2.6**	2.4
Interest income	**11.0**	7.1

28 Group subsidiaries

Company	Holding	Type	Place of incorporation
HFD Limited	Direct	Trading	UK*
MCD Group Limited	Direct	Trading	UK*
CECO (Flooring) Limited	Indirect	Trading	UK*****
Domus Tiles Limited	Indirect	Trading	UK*
Headlam BV	Indirect	Trading	The Netherlands**
Dersimo BV	Indirect	Trading	The Netherlands****
LMS SA	Indirect	Trading	France***
Melrose Interiors Limited	Indirect	Trading	UK*
Modern Style Rugs Limited	Indirect	Trading	UK*
Birch Close Trading Limited	Indirect	Holding Company	UK*
Headlam (European) Limited	Direct	Holding Company	UK*
Betu Holdings Limited	Indirect	Holding Company	UK*****
Headlam Holdings BV	Direct	Holding Company	The Netherlands**
Headlam SAS	Indirect	Holding Company	France***
Domus Group of Companies Limited	Direct	Holding Company	UK*
Tileco (2012) Bidco Limited (dissolved 28 February 2025)	Indirect	Holding Company	UK*******
Tileco Group (2007) Limited (dissolved 28 February 2025)	Indirect	Holding Company	UK*******
Tileco Group Limited (dissolved 28 February 2025)	Indirect	Holding Company	UK*******
Yourfloors Limited	Direct	Dormant	UK*
Crossforge Limited	Indirect	Dormant	UK*
Headlam Group Employee Trust Company Limited	Direct	Dormant	UK*
Headlam Group Pension Trustees Limited	Direct	Dormant	UK*
Headlam Ireland Limited	Indirect	Dormant	Ireland******
Tileco Limited (dissolved 28 February 2025)	Indirect	Dormant	UK*******
Surface Tiles Limited (dissolved 28 February 2025)	Indirect	Dormant	UK*******
Gorsey Twenty One Limited	Indirect	Dormant	UK*
Gorsey Twenty Two Limited (in liquidation)	Indirect	Dormant	UK*******
Gorsey Twenty Three Limited (in liquidation)	Indirect	Dormant	UK*******

The ordinary share capital of all of these subsidiaries are wholly owned. The principal activities of the trading companies are wholly aligned to the sales, marketing, supply and distribution of floorcoverings and certain other ancillary products.

* Registered address for UK subsidiaries: Gorsey Lane, Coleshill, Birmingham, B46 1JU, UK.

** Registered address for these Dutch subsidiaries: Bettinkhorst 4, 7207 BP Zutphen, the Netherlands.

*** Registered address for French subsidiaries: 9-11 Rue de la Litte, 92390, Villeneuve-la-Garenne, France.

**** Registered address for this Dutch subsidiary: Noordzee 12, 3144 DB, Maassluis, the Netherlands.

***** Registered address for these UK subsidiaries: Unit 5 Carryduff Business Park, Comber Road, Carryduff, Belfast, County Down, BT8 8AN, UK.

****** Registered address for Irish subsidiary: 3rd Floor Kilmore House, Park Lane, Spencer Dock, Dublin 1, Ireland.

******* Registered address for these UK subsidiaries: 8th Floor Temple Point 1, Temple Row, Birmingham, B2 5LG, UK.

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

Glossary of Alternative Performance Measures	Closest equivalent statutory measure	Definition and purpose
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

ADJUSTED RESULTS RECONCILIATION

YEAR ENDED 31 DECEMBER 2024

	Total Results £M	Amortisation of acquired intangibles and other acquisition-related costs £M	Impairment of property, plant and equipment, intangible assets and right of use assets £M	Cloud-based ERP system development costs £M	Impairment of Inventories and receivables £M	Profit on sale of property, plant and equipment £M	Business re-structuring and change-related costs £M	Adjusted Results (under-lying) £M
Revenue	593.1	–	–	–	–	–	–	593.1
Cost of sales	(426.1)	–	–	–	1.6	–	9.0	(415.5)
Gross profit	167.0	–	–	–	1.6	–	9.0	177.6
Distribution costs	(140.8)	–	–	–	–	–	4.4	(136.4)
Administrative expenses	(78.9)	1.3	1.8	2.6	–	–	6.3	(66.9)
Net impairment (losses)/ gains on trade receivables	(2.9)	–	–	–	1.3	–	–	(1.6)
Other operating income	21.1	–	–	–	–	(21.1)	–	–
Operating (loss)/profit	(34.5)	1.3	1.8	2.6	2.9	(21.1)	19.7	(27.3)
Finance income	0.1	–	–	–	–	–	–	0.1
Finance expenses	(7.1)	–	–	–	–	–	–	(7.1)
Net finance costs	(7.0)	–	–	–	–	–	–	(7.0)
(Loss)/profit before tax	(41.5)	1.3	1.8	2.6	2.9	(21.1)	19.7	(34.3)
Taxation	16.5	(0.4)	(0.3)	(0.6)	(0.7)	(3.5)	(4.8)	6.2
(Loss)/profit for the year attributable to the equity shareholders	(25.0)	0.9	1.5	2.0	2.2	(24.6)	14.9	(28.1)
(Loss)/earnings per share								
Basic	(31.2)p	1.1p	1.9p	2.5p	2.7p	(30.6)p	18.6p	35.0p
Diluted	(31.2)p	1.1p	1.9p	2.5p	2.7p	(30.6)p	18.6p	35.0p

ADJUSTED RESULTS RECONCILIATION

YEAR ENDED 31 DECEMBER 2023

	Total Results £M	Amortisation of acquired intangibles and other acquisition-related costs £M	Impairment of property, plant and equipment, intangible assets and right of use assets £M	Insurance proceeds (following a fire) £M	Loss on disposal of items under construction £M	Profit on sale of property, plant and equipment £M	Business re-structuring and change-related costs £M	Adjusted Results (under-lying) £M
Revenue	656.5	–	–	–	–	–	–	656.5
Cost of sales	(448.7)	–	–	–	–	–	–	(448.7)
Gross profit	207.8	–	–	–	–	–	–	207.8
Distribution costs	(132.8)	–	–	–	–	–	–	(132.8)
Administrative expenses	(73.3)	2.3	5.9	–	1.2	(2.3)	5.4	(60.8)
Net impairment (losses)/ gains on trade receivables	1.5	–	–	–	–	–	–	1.5
Other operating income	9.0	–	–	(8.6)	–	–	–	0.4
Operating profit/(loss)	12.2	2.3	5.9	(8.6)	1.2	(2.3)	5.4	16.1
Finance income	0.3	–	–	–	–	–	–	0.3
Finance expenses	(5.4)	–	–	–	–	–	–	(5.4)
Net finance costs	(5.1)	–	–	–	–	–	–	(5.1)
Profit/(loss) before tax	7.1	2.3	5.9	(8.6)	1.2	(2.3)	5.4	11.0
Taxation	0.6	(0.5)	(1.5)	0.3	–	0.1	(1.2)	(2.2)
Profit/(loss) for the year attributable to the equity shareholders	7.7	1.8	4.4	(8.3)	1.2	(2.2)	4.2	8.8
Earnings/(loss) per share								
Basic	9.6p	2.2p	5.5p	(10.3)p	1.5p	(2.7)p	5.2p	11.0p
Diluted	9.6p	2.2p	5.5p	(10.4)p	1.5p	(2.7)p	5.2p	10.9p

FINANCIAL RECORD

	2024 £M	2023 £M	2022 £M	2021 £M	2020 £M
Trading results (Continuing operations)					
Revenue	**593.1**	656.5	663.6	667.2	609.2
Underlying gross profit	**177.6**	207.8	219.5	220.5	188.9
Overheads	**(204.9)**	(191.7)	(180.3)	(183.2)	(171.0)
Underlying (loss)/profit before net financing costs	**(27.3)**	16.1	39.2	37.3	17.9
Net financing costs	**(7.0)**	(5.1)	(2.1)	(1.5)	(2.0)
Underlying (loss)/profit on ordinary activities before tax	**(34.3)**	11.0	37.1	35.8	15.9
Taxation	**6.2**	(2.2)	(7.4)	(9.2)	(3.9)
Underlying (loss)/profit on ordinary activities after taxation – continued operations	**(28.1)**	8.8	29.7	26.6	12.0
Underlying profit on ordinary activities after taxation – Discontinued operations	**–**	–	–	0.1	–
(Loss)/profit before tax	**(41.5)**	7.1	41.8	27.6	(17.1)
Shareholder value					
(Loss)/earnings per share for profit from continuing operations	**(31.2)p**	9.6p	40.1p	23.5p	(24.2)p
Underlying (loss)/earnings per share for profit from continuing operations	**(35.0)p**	11.0p	35.5p	31.5p	14.3p
Earnings per share for profit from discontinued operations	**–**	–	–	5.3p	–
Paid interim and final dividend per share	**6.0p**	15.2p	14.8p	5.8p	7.55p
Paid special dividend per share	**–**	–	17.7p	–	–
Proposed special dividend per share	**–**	–	–	17.7p	–
Proposed dividend per share	**–**	6.0p	11.2p	8.6p	—
Declared dividend per share	**–**	–	–	–	2.00p

	2024 £M	2023 £M	2022 £M	2021 £M	2020 £M
Net assets					
Non-current assets					
Property, plant and equipment	**86.9**	127.6	119.9	113.3	122.9
Right of use assets	**55.1**	41.6	36.7	35.0	42.1
Intangible assets	**17.6**	19.4	17.8	18.1	21.1
Deferred tax assets	**3.9**	0.9	–	–	–
	163.5	189.5	174.4	166.4	186.1
Current assets					
Inventories	**102.8**	131.5	139.8	130.9	118.5
Trade and other receivables	**111.0**	117.1	119.1	114.0	101.6
Income tax receivable	**3.6**	3.1	–	–	–
Cash and cash equivalents	**12.0**	21.1	2.1	61.2	60.8
	229.4	272.8	261.0	306.1	280.9
Non-current assets classified as held for sale	**4.8**	–	–	–	0.4
	234.2	272.8	261.0	306.1	281.3
Total assets	**397.7**	462.3	435.4	472.5	467.4
Current liabilities					
Bank overdraft	**(1.1)**	(0.7)	–	–	–
Other interest-bearing loans and borrowings	**–**	(50.0)	(0.3)	(0.6)	(2.0)
Lease liabilities	**(13.8)**	(11.9)	(11.4)	(10.5)	(12.5)
Trade and other payables	**(139.2)**	(129.1)	(153.2)	(178.0)	(178.4)
Employee benefits	**–**	(1.1)	(1.0)	(1.0)	–
Income tax payable	**–**	–	(1.9)	(1.0)	(0.2)
	(154.1)	(192.8)	(167.8)	(191.1)	(193.1)
Non-current liabilities					
Other interest-bearing loans and borrowings	**–**	–	–	(6.9)	(7.2)
Lease liabilities	**(47.4)**	(31.5)	(26.3)	(25.5)	(30.8)
Provisions	**(3.1)**	(2.6)	(1.7)	(2.7)	(2.1)
Deferred tax liabilities	**–**	(13.2)	(12.1)	(10.3)	(8.7)
Employee benefits	**(2.1)**	(1.8)	(2.7)	(3.9)	(5.5)
	(52.6)	(49.1)	(42.8)	(49.3)	(54.3)
Total liabilities	**(206.7)**	(241.9)	(210.6)	(240.4)	(247.4)
Net assets	**191.0**	220.4	224.8	232.1	220.0

The results for 2020 within the financial record have not been re-presented to reflect the discontinued activity that occurred in 2021, they remain the historical results reported for the Group.

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