



headlam

Headlam Group PLC

Company number: 00460129

Annual Report and Accounts
for the year ended 2025

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 customer base in the UK.

Headlam provides its customers with a market-leading service through the largest product range, in-depth knowledge, ecommerce and marketing support, and nationwide delivery service. Headlam offers unrivalled convenience, through nationwide delivery plus multiple collection points. These collection points offer the ability for independent retailers and contractors with limited storage space to collect their product and take it directly to their customer's location for fitting. Headlam also has a growing number of take-back schemes at its collection points, enabling customers bring back the used and unwanted flooring that has been lifted out of their customer's premises.

The key features of Headlam's proposition include:

- Product availability and prompt 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
- Ability to check stock and order out of hours

33

Years operating

c.2,200

People (2025 average)

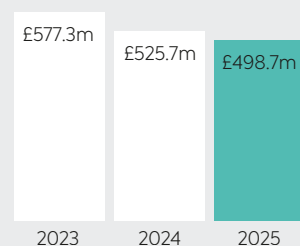
£499m

Revenue (2025)

Financial Highlights

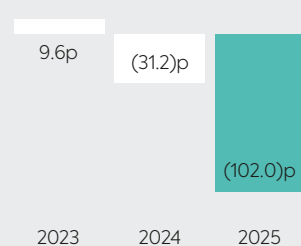
Revenue

£498.7m (5.1)%
(2024: £525.7m)



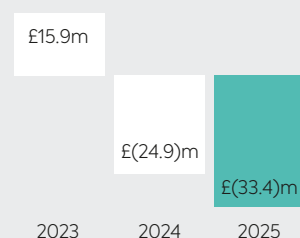
Statutory basic (loss)/earnings per share

(102.0)p (226.9)%
(2024: (31.2)p)



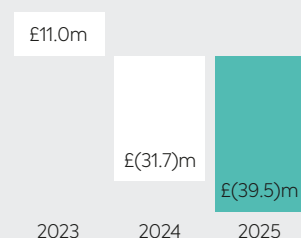
Underlying operating (loss)/profit

£(33.4)m (34.1)%
(2024: £(24.9)m)



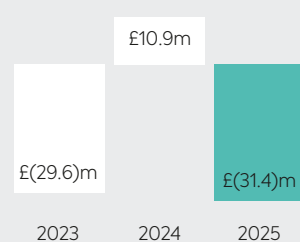
Underlying (loss)/profit before tax

£(39.5)m (24.6)%
(2024: £(31.7)m)



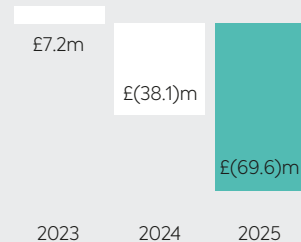
Net cash/(debt)

£(31.4)m (388.1)%
(2024: £10.9m)



Statutory (loss)/profit before tax

£(69.6)m (82.7)%
(2024: £(38.1)m)



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INTERIM EXECUTIVE CHAIR'S REVIEW

“Our new core customer strategy, combined with the ongoing benefits of our transformation programme, provides a clear road map to profitability in 2027 and beyond.”

Stephen Bird
Interim Executive Chair



Introduction and market update

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

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

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

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

Financial performance 2025

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

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

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

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

Transformation plan progress in 2025

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

Key highlights include:

- Network optimisation in the South East, including the opening of a new distribution centre in Rayleigh and the closure of the Ipswich site. The review of our South East network continues as we optimise our footprint to match our revised customer base
- Rollout of innovative new display stands, supporting our independent retailer customers. Strong feedback from independent retailer customers

- Consolidation of operations in the Midlands, with Nottingham transferred into other sites
- Launch of fully centralised buying and supply chain, already yielding significant benefits in stock levels and stock turn. From early October 2025 to February 2026, stock levels in the UK reduced by c.£30 million with further opportunity
- Preparation for sale of the Group's businesses in France and Netherlands

Headlam's 2026 – 2028 'core customer' strategy

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

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

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

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

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

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

The strategy has the following core components:

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

Taking each in turn:

1. Reduce low-margin revenue

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

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

A. Reduction in low-margin large customer business

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

B. Exit Continental European business

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

C. Category mix

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

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

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

D. Trade counters

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

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

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

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

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

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

2. Reduce costs

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

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

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

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

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

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

4. Simplify our range and consolidate our supply base

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

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

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

5. Optimise cash

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

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

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



Progress to date

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

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

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

Highly valued colleagues

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

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

Stephen Bird

Interim Executive Chair

25 March 2026

Outlook

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



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MARKET OVERVIEW



“The flooring market has experienced an exceptionally challenging period over the past four years, but the long-term outlook is positive.”

Stephen Bird
Interim Executive Chair

The flooring market in the UK is worth around £2.5 billion at distributor selling prices and has experienced an exceptionally challenging period over the past few years.

Approximately two-thirds of the UK market is residential, making it heavily dependent on consumer spending on home improvements. As a high-value, discretionary purchase, flooring has been one of the weakest areas of consumer expenditure, experiencing a significant decline. This partly reflects the impact of the cost-of-living crisis on disposable incomes, a sharp reduction in housing transactions (down 20% in 2023 and a further 8% in Q1 2024, before improving thereafter), and subdued consumer confidence. As a result, market volumes have declined consistently over the past four years.

This market decline has resulted in a number of large retailers, contractors and distributors ceasing to be viable over the last few years, most notably Carpetright and Homebase in 2024. Conversely, the independent retailer and contractor market has proved to be relatively resilient.

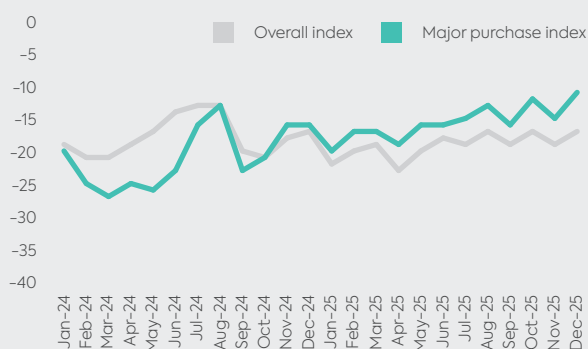
There are varying estimates of the scale of decline in volume in the flooring market in recent years. Using external data points we estimate it to be around 25%. In our view, some of this could be a permanent reduction and we should not expect it to come back, at least not in the short to medium term. This ‘structural’ element relates to replacement cycles, with flooring products lasting longer and a gradual change in the mix from soft flooring to hard flooring, which can be more durable. However, an element of the decline in recent years is expected to be cyclical and reflects consumers holding back on spending decisions. This points to a positive outlook for demand for flooring in the coming years, albeit the timing is uncertain.

A notable feature of the flooring market from 2023 through to 2025 has been the absence of manufacturer-led price increases. Historically, manufacturers typically implemented annual inflationary price rises, which flowed through the supply chain to distributors and retailers, and were ultimately passed on to consumers. Whilst such price inflation was neutral to margin percentages, it increased absolute gross profit for distributors, helping to offset rising overhead costs. However, due to exceptionally weak market volumes, price increases in 2023, 2024 and 2025 have been minimal as manufacturers compete for volume to maintain factory utilisation. We are starting to see signs of a return to more normal levels of price inflation in the sector in 2026, albeit this remains uncertain.

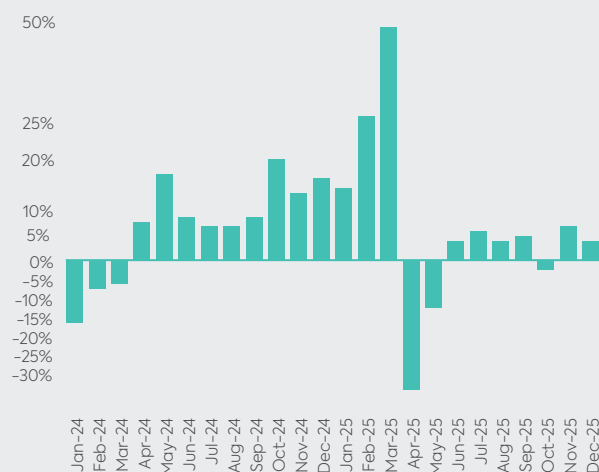
The long-term outlook for the flooring market is positive, supported by a degree of cyclical recovery plus population growth and more stable macroeconomic conditions. As the clear market leader in the UK, supported by over 30 years of industry expertise, a large customer base, long-standing supplier relationships and the most extensive delivery and collection network nationwide, Headlam is well positioned to capture long-term opportunities.

Market Indicators

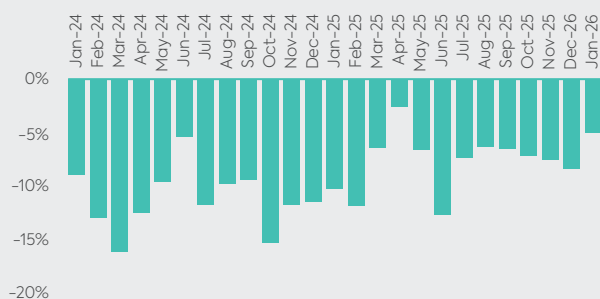
Consumer confidence in major purchases has remained negative but improving



Housing transactions declined 20% in 2023, growing thereafter



Consumer spending on home improvements has continued to decline



Sources:

- UK market size: estimates by LEK, Northwest Strategy Associates, MTW Research.
- 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; nationwide delivery and collection; industry-leading App; improved B2B website.

Our comprehensive

The broadest offering encompassing a portfolio of own brands as well as leading third-party brands, with 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 fast 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 & Collection

Providing a truly nationwide delivery service, along with the convenience of c.80 collection points.

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

Providing access to a broad range of flooring products, through strong supplier relationships, underpinned by nationwide distribution, specialist sales expertise and digital tools that help customers operate efficiently.

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.

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 with shareholder returns.

OUR STRATEGY



“Our revised strategy refocuses the business on independent retailers and contractors whilst right sizing the business. We firmly believe that this will be to the benefit of all stakeholders and create shareholder value.”

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

From a profit perspective, this translates to the Group substantially reducing operating losses in 2026, before low single-digit operating profit margin in 2027. As cost initiatives implemented in 2027 annualise, we expect to generate a mid single-digit operating profit margin in 2028. Significantly increased profit generation is the fundamental driver of the strategy, with a detailed plan in place to achieve it.

To fund the strategy and build balance sheet resilience, cash will be generated from property disposals and working capital optimisation. We expect to have little to no net debt by the end of 2027.

The new strategy, specifically focused on profit generation, alters the preceding narrative which was focused on revenue growth. Although market conditions over the past three years in particular have been challenging, the Group's pursuit of growth to fulfil this objective, although sound in theory, has proven counter-productive.

An attempt to fill the excess capacity in our network and fully utilise the Group's infrastructure with increased volumes from larger customers and through the trade counter expansion, alienated our core independent retailers and contractors. These highly valued customers, on which the strength of the business depends, were increasingly of the view that the Group was competing against them rather than providing support and a high quality of service. As a result, we lost share.

The larger customer business that we won, whilst providing positive contribution to the fixed cost base, required us to maintain a higher level of infrastructure than if we did not have that business and therefore hindered the ability to implement significant reductions in the fixed cost base. Furthermore, although the Group secured additional low-margin revenue, we lost more profitable residential revenue from our core customer base.

Our revised strategy refocuses the business on independent retailers and contractors whilst right sizing the business. We firmly believe that this will be to the benefit of all stakeholders and create shareholder value.

The enhanced transformation plan itself has the following core components:

1. Reduce low-margin revenue – refocus on independent retailers and contractors, whilst eliminating low-margin revenue that ties up fixed costs
2. Reduce costs – as low-margin business is exited, we will take out the variable costs associated with it, as well as reducing structural, fixed costs that previously had to be maintained in order to service that low-margin business
3. Enhance customer service – our service levels have been below our high standards over the last year and we are already rapidly improving customer service to our independent retailer and contractor customer base
4. Simplify ranges and consolidate supply base – put simply, we've had too many range and too many suppliers, with volumes spread too thinly across the supply base. There is opportunity to reduce range duplication, whilst maintaining a broad product offering, and also to consolidate our supply base to strengthen relationships with key strategic sourcing partners
5. Optimise cash – a smaller business means less cash needs to be tied up in working capital and there are also opportunities to dispose of surplus assets

Medium-term objective



A profitable, cash generative business positioned for sustainable growth

Strategic focus



Refocusing on independent retailers and contractors, whilst right-sizing the business

Key initiatives



1 Reduce low-margin revenue

2 Reduce costs

3 Enhance customer service

4 Simplify ranges and consolidate supply base

5 Optimise cash

Behaviours



Simplicity



Commitment



Care



Ownership



Teamwork

KEY PERFORMANCE INDICATORS

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 22 to 25, and below.

Financial KPIs

A

Like-for-like¹ revenue growth (%)

APM

(2.8)

(10.2)

(4.6)

202320242025

Measurement

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.

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

13

B

Underlying gross profit margin (%)

31.7

29.7

29.5

202320242025

Measurement

Measured as a percentage 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

14

C

Underlying² operating cost ratio (%)

APM

29.2

34.4

36.2

202320242025

Measurement

Measured as a percentage of revenue.

Why it’s important and relevant

Shows how effective the Company is at converting gross profit into operating profit. Underlying² is used to show the underlying performance of the business without non-underlying items.

Initiatives and actions for improvement

Focus on operating efficiencies including simplifying our network and our operations under the Transformation Plan.

Link to Strategy

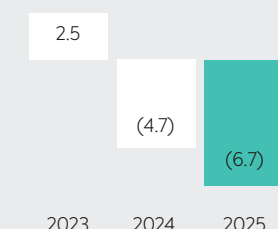
12

¹ Like-for-like revenue is calculated based on constant currency from activities and businesses that made a full contribution in both the 2025 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.

14

Key to strategic links

1 Reduce low-margin revenue**2** Reduce costs**3** Enhance customer service**4** Simplify ranges and consolidate supply base**5** Optimise cash**D****Underlying² operating profit / (loss) margin (%)**
APM**Measurement**

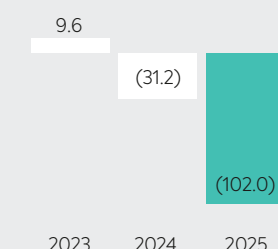
Measured as a percentage of revenue.

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**1 2 4****E****Statutory basic earnings / (loss) per share ('EPS') (p)****Measurement**

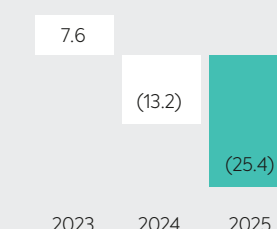
Profit after tax divided by average basic weighted number of shares.

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**1 2 4****F****Underlying return on capital employed ('ROCE') (%)**
APM**Measurement**

Measured as underlying² operating profit as a percentage 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**5**

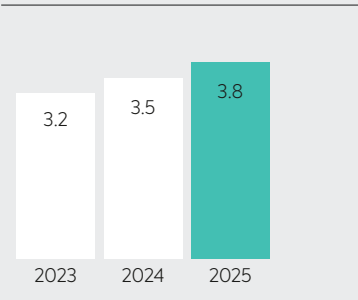
For more information on our strategy see pages **12 to 13**

KEY PERFORMANCE INDICATORS CONTINUED

Non-Financial KPIs

G

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

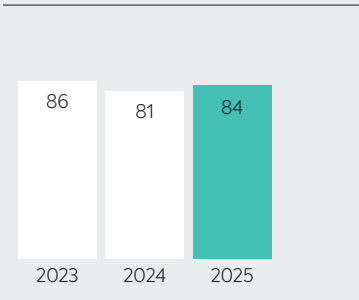
Centralised buying and stock control team, maintaining a unified national product file.

Link to Strategy

5

H

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

Shows the effectiveness of colleague engagement initiatives.

Initiatives and actions for improvement

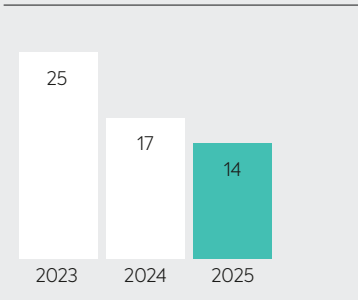
Focus on people and culture, including investing in people through training and review of rewards and benefits.

Link to Strategy

2 3

I

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

2 3

Key to strategic links

1 Reduce low-margin revenue

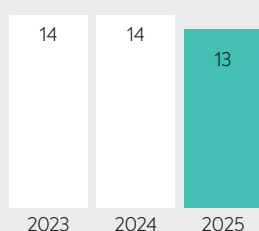
2 Reduce costs

3 Enhance customer service

4 Simplify ranges and consolidate supply base

5 Optimise cash

J

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.

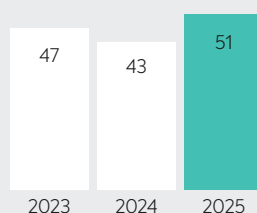
Initiatives and actions for improvement

Transformation Plan simplifying our network.

Link to Strategy

2

K

UK Scope 1 and 2 emission reduction (%)**Measurement**

Percentage reduction in UK Scope 1 and 2 emissions (tCO₂e) 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

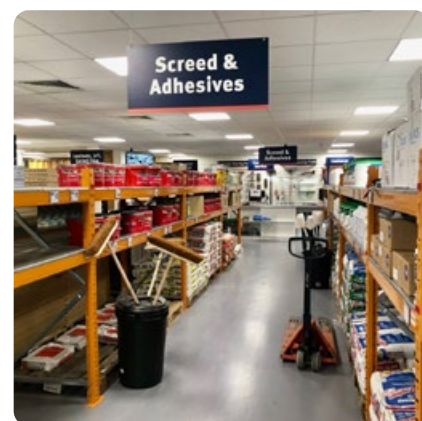
Actively engaged in transition planning, with the main decarbonisation actions currently being pursued detailed in the Sustainability Report on page 26.

Link to Strategy

1 2 3



For more information on our strategy see pages 12 to 13



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 approximately 2,200 colleagues within the Headlam group 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/Executive Chair, 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

We launched a transformation plan in September 2024, which we updated in November 2025, with the target of returning the business to profitability in 2027. This has had a significant impact on some of our colleagues. A number of colleagues have left the business through 2024 and 2025, which we recognise has been difficult and unsettling. We have carefully communicated and engaged with our colleagues throughout.

We have made further investments in a strong health and safety culture.

We conducted our third 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.



Our Customers

Relationship to Headlam

Imperative to our success and the growth of the Company.

We have an extensive customer base across the fragmented flooring market, with a renewed focus in particular on independent retailers and contractors.

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 fast 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.

Customer surveys, and feedback mechanisms. Focus groups, including on new product launches.

Effect on decision making, outcome, and benefits to stakeholders

As announced in November 2025 we made the decision to refocus on the independent retailer and contractor market. The trade counter network has been repositioned to be collection points for our core customers, providing unrivalled convenience.

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



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 previous 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.

During 2025 we centralised the buying function, resulting in central coordination of ranges and buying decisions. This has been accompanied by a supplier sourcing strategy to reduce the number of suppliers and give more volume to a smaller number of suppliers, to bring efficiencies to the suppliers and to Headlam.

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 decisions and events impact its stakeholders, engaging with and supporting them appropriately.



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 critical 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 our 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 2025.

Stephen Bird,
Interim Executive Chair

Signed on behalf of the Board 25 March 2026



FINANCIAL REVIEW

Summary income statement

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

Revenue

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

UK

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

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

Continental Europe

Revenue declined 0.8% in Continental Europe; the net of growth in the Netherlands, reflecting new distribution agreements for exclusive supply of certain branded ranges, and decline in France due to ongoing market weakness. The revenue performance in France improved in the second half compared to the first six months, albeit remained in decline.

Gross Margin

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

Costs

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

¹ The results for the year ended 31 December 2024 have been re-presented to refer the presentation of the Continental European businesses as discontinued (see note 25 for further information).

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

Underlying Profit/Loss

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

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

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

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

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

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

Non-Underlying Items

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

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

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

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

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

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

FINANCIAL REVIEW CONTINUED

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

EPS and Dividend

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

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

Tax

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

Cash Flow and Net Debt

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

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

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

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

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

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

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

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

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

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

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

Principal risks and uncertainties

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

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

Adam Phillips

Chief Financial Officer

25 March 2026



SUSTAINABILITY AT HEADLAM

Sustainable by design

As we execute our refocused strategy, ESG remains a fundamental enabler of long-term value creation and resilience across our business. It is embedded in our operating model and will become a key differentiator of our proposition for customers over the medium term.

A clear demonstration of this approach is the successful take-back trial completed at our Northampton site. The trial has delivered actionable insight into expected material volumes, operating economics, and the most effective partnership model with our waste management provider. Importantly, it has also confirmed the commercial and service value this offering creates for our customers.

In 2025, we extended the trial and we are now evaluating what a full scale nationwide take-back scheme across our Trade Counter network would look like.

This initiative supports our strategic priorities by strengthening customer loyalty, enhancing sustainability credentials, and creating a scalable platform that improves recycling accessibility for our most valued independent customers.

We have also partnered with a number of key suppliers to launch our Trainee Flooring Fitter programme. This six-month training programme addresses structural skills shortages within the industry, supports long-term sector sustainability, and reinforces our differentiated value proposition to independent customers. As our refocused strategy prioritises share growth in this segment, developing industry capability will remain a strategic priority.

As outlined in this report, we have delivered further progress across our ESG agenda during the year. This includes deeper engagement with our supply base through our annual supplier conference, enhancements to waste management processes, a 10% decrease in colleague engagement, strengthened development pathways, and continued improvements to our governance and control framework. We believe these outcomes reflect disciplined execution and confirm that ESG is fully integrated into our refocused strategy that will return the business to profitability and ensure that our independent flooring retailers and contractors are at the heart of our business.



Environmental

Priorities

- Product design
- Service design
- Building design

Why we have chosen them

- To deliver our long-term circularity ambition, we are acting now to engineer products with increased recycled content and improved end-of-life recyclability, reducing future regulatory risk and supporting sustainable margin delivery.
- Scaling a national take-back scheme strengthens our customer proposition, drives loyalty among independent customers, and provides a practical pathway to increased material recovery and waste reduction.
- As we reduce our footprint, we will embed energy efficiency and low-carbon design standards from the outset into any new or relocated sites, supporting cost efficiency and disciplined carbon reduction.

Progress made

- Strengthened supplier collaboration through joint product development plans, whilst actively contributing via Carpets Recycling UK to the development of an industry-wide Sustainability Pledge – supporting innovation, resilience, and improved ESG standards across the value chain.
- Successfully extended a take-back trial across four Trade Counters, validating operational feasibility, customer demand, and the potential to scale this capability across the network.
- Embedded environmental considerations into site development, with facilities planners fully integrated into the process to address waste management, energy efficiency, biodiversity, and broader environmental performance from the design stage.

Outlook

- Upskill the central buying team, under the leadership of the Chief Buying Officer, continue to embed sustainability into product development decisions and accelerate the delivery of more sustainable, commercially viable ranges.
- Evaluate the trial of the Take Back scheme, building on proven success to test scalability, operational consistency, and customer adoption ahead of wider roll out.
- Partner with operations and property teams to develop a standardised building blueprint, optimising sustainability performance across energy efficiency, carbon reduction, and whole-life cost as the estate expands.



Social

Priorities

- a. Engagement plans to create the right environment to attract and retain the best colleagues.
- b. We want to attract and retain colleagues with the right skills, behaviours and expertise. We truly believe that engaged and motivated colleagues provide the best service and apply their knowledge and expertise to their fullest.

Progress made

- a. We have launched a new set of behaviours to support the success of our colleagues and Headlam overall to better navigate the changes in the market and those we have internally. There will be a culture programme launched through leaders in the Leadership population during 2026.
- b. We are continually reviewing our benefits to remain competitive and an attractive place to work.



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 now enable consistent, group-wide processes and improved governance. The establishment of Scope 3 emissions targets provides a clear framework for focused planning, supplier engagement, and measurable progress.
- b. The ERP implementation programme, whilst temporarily paused, creates an opportunity to rationalise systems and embed improved ESG data capture and reporting across the business, strengthening decision-making, transparency, and long-term control.

Progress made

- a. ESG standards and assurance requirements are embedded within the new product introduction process for own-brand products, ensuring sustainability considerations are integrated at the point of design. Scope 3 emissions targets have been formally set and agreed, providing a clear framework for delivery and accountability.
- b. The ESG Director has actively contributed to ERP requirements workshops, ensuring ESG data, controls, and reporting needs are incorporated into system design, supporting future compliance, transparency, and decision making.

Outlook

- a. Defined Scope 3 action plans in 2025, providing a structured pathway to delivery, whilst continuing to educate buying and supply teams on responsible sourcing best practice to support measurable emissions reduction across the value chain.
- b. Review and enhancement of ESG data and reporting capabilities to deliver a harmonised ESG dashboard and clearly define requirements for integration into the new ERP programme, strengthening transparency, consistency, and management oversight.



Environmental

Key achievements in 2025

- Aligned and formally set Scope 1, 2 and 3 emissions targets, with a clear ambition to achieve net zero by 2040, providing a consistent and accountable decarbonisation pathway.
- Delivered a 51% reduction in Scope 1 and 2 emissions against a 2019 baseline, demonstrating tangible progress and disciplined execution.
- Implemented comprehensive waste monitoring and reporting across all major distribution centres, strengthening data quality, oversight, and operational control.
- Extended our recycling centres service in our trade counter collection points, enhancing the customer proposition whilst supporting circularity ambitions.
- Gave our first ESG Initiative of the year award to one of our key strategic suppliers at our annual supplier conference.
- Established partnerships with waste management providers and recyclers to ensure end-of-life materials are recovered and regenerated, reducing landfill dependency and supporting resource efficiency.
- Maintained ISO 14001 certification across our national distribution centres, reinforcing environmental management standards and external assurance.

We remain committed to protecting the planet and have set a clear ambition to achieve net zero emissions by 2040. Our strategy is focused on designing products that can be renewed, repurposed, and readily recycled, enabling greater reuse within the products we supply.

In parallel, we are building a more circular supply chain and taking greater responsibility for the recovery of materials placed onto the market. This approach supports regulatory readiness, improves resource efficiency, and underpins sustainable long-term value creation.

Reducing our Carbon Emissions

Throughout 2025, we will continue to deliver against our carbon reduction roadmap and advance the implementation of our Scope 3 strategy. The Company follows a 'true' Net Zero approach, prioritising real decarbonisation with offsetting applied only to residual emissions of approximately 10%. Our targets are science based, with Scope 1 and 2 aligned to Scope 3 timelines, and measured against consistent baselines – Scope 1 and 2 versus 2019, and Scope 3 versus 2023.

Key focus areas for 2025 included sustainable product development, improving efficiencies in our non-commercial fleet, and promoting energy-conscious behaviours across our workforce, ensuring measurable progress toward our long-term Net Zero ambitions.

Transport Efficiencies

In 2023, we implemented Webfleet, a vehicle telematics system, to enhance driver safety, operational efficiency, and fuel performance. In 2025 we have achieved a further 39% reduction in heavy braking events.

Energy Intensity

In 2024, we completed solar panel installations across 12 distribution centres, which continue to contribute towards each site's energy needs. We remain committed to investing in renewable solutions and identifying further opportunities to improve energy efficiency and cost performance.



Net Zero Emissions Timeline

Key Achievements and Targets

2023

- Solar panels installed across 11 sites.
- 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 largest sites.
- Continued trial of low emission commercial vehicles.
- Transport integration completed.

2024

- Final solar panel installation, taking the total to 12 sites.
- Telematics used to improve driver behaviour and reduce emissions.
- Reviewed waste management across UK distribution sites.
- Scope 3 strategy and targets 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

- Assessment of the take-back recycling scheme trial.
- Scope 3 targets implemented.
- Carbon workshops commenced with buying team; further planned throughout 2025.

2030

- Interim target: 46% reduction against 2019 baseline (Scope 1 & 2).
- Roll-out of low carbon commercial vehicles.
- Potential heating electrification to reduce gas consumption.

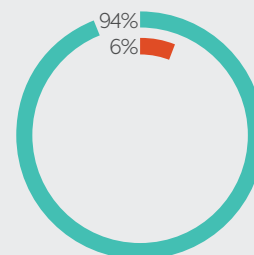
2032

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

2040

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

UK and Continental Europe Scope 1 and 2 emissions 2025 Full Year Data

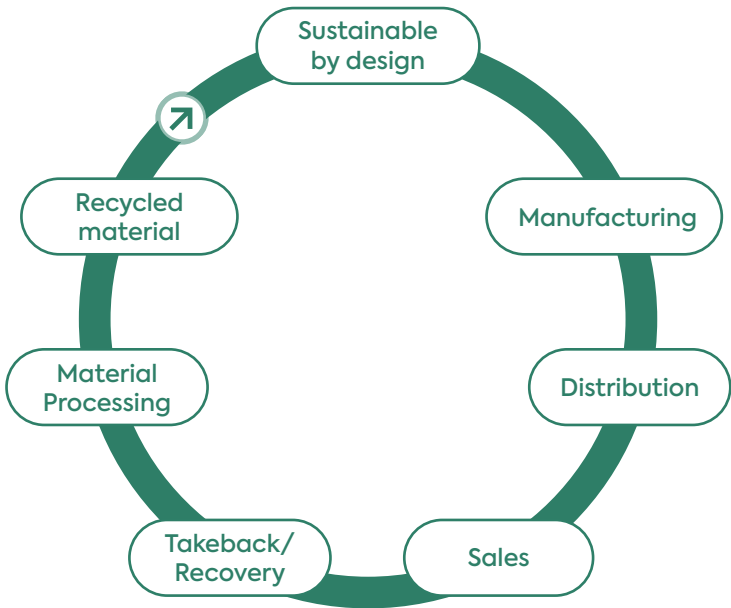


■ Scope 1: 94% (13.0ktCO₂e)

■ Scope 2: 6% (0.9ktCO₂e)



Sustainable product development



In 2025, we continued to evaluate sustainability across the full product lifecycle through our Sustainable by Design programme.

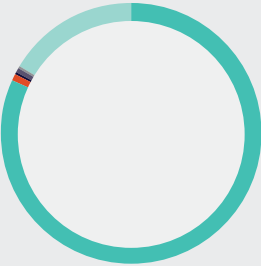
We have invested in take-back trials, providing end-of-life product management and ensuring recovered materials are returned to raw material form for reuse through partnerships with recyclers and manufacturers.

Our Florprotec brand continues to offer a collection service for end-of-life products, with materials reintegrated into new products. Additionally, we collaborate with leading UK and European manufacturers to design broadloom and vinyl ranges that are easily recyclable, reducing reliance on specialist recyclers and improving the quality of recycled materials.

Take-back Scheme

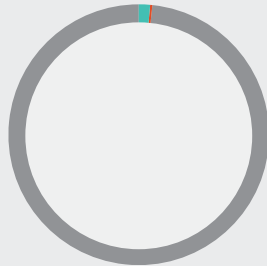
The take-back and recycling trial, launched in May 2024 at the Northampton Trade Counter, continued through 2025. Customers can return post-consumer and post-industrial flooring, underlay, vinyl, LVT, laminate, packaging, and general waste. The service remains free during the trial, encouraging adoption and providing valuable insights to support potential national roll out.

Scope 3 Emissions
2025 Full Year Data



- Purchased goods 80.5% (628,655 tCO₂e)
- Capital goods 0.6% (4,616 tCO₂e)
- Fuel-related 0.4% (3,427 tCO₂e)
- Upstream transportation 0.4% (3,398tCO₂e)
- Waste generated 0.1% (958 tCO₂e)
- Business travel 0.1% (336 tCO₂e)
- Employee commuting 0.3% (2,179 tCO₂e)
- End of life treatment 15.8% (123,835 tCO₂e)

Total Scope 1, 2 and 3
Emissions: 815,119 tCO₂e
2025 Full Year Data



- Scope 1 1.7% (12,967 tCO₂e)
- Scope 2 (location-based) 0.1% (947 tCO₂e)
- Scope 3 98.2% (767,404 tCO₂e)



Partnerships

- Biffa: collects, sorts, and recycles flooring by material type.
- Recofloor: facilitates vinyl and LVT collection on behalf of Polyfloor and Altro.

Water

We are a low water-use business, primarily for cleaning vehicles, and continue to minimise usage wherever possible.

Waste

In 2026, we aim to maintain or improve our operational waste diversion from landfill, with waste recycled from UK Distribution Centres. Recycling bins are provided at all major centres, and stock repurposing continues through Melrose Interiors. Packaging is recovered wherever possible and recycled when reuse is not feasible, supporting both sustainability and operational efficiency.

Raw Materials

We prioritise renewable materials wherever possible, particularly within our flagship Crucial Trading brand. All timber is sourced from verified, legal suppliers with fully traceable supply chains via Track Record Global. Where non-renewable materials are used, recycled content is incorporated wherever feasible, and products are designed for end-of-life recyclability, supporting circularity and sustainable value creation.





Key achievements in 2025

- Colleague Engagement dropped by 10pts, however 2025 has been a significant year of changes and only remains 11pts behind the industry benchmark.
- Reduction in RIDDORs by 29% year on year.
- Safety culture training roll out continues.
- Gender pay gap reduced year on year.
- Strategic approach to community support continued in Leeds through the Trainee Fitter programme, helping 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 employed approximately 2,200 people on average in 2025. Colleagues remain 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 colleagues work in warehouses, transport, sales and trade counters, support offices, or corporate functions, a range of working arrangements are available to attract and retain colleagues who live our values:



We avoid overcomplication by keeping things simple



We create a trusted environment where people are empowered to act and can learn and improve



We uphold high standards and confidently challenge wrong behaviours



We create an inclusive environment where people celebrate success together



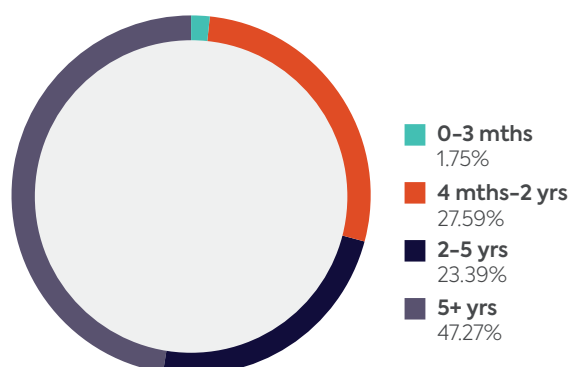
We ensure that every individual feels valued, supported and safe

And always, do the right thing

The behaviours underpin and demonstrate our commitment to integrity. Our Colleague Code of Ethics, The Headlam Way, covers topics including safety, behaviours towards each other, conflicts of interest, sustainability, bribery and corruption, fair competition, confidentiality, and more. It complements our Speak Up policy, enabling colleagues to confidentially raise concerns directly to the Audit Committee Chair. All new colleagues familiarise themselves with these policies during online induction, and updates are communicated through monthly leadership calls and manager briefings.

In the UK, Headlam employs salaried colleagues exclusively, with no zero-hour contracts. Colleagues are entitled to employment benefits from day one, including company sick pay and the right to request flexible working. Just over 5% of colleagues currently have flexible working arrangements. In 2025, most colleagues remain permanent, with temporary workers averaging approximately 6% of the workforce, primarily in operation to manage peaks, cover long-term absences, or support business change. We continue to showcase career opportunities through internal communications, highlighting colleagues who have progressed through the business. This, coupled with colleagues' commitment to supporting customers and each other, contributes to Headlam's strong tenure.

Length of Service



Our long-serving colleagues, with their in-depth knowledge of customers, services, products, processes, and systems, remain a foundation of our success. We focus on retention through Reward, Learning and Development and Colleague Engagement. Uncontrolled labour turnover, along with attendance and engagement, are key People KPIs, with actions implemented throughout 2025 to improve all three.

We also target recruitment to diversify skills and experience, bringing in expertise from other industries, talent banking core skills, and working with recruitment partners to provide candidates with clear insights into opportunities at Headlam. Improving attraction and selection methods remains a priority in 2026.

Keeping Each Other Safe and Well, Every Day

2025 was a very productive year for the National Safety Team. Over a period of nine months a new Safety Platform was delivered to 98 sites in the group. This was met with overwhelming success with over 35,000 inspections completed on the new system. This has seen a significant increase in engagement with all employees using the platform and allowed the National Safety Team to focus on any concerns identified through the analytical reports generated once the platform was populated.

We have now significant increase in reporting Near Misses and reduced LTIs by over 50% throughout the Network.

We have maintained our ISO 45001 accreditation after external audits of 6 sites.

The RIDDOR incident frequency rate per 1,000,000 hours worked was 3.98 in 2025, compared to the HSE recommendation of 3.77.

Type of RIDDOR Incident	2024	2025
Slip, trips, and fall	2	4
Struck by moving vehicle	3	2
Contact with machinery	2	0
Hit by moving/falling, flying object	1	0
Handling, lifting, carrying	4	3
Fall from height	3	2
Other	2	3
Total	17	14

Supporting Colleagues Through Change

There continued to be several changes across the business in 2025 as part of the acceleration of our plans to turnaround Headlam.

In 2025 our cost challenges remained and from opportunities identified, we re-established a better year end position on headcount and 130 colleagues left the business through redundancy. Our continued review of footprint, efficiency and effectiveness will result in ongoing re-design to create a stable position for reset and growth.

We have adopted a way of working that includes a Top 30 cohort of Leaders to manage change and challenge what we do here at Headlam.

Colleague Engagement

We conducted our first colleague engagement survey in 2023.

We maintained the engagement score in 2024 and in 2025 it reduced 10ppts, reflecting the intense change occurring in the business.



Learning and Development

Our learning management system, Eloomi 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.

We also started to deliver our new leadership programme, Lead the Way, consisting of two 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 3ppts year on year. More importantly we saw a strong score of 86% on the leadership question 'My Manager and I have a good working relationship'.

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

In 2025, we implemented the Real Living Wage increase to £12.60 for all colleagues, reinforcing our commitment to fair and competitive pay across the business. This ensure that all roles within the organisation meet or exceed the updated Real Living Wage benchmark, supporting our objective to remain an employer of choice within the industry.

Building on the benchmarking process introduced in 2024, we applied a robust pay review methodology during the January 2025 cycle to ensure equal pay across all roles. This process ensured that no colleague fell below 20% of the median pay for their specific job role, supporting pay consistency, reducing risk of pay inequity, and aligning with our principles of fairness and transparency.

Additionally, we introduced a holiday purchase scheme in 2025, providing colleagues with greater flexibility in managing their work-life balance. Engagement with the scheme was strong, with 272 colleagues participating in its first year.

Together, these initiatives demonstrate our ongoing focus on delivering a fair, transparent, and competitive reward offering that supports our retention and engagement objectives, whilst aligning with our values and people strategy.

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.

Diversity in gender

Women represent 26.4% of Headlam's overall workforce, an increase of 2.4% from last year. During 2025, 33% of the Executive Committee were female, and women make up 27.3% of our management population, within an industry that is overwhelmingly male dominated. We continue to take proactive steps to improve gender diversity by working closely with out recruitment agencies to ensure balanced longlists, encouraging women to apply for internal opportunities, and supporting their development by providing access to learning and progression pathways. We also actively showcase the successful careers that women can and do have within Headlam.

Through these initiatives, we aim to continue growing the number of women across all levels of the business. For further information on the actions, we have taken and continue to take to support gender diversity, please refer to our Gender Pay Gap Report. This reports a Headlam UK mean gender pay gap of -7.5% and a median gender pay gap of -9.2%, available on our corporate website.





Governance

Commitment to ESG and Workplace Excellence

Annual targets were set to drive continuous improvement, and governance was embedded across our ways of working, including reporting, standard meetings, and leadership oversight.

Colleagues were supported to understand expectations through:

- The Colleague Code of Ethics, workplace policies, and standard operating procedures
- Monthly leadership briefings, management communications, team meetings, and toolbox talks
- Objective-setting and check-ins to review progress

Formal oversight included:

- Board meetings
- Executive Performance Reviews
- Commercial Performance Reviews
- Audit and ESG Committee meetings

ESG Committee

The ESG Committee provides oversight of Headlam's ESG strategy and is chaired by the CEO. Members include a Non-Executive Director, the Chief People Officer, the Chief Buying Officer, and senior leaders.

In 2025, the Committee met three times, reviewing:

- Health & Safety, decarbonisation, and waste management
- Take-back scheme and sustainable product development
- Ethical sourcing audits and raw material traceability
- Fleet innovation, colleague inclusion, engagement, and wellbeing
- Policy updates, regulatory horizon scanning, and packaging

Executive Accountability

- ESG targets are incorporated into Annual Bonus Schemes and the Performance Share Plan for Executive Directors and Executive Team members.
- Progress is reported through the ESG Committee and reviewed at monthly Executive Performance Review meetings and Commercial Review Progress meetings.

Responsible Sourcing

Headlam maintains a robust responsible sourcing programme:

Supplier onboarding requires:

- Completion of a due diligence assessment
- Agreement to our Supplier Code of Conduct and Sustainability Charter
- Any risks related to human rights, health & safety, environment, or business ethics must be addressed before awarding contracts.
- SEDEX membership ensures Headlam brand suppliers undergo independent audits every two years using the SMETA format.
- In 2026, we aim to strengthen circular supply chains, increase material recovery, and implement innovative environmental solutions.
- Timber sourcing remains critical:
 - Domus continues FSC certification
 - All suppliers must provide certified timber, ensuring no deforestation or degradation

Quality and Supplier Management

- All Headlam-branded products must comply with UK and EU regulations and meet agreed quality standards.
- Customer feedback is continually reviewed, and any supplier or product that falls below the Acceptable Quality Limits ('AQL') triggers an immediate quality review with corrective action.

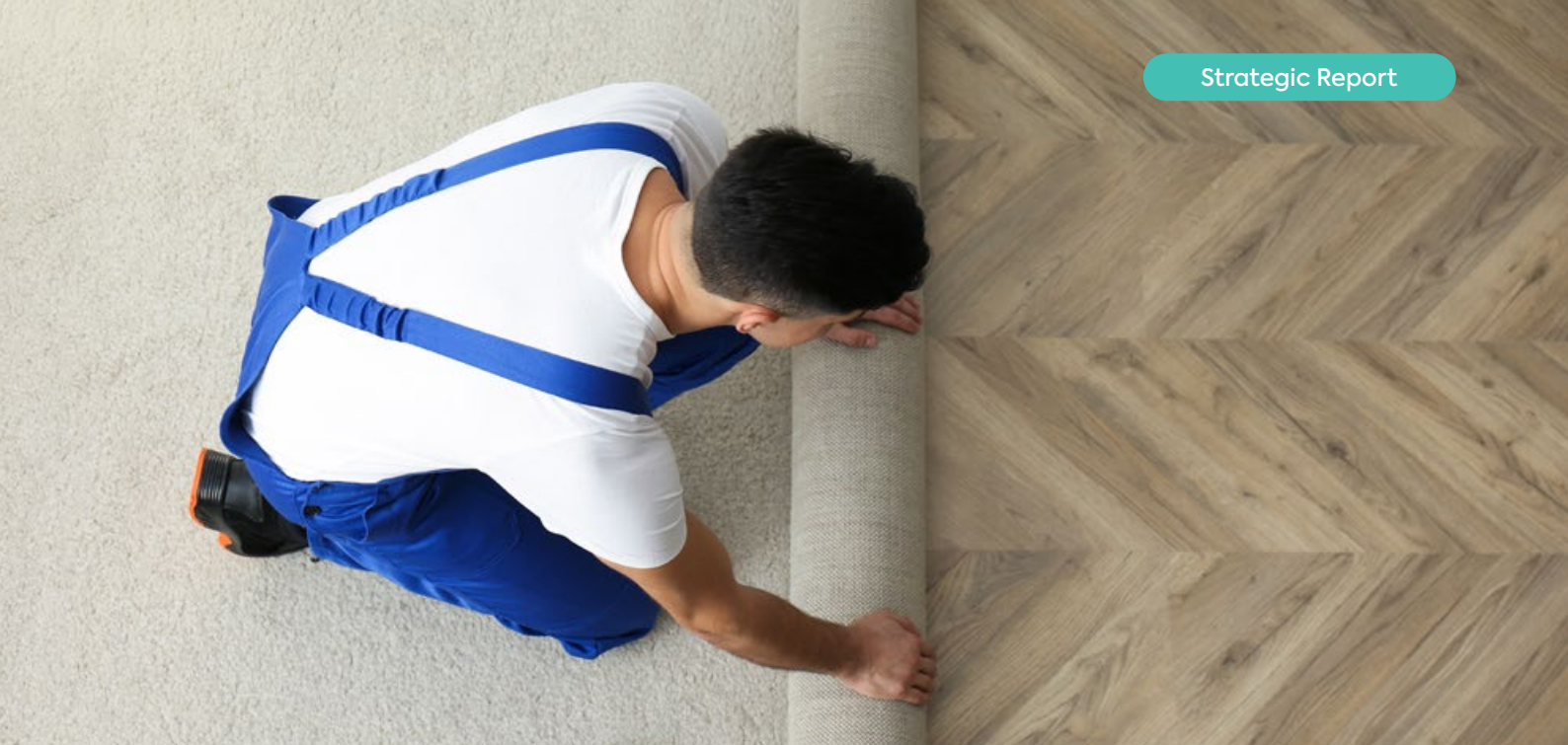
Operations

- Focus in 2025 was on delivering orders on time, in full, and damage-free.
- Improvements were implemented in collaboration with the customer support team, based on customer feedback.

Speak Up (Whistleblowing)

Headlam provides confidential mechanisms for colleagues to raise concerns if Code of Ethics policies are not being followed:

- Channels: Speak Up email or third-party confidential reporting service
- Investigations are overseen by the Chief People Officer, Company Secretary, Director of Group Finance, Head of Internal Audit, and the Audit Chair
- Outcomes are reported to the Board



Improved Colleague Support

Key improvements implemented in 2025:

- Embed usage of our new learning management system (Eloomi)
- The launch of the Safety Culture system

Policies and Processes

The following ESG and People policies were updated in 2025 and are available on the corporate website:

- Attendance at work

Project and Programme Governance

In 2025 we had two major programmes running at the same time:

- Transformation plan, to return the business to profit.
- ERP system implementation.

At the end of the year the decision was taken to pause the ERP project in order to prioritise the transformation plan.

Both programmes had ESG oversight through:

- Steering committee membership by the Chief People and Sustainability Officer
- ESG Director engagement through workshops and weekly updates
- Opportunities to advance ESG initiatives via new buildings, processes, reporting, and supplier/customer collaboration

Stakeholder Engagement

- Continued industry engagement through Carpets Recycling UK, suppliers, and industry bodies
- Supplier conference (September 2025) showcased Take-Back trial progress and recyclable product sourcing
- Regular supplier meetings to discuss product innovation and Take-back initiatives
- Colleague engagement through:
 - Employee Forums, ASM forums, and Quality Improvement Forums
 - Sharing best practices in Health & Safety, engagement, and quality improvements
- Customer surveys indicated:
 - Increased perception of Headlam as environmentally responsible
 - Top enquiries related to recycled materials, sustainable products, and recyclability
- Shareholder reporting: Progress on sustainability is included in the Annual Report and Accounts and monitored by ESG rating agencies

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

The table below and continuing on pages 39 to 42 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 26 to 36. 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. Whilst ultimate responsibility for risk governance sits with the Board, the Audit Committee assists in risk oversight (as described within Risk Management on page 46. The Group's most material ESG issues are included in the Group's Risk Register. During 2025, 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 ESG Committee reviews and tracks the outputs from major decarbonisation projects, which may both mitigate climate risk and capture opportunities. 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 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 46 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.

Governance	Disclosure																		
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, 2026–2028), medium term (2029–2035) 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 10 to the Financial Statements. <table><tr><th>Factors</th><th>Middle of the road</th><th>Fossil-fuelled growth</th></tr><tr><td>RCP</td><td>3.4</td><td>8.5</td></tr><tr><td>SSP</td><td>2</td><td>5</td></tr><tr><td>Temperature rise</td><td>2°C</td><td>4°C</td></tr><tr><td>Likelihood</td><td>High</td><td>Moderate</td></tr><tr><td>Societal response</td><td>Proactive, Disorderly</td><td>Reactive</td></tr></table>	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
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.

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	The EPR (bulky waste) legislation is assumed to come into effect in 2028–2029, 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 best estimates, before the legislation is enacted. The scenario modelling assumes that the take-back scheme, currently in an extended trial, is rolled out across the network and that the materials collected are then transferred to recycling centres. It is assumed that the take-back tonnages are at least the same level as the materials sold by the Group which would attract the EPR fees. The net EPR fees are therefore expected to be £nil. It is assumed that the transport costs incurred in transferring the materials to the recycling centres will be broadly offset by revenues generated from both the take-back centres and recycling centres.
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 heavy goods vehicles ('HGVs') continues to be developed. The total cost of ownership for a short-range zero-emission HGV fleet is becoming more comparable to that of a diesel HGV fleet. The Group is monitoring the developments in the powertrain and energy storage technologies, which are leading to improvements in the range of zero-emission HGVs. There is a degree of uncertainty in the cost estimates for a zero-emission long-range HGV fleet (as operated by the Group), including the investment required in charging infrastructure. It has been assumed, for this scenario modelling, that the cost of operating a zero-emission HGV fleet is in line with that of operating a diesel fleet. There is a large global market for HGVs, providing a commercial incentive for companies to develop a viable, cost-effective zero-emission solution for long range HGVs.
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. 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				Strategic response and resilience
Short term (2026–2028)	Medium term (2029–2035)	Long term (2036–2050)		
–	–	–		Collaborate with suppliers on new sustainable product launches. Roll-out the take-back scheme to avoid materials entering into the waste stream to offset EPR fees. It is likely that any residual costs arising (either from take-back tonnages not fully offsetting EPR fees or recycling revenues not offsetting transport costs) could be passed on to customers, reducing the potential financial impact to an immaterial amount.
–	–	–		Ongoing trials of zero-emission commercial vehicles.
–	–	–		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 maintained at any one time providing strong availability, also helped by the Group's strategy to increase its focus on holding and selling fast-moving lines.

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 none of the risks identified above would have a material profit impact to the Group in the transition scenario. This is on the basis that the take-back scheme offsets any EPR fees and that any residual costs can be passed on to customers. As noted, there is a high degree of uncertainty around the cost of transitioning to a zero emission HGV fleet. 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.
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 rating agency scores • Physical asset damaged related insurance claims/premiums Target • 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 44. An ESG metric has been introduced into Executive Director and Executive Team performance-related variable remuneration. Link to Risks Link to KPIs 9 J K
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 43 to 45 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 26 to 36, 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 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 2025 and 2024. 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.

Consumption (kWh) and Greenhouse Gas emissions (tCO₂e) Totals

The following tables show the consumption and associated emissions for financial years ending December 2025 and December 2024 for all operations.

UK Totals

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

Utility and Scope	2025 Consumption kWh	2024 Consumption kWh
Grid-Supplied Electricity (Scope 2)	4,503,458	5,330,844
Gaseous and other fuels (Scope 1)	3,565,851	4,270,355
Transportation (Scope 1)	46,737,273	56,919,467
Transportation (Scope 2)	116,234	126,675
Transportation (Scope 3)	341,486	343,438
Total	55,264,302	66,990,779

The total emission (tCO₂e) figures for reportable UK-based energy supplies are outlined below.

Utility and Scope	2025 Consumption tCO ₂ e	2024 Consumption tCO ₂ e
Grid-Supplied Electricity (Scope 2)	797.11	1,103.75
Gaseous and other fuels (Scope 1)	652.41	781.05
Transportation (Scope 1)	11,384.07	13,470.67
Transportation (Scope 2)	20.57	26.23
Transportation (Scope 3)	76.00	76.55
Total	12,930.16	15,458.25

STREAMLINED ENERGY AND CARBON REPORTING ('SECR') CONTINUED

UK Intensity Metric

An intensity metric of tCO₂e 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	2025 Intensity Metric	2024 Intensity Metric
tCO ₂ e/£m UK Revenue	25.93	29.41

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	2025 Consumption kWh	2025 Consumption tCO ₂ e
Grid-Supplied Electricity (Scope 2)	434,508	30.65
Gaseous and other fuels (Scope 1)	505,082	92.41
Transportation (Scope 1)	1,913,431	435.05
Total	2,853,021	558.11

Netherlands totals

Utility and Scope	2025 Consumption kWh	2025 Consumption tCO ₂ e
Grid-Supplied Electricity (Scope 2)	272,578	84.23
Gaseous and other fuels (Scope 1)	302,565	55.60
Transportation (Scope 2)	84,240	14.91
Transportation (Scope 1)	1,459,098	348.05
Total	2,118,481	502.79

UK and European totals

Utility and Scope	2025 Consumption kWh	2025 Consumption tCO ₂ e
Grid-Supplied Electricity (Scope 2)	5,210,544	912.00
Gaseous and other fuels (Scope 1)	4,373,498	800.41
Transportation (Scope 1)	50,109,802	12,167.17
Transportation (Scope 2)	200,474	35.48
Transportation (Scope 3)	341,486	76.00
Total	60,235,804	13,991.06

UK and European Intensity Metric

An intensity metric of tCO₂e 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	2025 Intensity Metric
tCO ₂ e/£m Group Revenue	24.74

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.

Optimisation of Distribution Network

Headlam consolidated its operations into single sites from multiple sites, streamlining the overall operational footprint. This resulted in a reduction in unnecessary energy wastage from a wider network of sites.

Good Energy Behaviour Training

In 2025, Headlam conducted company-wide training on best practices to reduce energy consumption and the use of energy efficiency measures. The training aimed to guide employees in their day-to-day activities to be more conscious of energy being consumed and mitigate some of this excess.

Measures to be Addressed in 2026

Company Car Fleet Electrification

Headlam continues to gradually phase out fossil-fuel vehicles as it transitions to a fully electric fleet.

Staff Awareness and Behaviour Changes

Headlam will continue to raise staff awareness through company-wide training on best practices to reduce energy consumption, this ensures employees understand the company's sustainability objectives and follow guidance in their day-to-day activities, thereby reducing unnecessary energy use.

Energy Efficiency Upgrades

Headlam will assess the feasibility of implementing further energy efficiency measures to optimise energy use and reduce emissions.

Year-on-year changes

Gas and electricity emissions have reduced due to site closures and implementation of energy efficiency measures.

Transport emissions have decreased by 15.42% compared to 2024, primarily due to reduced fuel consumption in both company cars and the commercial fleet.

The total intensity metric has decreased by 11.72% compared to 2024 driven by a significant reduction in total emission across all categories.

Total Group Revenue (£m)	£565.6m
Total UK Revenue (£m)	£498.7m
Total Continental Europe Revenue (£m)	£66.9m

RISK MANAGEMENT

Overview

The table on pages 49 to 50 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 48 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.

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 fifteen-point scale, ranging from 1 (very risk averse) to 15 (very high risk appetite). The outcome of this was then presented to, and discussed with, and challenged by, the Audit Committee, and subsequently ratified by the Board.

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.

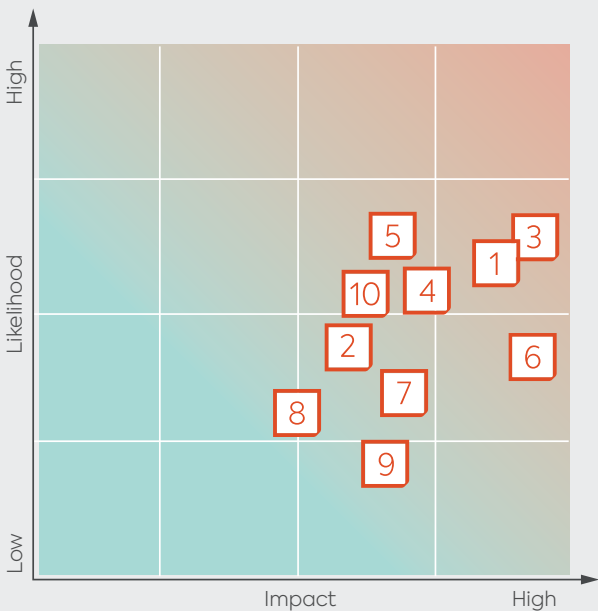
The Audit Committee, on behalf of the Board, also monitors the Group's system of risk management and internal control, and conducts a review of its effectiveness at least once a year, as well as overseeing the internal and third-party assurance relating to the Principal Risks.



Risk monitoring structure

Independent assurance	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			Use knowledge of best practice, business and the market in which we operate to assess changes in key risks.	Responsible for ensuring that risk management is embedded within the business and appropriate actions are taken to manage risk.
	Business management			Applies local knowledge to identify and assess operational risk.	Applies local knowledge to identify and assess operational 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

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.

There are no 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:

Increased risk:

- Risk 3 – IT (systems and infrastructure):** During the year we made the decision to pause the ERP replacement project, in order to focus on the transformation plan. The increasing age of the legacy system and the complexity of maintaining ongoing developments on this system, as well as adapting it to meet the requirements of the transformation plan, increases the risk profile. There are additional mitigating controls that we are implementing in order to improve the resilience of the legacy system, which soften the increase in inherent risk.
- Risk 4 – IT (Cyber security):** We have increased the likelihood of the risk, reflecting the increase in cyber attack activity more generally and also directed at the Group specifically. The impact has reduced slightly, reflecting the progress made on improving controls and contingency plans.
- Risk 5 – People:** This risk has increased, both in terms of likelihood and impact, reflecting the scale of change that the business is undergoing through the transformation plan, and also reflecting on the changes at board level.

Movement on heat map but similar overall risk profile:

- Risk 7 – Supply chain:** Following discussion in the Executive Risk Committee, which was then ratified by the Audit Committee, the risk likelihood has been reduced and impact increased. This change was not driven by any specific factors within Headlam Group; it reflects an updated view of the risk profile more generally.

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 improve profitability and reduce borrowings. Importantly, the transformation plan is intended to return the Group to profitability without requiring improvement in market conditions	1 2 3 4	
2 Market (strategy)			
Failure to develop and deliver on profit and cash improvement opportunities	The description of this risk has been amended from 'Failure to develop and deliver on revenue growth opportunities' to 'Failure to develop and deliver on profit and cash improvement opportunities'. This reflects the revision to the areas of strategic focus as announced in November 2025. The Group's strategic focus is on returning the Group to profitability through a number of key initiatives. The Board has direct oversight of the Group's strategy, and its effective implementation, with the performance of each key initiative monitored against clear targets and objectives.	1 2 3 4 5	
3 IT (systems and infrastructure)			
Failure to develop and maintain IT systems and infrastructure that is resilient, scalable, and able to support the strategy	During the year we made the decision to pause the ERP replacement project, in order to focus on the transformation plan. There are additional mitigations that we are implementing in order to improve the resilience of the legacy system, given that we will be operating this system for a longer period than previously expected. These mitigating actions include people and hardware.	2 3 5	
4 IT (cyber security)			
Failure to develop and maintain adequate or effective security and cyber controls	Targeted use of specialist external advice and support. Regular employee cyber engagement programme. In 2025 we have implemented new technology and processes including a new vulnerability tool, a new 'Manage, Detect and Response' tool and tighter conditional access control.		
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 2025, see pages 32 to 34.	2 3	

Key



Increased



Unchanged



Decreased

Key to strategic links

1

Reduce low-margin revenue

2

Reduce costs

3

Enhance customer service

4

Simplify ranges and consolidate supply base

5

Optimise cash

PRINCIPAL RISKS CONTINUED

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. The Group also engages external support, and is focused on having a strong and embedded health and safety culture across the group. During the year the Group rolled out Safety Culture, a new reporting and analysis platform.		
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.	4	
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 a Code of Conduct, setting out clear standards and expectations for all employees (also see Supplier Ethical Code of Conduct above).		
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 26 to 36, 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.	4	
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. The Board is mindful of the impact of the market conditions on the financial performance, resulting in a strategic focus on returning the business to profitability.	1 2 3 4 5	

Key



Increased



Unchanged



Decreased

Key to strategic links

1

Reduce low-margin revenue

2

Reduce costs

3

Enhance customer service

4

Simplify ranges and consolidate supply base

5

Optimise cash

VIABILITY STATEMENT

Background

The UK Corporate Governance Code 2024 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 2028, was chosen for the purpose of the viability assessment. This period best aligns with the Group's strategy. It also aligns with the Group's recently agreed new borrowing facility, which expires just after 31 December 2028 (albeit the Group has the option to extend).

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 46 to 50.

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 degree of uncertainty in the cost estimates for a zero emission HGV fleet. However, the assumption is on the basis that there is a large global market for HGVs, providing commercial incentives for companies to develop a viable, cost-effective zero-emission solution for long-range HGVs. Climate-change risks are discussed further in the TCFD quantitative analysis on pages 38 to 43, including consideration of the impact of the risks over time horizons longer than this assessment period.

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

Market backdrop

There has been no recovery in the flooring market in 2025, which is estimated to be around 25% smaller than it was in 2019. Whilst the lead indicators for the flooring and home improvements markets continue to point to improvement in the medium term, these indicators remain volatile and sensitive to macroeconomic and geopolitical factors. Furthermore, whilst demand in the flooring market has reduced significantly in recent years, the amount of distribution capacity in the market has increased, which has further impacted revenue.

In setting the downside scenario to be modelled, the Board recognises that, as the Group exited 2025, the market in which the Group operates had already declined by a cumulative around 25% over recent years. The downside scenario includes an estimate of the further additional severe-but-plausible decline in revenue that could occur.



VIABILITY STATEMENT CONTINUED

Transformation plan

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

Banking facilities

As at 31 December 2025, the Group had a net debt position excluding lease liabilities of £31.4 million and had total banking facilities available of £72.3 million (31 December 2024: £99.3 million), of which £61.0 million (31 December 2024: £81.5 million) was committed. The committed facility comprised a revolving credit facility ('RCF') with three lenders that was due to expire in October 2027. The Group also had a £7.5 million uncommitted overdraft. In January 2026, the RCF and the uncommitted overdraft were replaced by an asset-based lending facility ('ABL') of up to £85.0 million with two lenders. The available amount of the ABL depends on the amount of relevant assets (property, receivables and inventory) against which the Group can borrow. It is also subject to a requirement to hold a minimum amount of headroom on the facility, by way of liquidity headroom covenants together with a quarterly EBITDA covenant and operational covenants including inventory stock turn and debtor days. The quarterly EBITDA covenant applies until 31 December 2027 after which it is superseded by a fixed charge cover covenant.

Asset backing

As at 31 December 2025, the Group owned freehold and long leasehold property in the UK valued at c.£75 million. Of this, property valued at c.£54 million is included in the ABL. The remaining properties (valued at c.£21 million) are outside the ABL and unencumbered; three of these properties, representing the significant majority of the value, are currently on the market for sale, are under offer, and are expected to complete in the next few months. Furthermore, the Group anticipates further properties will become surplus to requirements over the next 18 months as part of the Group's transformation plan. The Group has included the cash proceeds from planned property disposals in the cash flow projections used for the viability assessment.

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

Downside Scenario

This scenario is modelled on the basis that consumer confidence for major purchases is depressed throughout 2026, leading to market volumes continuing to decline. This decline is applied in addition to the actions already assumed to be taken by the Group to reduce low margin revenue and to reduce fixed costs.

Market conditions are then assumed to recover over 2027 such that 2028 conditions are broadly similar to 2025 albeit volumes remaining heavily depressed compared to 2019 levels. This compares to the base case which assumes a lesser level of decline in 2026.

In the base case and downside scenario, the Group would continue to operate within its banking facilities. In making this assessment, the Group has assumed it can achieve the cash inflows included in its projections, including the sale of properties. These property disposals are not wholly in the Group's control, but the Group has a strong track record of successfully completing such transactions over the last two years.

Should a more severe scenario occur, for example a multi-year macroeconomic downturn, the Group has a number of mitigating actions available to it including: further working capital optimisation; increasing the amount of borrowing capacity in the ABL through meeting certain operational KPIs; additional cost mitigations; additional property sales; the sale and leaseback of properties; utilising unencumbered properties for additional borrowing capacity; and faster conversion of rebates into cash. However, the Group notes that not all of these mitigating actions would be in the control of the Group and/or are not contractually agreed at the time of making the viability assessment.

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 the Strategic Report taken together with the table below, comprises the Company's Non-Financial Information Statement.

Reporting Requirement	Relevant policies	Additional Information
Matters		
Environmental matters	ESG Policy	Sustainability Report – pages 26 to 36.
	Supplier Code of Conduct	SECR Disclosure – pages 43 to 45.
		Corporate Governance Report – pages 55 to 124.
People	Code of Ethics	Stakeholder Engagement and Section 172 Statement – pages 18 to 20.
		Sustainability Report – pages 26 to 36.
		Corporate Governance Report – pages 55 to 124.
Social matters	Equal Opportunities and Diversity Policy	Stakeholder Engagement and Section 172 Statement – pages 18 to 20.
	Flexible Working Policy	Sustainability Report – pages 26 to 36.
		Corporate Governance Report – pages 55 to 124.
Respect for Human Rights	Health and Safety Policy	Health and Safety – pages 33.
	Modern Slavery Statement	Modern Slavery – page 121.
		Other Statutory Disclosures – pages 118 to 122.
Anti-Corruption and Anti-Bribery matters	Anti-Corruption and Bribery Policy	Corporate Governance Report – pages 55 to 123.
	Speak Up Policy	Audit Committee Report – pages 78 to 85.
	Expenses Policy	Other Statutory Disclosures – pages 118 to 123.
Information disclosed in support of the matters		
Business model		Business Model – pages 10 to 11.
Principal risks, impact and mitigation		Risk Management, and Principal Risks and Uncertainties – pages 46 to 50.
Non-financial key performance indicators		Key Performance Indicators – pages 14 to 17. Sustainability Report – pages 26 to 36.

This Strategic Report was approved by the Board on 25 March 2026 and signed on its behalf by

Stephen Bird
Interim Executive Chair



GOVERNANCE

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COMPLIANCE STATEMENT

It is the Board’s view that, throughout the financial year ended 31 December 2025, 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 2024 (the ‘Code’) with the exception from 3 October 2025 of the requirement that the roles of Chair and Chief Executive should not be performed by the same person following Chris Payne stepping down from the Board when Stephen Bird was appointed Interim Executive Chair whilst a search for successor was undertaken.

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 140 to 196. 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 2024 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 60 to 61
- ➔ Leadership and purpose – pages 64 to 68
- ➔ Board activities during the year – pages 64, 65, 74 and 75
- ➔ Considering stakeholders in decision making – pages 18 and 19

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 71
- ➔ Division of responsibilities – pages 70 to 76
- ➔ Nomination Committee report – pages 86 to 90
- ➔ Dealing with Directors’ conflicts of interest – page 73

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 86 to 90
- ➔ Appointments to the Board – page 86
- ➔ Board Diversity Policy – page 87
- ➔ Board composition – pages 88 to 90
- ➔ Board evaluation – page 77



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 78 to 85
- ➔ Fair, balanced and understandable statement – page 85
- ➔ Risk management and principal risks – pages 46 to 52

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 94
- ➔ Directors' Remuneration Policy – pages 95 to 105
- ➔ Directors' Annual Report on Remuneration – pages 106 to 117

CHAIR'S INTRODUCTION

“The Board has overseen a number of required changes to the Company’s strategy and executive management team to drive forward its revised strategy and to accelerate its transformation programme.”

Stephen Bird
Interim Executive Chair



On behalf of the Board, I am pleased to present the Governance report for the financial year ended 31 December 2025.

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 to refocus the Group on the profitable independent retailer and contractor customer base through our revised strategy and ensure it is supported by the right people. The last financial year has been an important period and we have accelerated the implementation of our transformation programme and our revised strategy to create a structurally stronger, more profitable business from which we can be rescale with confidence.

Chair and CEO succession and Board composition

Sharper focus on our core customer strategy refocused on independent retailers and contractors required some interim changes in 2025 where I stepped into the role of Interim Executive Chair following Keith Edelman stepping down as Chair in February (as part of the Chair succession plan) and Chris Payne stepping down as Chief Executive Officer in October. This enabled the Board together with a strengthened interim executive management team to oversee a further acceleration of the execution of its transformation programme.

Following an extensive search, I’m very pleased on behalf of the Board to welcome Rob Barclay as our Chief Executive Officer Designate who will become Chief Executive Officer and join the Board on 27 April 2026 after a short handover (when I will revert to Non-Executive Chair), and Richard Jones who joined the Group as Interim CFO on 12th March 2026 and will replace Adam Phillips, CFO, on the Board on 26th March 2026. The Board would like to thank Adam for all of his hard work and wish him well in his new role.

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.

Strategy and culture

The Board has made progress in many key areas throughout the year, including the review 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 62 and 63), 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 18 to 20 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. Please see page 33 for further details.

Please see pages 62 and 63 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 2025 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 been given to our stakeholders and Karen Hubbard formally reports back to the Board on the ESG Committee progress. The highlights from the year and our progress in key areas are outlined in our Sustainability Report on page 26.

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 be 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 34 and further information on Board diversity can be found in the report of the Nomination Committee on pages 78 to 85.

Board evaluation

An externally 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. More information on the Board evaluation can be found on page 77.

Our colleagues

It has been a busy year overseeing the of our revised strategy, the transformation programme and the recruitment of a number of highly skilled colleagues at all levels of the business to drive us forward.

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

Stephen Bird

Interim Executive Chair

25 March 2026

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.



Stephen Bird
Interim Executive Chair



Stephen was appointed our Non-Executive Chair on 27 February 2025, (previously he was Senior Independent Director from 2022) and then appointed as Interim Executive Chair on 3 October 2025. 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.



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 Committees at both Pinewood Technologies Group plc and Creightons 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.



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.

Committee Membership key

A Audit Committee

D Disclosure Committee

E ESG Committee

F Employee Forum

N Nomination Committee

R Remuneration Committee

Ri Risk Committee

Committee Chair



Karen Hubbard

Independent Non-Executive Director

A E F N R

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.



Robin Williams

Independent Non-Executive Director

A N R

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 FTSE 250 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.



Alison Hughes

General Counsel & Company Secretary

D E Ri

Alison was appointed in December 2023 and has over 20 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 20 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 32 to 34 on culture and colleague engagement:

Care: We ensure that every individual feels respected, listened to and safe



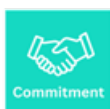
- Review of health and safety ('H&S') metrics and information included in the regular Board H&S reports.
- Review and approval of the Company's H&S policy.
- Presentations by the Company's Group H&S Director alongside visits to the site to see H&S measures and processes in practice.
- Review of the feedback 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.
- Employees have access to training to be able to do their best work, and develop and progress their careers.
- Employees have access to various wellbeing facilities.
- The Company regularly celebrates and recognises employees when they do a great job.
- Listening forums such as Employee Forums where employees have the opportunity to raise their questions, ideas and questions whilst having the opportunity to discuss these directly with Executive Committee members and Board Directors.

Teamwork: We create an inclusive environment where people celebrate success together



- Review of the updates from the Company on its diversity and inclusion plans, including changes to recruitment processes and other inclusion initiatives.
- Review of regular updates on colleague turnover through the regular Chief People 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).
- Review of the annual Gender Pay Gap report.
- 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.
- The Board and throughout the Company there are regular celebrations and events to recognise employees and teams when they are doing a great job.
- Listening forums such as Employee Forums where employees have the opportunity to raise their feedback on success as well as areas for improvement whilst having the opportunity to discuss these directly with Executive Committee members and Board Directors.

Commitment: We uphold high standards and confidently challenge wrong behaviours



- 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..
- 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, along with external advisers, to have the opportunity to directly ask questions of specialist advisers and subject matter experts.

Ownership: We create a trusted environment where people are empowered to act and can learn and improve



- 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 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.

Simplicity: We avoid over complication by keeping things simple



- Board and Company has overseen revised reporting on business performance measures and metrics this year adopting a flexible approach and required format of reporting from Executive Committee members to keep things simple and enable executive management to focus on key initiatives to drive better performance.
- Review of the annual colleague engagement survey to understand how are colleagues are feeling about things and how we can communicate better in order for them to do their jobs effectively.
- Board reviews our customers' feedback through the customer survey and reports on the same to the Board.
- Sharper focus on a revised Company strategy has enabled the Executive Committee members to focus on key messages and simple actions to drive better business performance.
- As appropriate, Board continues to review and receive specific reporting and presentations on major business change programmes such as the Company's transformation programme, along with external advisers, to have the opportunity to directly ask questions of specialist advisers and subject matter experts.

BOARD LEADERSHIP AND COMPANY PURPOSE

Board activity in 2025

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 regular dedicated Board meetings and calls this year on the acceleration of the Company's transformation programme and of its revisited strategy, with subsequent updates on the transformation programme for the Board at all of its meetings and calls 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 Interim Executive Chair, (along with the 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 Officer, Sales Director and Chief Transformation 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.
- 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

August

Transformation Programme update

Board receives update of the Company's transformation programme

September

Strategy Day

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

December

Review ERP Project Nexus

Board consider and approve the pause to the ERP replacement programme whilst the business continues to focus on key transformation activity

April

Rayleigh site visit

Board visits its new warehouse site in Rayleigh for a site visit shortly after it became operational and receives updates on its network strategy and hears from its contracts leadership team

May

Buying & supply chain

Board receives update from the Chief Buying Officer

July

Strategy Day

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

Independent Retail

Board receives update from Independent Retailer Leadership team and reviews the sale and leaseback proposal for its Tamworth site

October

Transformation Programme

Board receives update on its accelerated transformation programme and strategy review

November

Update on strategy

Board reviews the latest feedback on its revised strategy and progress on accelerated transformation actions



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 7 to 17.

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 62 and 63.

Colleagues are encouraged to incorporate the values and behaviours into work every day to deliver our objectives, together.

Karen Hubbard is the Independent Non-Executive Director accountable for representing the voice of our colleagues in Board meetings. Please see page 69 for feedback from Karen on 2025 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, the ongoing leadership development programme, as well as the employee engagement survey and specific senior leadership team meetings to discuss the revised strategy and how everyone can contribute to this.

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 62 and 63 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 33.
- 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 18 to 20.

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 various Employee Forums.

[➔](#) See pages 32 to 34 for employee engagement

Our Customers



The Board receives customer insights through Board reports and strategy presentations and from the Group Marketing Director and other members of the senior management team.

Our Suppliers



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

[➔](#) See page 19 for supplier engagement

Our Shareholders



There is regular dialogue with our shareholders, especially following the revised strategy announced on 11 November 2025.

[➔](#) See page 19 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 26 to 45

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

Project Nexus – ERP Replacement Programme

During the year the Board made the decision to pause the ERP replacement programme. This was taken after considering the competing priorities for colleague time and attention between the ERP programme and the transformation plan. The Board also recognised that the transformation plan could have an impact on the design of the new ERP. This could cause rework of the ERP if the two programmes were running concurrently; hence it was felt appropriate to mitigate such a risk in order to conserve resources.

Debt Refinancing

In January 2026 the Group announced the completion of a refinancing of its borrowing facilities. The decision to launch the refinancing process was taken by the Board during 2025 and then the final facility agreement was approved in January 2026. In commencing the refinancing in 2025 the Board reflected on the fact that the prevailing facility was not due to expire until October 2027, but that it was in the interests of multiple stakeholders to secure new financing well ahead of that in order to provide reassurance that the Group had access to borrowing facilities throughout the period of the transformation plan and beyond. Furthermore, the prevailing facility had required discussions with the lenders every six months on covenants, which was time-consuming and incurred fees.

Transformation programme

In response to challenging market conditions, with consumer spending on home improvements in significant decline combined with heavy cost inflation in recent years, the Board made the decision to launch a transformation programme in 2024.

The objective of this was to make Headlam a more effective organisation and simplify the Group's offer to its customers, whilst also driving through efficiencies in working capital and asset ownership in order to fund the changes needed. The Board continually review the progress of the transformation plan and the wider strategic initiatives. The prevailing strategy had been to offset cyclical market decline, and the impact of new entrants, with growth with larger customers and through trade counter expansion in order to broaden the customer base. Whilst this strategy had achieved growth in those newer customer groups, it had come at the expense of the core customer group of independent retailers and contractors. Accordingly, and as a product of its continual review of the performance of the business, the Board decided, in the second half of 2025, to make a change in leadership of the Group and to embark on a change in the strategic direction. This change involves a more significant right-sizing of the business towards current market volumes, rather than assuming a material cyclical recovery, as well as a refocus on the independent retailers and contractors.

Q&A WITH KAREN HUBBARD



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

Karen Hubbard

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

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 Interim Chief People 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 2026 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 2025 the Board consisted of the Interim Executive Chair, the Chief Financial Officer, the Senior Independent Director and two further Non-Executive Directors.

As such, at least half the Board, (excluding the Interim Executive Chair and the Chief Financial Officer), 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 86.

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.

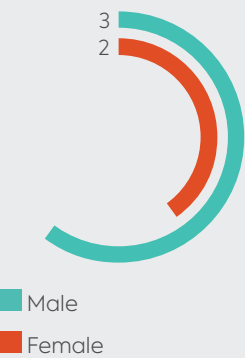
The Board operates within a corporate governance framework designed to support the achievement of long-term sustainable success. The Board has overall responsibility for setting the Group’s strategy and setting objectives for the business, taking into account the risk appetite of the business. The Board 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 2025 can be found on page 75.

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 2025



Board Independence

as at 31 December 2025

Interim Executive Chair	1
Executive Directors	1
Independent Non-Executive Directors (including the Senior Independent Director)	3

Board Director tenure

as at 31 December 2025



Board and Committee Structure as at 31 December 2025

Non-Executive Chair (pre 3 October 2025)

The Non-Executive 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 Non-Executive Chair led the annual Board effectiveness review and ensures any new Directors have a tailored induction.

Interim Executive Chair (from 3 October 2025)

After Chris Payne stepped down on 3 October 2025, Stephen Bird assumed the role of Interim Executive Chair whilst a search for Chris' successor was undertaken. Stephen fulfilled elements of the Chief Executive roles. However, the Board naturally increased the governance oversight and frequency of Board meetings and calls to collate feedback and oversight over the Executive Committee and the Company's performance, including presentations and information validated by external advisers to the Board to maintain an independent overview as and where appropriate.

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. They are 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. From 3 October, the Chief Financial Officer carried out some elements of the Chief Executive role to support the Interim Executive Chair.

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. From 3 October Jemima Bird as Senior Independent Director also supported the Interim Executive Chair and in doing so carried out some elements of the Non-Executive Chair role.

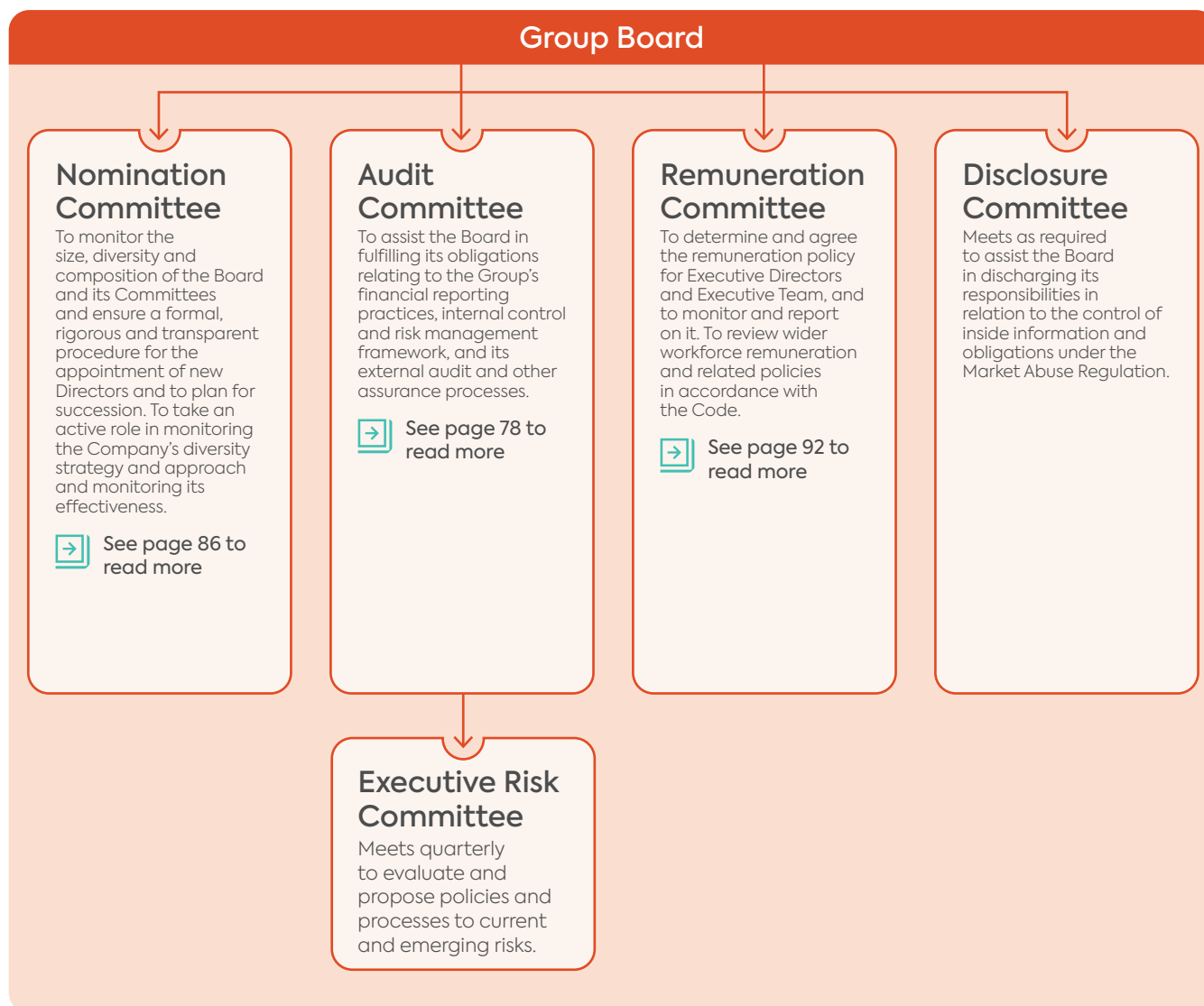
Independent Non-Executive Directors

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

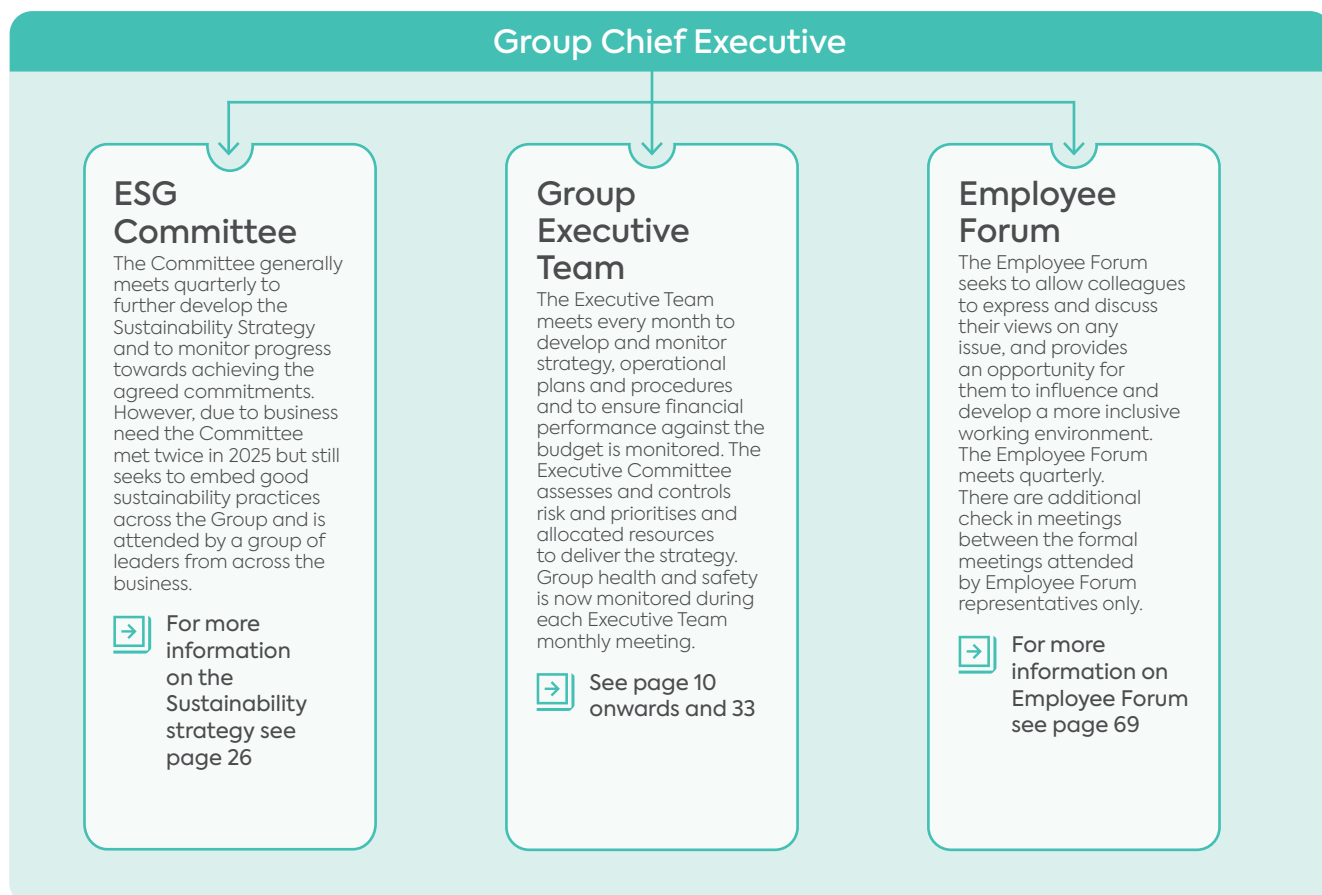


Committee attendance

Membership of the Board and its Committees and attendance at meetings held during the year ended 31 December 2025.

	Board	Nomination Committee	Audit Committee	Remuneration Committee
Keith Edelman	1/15	1/4	–	–
Chris Payne	12/15	–	–	2/4
Stephen Bird	14/15	3/4	4/4	3/4
Jemima Bird	15/15	4/4	4/4	4/4
Karen Hubbard	15/15	4/4	4/4	4/4
Robin Williams	15/15	4/4	4/4	4/4
Adam Phillips	15/15	–	–	–

The numbers in the table above confirm how many meetings each Director attended and the total each was eligible to attend during the year.



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 71.

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. The Board considered the independence of the Non-Executive Directors and, taking into account the Board's review of the Conflicts of Interests register, consider that three 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. Stephen Bird was considered independent upon appointment to the Board and upon appointment as Non-Executive Chair. Jemima Bird was considered independent upon her appointment to the Board and upon her appointment as Senior Independent Director on 27 February 2025 and throughout 2025 and continues to be considered as independent notwithstanding the additional support which Jemima has provided the Company since 3 October 2025 to support the Interim Executive Chair whilst searches for successors for certain management roles were undertaken.

The Board considered Jemima independent because the additional time commitment was exceptional in nature and temporary, the remuneration (i.e. a fixed fee which was not performance or share price linked) should be considered to be an increase in her Director's fee, rather than as

DIVISION OF RESPONSIBILITIES CONTINUED

additional remuneration, the payment of additional fees is consistent with the current Directors' Remuneration Policy and the amounts paid are not outside of market norms if converted to a per day rate and Jemima remained a Non-Executive Director (i.e. she has not become an employee of the Company). The Board has met more frequently to have more oversight and receives third-party presentations and data to maintain an independent evaluation of matters being presented by management.

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.

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 seeking re-election stand for re-election by shareholders annually at the AGM, (neither Keith Edelman who left in 2025 or Adam Phillips who leaves shortly in 2026 will stand for re-election).

Board activity in 2025

Board meetings provide the forum for the debate, review and challenge of strategic, operational and governance matters, please also see pages 64, 65 and 75.

The Board had 15 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 Interim Executive Chair and the General Counsel & Company Secretary. Sufficient time is allocated to each item to ensure effective discussion.

Standing agenda items include updates from the Interim Executive Chair, Chief Financial Officer, and Interim Chief People 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 18 to 20.

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.



For further information on strategy see page 12

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
- Sale and leaseback of the Tamworth distribution centre
- Oversight of the strategy refresh announced in November 2025
- Considered the impact of Company culture on initiatives and projects

 See page 12 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 and 2026 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 51 for long-term viability statement

People

- Approval of the appointment of Stephen Bird (as Interim Executive Chair with effect from 3 October)
- Executive Committee succession planning
- Consideration of health and safety
- Consideration of Group diversity
- Gender pay gap reporting
- Modern slavery reporting
- Employee share grants and long service awards

 See pages 32 to 35, 62, 63 and 88 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 IT security
- Received a presentation from the appointed Health & Safety Director

 See page 46 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
- Received feedback from the Supplier Conference

 See page 26 for Sustainability report

Governance and culture

- Participated in and reviewed the results of an externally facilitated Board and Committee evaluation
- 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

DIVISION OF RESPONSIBILITIES CONTINUED

Outside the Boardroom

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

In April they visited the Rayleigh distribution centre which 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 Interim Executive Chair is kept up to date about emerging issues through regular interaction with the Chief Financial Officer and other members of the Executive Committee.

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 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 7 and in the Audit Committee report on page 78.

A description of the risks identified, together with details of how they are managed or mitigated, is set out on pages 46 to 50.

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 2025 have covered ESG updates, cybersecurity, investor views, customer insight, 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 2025 versus actions identified as part of the prior year's Board evaluation (2024)

	Customer	Continued Board engagement with Executive team	Meetings
Actions identified in 2024	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.
Progress made in 2025	The Board completed this and met with different customers during the year.	The Board continued to engage with the Executive team on an individual and collective basis to further understand the challenges the Company faces which enabled the Board to take urgent action to accelerate the transformation programme and revise its strategy.	The Board has embedded this feedback approach at each meeting which has worked well to capture consistent points for Executive team members.

2025 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 2025 with Telos Partners.

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

The Board discussed the report and agreed actions to take forward based on the suggestions in the report.

Performance review of the Chair (and Interim Executive Chair) during the financial year

The Senior Independent Director (Jemima Bird), following results of the Board evaluation and consultation with other Directors, provided feedback to Stephen Bird as the Chair and Interim Executive Chair on his own performance. The review noted that the Chair had strengthened relationships between the Board and the Management Team, with a more collaborative leadership and approach, allowing full member participation in meetings. In addition, given the Company's performance a directive-led approach with the Management Team was deemed appropriate and would receive periodic reviews as business context evolves. Please see the Nomination Committee report on pages 78 to 85 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 Chair 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



“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.”

Robin Williams
Chair of the Audit Committee

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 2025.

This report outlines the Audit Committee’s ongoing role in providing robust challenge and oversight of the Group’s financial reporting, internal controls, and risk management. The macroeconomic and industry headwinds commented upon last year have persisted through the year, which has created externally driven challenges. These have been compounded by certain adverse unintended consequences of the strategy that the Group had been pursuing and which was revised during the year. The Audit Committee has continued to monitor closely for the potential impact of these challenges on the Group.

Membership and meetings

The Audit Committee comprises Stephen Bird, Jemima Bird, Karen Hubbard and myself. All members are independent Non-Executive Directors, except for a period of time, when Stephen Bird and Jemima Bird took on executive duties following the departure of the CEO in October 2025, bringing a broad range of relevant experience that enables effective challenge and thorough analysis of the matters considered. Further details of the Committee members’ experience can be found in the Directors’ biographies on pages 60 and 61. Information on the remuneration of Audit Committee members is set out in the Report on Directors’ Remuneration on page 106.

The Audit Committee met four times during the year in scheduled meetings aligned to the annual programme of business and the financial reporting cycle. Meetings are held shortly before Board meetings to facilitate effective and timely reporting, with the Chair of the Audit Committee providing a verbal update to the Board following each meeting.

The Chief Executive/Executive Chair, Chief Financial Officer, and representatives of the external auditor attend Audit Committee meetings at the invitation of the Committee Chair. The Director of Group Finance, the Head of Internal Audit, and other members of senior management attend as appropriate. During the year, the Audit Committee also held meetings with the external auditor without management present and, separately, with the Head of Internal Audit. In addition, I meet regularly with the Lead Audit Partner outside the formal meeting schedule and maintain ongoing contact with the Chief Financial Officer and the Head of Internal Audit.

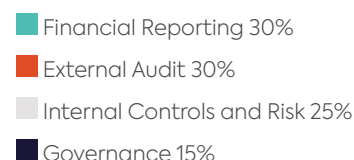
The Company Secretary acts as Secretary to the Audit Committee. In addition to formal meetings, Audit Committee members met with members of the operational and finance teams, as well as other senior management, during the year.

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 2025. These are set out in the table below along with a summary of the progress the Audit Committee has made on these priorities.

Key areas of focus	Progress made
Preparation for compliance with the UK Corporate Governance Code reform including readiness for the required Director's Declaration in respect of the year ended 31 December 2026	Preparations for compliance progressed well during the year. A dry run of the controls and areas underpinning the Declaration was performed in 2025. Whilst the key remediation focus is on material controls, attention is also given to key controls which form part of our internal control environment assessment.
Continued oversight and challenge of the impact of the Group's transformation plan on financial reporting and on significant judgements and estimates	The impact of the transformation plan has been assessed as part of the half year process on significant judgements and estimates, including bad debt and stock provisioning as well as going concern.
Oversight of financial control implications of the new ERP	The Finance team have been heavily involved in shaping the design of the new system, including the incorporation of the required controls. The new system is defined in a master document called 'Day In The Life'. The Board carefully discussed the considerations as to whether or not to pause the implementation of the new ERP system, ultimately deciding to pause it. Prior to that decision the project team had been building towards doing walk throughs of each of the key processes for the Executive team and certain members of the Audit Committee.
Assessing impact of macroeconomic and trading environment on the Group's accounting judgements and estimates (e.g. impairment, going concern, etc.)	The macroeconomic impact and trading environment has also been considered in the half year process on significant judgements and estimates, notably in the 3 year plan roll forward and going concern assessment.
Consideration of emerging risks, including through a facilitated workshop	The Risk Committee undertook a facilitated workshop in 2024 and this was envisaged to be repeated in 2025, with the Audit Committee. However, given other business priorities in light of business performance, this will be covered by the Audit Committee during 2026. Consideration of emerging risks has, nonetheless, continued during the year.

How the Committee spent its time



AUDIT COMMITTEE REPORT CONTINUED

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 interim and annual financial statements, including significant accounting judgements, estimates and risk disclosures.
- Considered the effectiveness of processes to ensure the Annual Report and Accounts are fair, balanced and understandable.
- Assessed the impact of macroeconomic and trading conditions, and the transformation plan, on accounting judgements, disclosures and liquidity, and reviewed the going concern basis of preparation.
- Considered the external Auditor's findings and management's responses, and approved the Audit Committee Report for inclusion in the Annual Report and Accounts.

Governance

- Reviewed and approved the Audit Committee's terms of reference, annual programme of work and key governance policies.
- Considered matters relating to modern slavery and human trafficking and received updates on relevant corporate governance developments.

Going concern and viability reporting

- Reviewed financial modelling supporting the going concern assessment.
- Considered the viability assessment and scenario analysis underpinning the long-term viability statement.

External Audit

- Approved the external audit plan, scope, materiality, and the audit fee.
- Reviewed audit findings, including private meetings with the external Auditor, and assessed auditor independence and effectiveness.
- Oversight of the audit tender process concluding in the recommendation to reappoint PwC.

Internal controls and Risk

- Approved the internal audit charter and plan and reviewed reports on the effectiveness of internal controls and risk management.
- Supported the Board in its review of principal and emerging risks and related disclosures.
- Oversight of the preparation for compliance with the Director's Declaration in respect of the year ended 31 December 2026.

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 issues and 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 £6.2 million in respect of the profit on disposal of properties, and expenses of £36.3 million comprising: £1.1 million of amortisation of intangibles and other acquisition-related expenses, £4.8 million impairment of assets, £23.2 million business restructuring and change-related costs, £5.6 million ERP system development, and £1.6 million provision relating to legal claim. 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 and recoverability of investments in subsidiaries The Group had £7.6 million of goodwill allocated on its balance sheet at 31 December 2025, resulting from past acquisitions, along with intangible assets, property, plant and equipment and right-of-use assets. Furthermore, the Company's investments in subsidiaries are £12.6 million. 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 2025 and December 2025 where indicators of impairment were identified. The key assumptions used in an impairment review are the level of revenue growth, gross margin and the discount rate. Management concluded that an impairment of £4.8 million was necessary during 2025, in respect of the Melrose cash generating unit, as described in note 10. Management also assessed the recoverability of the Company's investment in its subsidiaries and an impairment of £83.8 million was recorded. This was driven by an increase in debt in HFD Limited and the reduced value in use of cash flow projections as a result of the Group's transformation plan, which, whilst providing a clear line of sight to return to profitability, is based on a smaller business and hence the absolute profit in the long term projections has changed compared to previous impairment assessments. The Audit Committee considered 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 auditors' 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

Significant issues and areas of estimate and judgement	How they were addressed
Recoverability of deferred tax assets A net deferred tax asset of £8.2m has been recognised in respect of tax losses	Over the last two years the Group's deferred tax assets in respect of tax losses have increased. In determining whether it is appropriate to recognise deferred tax assets management is required to consider whether there are sufficient deferred tax liabilities against which to offset these deferred tax assets and, where this is not the case, to satisfy itself that there are sufficient taxable profits projected in order to utilise these losses in an appropriate timeframe. Management has assessed future trading forecasts and has concluded that the deferred tax assets recognised will be recoverable using estimated future taxable income over a five year period to 2030 based on approved business plans for the Group up to 2029 with 2030 assumed to be in line with 2029. The directors have not deemed it appropriate to estimate future taxable income past 2030 given the unreliability of using estimating data past this point. The losses can be carried forward indefinitely and have no expiry date. The Committee considered management's assessment and its projections, after which the Committee concurred with management's view that it was appropriate to recognise the deferred tax assets
Provision for legal claim The Group has recognised a provision of £1.6m in respect of a health and safety offence in 2022	The legal claims provision relates to one of the Company's subsidiaries, MCD Group Limited, which is being prosecuted by a local authority for a health and safety offence relating to an accident at one of the Group's sites, previously disclosed in our 2022 Annual Report. MCD Group Limited has pleaded guilty to the offence and awaits sentencing. There is significant uncertainty in estimating the level of fine that may be imposed. The Committee considered management's assessment, as well as external input, including with reference to sentencing guidelines. The Committee concurred with the provision of £1.6 million recognised, being the best estimate at the current time.
Going Concern 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 Audit Committee assessed management's going concern analysis, which included forecasts of a base case scenario and a severe but plausible downside scenario, and covenant compliance and liquidity headroom in those scenarios. Particular attention was given to assumptions relating to revenue, transformation plan initiatives, cash inflows from property disposals and working capital optimisation, and the availability of committed borrowing facilities. The Audit Committee challenged these assumptions and reviewed the mitigating actions available, including those that are in the Group's control and those that are not. The Audit Committee noted that the Group was compliant with covenants in both the base case and the downside scenarios. Having considered the analysis and the disclosures proposed in the financial statements, the Audit Committee concluded that it is appropriate to prepare the financial statements on a going concern basis. The Audit Committee also noted that, whilst the transformation plan is anticipated to result in a reduction in Net Debt, there are cash inflows in the projections (specifically, property disposals) that are not wholly within the Group's control. Accordingly, the Committee concurred that those particular circumstances represent a material uncertainty which has been disclosed in the financial statements.

Internal audit

The Group has a Head of Internal Audit, who provides regular reports to the Audit Committee at each meeting. During the year, the function delivered the approved internal audit plan, which was developed with reference to the Group's principal risks.

The Audit Committee also receives assurance from a range of other sources, including internal control reviews carried out by the Group finance team and additional management reporting. This includes a consolidated overview of assurance activities across the Group, together with internal self-certification reports covering compliance with regulatory requirements and Group policies.

The internal audit function will continue to develop in line with the Group's strategy, focusing on assessing the effectiveness of risk management processes, policies, procedures, systems and key controls. Management considers recommendations arising from internal audit reviews, with progress against agreed actions monitored by Internal Audit and reported to the Audit Committee on an ongoing basis.

The Audit Committee remains satisfied with the independence and effectiveness of the internal audit function. The Head of Internal Audit reports directly to the Chair of the Audit Committee, with an administrative reporting line to the Chief Executive, and holds no other operational responsibilities, in accordance with the Institute of Internal Auditors' Code of Practice.

Private sessions between the Audit Committee and the Head of Internal Audit are held twice annually, with additional meetings between the Head of Internal Audit and the Committee Chair taking place at least quarterly.

External auditor

Non-audit services

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 FRC's Ethical Standard, non-audit fees paid to the external auditor should not exceed 70% of the average audit fee for the preceding three periods.

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.

Independence and objectivity

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

PwC was initially 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 had served as lead audit partner for five years prior to this year's audit commencing, the Audit Committee considered, in conjunction with the external auditors, appropriate lead audit partner arrangements in accordance with current professional standards. Laura Hill became lead audit partner for the year ended 31 December 2025.

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.

Audit tender

PwC will, for the year ending 31 December 2026, have been the Group's Auditor for ten years. Accordingly the Group conducted a competitive tender process for the Group's external audit, in line with regulatory requirements and to ensure continued audit quality, independence and value for money.

Two members of the Audit Committee formed a tender subcommittee which also included the Chief Financial Officer and Director of Group Finance. This tender subcommittee oversaw the tender process, which included the preparation of a detailed request for proposal and management presentations. A number of leading audit firms were invited to participate in the tender, including the incumbent auditor. The Committee was satisfied that the process was fair, competitive and appropriately robust.

Management supported the process by coordinating information requests and providing factual input; however, the final evaluation and recommendation were made solely by the Audit Committee, following input from the tender subcommittee.

Following the conclusion of the tender, the Audit Committee recommended the reappointment of PwC as the Company's external auditor, subject to shareholder approval at the AGM. The Audit Committee's recommendation, that a resolution to reappoint PwC LLP be proposed at the AGM, was accepted and endorsed by the Board. In accordance with regulatory requirements, the next audit tender will be conducted no later than 2036.

The Audit Committee concluded that the tender process was thorough and effective and that the recommended auditor is well placed to deliver a high-quality, independent audit of the Group.

AUDIT COMMITTEE REPORT CONTINUED

FRC review of 2024 financial statements

The FRC conducts a review programme of companies' annual reports and accounts. During 2025 the FRC conducted such a routine review of the Company's 2024 accounts and enquired into specific areas of the Company's reporting.

As a result of this FRC review, the Company has changed its accounting policy for cash and cash equivalents in order to provide reliable and more relevant information in the financial statements.

The Group accounting policy when there is a cash pooling arrangement in place, covered by one single bank contract, relating to a single currency and subsidiaries operating in the same country, is that cash and cash equivalents and overdrafts are considered to be a single unit of account and they are reported on an aggregated basis.

The Company is now deemed to be the primary participant in the pooling arrangement and the amount recorded as cash and cash equivalents in the Company's financial statements is the net cash balance on the pooling arrangement rather than its memo account balance, with the difference recorded as an intercompany balance. This change in accounting policy has resulted in the restatement of the Company's cash and cash equivalents at 31 December 2024 period from £82.3 million to £7.5 million with corresponding adjustments to trade and other receivables from £28.7 million to £128.6 million and trade and other payables from £49.2 million to £74.3 million. The brought forward cash and cash equivalents balance as at 1 January 2024 has been restated from £63.2 million to £15.1 million.

There is no change to the Group's cash and cash equivalents in the consolidated financial statements.

It is noted that there are inherent limitations to the FRC review of the 2024 annual report and accounts and that it does not provide assurance that the annual report and accounts are correct in all material aspects. The FRC role is not to verify the information provided to it, but to consider compliance with reporting requirements. The FRC accepts no liability for reliance on them by the Company or any third party, including, but not limited to, investors and shareholders.

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 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.

The Company has a clear approach to identifying and mitigating information security risk. 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.

A small subsidiary of the Company was subjected to a cyber attack during the year, which successfully infiltrated and disabled the standalone ERP system of the subsidiary. However, through swift action to isolate and disconnect the affected system and launch an alternative version of the ERP system, populated with backup data, there was very minimal disruption with little to no lost revenue as a result. We did not identify any loss of data from this attack.

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 46 to 50.

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 Interim Executive Chair, Chief Financial Officer, Company Secretary, Finance Team, Interim Chief People 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 2025 Annual 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's 'Speak Up' Policy enables employees to confidentially raise concerns regarding potential improprieties in financial reporting or other matters. All employees receive the Policy at induction and through ongoing training and communications throughout the year.

Concerns can be raised via clearly defined internal channels or anonymously through an independent external provider. The 'Speak Up' Committee – comprising the Interim Chief People Officer, General Counsel & Company Secretary, Director of Group Finance, and Head of Internal Audit – oversees the process, with all incidents reported to the Chair of the Audit Committee. Investigations are conducted in line with the Policy, with outcomes communicated to the Board as appropriate.

The Group maintains a zero-tolerance approach to bribery. During the year, the Audit Committee reviewed the Anti-Corruption and Bribery, and Fraud and Anti-Money Laundering Policies and recommended their approval to the Board. Further details are available on page 75.

Committee effectiveness review

The effectiveness of the Audit Committee was evaluated as part of the Board evaluation. Further details of this can be found on page 77. 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.

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

25 March 2026

NOMINATION COMMITTEE REPORT



“The Committee is committed to ensuring that the Board and the senior management team have the right skills, experience, knowledge and background to deliver the revised strategy.”

Stephen Bird

Chair of the Nomination Committee

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 2025.

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 and revised strategy of the Company.

As a result, 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 60 and 61.

Executive Directors

The focus later in 2025 was to consider the composition of the Board and the senior management team in light of the Company's performance and needs going forwards, with careful planning to support the Company through accelerating its transformation programme and revised strategy.

Following Chris Payne's stepping down as Chief Executive Officer on 3 October, I became Interim Executive Chair whilst a search for a successor for Chief Executive Officer took place.

Following a successful search using search agency Warren Partners, I'm very pleased to welcome Rob Barclay as our Chief Executive Officer Designate who joined on 9 March 2026 and will assume the Chief Executive Officer role on 27 April 2026 after a short handover and I will revert back my role as Non-Executive Chair.

I'm very pleased to welcome Rob Barclay as our Chief Executive Officer Designate who will become Chief Executive Officer and join the Board on 27 April 2026 after a short handover (when I will revert to Non-Executive Chair), and Richard Jones who joined the Group as Interim CFO on 12th March 2026 and will replace Adam Phillips, CFO, on the Board on 26th March 2026.

Board composition

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.

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.

Strengthening the Senior Management Team

The Nomination Committee focused on the search and recruitment of a replacement Chief Executive Officer during 2025 whilst also ensuring the right people with the right skills were in place within the senior management team to deliver the revised strategy and ensure performance management was strengthened throughout the business.

An interim review was undertaken of the senior management team, to ensure the accelerated delivery of the transformation programme and revised strategy in challenging market conditions with added expertise in buying and supply chain transformation and sales to drive our sales force performance. We also supplemented the senior management team with interim support with further expertise across HR, Operations and Transformation.

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 2025 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 2025, there were five Board members, two of which were female (40%) and three were male (60%).

One of our female Board Directors, Jemima Bird is our Senior Independent Director. Whilst the Board has 40% female Board Directors, it recognises 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. However, the Board is committed to increasing diversity when the opportunity arises and appropriate candidates are identified.

The Board has reviewed its size, structure and composition during the year, (and more recently on 4 March 2026), and concluded that it remains suitable to meet the Company's needs and to promote the desired culture, (please also see the results of the 2025 Board Evaluation on page 77).

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.

NOMINATION COMMITTEE REPORT CONTINUED

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 2025

	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	3	60%	2	5	55%
Women	2	40%	1	4	45%
Not specified/prefer not to say	–	–	–	–	–

Ethnicity representation as at 31 December 2025

	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)	5	100%	2	9	100%
Mixed/Multiple Ethnic Groups	–	–	–	–	–
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 34.

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 69.

Effectiveness of the Nomination Committee

The effectiveness of the Nomination Committee was evaluated as part of the 2025 Board and Committees evaluation, which was undertaken externally this year by an external third-party consultant, Telos Partners. The report 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.

Directors – retirement, election and re-election

Individuals seeking election and re-election at the 2026 AGM is set out in the AGM Notice of Meeting.



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 election and/or re-election of each Director (as applicable).

A year of progress

Despite the challenges throughout the year, we have made good progress with our revised strategy and accelerating our transformation programme. The Nomination Committee always has the long-term success of the business for all stakeholders in mind.

Membership and attendance at 2025 meetings

During the year, I acted as 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 60 and 61. 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 four 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 Officer), 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 and this operated where in relation to my appointment as Interim Executive Chair, our Senior Independent Director chaired the Nomination Committee which discussed this.

Name	No. of meetings attended
Stephen Bird	3/4
Jemima Bird	4/4
Karen Hubbard	4/4
Robin Williams	4/4

As referred to above, there was one Nomination Committee meeting held to discuss specifics relating to my appointment as Interim Executive Chair and given this, it was not appropriate that I attended this meeting and so my 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 decision to appoint Jemima Bird as our Senior Independent Director last year.

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 as follows:

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.
- Supported the recruitment of key interim Executive team and management positions.
- Implemented the Chair and CEO succession plans.

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.
- 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 56 to 123 forms part of the Corporate Governance report and is signed on behalf of the Nomination Committee by:

Stephen Bird

Chair of the Nomination Committee

25 March 2026



DIRECTORS' REMUNERATION REPORT



“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.”

Jemima Bird

Chair of the Remuneration Committee

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 2025.

The report includes this Annual Statement, a new Directors' Remuneration Policy ('Policy') given that the current Policy expires in 2026, and the Annual Report on Remuneration for the financial year ended 31 December 2025. The Directors' Remuneration Report (excluding the Policy) will be subject to an advisory shareholder vote at the AGM on 20 May 2026 and the Policy will be subject to a binding shareholder vote at the same meeting. This new Policy, subject to the approval of shareholders, will last for three years from the date of approval or until another policy is approved at a general meeting in the interim.

Business performance and incentive out-turn for 2025

As set out in the Chair's statement on page 2, 2025 proved to be a difficult year for the industry as a whole, and for many businesses exposed to consumer discretionary spend. Financial performance reflected both a persistently challenging market and the deliberate decision to exit low-margin revenue as the Group refocused on its core customer base. Despite this backdrop, the Company made good progress with the acceleration of its strategy to optimise and simplify the business through its transformation plan.

No annual bonus was payable in respect of 2025 as a result of the threshold profit target (70% of the bonus) not being met. While progress was made against a number of the non-financial targets (30% of the bonus), the Committee determined

that it was not appropriate to award an annual bonus in light of the Company's financial performance and broader stakeholder experience.

In respect of the 2023 PSP award due to vest in April 2026, the Committee determined that EPS and TSR performance was below threshold. As such, and as noted in the discretion section below, the Committee agreed to lapse the 2023 PSP awards regardless of performance against the ESG targets. Further details of the 2023 PSP award are set out on page 110.

Noting the above, the Policy is considered to have operated as intended and as detailed below, no changes are considered necessary.

Proposed New Policy

The three-year term of our current shareholder-approved Directors' Remuneration Policy expires in 2026 and, as a result, we are seeking approval for a new Policy at the 2026 AGM. Following a detailed review of the Policy towards the end of 2025, the Committee determined that it continued to remain fit for purpose and, as such, no changes are proposed in respect of the Policy that was last approved by shareholders at the 2023 AGM.

Board Changes

Chris Payne stepped down as Chief Executive Officer and Executive Director on 3 October 2025 and Stephen Bird assumed the role of interim Executive Chair on the same date. Rob Barclay joined the Company as Designate Chief Executive Officer on 9 March 2026 and will assume full responsibility as Chief Executive Officer on 27 April 2026 when Stephen Bird will revert to his role as Non-Executive Chair. Richard Jones joined the Group as Interim Chief Financial Officer on 12 March 2026 and joins the Board on 26 March 2026 following an orderly handover from Adam Phillips.

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 work carried out by the management team in respect of delivering the Company's transformation programme, the Remuneration Committee determined that no bonus should be payable to the Executive Directors in respect of the year ended 31 December 2025. In addition, noting that EPS and relative TSR performance was below threshold, the Committee determined that the 2023 PSP should lapse in full, regardless of performance against the ESG targets. Finally, the Remuneration Committee exercised negative discretion post year end to lapse that Chris Payne's 2024 DBP share awards given his departure.

Remuneration for 2026

Base salary

No salary increases were awarded from 1 January 2026. As such, current salary levels are as follows:

	Director	1 January 2026*	1 January 2025*
Interim Executive Chair ¹	Stephen Bird	£500,000	£500,000
Chief Executive Officer ²	Rob Barclay	£435,000	–
Chief Financial Officer ³	Adam Phillips	£331,500	£331,500

*Or appointment date where later.

- Upon appointment as Interim Executive Chair on 3 October 2025, Stephen Bird's Non-Executive Chair fee was increased from £150,000 to £500,000. This additional fee, which reflects his significantly enhanced role, will be payable until Stephen Bird return to his role of Non-Executive Chair on 27 April 2026.
- The new Chief Executive will receive a base salary £435,000 from appointment, significantly lower than the £494,190 paid to the previous incumbent.
- In addition to his base salary, Adam Phillips will continue to receive a £10,000 per month acting up allowance which commenced on 3 October 2025 which will cease upon the appointment of the new Chief Executive. The allowance, which does not receive the benefit of pension provision, reflects Adam's significant additional roles and responsibilities in respect of supporting the Interim Executive Chair.
- The Interim Chief Financial Officer, who joined the Group on 12 March 2026, initially on a below Board role will receive a base salary of £300,000 from appointment.

Pension

Pension contributions will continue to be capped at 8% of salary for Executive Directors which is comparable to the majority of employees. The Interim Executive Chair does not receive a pension contribution.

Annual bonus

The maximum annual bonus opportunity for 2026 will remain at 125% of base salary with a minimum of one-third of any award deferred into shares for two years. The payment of any annual bonus awards, which will be pro-rated for new joiners, will be based on both financial (majority weighting) and key strategic and ESG-related objectives (minority weighting). Full disclosure of the targets, which are considered to be commercially sensitive, will be provided in the 2026 Annual Report and Accounts. Neither the departing Chief Financial Officer or Interim Executive Chair will be eligible for a 2026 annual bonus. The bonus potential for the new Chief Executive Officer will be pro-rated to reflect the partial year served.

PSP

It is the Committee's intention to grant PSP awards up to 150% of salary to Executive Directors in 2026, albeit neither the departing Chief Financial Officer or Interim Executive Chair are eligible to receive awards. Vesting will be subject to EPS targets for the majority of the award and relative TSR targets for a minority of the award.

Shareholder alignment

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. Awards will continue to be subject to a two-year holding period following the date of vesting.

Non-Executive Directors' fees for 2026

No increases were awarded in respect of the Non-Executive Director base fees (£50,000), the Senior Independent Non-Executive Director fee (£10,000) or the additional fees in respect of Chairing the Audit Committee, Remuneration Committee and Employee Forum and ESG committee (£7,500 each.) However, reflecting her significant additional time commitment following the departures of the Chief Executive and Chief Customer Officer, Jemima Bird received an additional fee of £48,000 between 3 October 2025 and 31 December 2025. This reflects significant additional time commitment in excess of her Non-Executive Director and SID roles to assist the Interim Executive Chair in respect of delivering the transformation plan to return the Group to profitability. This included a review of the strategy, meetings with one customer to renegotiate key contractual relationships, a number of shareholder meetings and specific oversight for the Customer, Marketing, and People teams. The additional support provided, capped at £8,000 per month, will cease at the point that the new Chief Executive is appointed and this additional time commitment is not considered to have impaired Jemima Bird's independence, and Jemima was considered independent on appointment and throughout 2025 and 2026.

Shareholder views and voting outcomes

Headlam is committed to maintaining good communications with shareholders. It considers the AGM to be an opportunity to communicate with shareholders, giving them the opportunity to raise any issues or concerns they may have. In addition, the Committee seeks to engage directly with major shareholders and the main representative bodies, should any material change be proposed to the Policy. The Committee was pleased to receive over 99% votes in favour of the Directors' Remuneration Report (excluding the Policy) at the 2025 AGM and we hope we will again receive your support at the forthcoming AGM.

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

25 March 2026

DIRECTORS' REMUNERATION REPORT CONTINUED

At a glance remuneration overview

Executive Remuneration for the year ending 31 December 2026

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:		Performance measures support Group strategy to deliver:
	– increase profitability for shareholders – deliver key strategic and ESG-related priorities		– higher returns to shareholders – increased earnings
	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
	FY2025 Performance Metrics		
Shareholder alignment	Underlying Profit Before Tax – majority (to support profitability of the business)		Underlying Basic Earnings Per Share (EPS) – majority (to support the growth of earnings)
	Key strategic and ESG-related objectives – minority (to support business growth and ESG objectives)		Relative Total Shareholder Return (TSR) – minority (to align the interests of Directors with those of shareholders)
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 the Directors' Remuneration Policy for the Company.

The three-year term of our current shareholder-approved Directors' Remuneration Policy expires in 2026 and, as a result, we are seeking approval for a new Policy at the 2026 AGM. The Policy in this report will therefore be put to a binding shareholder vote at the AGM on 20 May 2026 and will take formal effect from that date, subject to shareholder approval. The Policy will formally apply for three years beginning on the date of approval unless a new Policy is presented to shareholders in the interim. Following approval all payments to Directors will be consistent with the approved Policy.

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.

Changes to the remuneration policy approved at the 2023 AGM

Shareholders approved our current Remuneration Policy at the 2023 AGM with over 90% of votes cast in favour. Following a review of the Policy, the Committee determined that it remained fit for purpose and, as such, no changes have been proposed in respect of the Policy that was approved by shareholders at the 2023 AGM.

DIRECTORS' REMUNERATION REPORT CONTINUED

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
Whilst 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.

DIRECTORS' REMUNERATION REPORT CONTINUED

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 Non-Executive Chair role)

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 Chair 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, chairing 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.
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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 Chair 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.

DIRECTORS' REMUNERATION REPORT CONTINUED

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:

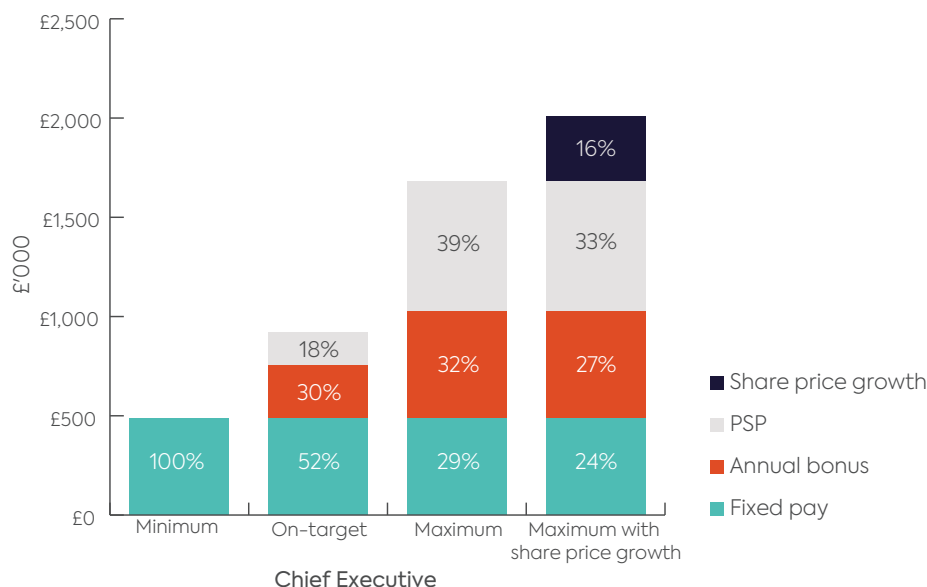
- we aim to provide market competitive levels of remuneration across the workforce in order to recruit and retain high calibre employees at all levels;
- we have aligned pension contributions for Executive Directors with the workforce;
- all UK employees have the opportunity to participate in an HMRC-approved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

DIRECTORS' REMUNERATION REPORT CONTINUED

Illustrations of application of remuneration policy

The chart below sets out for the incoming Chief Executive an illustration of the application for 2026 of the proposed Remuneration Policy set out above. Data has not been presented for the Chief Financial Officer given that he has resigned from the role and noting that the incoming Interim Financial Officer will initially join the Group on 12 March 2026 below the Board. The chart shows the split of remuneration between fixed pay and annual bonus and PSP on the basis of minimum remuneration, remuneration receivable for performance in line with the Group's expectations, maximum remuneration (not allowing for any share price appreciation) and maximum remuneration (assuming 50% share price growth).



In illustrating the potential reward, the following assumptions have been made.

	Fixed pay	Annual bonus	PSP
Minimum performance	Fixed elements of remuneration only – base salary (being the salary at the date of joining if later), an estimated value for benefits and cash in lieu of pension of 8% of salary	No annual bonus reward.	No vesting.
On-target (performance in line with expectations)		50% of maximum awarded (equivalent to 62.5% of salary) for achieving target performance.	25% of maximum award vesting (equivalent to 37.5% of salary) for achieving target performance.
Maximum performance		125% of salary awarded for achieving maximum performance.	100% of maximum award vesting (equivalent to 150% of salary) for achieving maximum performance.
Maximum performance plus 50% share price growth			100% of maximum award vesting (equivalent to 150% of salary) for achieving maximum performance plus hypothetical share price growth of 50%.

Notes to the scenarios methodology:

- Annual bonus includes amounts deferred into shares.
- PSP is measured at face value, i.e. no assumption for dividends or share price growth (other than in the fourth scenario).
- Any potential amounts relating to all-employee share schemes have been excluded.

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 Chair or Non-Executive Director will be in line with the fee policy in place at the time of appointment.

DIRECTORS' REMUNERATION REPORT CONTINUED

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 (Chair 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.

DIRECTORS' REMUNERATION REPORT CONTINUED

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 2025 and 2024.

Directors' remuneration as a single figure (audited)

		Base salary/fees £000	Non-salary benefits ⁶ £000	Pension related benefits ⁷ £000	Total fixed £000	Annual performance bonus ⁸ £000	Share-based incentive schemes ⁹ £000	Total variable £000	Total £000
Executive Directors									
Stephen Bird ¹	2025	87.5	1.8	–	89.3	–	–	–	89.3
	2024	–	–	–	–	–	–	–	–
Adam Phillips ²	2025	360.6	3.7	16.5	380.8	–	–	–	380.8
	2024	325	1.6	16.2	342.8	–	–	–	342.8
Non-Executive Directors									
Stephen Bird ¹	2025	135.7	2.3	–	138	–	–	–	138
	2024	60	0.9	–	60.9	–	–	–	60.9
Karen Hubbard	2025	57	2.7	–	59.7	–	–	–	59.7
	2024	57	3	–	60	–	–	–	60
Robin Williams	2025	57	0.6	–	57.6	–	–	–	57.6
	2024	57	0.4	–	57.4	–	–	–	57.4
Jemima Bird ³	2025	113.9	1.7	–	115.6	–	–	–	115.6
	2024	57	0.9	–	57.9	–	–	–	57.9
Former Directors									
Chris Payne ⁴	2025	376	7.7	30	413.7	–	–	–	413.7
	2024	484.5	9.2	38.7	532.4	–	–	–	532.4
Keith Edelman ⁵	2025	59	4.5	–	63.5	–	–	–	63.5
	2024	150	2.5	–	152.5	–	–	–	152.5
Total	2025	1,246.7	25	46.5	1317.2	–	–	–	1,317.2
	2024	1,190.5	18.5	54.9	1,263.9	–	–	–	1,263.9

¹ Stephen Bird was appointed Interim Executive Chair and with effect from 3 October 2025 receives a fee of £500,000 per annum for performing this enhanced interim role and the figures in the table reflect the relevant pro-rata amounts for the remainder of the year ended 31 December 2025. This additional fee, which reflects his significantly enhanced role, will be payable until the new Chief Executive is appointed. Prior to 3 October 2025, Stephen Bird received fees as Non-Executive Chair.

² In addition to his base salary, Adam Phillips received a £10,000 per month acting up allowance which commenced on 3 October 2025 and will cease upon the appointment of the new Chief Executive. The allowance, which does not receive the benefit of pension provision reflects Adam's significant additional roles and responsibilities in respect of supporting the Interim Executive Chair.

³ As detailed in the Annual Statement, Jemima Bird received an additional fee of £48,000 between 3 October 2025 and 31 December 2025 to reflect significant additional support provided to the Company following the departures of the Chief Executive and Chief Commercial Officer.

⁴ Chris Payne stepped down as Chief Executive and an Executive Director on 3 October 2025.

⁵ Keith Edelman stepped down as Chair on 28 February 2025 and continued to be paid for a further three months thereafter.

⁶ 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.

⁷ 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 (£7,599 as pension, (£22,472 as a salary supplement, totalling £30,072) 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 Phillips received pension contributions from the Company equivalent to 5% of his base salary.

⁸ Details of the annual bonus targets are set out on the following page.

⁹ Details of the 2023 PSP awards and performance condition assessment is set out in the 2023 PSP award section.

Annual performance bonus in respect of financial year 2025 (audited)

For 2025, the former 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)
EBITDA	70%	£5.6m	£6.2m	£7.4m	Below threshold	0%
Non-Financial	30%	See table below				0%

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

Objective	Target	Maximum	Potential Bonus (% of bonus opportunity)
Key Accounts Growth	Target Revenue growth	Target Revenue growth plus c10%	5%
Trade Counters Growth	Target Revenue growth	Target Revenue growth plus c10%	5%
Regional Distribution Market Share	Hold market share	Grow market share	5%
Buying	Set increase in group rebates	Set additional buying benefits	5%
Fusion implementation (customer satisfaction)	NPS maintained	NPS growth of at least 1ppt	5%
ESG (colleague engagement)	Maintained	Growth of at least 1ppt	5%
Total			30%

Noting that the threshold EBITDA target was not met, and notwithstanding any progress against the non-financial targets above (which were not ultimately assessed in detail) the Remuneration Committee agreed to apply negative discretion to reduce the 2025 bonus to nil.

DIRECTORS' REMUNERATION REPORT CONTINUED

2023 PSP due to vest in 2026 (audited)

Awards granted under the PSP in 29 June 2023 are based on 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 growth (70% of award)	TSR v FTSE SmallCap (excluding ITs) (20% of award)	tCO ₂ e% reduction (10% of award)
Below Threshold	–	Less than 32.5p	Below median	Less than 22%
Threshold	25	32.5p	Median	22%
Maximum	100	38.5p	Upper quartile	25%
Actual Performance		<32.5p	Below median	n/a
Vesting		0%	0%	0%

Noting that EPS and relative TSR performance was below threshold, the Committee determined that the 2023 PSP awards should lapse regardless of performance against the ESG targets.

Director	Shares granted	Shares vesting	Value of shares vesting
Chris Payne	277,669	0	£0

Share awards granted during the financial period (audited)

PSP awards

PSP awards were granted to the Executive Directors on 17 April 2025 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	741,285	£741,285	150%	25%	17 April 2025	3 years ending 31.12.2027
Adam Phillips	497,250	£497,250	150%	25%	17 April 2025	3 years ending 31.12.2027

The share price used to determine the number of shares under the PSP was 100 pence, being the share price determined by the Remuneration Committee. This was significantly above the prevailing share price at the date of grant (82.6 pence). A higher share price was selected, which effectively reduced award levels by c.83%, to recognise the year on year fall in share price and aid share usage/dilution management.

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 ₂ e% reduction (10% of award)
Below Threshold	–	Less than 0p	Below median	Less than 25%
Threshold	25	>0p	Median	25%
Maximum	100	≥13.1p	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)

No DBP awards were granted to Executive Directors during the year ended 31 December 2025.

Payment for loss of office (audited)

Keith Edelman stepped down from the Board on 28 February 2025. He continued to be paid for three months thereafter in respect of his notice period.

Chris Payne stepped down as an Executive Director on 3 October 2025. In respect of his leaving arrangements, he will continue to receive his salary, pension and benefit provision up to 16 May 2026. Chris received salary, pension and benefits of £118,176, £9,456 and £2,503 between stepping down from the Board and 31 December 2025. There will be no entitlement to an annual bonus for 2025 or 2026 and all of his existing PSP and DBP awards will lapse.

As announced on 5 February 2026, Adam Phillips resigned and is expected to leave the Group after an orderly handover has been completed. Adam will not be entitled to any bonus for 2025 or 2026 and his outstanding PSPs will lapse. He will retain his 2024 DBP awards (29,583 shares under award plus 975 shares in respect of dividend equivalents), which will continue to vest at the normal vesting date. No legal fees were incurred.

Payments made to past Directors (audited)

No payments were made for past directors to be reported for the year under review.

DIRECTORS' REMUNERATION REPORT CONTINUED

Executive Directors' share awards outstanding (audited)

Scheme	Number of shares /options as at 1 January 2025	Shares/options granted	Shares/options lapsed	Shares/options exercised	Number of shares/options at 31 December 2025	Date of grant	Share price at grant (pence)	Exercise Price (pence)	Market price on exercise date (pence)	Vesting date	Expiry date
Chris Payne											
PSP	-	741,285	-	-	741,285	17 April 2025	100	Nil	-	April 2028	April 2035
PSP	395,402	-	-	-	395,402	18 March 2024	183.80	Nil	-	March 2027 ¹	March 2034
DBP	64,608 ⁴	-	-	-	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	-	-	24,748 ²	-	13 April 2023	301	Nil	-	April 2025	April 2033
PSP	111,548	-	111,548	-	-	8 April 2022	381	Nil	-	April 2025 ¹	April 2032
SAYE	12,513	-	-	-	12,513	16 Oct 2024	143.42	114.74	-	Nov 2027	April 2028
Adam Phillips											
PSP		497,250	-	-	497,250	17 April 2025	100	Nil	-	April 2028	April 2035
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

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 Chris Payne exercised his 2023 nil-cost option to acquire 24,748 shares on 1 May 2025 which reflects the addition of dividend equivalents in Shares, calculated on a reinvestment basis.

³ SAYE awards are granted with an exercise price at a 20% discount to the market value of the shares at the time the invitation is made, as permitted under HMRC regulations.

⁴ Further to the payments for loss of office disclosure on page 109, all of Chris Payne's shares/options as at 31 December 2025 lapsed on 16 March 2026. Similarly, in respect of Adam Phillips all awards (except for his 2024 DBP share awards which vested on 18 March 2026) will lapse on his departure from the Group later in 2026.

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 2025 were as set out below. There have been no changes to those interests between 31 December 2025 and the date of signing of these financial statements and reports.

	Owned Shares at 31 December 2025 ¹	PSP	Deferred Bonus	Vested but not exercised	SAYE	Shares under Shareholding Guidelines ²	Guidelines achieved ³ (%)
Chris Payne ⁴	103,366	1,525,904	64,608	0	12,513	103,366	7%
Adam Phillips ⁴	2,168	889,626	29,583	0	6,272	15,679	1%
Keith Edelman	37,415	N/A	N/A	N/A	N/A	N/A	N/A
Jemima Bird	19,794	N/A	N/A	N/A	N/A	N/A	N/A
Stephen Bird	55,000	N/A	N/A	N/A	N/A	N/A	N/A
Karen Hubbard	12,008	N/A	N/A	N/A	N/A	N/A	N/A
Robin Williams	23,000	N/A	N/A	N/A	N/A	N/A	N/A

¹ Date of leaving in respect of Keith Edelman.

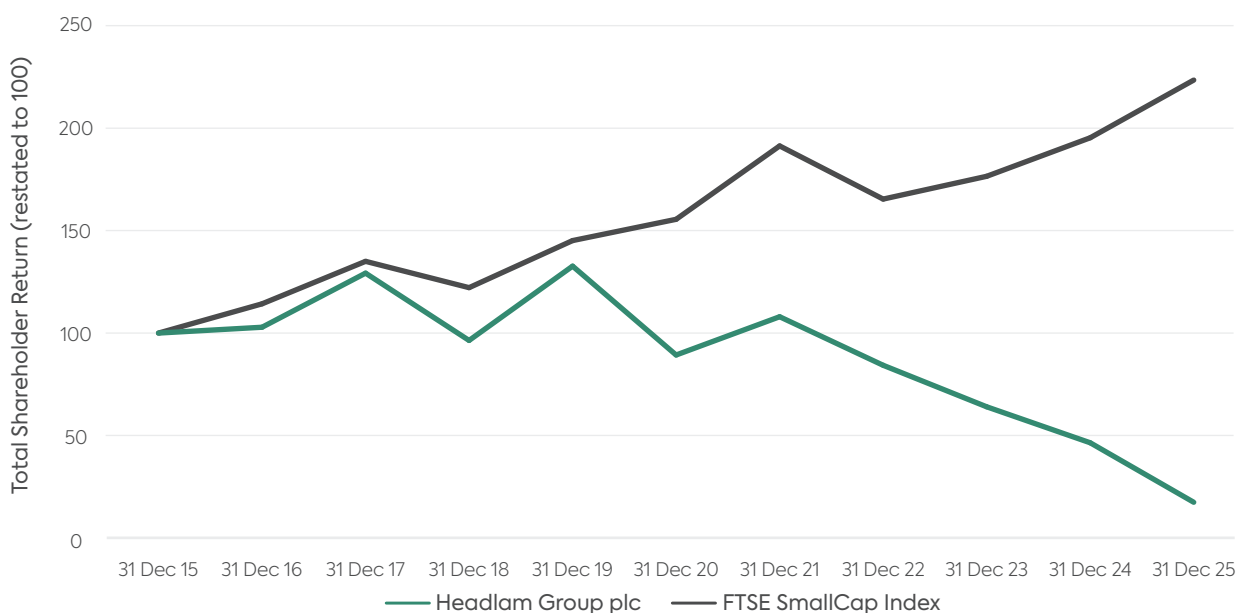
² PSP awards are subject to performance conditions and continued service. Deferred Bonus shares are subject to continued service only.

³ 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.

⁴ Please refer to footnote 4 of the Executive Directors' share awards outstanding table on page 110 in respect of the treatment of Chris Payne and Adam Phillips' outstanding share awards.

TSR graph

The graph below shows the value at 31 December 2025 of £100 invested in the Company on 1 January 2016 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.



DIRECTORS' REMUNERATION REPORT CONTINUED

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 (% of maximum opportunity)
2025	Chris Payne	414 ¹	–	–
2024	Chris Payne	532	–	–
2023	Chris Payne	644	20	–
2022	Chris Payne	674	38	–
2021	Chris Payne	205 ²	100	–
2021	Steve Wilson	864 ³	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 ⁴	76.8	98.6
2016	Tony Brewer	737 ⁵	N/A	88.9

¹ Reflects remuneration received by Chris Payne up until the 3 October 2025 when he stepped down as Chief Executive and an Executive Director.

² 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.

³ 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.

⁴ 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.

⁵ 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, 2024 and 2025.

Director	2025			2024			2023			2022			2021		
	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															
Stephen Bird	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Adam Phillips ⁸	11	127	0	41.9	60	-100	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Non-Executive Directors															
Stephen Bird ³	126	156	0	0	0	N/A	15	-73	N/A	282	N/A	N/A	N/A	N/A	N/A
Jemima Bird ^{6 9}	98	89	N/A	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Karen Hubbard ⁶	0	-10	N/A	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Robin Williams ⁶	0	50	N/A	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Former Directors															
Chris Payne	N/A	N/A	N/A	2	-23.3	-100	14	-37	-42	25	27	(55)	-	(10)	100
Keith Edelman ⁵	N/A	N/A	N/A	0	0	N/A	27	-72	N/A	95	N/A	N/A	-	N/A	N/A
Philip Lawrence	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	(60)	N/A	N/A	-	N/A	N/A
Amanda Aldridge ⁷	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	12	N/A	N/A	-	N/A	N/A
Simon King ³	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	120	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	N/A	N/A	N/A	(23)	(24)	100
Alison Littlely ⁴	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	(75)	N/A	N/A
All employees ¹	8	6	0	12	8	0	7	-3	-100	3	(6)	(74)	-	5	100

¹ Reflects the average percentage change in salary, benefits and bonus for all employees who were employed in 2024 and 2025.

² This reflects annual bonus paid in respect of the financial year as per the single figure table.

³ Stephen Bird has been included twice in the above table in respect of his Non-Executive Chair role and his Interim Executive Chair role..

⁴ Alison Littlely 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 stepped down from the Board 28 February 2025.

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.

⁹ Includes fees paid to Jemima Bird associated with significant additional time commitment.

DIRECTORS' REMUNERATION REPORT CONTINUED

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

	2025 £000	2024 £000	% change
Dividends ¹	Nil	Nil	–
Pay	103,057	105,530	–2.3%

¹ Includes dividends paid during the financial year.

CEO pay ratio

The data shows how the Chief Executive's single figure remuneration for 2025 (as taken from the single figure remuneration table) compares to equivalent single figure remuneration for the year ended 31 December 2025 for full-time equivalent UK employees as at 31 December 2025, on a Group basis, ranked at the 25th, 50th and 75th percentile.

Period	Method	25th percentile ratio	Median (50th percentile) ratio	75th percentile ratio
2025	Option A	15.5:1	13.6:1	9.84:1
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 (£)
2025	25th percentile	26,559	26,559
	Median	30,436	30,436
	75th percentile	40,545	42,049

The CEO pay ratios for 2025 are significantly lower than those for 2024. This is primarily due to the CEO single figure only including nine months of the year due to the CEO standing down in October. However, the single figure has continued to reduce year on year which reflects the zero annual bonus award for 2025. Even so, excluding the reduced quantity of months the median CEO pay ratio is still 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 four years, increasing by 2% from 2021 to 2022, 1% from 2022 to 2023, 3% from 2023 to 2024 and would be 4.5% from 2024 to 2025 if comparable to a full 12 months of CEO pay. Whilst 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 was 8 March 2022. Chris Payne stepped down as an Executive Director on 3 October 2025.

Adam Phillips was appointed as Chief Financial Officer on 20 March 2023 (and was appointed as a Board Director with effect from 25 May 2023), and the date of his current service contract is 14 November 2022.

Stephen Bird was appointed Interim Executive Chair on 3 October 2025 and the date of his current terms of appointment is 7 October 2025.

Rob Barclay joined the Board as Designate Chief Executive Officer on 9 March 2026 and will assume the role of Chief Executive Officer on 27 April 2026. The date of his service contract is 3 February 2026.

The service contracts for Chris Payne, Adam Phillips and Rob Barclay contain a 12-month notice period.

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	n/a
Jemima Bird	10 October 2022	10 October 2028
Stephen Bird	13 September 2021	12 September 2027
Karen Hubbard	1 September 2022	31 August 2028
Robin Williams	10 October 2022	10 October 2028

Statement of implementation of remuneration policy in 2026

Details of how the Company will operate the Remuneration Policy in 2026 are set out in the Annual Statement.

Remuneration Committee activity

The Board approved the terms of reference, delegating certain responsibilities to the Remuneration Committee, most recently on 15 December 2025. 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
Jemima Bird	4	4
Stephen Bird	3	4 ¹
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 Interim Chief People 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.

¹ Stephen Bird did not attend one meeting where discussions were about remuneration changes relating to his change in role as it was not appropriate for him to attend.

DIRECTORS' REMUNERATION REPORT CONTINUED

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, Chair 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;
- reviewing workforce remuneration and related policies; and
- determining 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 2025 were as follows:

Remuneration

- considered the Company's culture, wider workforce remuneration arrangements, and Company-wide annual bonus schemes and considered these when setting pay strategy for Executive Directors and Senior Management;
- 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 2022 PSP;
- approved the Annual Bonus payments for 2024;
- approved the 2025 PSP Award and targets;
- considered remuneration for Executive Directors, Senior Management and the Interim Executive Chair; using market data where appropriate;
- considered Executive Director leaver arrangements;
- reviewed the Directors Remuneration Policy ahead of its renewal at the 2026 AGM; and
- considered actual remuneration (in respect of the year ended 31 December 2024) and expected remuneration (for the year ending 31 December 2025) and concluded that actual/expected executive pay outcomes were appropriate in light of: (i) Company performance (fixed pay only); (ii) market norms; and (iii) the approach to pay across the workforce (noting CEO Pay Ratio and Gender Pay Gap data).

Governance

- received feedback from the Employee Forum on matters relating to remuneration;
- reviewed 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 Remuneration 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 2025 were £27,028 (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 2024 Directors' Remuneration Report at the 2025 AGM.

	% of votes cast For	% of votes cast Against	Number of Shares Withheld
2023 Remuneration Policy	90.72	9.28	1,903,961
2024 Annual Report on Remuneration	99.74	0.26	1,161,285

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

25 March 2026

DIRECTORS' REPORT

The Directors present their report, together with the audited financial statements for the Group, for the year ended 31 December 2025. 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 2 to the Statement of Directors' Responsibilities on page 123, 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 188. Further details of the Group's activities and future plans are set out in the Strategic Report on pages 7 to 53.

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 7 to 53. The Strategic Report includes certain disclosures required to be contained in the Directors' Report as follows: the viability statement (page 51), approach to diversity (pages 34, 87 and 88), workforce engagement (pages 32 to 34 and 69), an indication of likely future developments (page 2 onwards, Strategic Report), and the approach to risk management (pages 46 to 50).

Directors

The following were Directors of the Company during the period ended 31 December 2025 and at the date of this report unless otherwise stated:

- Keith Edelman (27 February 2025)
- Chris Payne (until 3 October 2025)
- 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 56 and 57 and is incorporated into this report by reference.

Acquisitions

There have been no acquisitions during the year.

Property disposals

During the year, as part of the Company's transformation programme, it sold and leaseback its Tamworth property for a total of £21.7 million (excluding VAT) which was a significant transaction under the Listing Rules. Please also see page 2 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 2025 are shown in the Consolidated Income Statement on page 134 and Statements of Financial Position on page 136.

No interim dividend was paid in 2025 per ordinary share (2024: Nil) to shareholders and the Directors propose no final dividend is paid per ordinary share (2024: Nil) in respect of the financial year ended 31 December 2025 which means the total dividend for FY25 will be nil p per ordinary share.

Going Concern

The Directors concluded that it remains appropriate to prepare the financial statements on a going concern basis. In doing so, it is recognised that, whilst the transformation plan, which is underway, is expected to be net cash positive, there are elements of the cash inflows that are not wholly within the Group's or the Directors' control. Whilst the Directors are confident that the plan, or sufficient mitigating actions, can be executed, in the event that both a) property sales are delayed and b) sufficient mitigating options are unable to be implemented, the Group would need to seek amendments to its liquidity covenants in the ABL which, given previous strong support from its prior lender group, the Directors believe would be achievable as required. Given that neither such completion of property transactions nor further mitigations are wholly within the Group's control this, in the Directors' view, is considered to constitute the existence of a material uncertainty, as disclosed in note 1 to the financial statements.

Share capital

As at 31 December 2025, 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 2025.

The balance of shares in treasury stock as at 31 December 2025 was 4,767,467 Ordinary Shares (5.6% of the Company's total issued share capital).

Details of the Company's share capital are set out in note 23 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 2025, 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 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 60 and 61.

Changes to the Board in 2025 are set out on page 86. 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	N/A
Adam Phillips	20 March 2023		14 November 2022	N/A
Non-Executive Director				
Stephen Bird (Chair from 27 Feb 2025 and Interim Executive Chair from 3 October 2025)	13 September 2021	10 August 2021	13 September 2024	20 May 2026
Jemima Bird	11 October 2022	10 October 2022	10 October 2022	20 May 2026
Karen Hubbard	1 September 2022	1 September 2022	1 September 2022	20 May 2026
Robin Williams	10 October 2022	10 October 2022	10 October 2022	20 May 2026

Remaining service agreement term for Non-Executive Directors as at 31 December 2025 (in whole months)

- Stephen Bird – 20 months
- Jemima Bird – 33 months
- Karen Hubbard – 32 months
- Robin Williams – 33 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. The AGM Notice of Meeting will set out the Board Directors who are standing for re-election and in addition, Rob Barclay and Richard Jones will be standing for election as Directors at the 2026 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.

DIRECTORS' REPORT

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. See page 105 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 asset backed banking facility and certain of its employee share schemes. The Group's asset backed lending 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 2025, JTC Trust Company (CI) Limited, as trustee of the Headlam Group Employee Trust Company Limited ('Trust') held 589,077 shares, approximately 0.7% 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. JTC Trust Company (CI) Limited waives dividends due on all but 0.01p per share of their total holding.

Details of employee share schemes are set out in note 22 to the Financial Statements. Details of long-term incentive schemes for the Directors are shown in the Remuneration Report starting on page 92.

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 2025, 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
Perpetual Limited	9,007,692	11.14%
Heronbridge Investment Management LLP	4,034,568	4.99%
First Seagull	4,214,257	5.21%

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 2025.

Since 31 December 2025, there have been the following notifications since 31 December 2025 to 24 March 2026:

Ordinary shares of 5p each	Number of shares ¹	% of total voting rights ²
FIL Limited	3,004,791	3.71%
First Seagull AS	7,502,588	9.28%
Lombard Odier Asset Management (Europe) Limited	3,654,603	4.52%
IG Markets Limited	2,359,365	2.91%

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 2025.

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. Policies 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 86.

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 (page 69), our engagement survey, or more informal methods such as the dedicated internal communications email address or MyHub portal. Further information on colleague engagement can be found on pages 32, 33 and 69.

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 18, 68, 74 and 75.

Sharesave and long service awards

During the year, the Company invited all eligible employees to participate in:

- 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
- 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 2025, a total of 12,100 ordinary shares of 5 pence each were awarded in 2025 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:

- senior leadership teams (a total of 2,010,639 Open Market Value Options over ordinary shares of 5 pence each were awarded in 2025 to a select group of senior leaders approved by the Remuneration Committee and typically granted once per year; and
- the Company's sales force, they were awarded Open Market Value Options as a one-off exercise (a total of 81,381 Open Market Value Options over ordinary shares of 5 pence each were awarded to eligible employees within this group approved by the Remuneration 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 18 to 20.

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 123 and a statement by the Auditor on their responsibilities is given on page 126.

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 (2024: £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 £23,029 (2024: £63,518).

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 23 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 2026 AGM.

AGM

This year's AGM will be held at the Company's head office in Colleshill on Wednesday 20 May 2026 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 will be 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 43.
- Information on energy consumption can be found on page 43.
- Information on energy efficiency can be found on page 28.
- 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 38 to 42.
- Further details of the actions which the Group is taking to reduce emissions can also be found in the Sustainability Report starting on page 28.
- An indication of likely future developments in the Group's business can be found throughout the Strategic Report, starting on page 12.
- The long-term viability statement can be found on page 51.
- Our approach to risk management can be found on pages 46 to 48.
- Information for shareholders can be found on the Company's website.
- A list of the Company's overseas subsidiaries is on page 188.

This report was approved by the Board and signed on its behalf by:

Alison Hughes

General Counsel & Company Secretary

25 March 2026

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 92 to 117
(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 179

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.

Stephen Bird
Director

25 March 2026



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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 2025 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 Statements of Financial Position as at 31 December 2025;
- the Consolidated Income Statement for the year then ended;
- the Consolidated Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity – Group for the year then ended;
- the Statement of Changes in Equity – Company for the year then ended;
- the Cash Flow Statements 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.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the group's and the company's ability to continue as a going concern. The Directors have performed their going concern assessment for the period to the end of March 2027 which includes the planned sale of certain properties. In the event that these sales are delayed; and that sufficient mitigating actions are unable to be implemented, the Group and Company would need to seek amendments to the liquidity covenants contained within their banking facilities. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group's and the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group and the company were unable to continue as a going concern.

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.

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:

- Confirming the loans and borrowings balance outstanding as at 31 December 2025.
- Obtaining the new asset backed lending ("ABL") facility agreement entered into in January 2026 and confirming that the key aspects of the agreement being borrowing limits, financial covenants and operational covenants were appropriately considered within managements going concern assessment.
- Assisted by our business viability experts, we evaluated management's detailed cash flow forecasts, liquidity headroom and covenant headroom under both base case and downside scenarios.

- Testing the cash flows were consistent with board approved forecasts. We also obtained corroborating evidence for the margin improvements and cost savings associated with managements transformation plan.
- We have assessed management's downside scenarios to determine whether these reflect a severe and plausible deterioration of the group's performance and cash generation during the going concern period.
- Performed sensitivity analysis to determine what level of further revenue and margin decline would be required to result in a breach of the group's banking covenants and assessed whether such declines were considered plausible.
- In respect of the proposed property disposals we have assessed management's ability to complete the transactions in the timeframes and for the values included in the forecasts including consideration of the group's track record of executing similar recent transactions, the results of recent marketing activities related to the properties and offers received from interested parties.
- Assessing potential mitigating actions available to management including the extent they could be used to avoid a breach of banking covenants and whether they are dependant on factors which are outside of the control of management.
- Assessing the adequacy of disclosures included in note 1 of the notes to the financial statements.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, other than the material uncertainty identified in note 1 to the financial statements, 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, or in respect of the directors' identification in the financial statements of any other material uncertainties to the group's and the 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.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 one component due to it's size and risk characteristics.
- In addition, we targeted significant balances in other components. This was identified as property, plant and equipment, notes payable, interest expense, other creditors and provisions across two components. We also performed centralised testing over balances and transactions such as intangible assets, cash and cash equivalents, leases, taxes, equity and the consolidation.
- 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

- Material uncertainty related to going concern
- Recoverability of Supplier arrangements (group)
- Recoverability of investments in subsidiary undertakings (company)

Materiality

- Overall group materiality: £2,447,000 (2024: £1,710,000) based on 0.5% of Revenue (2024 basis: 5% of underlying loss before tax).
- Overall company materiality: £2,539,000 (2024: £1,624,000) based on 1% of total assets.
- Performance materiality: £1,835,000 (2024: £1,282,000) (group) and £1,904,000 (2024: £1,218,000) (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.

INDEPENDENT AUDITORS' REPORT CONTINUED

TO THE MEMBERS OF HEADLAM GROUP PLC

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.

In addition to going concern, described in the Material uncertainty related to going concern section above, we determined the matters described below to be the key audit matters to be communicated in our report. This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Recoverability of 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 with the majority being co-terminous with the financial year end, meaning there are significant amounts of rebates receivable subject to recovery at the year end.	We tested a sample of rebate receivable balances based on risk and size. For those tested we agreed post year end settlements to evidence of cash receipt or credit notes received, to provide evidence over the recoverability of the balances. For any amounts not yet settled we assessed the recoverability 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. We also performed lookback procedures over management's historical recovery rates which showed an average recovery rate of 98%.
Recoverability of investments in subsidiary undertakings (company)	
Refer to the Audit Committee Report and note 11 to the financial statements. Annually, the Directors consider whether any events or circumstances have occurred that could indicate that the company's carrying amount of investments may not be recoverable. There was an indicator of impairment present for HFD Limited given the net assets of the subsidiary was below the carrying value of the investment. Furthermore, the market capitalisation of the group has decreased significantly during the year, implying a valuation of the underlying subsidiaries below the carrying value. Management have assessed the recoverable amount, being the higher of value in use and fair value, to determine whether an impairment is required. This resulted in the investment in HFD Limited being impaired by £83.8m to nil.	We evaluated management's assessment of impairment triggers across all investments. Where an impairment trigger was identified, management used a value in use model to determine the recoverable amount. We obtained this model and tested its integrity and accuracy. We agreed the revenue and cash flows used as the basis of the model back to board approved forecasts and verified consistency of 2026 and 2027 with the underlying cash flow forecasts used for going concern. For 2028 onwards we reviewed corroborative and contradictory evidence available for growth rates by performing independent research for market and wider economic forecasts. We reviewed gross margins and confirmed they were consistent with the margin improvements and cost savings associated with managements transformation plan. We reviewed adjustments made to the underlying cash flows to reflect amounts capable of being extracted as dividends by the parent company, for example settlement of intercompany balances. We engaged valuation experts to benchmark the discount rate and terminal growth rate calculated by management. We considered sensitivity of the conclusion to reasonably possible changes in key assumptions. We considered 2026 actual results to date against management's forecasts. We reviewed the associated disclosures within the financial statements.

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. 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 one UK reporting component which, in our view, required an audit of their complete financial information both due to its size and risk characteristics. This reporting component was audited by the group engagement team.

In addition, we targeted significant balances in other components. This was identified as property, plant and equipment, notes payable, interest expense, other creditors and provisions across two components. We also performed centralised testing over balances and transactions such as intangible assets, cash and cash equivalents, leases, taxes, equity and the consolidation.

The work on the full scope component, significant balance testing, 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 10 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.

INDEPENDENT AUDITORS' REPORT CONTINUED

TO THE MEMBERS OF HEADLAM GROUP PLC

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	£2,447,000 (2024: £1,710,000).	£2,539,000 (2024: £1,624,000).
How we determined it	Based on 0.5% of Revenue (2024 basis: 5% of underlying loss before tax)	Based on 1% of total assets
Rationale for benchmark applied	Revenue is considered an appropriate benchmark as it reflects a more accurate and consistent representation of the scale of the Group's trading activities as management execute the restructuring of the business. Revenue also represents one of the Group's key KPIs and is a benchmark which is regularly reported by industry peers. An underlying loss benchmark was used in the prior year.	The Company's primary activity is to act as an investment holding entity for the Group's trading subsidiaries. Therefore total assets is seen as the primary measure of the Company's activities.

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 £2,000,000 and £2,324,000.

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% (2024: 75%) of overall materiality, amounting to £1,835,000 (2024: £1,282,000) for the group financial statements and £1,904,000 (2024: £1,218,000) 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 £244,000 (group audit) (2024: £85,000) and £253,000 (company audit) (2024: £81,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

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 2025 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, except for the matters reported in the section headed 'Material uncertainty related to going concern', 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.

INDEPENDENT AUDITORS' REPORT CONTINUED

TO THE MEMBERS OF HEADLAM GROUP PLC

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:

- Reviewing board minutes and making inquiries of management, those charged with governance, internal audit and general counsel regarding any known or suspected instances of fraud or non-compliance with laws and regulations.
- Regarding a specific legal claim for which the Group has made provision for in the financial statements, we reviewed correspondence with external legal counsel, court filings made by the Group and considered publicly available guidance in evaluating the provision recorded in the financial statements.
- 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

We were first appointed by the company for the financial year ended 31 December 2016. Our uninterrupted engagement covers ten financial years.

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.

Laura Hill (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

25 March 2026

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2025

					Re-presented ¹		
	Note	Underlying 2025 £M	Non- underlying (note 3) 2025 £M	Total 2025 £M	Underlying 2024 £M	Non- underlying (note 3) 2024 £M	Total 2024 £M
Revenue	2	498.7	–	498.7	525.7	–	525.7
Cost of sales	2	(351.4)	(3.6)	(355.0)	(369.7)	(10.6)	(380.3)
Gross profit	2	147.3	(3.6)	143.7	156.0	(10.6)	145.4
Distribution costs		(121.2)	(10.0)	(131.2)	(119.8)	(4.4)	(124.2)
Administrative expenses		(58.9)	(22.7)	(81.6)	(59.8)	(11.2)	(71.0)
Net impairment losses on trade receivables		(0.6)	–	(0.6)	(1.3)	(1.3)	(2.6)
Other operating income		–	6.2	6.2	–	21.1	21.1
Operating loss	2	(33.4)	(30.1)	(63.5)	(24.9)	(6.4)	(31.3)
Finance income	6	0.6	–	0.6	0.1	–	0.1
Finance expenses	6	(6.7)	–	(6.7)	(6.9)	–	(6.9)
Net finance costs		(6.1)	–	(6.1)	(6.8)	–	(6.8)
Loss before tax	3	(39.5)	(30.1)	(69.6)	(31.7)	(6.4)	(38.1)
Taxation	7	4.1	0.7	4.8	6.8	10.2	17.0
Loss from continuing operations	2	(35.4)	(29.4)	(64.8)	(24.9)	3.8	(21.1)
Loss from discontinued operations	25	(4.4)	(12.7)	(17.1)	(3.2)	(0.7)	(3.9)
Loss for the year attributable to the equity shareholders		(39.8)	(42.1)	(81.9)	(28.1)	3.1	(25.0)
Loss per share from continuing operations							
Basic	8	(44.1)p		(80.7)p	(31.0)p		(26.3)p
Diluted	8	(44.1)p		(80.7)p	(31.0)p		(26.3)p
Total loss per share							
Basic	8	(49.6)p		(102.0)p	(35.0)p		(31.2)p
Diluted	8	(49.6)p		(102.0)p	(35.0)p		(31.2)p

¹ The results for the year ended 31 December 2024 have been re-presented to reflect the presentation of the Continental European businesses as discontinued (see note 25 for further information).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2025

	Note	2025 £M	2024 £M
Loss for the year attributable to the equity shareholders		(81.9)	(25.0)
Other comprehensive income/(expense)			
Items that will never be reclassified to profit or loss			
Remeasurement of defined benefit plans	21	0.1	(0.5)
Related tax		–	0.1
		0.1	(0.4)
Items that are or may be reclassified to profit or loss			
Exchange differences arising on translation of overseas operations		0.1	(0.2)
		0.1	(0.2)
Other comprehensive income/(expense) for the year		0.2	(0.6)
Total comprehensive expense attributable to the equity shareholders for the year		(81.7)	(25.6)
Total comprehensive expense attributable to the equity shareholders for the year arises from:			
Continuing operations		(64.7)	(21.5)
Discontinued operations	25	(17.0)	(4.1)
		(81.7)	(25.6)

STATEMENTS OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2025

		Group			Company	
					Restated¹	Restated¹
	Note	2025 £M	2024 £M	2025 £M	2024 £M	1 January 2024 £M
Assets						
Non-current assets						
Property, plant and equipment	9	68.8	86.9	1.8	2.2	3.2
Investment properties	9	–	–	33.7	46.1	87.7
Right of use assets	18	53.6	55.1	6.4	3.2	0.8
Intangible assets	10	11.3	17.6	0.1	0.1	0.1
Deferred tax assets	12	8.2	3.9	–	–	–
Trade and other receivables	14	–	–	105.2	107.8	74.6
Investments in subsidiary undertakings	11	–	–	12.6	102.4	101.7
		141.9	163.5	159.8	261.8	268.1
Current assets						
Inventories	13	77.4	102.8	–	–	–
Trade and other receivables	14	86.6	111.0	60.5	20.8	19.4
Income tax receivable		–	3.6	–	0.6	1.5
Cash and cash equivalents	15	26.1	12.0	25.5	7.5	15.1
Assets classified as held for sale	16	22.7	4.8	8.1	4.8	–
		212.8	234.2	94.1	33.7	36.0
Total assets		354.7	397.7	253.9	295.5	304.1
Liabilities						
Current liabilities						
Bank overdrafts	17	–	(1.1)	–	–	–
Other interest-bearing loans and borrowings	17	(59.0)	–	(59.0)	–	(50.0)
Lease liabilities	18	(12.6)	(13.8)	(2.7)	(1.8)	(0.1)
Trade and other payables	19	(97.2)	(139.2)	(66.2)	(74.3)	(61.9)
Income tax payable		(0.4)	–	(2.7)	–	(1.1)
Provisions	20	(1.6)	–	–	–	–
Liabilities relating to assets held for sale	25	(14.7)	–	–	–	–
		(185.5)	(154.1)	(130.6)	(76.1)	(113.1)
Non-current liabilities						
Lease liabilities	18	(54.1)	(47.4)	(12.1)	(4.6)	(0.8)
Provisions	20	(3.3)	(3.1)	(0.1)	–	–
Deferred tax liabilities	12	–	–	(2.6)	(3.9)	(7.7)
Employee benefits	21	(1.8)	(2.1)	(1.8)	(1.5)	(1.2)
		(59.2)	(52.6)	(16.6)	(10.0)	(9.7)
Total liabilities		(244.7)	(206.7)	(147.2)	(86.1)	(122.8)
Net assets		110.0	191.0	106.7	209.4	181.3
Equity attributable to equity holders of the parent						
Share capital	23	4.3	4.3	4.3	4.3	4.3
Share premium		53.5	53.5	53.5	53.5	53.5
Other reserves	23	(15.3)	(15.5)	3.5	3.4	3.2
Retained earnings		67.5	148.7	45.4	148.2	120.3
Total equity		110.0	191.0	106.7	209.4	181.3

The notes on pages 140 to 188 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 loss for the year attributable to the equity shareholders is £103.4 million (profit in 2024: £32.3 million).

The financial statements on pages 134 to 194 were approved by the Board of Directors on 25 March 2026 and were signed on its behalf by

Adam Phillips

Director

Company Number: 00460129

¹ See note 1 for details regarding the restatement.

STATEMENT OF CHANGES IN EQUITY – GROUP

FOR THE YEAR ENDED 31 DECEMBER 2025

	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 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	22	–	–	–	–	–	–	1.0	1.0
Share options exercised by employees		–	–	–	–	–	0.2	(0.2)	–
Dividends to equity holders	23	–	–	–	–	–	–	(4.8)	(4.8)
Total contributions by and distributions to equity shareholders		–	–	–	–	–	0.2	(4.0)	(3.8)
Balance at 31 December 2024		4.3	53.5	0.1	1.5	1.7	(18.8)	148.7	191.0
Balance at 1 January 2025		4.3	53.5	0.1	1.5	1.7	(18.8)	148.7	191.0
Loss for the year attributable to the equity shareholders		–	–	–	–	–	–	(81.9)	(81.9)
Other comprehensive income		–	–	–	–	0.1	–	0.1	0.2
Total comprehensive income/(expense) for the year		–	–	–	–	0.1	–	(81.8)	(81.7)
Transactions with equity shareholders, recorded directly in equity									
Share-based payments	22	–	–	–	–	–	–	0.7	0.7
Share options exercised by employees		–	–	–	–	–	0.1	(0.1)	–
Total contributions by and distributions to equity shareholders		–	–	–	–	–	0.1	0.6	0.7
Balance at 31 December 2025		4.3	53.5	0.1	1.5	1.8	(18.7)	67.5	110.0

STATEMENT OF CHANGES IN EQUITY – COMPANY

FOR THE YEAR ENDED 31 DECEMBER 2025

	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 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	22	–	–	–	–	–	1.0	1.0
Share options exercised by employees		–	–	–	–	0.2	(0.2)	–
Dividends to equity holders	23	–	–	–	–	–	(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
Balance at 1 January 2025		4.3	53.5	0.1	22.1	(18.8)	148.2	209.4
Loss for the year attributable to the equity shareholders		–	–	–	–	–	(103.4)	(103.4)
Other comprehensive expense		–	–	–	–	–	–	–
Total comprehensive expense for the year		–	–	–	–	–	(103.4)	(103.4)
Transactions with equity shareholders, recorded directly in equity								
Share-based payments	22	–	–	–	–	–	0.7	0.7
Share options exercised by employees		–	–	–	–	0.1	(0.1)	–
Total contributions by and distributions to equity shareholders		–	–	–	–	0.1	0.6	0.7
Balance at 31 December 2025		4.3	53.5	0.1	22.1	(18.7)	45.4	106.7

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

	Note	Group		Company	
		2025 £M	2024 £M	2025 £M	Restated ¹ 2024 £M
Cash flows from operating activities					
Continuing operations		(69.6)	(38.1)	(101.9)	31.6
Discontinued operations		(16.5)	(3.4)	–	–
(Loss)/profit before tax for the year		(86.1)	(41.5)	(101.9)	31.6
Adjustments for:					
Depreciation and impairment of property, plant and equipment, amortisation and impairment of intangible assets		13.9	11.0	0.9	1.8
Depreciation, impairment and termination of right of use assets		14.9	14.1	1.1	0.1
Finance income	6	(0.6)	(0.1)	(10.5)	(12.4)
Finance expense		6.9	7.1	3.9	4.6
Profit on sale of property, plant and equipment	3	(6.2)	(21.1)	(6.2)	(21.4)
Impairment of disposal group classified as held for sale	25	12.6	–	6.4	–
Impairment of investments	11	–	–	83.8	–
Impairment on intercompany receivables		–	–	22.2	–
Share-based payments	22	0.7	1.0	0.3	0.3
Operating cash flows before changes in working capital and other payables		(43.9)	(29.5)	–	4.6
Change in inventories		16.2	28.2	–	–
Change in trade and other receivables		15.0	5.4	(49.5)	(27.6)
Change in trade and other payables		(30.1)	10.7	(20.4)	4.8
Cash (used in)/generated from the operations		(42.8)	14.8	(69.9)	(18.2)
Interest paid		(7.0)	(7.2)	(3.7)	(4.7)
Interest received		0.6	0.1	9.9	9.7
Tax received/(paid)		4.0	(0.1)	3.6	–
Net cash flow from operating activities		(45.2)	7.6	(60.1)	(13.2)
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		21.2	61.3	21.2	61.3
Acquisition of property, plant and equipment		(4.4)	(10.5)	–	(0.8)
Acquisition of intangible assets	10	(0.2)	(0.1)	–	–
Net cash flow from investing activities		16.6	50.7	21.2	60.5
Cash flows from financing activities					
Proceeds from borrowings		93.0	40.0	93.0	40.0
Repayment of borrowings		(34.0)	(90.0)	(34.0)	(90.0)
Principal elements of lease payments		(13.8)	(12.9)	(2.1)	(0.1)
Dividends paid	23	–	(4.8)	–	(4.8)
Net cash flow from financing activities		45.2	(67.7)	56.9	(54.9)
Net increase/(decrease) in cash and cash equivalents		16.6	(9.4)	18.0	(7.6)
Cash and cash equivalents at 1 January		10.9	20.4	7.5	15.1
Effect of exchange rate fluctuations on cash held		0.1	(0.1)	–	–
Cash and cash equivalents at 31 December	15	27.6	10.9	25.5	7.5

¹ See note 1 for details regarding the restatement.

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 25 March 2026.

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 and Company can continue in operational existence for a period of at least 12 months from the date of approval of the financial statements. The Directors have assessed the period to the end of March 2027.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Interim Executive Chair's Statement on pages 2 to 5. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 22 to 25. In addition, note 24 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. At the end of the year, the Group had total banking facilities available of £72.3 million (31 December 2024: £99.3 million), of which £61.0 million (31 December 2024: £81.5 million) was committed. The committed facility comprised a revolving credit facility ('RCF') with three lenders that was due to expire in October 2027. The Group also had a £7.5 million uncommitted overdraft. In January 2026, the RCF and the uncommitted overdraft were replaced by an asset-based lending facility ('ABL') of up to £85.0 million with two lenders. The available amount of the ABL depends on the amount of relevant assets (property, receivables and inventory) against which the Group can borrow. It is also subject to a requirement to hold a minimum amount of headroom on the facility, by way of liquidity headroom covenants together with a quarterly EBITDA covenant and operational covenants including inventory stock turn and debtor days. The quarterly EBITDA covenant applies until 31 December 2027 after which it is superseded by a fixed charge cover covenant. The previous RCF in place at the year-end included liquidity headroom and quarterly EBITDA covenants. All such covenants were met during the year.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

After due consideration of the factors above, the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis. In doing so, it is recognised that, whilst the transformation plan, which is underway, is expected to be net cash positive, there are elements of the cash inflows that are not wholly within the Group's or the Directors' control. The Group would have other mitigating options as set out above; some of which are and some of which are not wholly within the Group's control.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

1 Presentation of the Financial Statements and Accounting Policies continued

Whilst the Directors are confident that the plan, or sufficient mitigating actions, can be executed, in the event that both a) the property sales are delayed and b) sufficient mitigating options are unable to be implemented, the Group would need to seek amendments to its liquidity covenants in the ABL which, given previous strong support from its prior lender group, the Directors believe would be achievable as required. Given that neither such completion of property transactions nor further mitigations are wholly within the Group's control this, in the Directors' view, is considered to constitute the existence of a material uncertainty that casts significant doubt over the Group and Company's ability to continue as a going concern and realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments that would arise from the basis of preparation being inappropriate.

In preparing the Financial Statements the Directors have considered the potential impact of climate change, particularly in the context of the Task Force 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:

Legal provision

The legal provision recognised is the Group's best estimate of the level of fine that may be imposed in relation to the prosecution of one of the Group companies by a local authority relating to an alleged health and safety offense. Further details can be found in note 20.

Deferred tax

The deferred tax asset recognised includes amounts relating to carried-forward losses in the UK. The Group has concluded that the deferred tax assets recognised will be recoverable within the foreseeable future using the estimated future taxable income based on the approved business plan over the next five years. A period beyond five years has not been considered due to the uncertainty of cash flows. Should the estimate be extended to include taxable income for another two years, then an additional deferred tax asset of £4.2 million would be recognised.

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:

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 2025, rebates receivable are judged to be fully recoverable.

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 as they are significant, non-recurring items;
- Business restructuring and change-related costs which is a significant item in 2024 and 2025. Such costs are expected to continue into 2026 and 2027 as the transformation plan is executed. See note 3 for further details; and
- Profit on sale of property, plant and equipment as these are non-recurring items.

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

Cash and cash equivalents

The banking arrangement in the UK is treated as a single unit of account. There is a single agreement with the bank where there is no single account-holding entity but, rather, various group companies are all participants in the agreement. The parent company is deemed to be the primary participant in the pooling arrangement and the amount recorded as cash and cash equivalents in the Company's financial statements is the net cash balance on the pooling arrangement.

(c) Impact of newly adopted accounting standards

There were no newly adopted accounting standards by the Group and Company in 2025.

(d) IFRS not yet applied

Certain new accounting standards and amendments to accounting standards have been published that are not mandatory for 31 December 2025 reporting periods and have not been early adopted by the Group.

IFRS 18 Presentation and Disclosure in Financial Statements (effective for annual period beginning on or after 1 January 2027)

IFRS 18 will replace IAS 1 Presentation of financial statements, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. The Group is currently considering the impact of IFRS 18 on its results and financial position.

Other standards and amendments to accounting standards that are relevant to the Group would not be expected to have a material impact on the Group.

(e) Change in accounting policy

The Group accounting policy when there is a cash pooling arrangement in place, covered by one single bank contract, relating to a single currency and subsidiaries operating in the same country, is that cash and cash equivalents and overdrafts are considered to be a single unit of account and they are reported on an aggregated basis.

The Company has changed its accounting policy for cash and cash equivalents in order to provide reliable and more relevant information in the financial statements.

The Company is now deemed to be the primary participant in the pooling arrangement and the amount recorded as cash and cash equivalents in the Company's financial statements is the net cash balance on the pooling arrangement rather than its memo account balance, with the difference recorded as an intercompany balance. This change in accounting policy has resulted in the restatement of the Company's cash and cash equivalents at 31 December 2024 period from £82.3 million to £7.5 million with corresponding adjustments to trade and other receivables from £28.7 million to £128.6 million and trade and other payables from £49.2 million to £74.3 million. The brought forward cash and cash equivalents balance as at 1 January 2024 has been restated from £63.2 million to £15.1 million.

There is no change to the Group's cash and cash equivalents in the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

1 Presentation of the Financial Statements and Accounting Policies continued

(f) 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 24 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%
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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.

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

1 Presentation of the Financial Statements and Accounting Policies continued

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 24.

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 covered by one single bank contract, relating to a single currency and subsidiaries operating in the same country, cash and cash equivalents and overdrafts are considered to be a single unit of account and they are reported on an aggregated basis. The parent company is deemed to be the primary participant in the pooling arrangement and the amount recorded as cash and cash equivalents in the Company's financial statements is the net cash balance on the pooling arrangement (together with any other cash and cash equivalent balances held outside of the pooling arrangement), rather than its memo account balance, with the difference recorded as an intercompany balance.

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 or disposal groups held for sale and discontinued operations

Non-current assets or disposal groups 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.

An impairment loss is recognised for any initial or subsequent write-down of the asset or disposal group to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset or disposal group only to the extent of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset or disposal group is recognised at the date of derecognition.

Non-current assets classified as held for sale are not depreciated or amortised and are presented separately from other assets in the balance sheet. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

A discontinued operation is a component of the group that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations. The results of discontinued operations are presented separately in the consolidated income statement.

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. Each trading legal entity reviewed is considered to be the smallest group of assets generating independent cash flows.

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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, any surplus balance sheet position is restricted in recognition of the asset ceiling.

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 prior 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 92 to 117.

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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 189 to 190 for details on alternative performance measures and pages 191 to 192 for adjusted results.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2 Segment reporting

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

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

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

In the prior year, the Continental Europe segment was presented as a separate reportable segment, as it operated in a different regulatory environment. At 31 December 2025, the Continental Europe segment has been identified as a disposal group held for sale. Information about this discontinued segment is provided in note 25.

	UK Total	
	2025 £M	Restated ¹ 2024 £M
External revenues	498.7	525.7
Underlying cost of sales	(351.4)	(369.7)
Underlying gross profit	147.3	156.0
Reportable segment underlying operating loss	(26.8)	(17.2)
Reportable segment assets	306.4	353.1
Reportable segment liabilities	(229.6)	(190.5)

¹ See note 1 for details regarding the restatement.

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

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

	2025 £M	Re-presented 2024 £M
Loss for the year		
Total underlying operating loss for reportable segments	(26.8)	(17.2)
Non-underlying items	(30.1)	(6.4)
Unallocated expense	(6.6)	(7.7)
Operating loss	(63.5)	(31.3)
Finance income	0.6	0.1
Finance expense	(6.7)	(6.9)
Loss before taxation	(69.6)	(38.1)
Taxation	4.8	17.0
Loss for the year from continuing operations	(64.8)	(21.1)
Loss from discontinued operations	(17.1)	(3.9)
Total loss for the year	(81.9)	(25.0)

	2025 £M	Restated 2024 £M
Assets		
Total assets for reportable segments	306.4	353.1
Unallocated assets:		
Intangible assets	0.1	0.1
Income tax receivable	–	3.6
Deferred tax assets	8.2	3.9
Cash and cash equivalents	25.5	7.5
Assets allocated to discontinued operations	14.5	29.5
Total assets	354.7	397.7
Liabilities		
Total liabilities for reportable segments	(229.6)	(190.5)
Unallocated liabilities:		
Income tax payable	(0.4)	–
Liabilities allocated to discontinued operations	(14.7)	(16.2)
Total liabilities	(244.7)	(206.7)

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3 Loss before tax

The following material items are included in loss before tax:

	2025 £M	Re- presented 2024 £M
Continuing operations		
Underlying items:		
Depreciation of property, plant and equipment	(7.4)	(8.0)
Depreciation of right of use assets	(13.4)	(12.0)
Increase in impairment loss allowance	(0.6)	(1.3)
Non-underlying items:		
Amortisation of acquired intangibles	(1.1)	(1.2)
Impairment of property, plant and equipment, intangible assets and right of use assets	(4.8)	(1.1)
Impairment of inventories and receivables	–	(2.9)
Cloud-based ERP system development costs	(5.6)	(2.6)
Profit on sale of property, plant and equipment	6.2	21.1
Provision relating to legal claim (see note 20)	(1.6)	–
Business restructuring and change-related costs	(23.2)	(19.7)
	(30.1)	(6.4)
Taxation on non-underlying items	0.7	10.2
	(29.4)	3.8
Discontinued operations		
Non-underlying items:		
Amortisation of acquired intangibles	(0.1)	(0.1)
Impairment of property, plant and equipment, intangible assets and right of use assets	–	(0.7)
Impairment on classification of disposal group as held for sale	(12.6)	–
Business restructuring and change-related costs	(0.1)	–
	(12.8)	(0.8)
Taxation on non-underlying items	0.1	0.1
	(12.7)	(0.7)

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

Included within impairment is £3.2 million relating to the impairment of goodwill and £1.6 million impairment of intangible assets allocated to the Melrose cash generating unit following an impairment review. In the prior year, impairment included £0.4 million impairment of goodwill, £0.1 million impairment of intangible assets, £0.7 million impairment of property, plant and equipment and £0.6 million impairment of right of use assets. The impairment charges relate to a combination of the write down of assets related to the transformation plan and the annual review of impairment as disclosed in note 10. All impairment charges are non-cash items.

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

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

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

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

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

See pages 189 to 190 for details on alternative performance measures.

Auditors' remuneration:

	2025 £M	2024 £M
Audit of these financial statements	0.4	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
	0.8	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	
	2025	2024	2025	2024
By sector:				
Floorcoverings	2,190	2,351	–	–
Central operations	25	26	25	26
	2,215	2,377	25	26
By function:				
Sales and distribution	1,988	2,136	–	–
Administration	227	241	25	26
	2,215	2,377	25	26

The aggregate payroll costs were as follows:

	Group		Company	
	2025 £M	2024 £M	2025 £M	2024 £M
Wages and salaries	86.0	88.7	2.8	3.0
Equity settled share-based payment expense (note 22)	0.7	1.0	0.3	0.3
Social security costs	12.2	11.2	0.4	0.4
Other pension costs (note 21)	4.5	4.9	0.2	0.6
	103.4	105.8	3.7	4.3

The table above excludes non-underlying staff costs which total £6.5 million (2024: £5.6 million).

5 Emoluments of key management personnel

Executive and Non-Executive Directors are considered to be the key management personnel of the Group.

	2025 £M	2024 £M
Short-term employee benefits	1.3	1.3
Equity settled share-based payment expense	0.1	0.3
	1.4	1.6

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 92 to 117.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

6 Finance income and expenses

	2025 £M	Re- presented 2024 £M
Interest income:		
Bank interest	0.6	0.1
Finance income	0.6	0.1
Interest expenses:		
Bank loans, overdrafts and other financial expenses	(3.1)	(4.5)
Interest on lease liability	(3.5)	(2.3)
Net interest on defined benefit plan obligations (note 21)	(0.1)	(0.1)
Finance expenses	(6.7)	(6.9)

7 Taxation

Recognised in the income statement

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

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

Factors that may affect future current and total tax charges

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

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

Reconciliation of tax credit

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

8 Loss per share

	2025 £M	Re- presented 2024 £M
Loss from continuing operations for basic and diluted loss per share	(64.8)	(21.1)
Loss from discontinued operations for basic and diluted loss per share	(17.1)	(3.9)
Total Loss for basic and diluted loss per share	(81.9)	(25.0)
Loss from continuing operations for underlying basic and underlying diluted loss per share	(35.4)	(24.9)
Loss from discontinued operations for underlying basic and underlying diluted loss per share	(4.4)	(3.2)
Loss for underlying basic and underlying diluted loss per share	(39.8)	(28.1)
	2025	2024
Number of shares		
Weighted average number of ordinary shares for the purposes of basic loss per share	80,268,993	80,204,515
Effect of diluted potential ordinary shares:		
Weighted average number of ordinary shares at 31 December	80,268,993	80,204,515
Dilutive effect of share options	–	–
Weighted average number of ordinary shares for the purposes of diluted loss per share	80,268,993	80,204,515
Continuing operations loss per share		
Basic	(80.7)p	(26.3)p
Diluted	(80.7)p	(26.3)p
Underlying basic	(44.1)p	(31.0)p
Underlying diluted	(44.1)p	(31.0)p
Discontinued operations loss per share		
Basic	(21.3)p	(4.9)p
Diluted	(21.3)p	(4.9)p
Underlying basic	(5.5)p	(4.0)p
Underlying diluted	(5.5)p	(4.0)p
Total loss per share		
Basic	(102.0)p	(31.2)p
Diluted	(102.0)p	(31.2)p
Underlying basic	(49.6)p	(35.0)p
Underlying diluted	(49.6)p	(35.0)p

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

9 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 2024	137.1	50.6	1.8	189.5
Additions	4.2	4.6	1.7	10.5
Assets classified as held for sale and other disposals	(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
Balance at 1 January 2025	89.3	50.0	1.9	141.2
Additions	2.2	2.0	0.2	4.4
Assets classified as held for sale and other disposals	(25.0)	(9.4)	–	(34.4)
Transfers	1.9	0.2	(2.1)	–
Effect of movements in foreign exchange	0.3	0.4	–	0.7
Balance at 31 December 2025	68.7	43.2	–	111.9
Accumulated depreciation and impairment				
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
Assets classified as held for sale and other disposals	(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
Balance at 1 January 2025	27.6	26.7	–	54.3
Depreciation charge for the year	3.2	4.6	–	7.8
Assets classified as held for sale and other disposals	(11.6)	(7.9)	–	(19.5)
Effect of movements in foreign exchange	0.2	0.3	–	0.5
Balance at 31 December 2025	19.4	23.7	–	43.1
Net book value				
At 1 January 2024	100.7	25.1	1.8	127.6
At 31 December 2024	61.7	23.3	1.9	86.9
At 31 December 2025	49.3	19.5	–	68.8

The £0.7 million impairment charge in the prior 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

9 Property, plant and equipment continued

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 2024	116.8	3.0	0.3	3.3
Additions	–	0.8	–	0.8
Transfers	–	0.3	(0.3)	–
Assets classified as held for sale and other disposals	(51.3)	(1.7)	–	(1.7)
Balance at 31 December 2024	65.5	2.4	–	2.4
Balance at 1 January 2025	65.5	2.4	–	2.4
Additions	–	–	–	–
Transfers	–	–	–	–
Assets classified as held for sale and other disposals	(17.8)	(0.4)	–	(0.4)
Balance at 31 December 2025	47.7	2.0	–	2.0
Accumulated depreciation				
Balance at 1 January 2024	29.1	0.1	–	0.1
Depreciation charge for the year	1.6	0.2	–	0.2
Assets classified as held for sale and other disposals	(11.3)	(0.1)	–	(0.1)
Balance at 31 December 2024	19.4	0.2	–	0.2
Balance at 1 January 2025	19.4	0.2	–	0.2
Depreciation charge for the year	0.8	0.1	–	0.1
Assets classified as held for sale and other disposals	(6.2)	(0.1)	–	(0.1)
Balance at 31 December 2025	14.0	0.2	–	0.2
Net book value				
At 1 January 2024	87.7	2.9	0.3	3.2
At 31 December 2024	46.1	2.2	–	2.2
At 31 December 2025	33.7	1.8	–	1.8

The Company holds investment properties which are predominantly freehold distribution centres, occupied by its UK subsidiary companies for trading purposes. Investment properties were valued by an independent professional valuer during the year at a valuation of £55.6 million (2024: £83.6 million). The Company holds investment property at cost.

The valuation of the properties is categorised as level 3 as prescribed in the fair value hierarchy in IFRS 13 as there are no directly comparable market observable inputs. The valuations are based on the external valuer's objective opinion of market value in accordance with the definition and supporting commentary as set out in the RICS Valuation – Global Standards. Market value is defined as the estimated amount for which an asset or liability should exchange between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. The valuations do not include either the costs of realisation or for taxation which might arise on a disposal but do include standard purchaser's costs. The highest and best use of the investment properties do not differ from its current use.

10 Intangible assets

Group	Goodwill £M	Order book £M	Customer relationships £M	Brand names £M	Non- competes £M	Supply agreements £M	Software development £M	Total £M
Cost								
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
Balance at 1 January 2025	41.5	6.5	7.9	9.3	0.1	0.2	0.6	66.1
Additions	–	–	–	–	–	–	0.2	0.2
Assets classified as held for sale and other disposals	(2.6)	–	(0.5)	(0.8)	–	–	(0.4)	(4.3)
Balance at 31 December 2025	38.9	6.5	7.4	8.5	0.1	0.2	0.4	62.0
Accumulated impairment and amortisation								
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
Balance at 1 January 2025	30.7	6.5	5.7	5.0	0.1	0.1	0.4	48.5
Amortisation charge for the year	–	–	0.6	0.5	–	0.1	0.1	1.3
Impairment charge	3.2	–	0.4	1.2	–	–	–	4.8
Assets classified as held for sale and other disposals	(2.6)	–	(0.4)	(0.5)	–	–	(0.4)	(3.9)
Balance at 31 December 2025	31.3	6.5	6.3	6.2	0.1	0.2	0.1	50.7
Net book value								
At 31 December 2024	10.8	–	2.2	4.3	–	0.1	0.2	17.6
At 31 December 2025	7.6	–	1.1	2.3	–	–	0.3	11.3

The £4.8 million impairment charge relates to the Melrose 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 two years and brand names is seven years.

Amortisation charged during the year of £1.3 million (2024: £1.4 million) is presented within administration expenses in the Consolidated Income Statement with the exception of £0.1 million which is presented within discontinued operations.

Cumulative impairment losses recognised in relation to goodwill is £33.9 million (2024: £30.7 million).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

10 Intangible assets continued

Company	Software development £M
Cost	
Balance at 1 January 2024 and 31 December 2024	0.1
Balance at 1 January 2025 and 31 December 2025	0.1
Accumulated impairment and amortisation	
Balance at 1 January 2024 and 31 December 2024	–
Balance at 1 January 2025 and 31 December 2025	–
Net book value	
Net book value at 31 December 2024	0.1
Net book value at 31 December 2025	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. The aggregate carrying amounts of goodwill allocated to each CGU are as follows:

	Reported segment	2025 £M	2024 £M
UK Distribution	UK	7.6	7.6
Melrose	UK	–	3.2
		7.6	10.8

Impairment of intangibles

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 UK Distribution, the recoverable amount has been determined based on value in use and for Melrose, the recoverable amount has been determined based on fair value less costs of disposal.

An impairment of £4.8 million has been recognised for the Melrose CGU as a result of impairment testing in the current year with £3.2 million recognised against goodwill and £1.6 million recognised against other intangible assets. This is included within non-underlying administrative expenses in the Consolidated Income Statement. The recoverable amount of Melrose is £2.6 million and is categorised as level 3 as prescribed in the fair value hierarchy in IFRS 13.

Key assumptions – value in use

Cash flows were projected based on actual operating results, the approved 2026 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 2026 include the achievement of future sales volumes and prices, gross margin and discount rate. The sales increase assumptions are made up of underlying growth and improvement initiatives identified as explained in note 1 and the Executive Chair's review. The gross margin assumptions include control of purchase prices, achievement of budgeted operating costs and the impact of network optimisation. These assumptions have been reviewed in light of the current economic environment.

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 14.7% (2024: 13.1%).

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.

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 of the Melrose CGU relates to the right of use assets. The recoverable amount of Melrose is £2.6 million.

Sensitivity analysis

The Group has applied sensitivities to assess whether any reasonably 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 impairment that would result from a change in the assumptions of the value in use calculation for UK Distribution is limited to the difference between the value in use and fair value less costs of disposal. There continues to be headroom under the fair value less costs of disposal assessment. The most significant component of the fair value less costs of disposal figures for the UKD CGU relates to freehold and long lease properties. The fair values have been calculated with reference to the independent valuation of properties during the year. The valuation is considered to be level 3 in the fair value hierarchy due to unobservable inputs used in the valuation. No CGUs are materially sensitive to changes in key assumptions.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

11 Investments in subsidiary undertakings

Company

Summary information on investments in subsidiary undertakings is as follows:

	£M
Cost	
Balance at 1 January 2024	118.3
Share options granted to employees of subsidiary undertakings	0.7
Balance at 31 December 2024	119.0
Balance at 1 January 2025	119.0
Share options granted to employees of subsidiary undertakings	0.4
Assets classified as held for sale and other disposals	(6.4)
Balance at 31 December 2025	113.0
Impairment	
Balance at 31 December 2024 and 1 January 2025	(16.6)
Impairment charge	(83.8)
Balance at 31 December 2025	(100.4)
Carrying value	
At 1 January 2024	101.7
At 31 December 2024	102.4
At 31 December 2025	12.6

A full list of the Group's subsidiaries is listed on page 188.

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.

During the year the investment in HFD Limited was tested for impairment following a review of performance of the subsidiary which indicated a risk of impairment. Estimations are required of the value in use of the subsidiaries in which the investments are held. An impairment of £83.8 million was identified as result of the impairment testing. This was driven by an increase in debt in HFD Limited and the reduced value in use of cash flow projections as a result of the Group's transformation plan, which, whilst providing a clear line of sight to return to profitability, is based on a smaller business and hence the absolute profit in the long term projections has changed compared to previous impairment assessments. The recoverable amount for the investment in HFD Limited was £nil, assessing the higher of value in use and fair value less costs of disposal.

The assumptions for sales growth and gross margin used in the value in use calculations are the same as for UK distribution in the Group goodwill impairment workings as disclosed in note 10. The cash flows were assumed to grow into perpetuity at a rate of 2.0% beyond 2030.

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 17.2% has been applied to the value in use calculation.

12 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	
	2025 £M	2024 £M	2025 £M	2024 £M	2025 £M	2024 £M
Property, plant and equipment	–	–	(6.3)	(7.8)	(6.3)	(7.8)
Intangible assets	–	–	(1.3)	(2.0)	(1.3)	(2.0)
Leases	21.1	23.7	(22.1)	(24.4)	(1.0)	(0.7)
Employee benefits	0.6	0.5	–	–	0.6	0.5
Tax losses	15.9	13.6	–	–	15.9	13.6
Other items	0.3	0.3	–	–	0.3	0.3
Tax assets/(liabilities)	37.9	38.1	(29.7)	(34.2)	8.2	3.9
Set-off of tax	(29.7)	(34.2)	29.7	34.2	–	–
	8.2	3.9	–	–	8.2	3.9

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 recognised will be recoverable using estimated future taxable income over a five year period to 2030 based on approved business plans for the Group up to 2029 with 2030 assumed to be in line with 2029. The Directors have not deemed it appropriate to estimate future taxable income past 2030 given the unreliability of using estimating data past this point. The losses can be carried forward indefinitely and have no expiry date.

Movement in net deferred tax during the current year

	1 January 2025 £M	Recognised in income £M	Recognised in equity £M	31 December 2025 £M
Property, plant and equipment	(7.8)	1.5	–	(6.3)
Intangible assets	(2.0)	0.7	–	(1.3)
Leases	(0.7)	(0.3)	–	(1.0)
Employee benefits	0.5	0.1	–	0.6
Tax losses	13.6	2.3	–	15.9
Other items	0.3	–	–	0.3
	3.9	4.3	–	8.2

Movement in net deferred tax during the prior year

	1 January 2024 £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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

12 Deferred tax assets and liabilities continued

Company

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2025 £M	2024 £M	2025 £M	2024 £M	2025 £M	2024 £M
Property, plant and equipment	–	–	(3.1)	(4.4)	(3.1)	(4.4)
Employee benefits	0.5	0.5	–	–	0.5	0.5
Tax assets/(liabilities)	0.5	0.5	(3.1)	(4.4)	(2.6)	(3.9)
Set-off of tax	(0.5)	(0.5)	0.5	0.5	–	–
	–	–	(2.6)	(3.9)	(2.6)	(3.9)

Movement in net deferred tax during the current year

	1 January 2025 £M	Recognised in income £M	Recognised in equity £M	31 December 2025 £M
Property, plant and equipment	(4.4)	1.3	–	(3.1)
Employee benefits	0.5	–	–	0.5
	(3.9)	1.3	–	(2.6)

Movement in net deferred tax during the prior 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)

Unrecognised deferred tax assets and liabilities – Group and Company

At 31 December 2025, the Group and Company has unused capital losses of £nil (2024: £nil) available for offset against future chargeable gains. In addition, the Group has an unrecognised deferred tax asset in respect of tax losses in the UK of £9.4 million (2024: £nil) equating to gross losses of £37.8 million (2024: £nil). The Group has an unrecognised deferred tax asset in respect of tax losses in France of £2.2 million (2024: £1.5 million) equating to gross losses of £8.8 million (2024: £6.0 million). The Directors have considered the probability that the deferred tax asset will be recoverable within the foreseeable future and concluded that only part of deferred tax asset relating to the UK should be recognised at 31 December 2025 and no deferred tax asset relating to France should be recognised at 31 December 2025.

The Group also has a UK interest restriction balance carried forward of £8.3 million (equating to a net amount of £2.1 million) which could be utilised in the future if certain criteria are met. No deferred tax asset has been recognised on this amount as its future utilisation is uncertain.

13 Inventories

	Group		Company	
	2025 £M	2024 £M	2025 £M	2024 £M
Goods for resale				
Balance as at 31 December	77.4	102.8	–	–

During the period, inventories of £355.0 million (2024 re-presented: £380.3 million) were recognised as an expense and included in cost of sales in the Consolidated Income Statement. Included within this expense is a £11.5 million charge (2024: £18.5 million charge) for write-downs of inventory to net realisable value.

14 Trade and other receivables

	Group		Company	
	2025 £M	2024 £M	2025 £M	Restated 2024 £M
Current				
Trade receivables	60.2	75.7	–	–
Prepayments and accrued income	5.7	9.9	1.5	1.3
Other receivables	20.7	25.4	1.7	1.8
Amounts due from subsidiary undertakings	–	–	57.3	17.7
	86.6	111.0	60.5	20.8

	Group		Company	
	2025 £M	2024 £M	2025 £M	Restated 2024 £M
Non-current				
Amounts due from subsidiary undertakings	–	–	105.2	107.8

Amounts due from subsidiary undertakings are unsecured, non-interest bearing and are repayable on demand.

£0.6 million (2024 re-presented: £2.6 million increase) was recognised as an increase in the impairment loss allowance in the Consolidated Income Statement in respect of trade receivables.

Further details on the impairment of trade receivables is provided in note 24.

15 Cash and cash equivalents

	Group		Company	
	2025 £M	2024 £M	2025 £M	Restated 2024 £M
Cash	26.1	12.0	25.5	7.5
Cash and cash equivalents per Statement of Financial Position	26.1	12.0	25.5	7.5

Cash and cash equivalents of £26.1 million (2024: £12.0 million) are treated as a single unit of account where there is a pooling arrangement under a single bank contract, in a single currency, for subsidiaries operating in the same country. The parent company is deemed to be the primary participant in the pooling arrangement (see page 143).

Reconciliation to cash flow statement

	Group		Company	
	2025 £M	2024 £M	2025 £M	2024 £M
Cash and cash equivalents per Statement of Financial Position	26.1	12.0	25.5	7.5
Bank overdraft per Statement of Financial Position	–	(1.1)	–	–
Cash and cash equivalents classified as held for sale	1.6	–	–	–
Bank overdraft classified as held for sale	(0.1)	–	–	–
Cash and cash equivalents per Cash Flow Statement	27.6	10.9	25.5	7.5

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

16 Assets classified as held for sale

	Group		Company	
	2025 £M	2024 £M	2025 £M	2024 £M
Non-current assets held for sale	8.2	4.8	8.1	4.8
Total assets of disposal group held for sale (note 25)	14.5	–	–	–
Assets classified as held for sale	22.7	4.8	8.1	4.8

As part of the transformative strategy, certain UK non-core property is expected to be sold in 2026. The non-current assets held for sale are presented within total reportable segments assets of the UK.

17 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 2025, 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 £61.0 million and also had short term uncommitted facilities of £7.5 million in the UK and €4.6 million facility in Continental Europe. In January 2026 the Group refinanced its revolving credit facility and £7.5 million uncommitted facility into an £85.0 million asset-based lending facility, leveraging its inventory, receivables and properties. The new facility matures in January 2029, with two extension options, each for an additional year.

	Facilities	
	31 December 2025 £M	31 December 2024 £M
Sterling RCF	61.0	81.5
Sterling uncommitted facilities UK	7.5	15.0
Euro uncommitted facilities Continental Europe	4.0	3.9
	72.5	100.4

For more information about the Group's and Company's exposure to interest rate and foreign currency risk, see note 24.

	Group		Company	
	2025 £M	2024 £M	2025 £M	2024 £M
Current liabilities				
Bank overdraft	–	1.1	–	–
Interest-bearing loan	59.0	–	59.0	–
	59.0	1.1	59.0	–

The Group has undrawn borrowing facilities at 31 December 2025, which amounted to £12.0 million (2024: £99.3 million). The facility conditions for drawdown had been met during the period. There is a cross guarantee in place between the Company and its UK, French and Dutch subsidiaries.

The undrawn borrowing facilities are as follows:

	Interest rate %	2025 £M	Interest rate %	2024 £M
UK	6.0	9.5	7.0	96.5
Netherlands	5.2	1.2	6.0	0.9
France	4.3	1.3	4.2	1.9
		12.0		99.3

The undrawn borrowing facilities consisted of £2.0 million committed and £10.0 million uncommitted facilities (2024: £81.5 million committed and £17.8 million uncommitted).

All the borrowing facilities above bear interest at floating rates.

Changes in net cash/(debt)

	At 1 January 2025 £M	Non-cash items £M	Cash flows £M	Foreign exchange movements £M	Transfer to held for sale £M	At 1 December 2025 £M
Cash at bank and in hand	12.0	–	15.6	0.1	(1.6)	26.1
Bank overdraft	(1.1)	–	1.0	–	0.1	–
Debt due within one year	–	–	(59.0)	–	–	(59.0)
Lease liabilities	(61.2)	(25.7)	17.4	(0.2)	3.0	(66.7)
Liabilities from financing activities	(62.3)	(25.7)	(40.6)	(0.2)	3.1	(125.7)
Net cash/(debt)	10.9	–	(42.4)	0.1	(1.5)	(32.9)
Net debt including lease liabilities	(50.3)	(25.7)	(25.0)	(0.1)	1.5	(99.6)

	At 1 January 2024 £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)

Non-cash items relate to lease additions, modifications and interest.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

18 Leases

The Group leases various properties, commercial vehicles and cars. Rental contracts are typically made for fixed periods of five to ten years on properties and three to seven 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 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
Net book value at 1 January 2025	37.8	17.3	55.1	3.2
Additions	8.7	7.0	15.7	4.3
Contract modifications/terminations	0.1	–	0.1	–
Depreciation	(7.1)	(7.8)	(14.9)	(1.1)
Effect of movements in foreign exchange	0.1	0.1	0.2	–
Assets transferred to held for sale	(1.1)	(1.5)	(2.6)	–
Net book value at 31 December 2025	38.5	15.1	53.6	6.4

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.

Lease liabilities

	Group		Company	
	2025 £M	2024 £M	2025 £M	2024 £M
Current	12.6	13.8	2.7	1.8
Non-current	54.1	47.4	12.1	4.6
	66.7	61.2	14.8	6.4

Amounts recognised in the Consolidated Income Statement

	Group	
	2025 £M	Re-presented 2024 £M
Continuing		
Interest on lease liabilities	3.5	2.3
Expenses relating to leases of low-value assets	–	0.1

The total cash outflow for leases during the year ended 31 December 2025 was £17.4 million (2024: £15.5 million) for the Group and £2.8 million (2024: £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 one property. The proceeds were used to reduce the Group's net debt. The property was sold for proceeds of £21.7 million and completed on 18 July 2025. The lease is at market rate and the aggregate annual lease cost of the properties is £1.5 million. The total gain recognised due to the sale and leaseback transaction is £6.2 million and is included within profit on disposal of property plant and equipment in non underlying items. The lease commenced on the transaction date and is for a term of ten years.

19 Trade and other payables

	Group		Company	
	2025 £M	2024 £M	2025 £M	Restated 2024 £M
Current				
Trade payables	67.1	95.4	0.8	3.2
Taxation and social security	9.5	26.0	0.8	13.4
Non-trade payables and accrued expenses	20.6	17.8	4.4	1.4
Amounts due to subsidiary undertakings	–	–	60.2	56.3
	97.2	139.2	66.2	74.3

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 24.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

20 Provisions

Group	Property – non-current		Legal claims – current	
	2025 £M	2024 £M	2025 £M	2024 £M
Balance at 1 January	3.1	2.6	–	–
Utilisation of provisions	–	(0.2)	–	–
Charged/(credited) to the income statement:				
Additional provisions	0.6	0.7	1.6	–
Unused amounts reversed	(0.4)	–	–	–
Balance at 31 December	3.3	3.1	1.6	–

Company	Property – non-current	
	2025 £M	2024 £M
Balance at 1 January	–	–
Charged to the income statement:		
Additional provisions	0.1	–
Balance at 31 December	0.1	–

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.

The legal claims provision relates to one of the Company's subsidiaries, MCD Group Limited, which is being prosecuted by a local authority for a health and safety offence relating to an accident at one of the Group's sites, previously disclosed in our 2022 Annual Report. MCD Group Limited has pleaded guilty to the offence and awaits sentencing. There is significant uncertainty in estimating the level of fine that may be imposed. The starting point in the sentencing guidelines is £2.4 million. Applying a one third discount for a guilty plea, as allowed under the guidelines, would result in a total of £1.6 million. This is the level of provision that has been recorded by the Group, being the best estimate at the current time. The sentencing guidelines would, however, allow a fine between £0.1 million to £6.0 million to be imposed.

21 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 2025. 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.

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	
	2025 £M	2024 £M	2025 £M	2024 £M
Present value of funded defined benefit obligations	(58.9)	(62.2)	(58.9)	(62.2)
Fair value of plan assets	57.1	60.7	57.1	60.7
Deficit in funded scheme	(1.8)	(1.5)	(1.8)	(1.5)
Other long-term employee benefits	–	(0.6)	–	–
Total employee benefits	(1.8)	(2.1)	(1.8)	(1.5)
Analysed as:				
Current liabilities	–	–	–	–
Non-current liabilities	(1.8)	(2.1)	(1.8)	(1.5)
Total employee benefits	(1.8)	(2.1)	(1.8)	(1.5)

Movements in present value of defined benefit obligation

	Group		Company	
	2025 £M	2024 £M	2025 £M	2024 £M
At 1 January	62.2	69.2	62.2	69.2
Interest cost	3.3	3.0	3.3	3.0
Net remeasurement gains – financial	(1.4)	(7.8)	(1.4)	(7.8)
Net remeasurement losses/(gains) – demographic	0.5	(0.1)	0.5	(0.1)
Net remeasurement losses/(gains) – experience	0.1	(0.4)	0.1	(0.4)
Deferred buy-in premium	(1.0)	2.1	(1.0)	2.1
Benefits paid	(4.8)	(3.8)	(4.8)	(3.8)
At 31 December	58.9	62.2	58.9	62.2

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

21 Employee benefits continued

Movements in fair value of plan assets

	Group		Company	
	2025 £M	2024 £M	2025 £M	2024 £M
At 1 January	60.7	73.6	60.7	73.6
Interest income on plan assets	3.2	3.2	3.2	3.2
Return on assets, excluding interest income	(1.7)	(13.7)	(1.7)	(13.7)
Contributions by employer:				
Past service deficit contributions	–	1.7	–	1.7
Benefits paid	(4.8)	(3.8)	(4.8)	(3.8)
Administration expenses	(0.3)	(0.3)	(0.3)	(0.3)
At 31 December	57.1	60.7	57.1	60.7

The fair value of the plan assets were as follows:

	Group		Company	
	2025 £M	2024 £M	2025 £M	2024 £M
Equities*	–	1.3	–	1.3
Cash and other	0.2	0.2	0.2	0.2
Insured annuities	56.9	59.2	56.9	59.2
	57.1	60.7	57.1	60.7

* 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.

As at 31 December 2025 the total asset value of £57.1 million is unquoted.

Movements in the effect of the asset ceiling

	Group		Company	
	2025 £M	2024 £M	2025 £M	2024 £M
At 1 January	–	6.7	–	6.7
Interest cost on the asset ceiling	–	0.3	–	0.3
Changes in the effect of the asset ceiling excluding interest cost	–	(7.0)	–	(7.0)
At 31 December	–	–	–	–

Expense recognised in the Consolidated Income Statement relating to defined benefit obligation

	Group	
	2025 £M	2024 £M
Net interest expense on the net defined benefit liability (note 6)	0.1	0.1
Administration expenses	0.3	0.3
Total	0.4	0.4

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	
	2025 £M	2024 £M
Return on assets, excluding interest income	1.7	13.7
Net remeasurement – financial	(1.4)	(7.8)
Net remeasurement – demographic	0.5	(0.1)
Net remeasurement – experience	0.1	(0.4)
Deferred buy-in-premium	(1.0)	2.1
Adjustment in respect of asset ceiling and minimum funding requirement	–	(7.0)
	(0.1)	0.5

Principal actuarial assumptions

	2025 %	2024 %
Discount rate (net of management fees)	5.6	5.5
Revaluation of deferred benefits in excess of GMPs	3.1	3.3
Inflation-linked pension increases	3.1	3.3
Price inflation (RPI)	3.1	3.3
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 2024 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, and the Core half-life parameter of 1 year (H=1)	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%
UK post-retirement – current pensioners	98%(M)/107%(F) of the S3PA tables with future improvements from 2013 in line with the CMI 2024 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, and the Core half-life parameter of 1 year (H=1)	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%

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

21 Employee benefits continued

The mortality assumption implies the expected future lifetime from age 65 is as follows:

	Group	
	2025 Years	2024 Years
Non-pensioner male	24.2	23.8
Pensioner male	22.6	22.2
Non-pensioner female	25.9	25.8
Pensioner female	24.2	24.1

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.

Effect in £M	Change in assumption	Impact on scheme liabilities 2025		Impact on scheme liabilities 2024	
		Increase	Decrease	Increase	Decrease
Discount rate	1.0% movement	(5.5)	6.7	(6.0)	7.2
Rate of inflation (RPI)*	0.25% movement	1.0	(1.0)	1.1	(1.1)
Assumed life expectancy	One-year movement	1.7	(1.8)	1.8	(1.7)

* With corresponding changes to the salary and pension increase assumptions.

The figures in the table as at 31 December 2025 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 2024 have been calculated by applying the same percentage increase or decrease as at 31 December 2025.

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.

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 £4.2 million (2024: £4.9 million). Contributions amounting to £0.5 million (2024: £nil) in respect of the December 2024 payroll were paid in January 2025.

22 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 92 to 117.

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 17 October 2025 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, 6,700 shares were granted on 8 April 2025 with a fair value of 84.4p and 5,400 shares were granted on 5 September 2025 with a fair value of 68.0p. The fair value of the services received in return for the shares issued is measured at the closing share price on the grant date.

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		Vesting conditions	Contractual life of options
	2025	2024		
Headlam Group Performance Share Plan 2017 granted to key management 5 July 2017 ¹	–	767	Exercisable	06/07/17 – 06/07/27
Three-year Sharesave scheme granted to other employees 5 October 2020	–	792	Continuous service	01/11/20 – 30/04/24
Three-year Sharesave scheme granted to other employees 6 October 2021	–	42,165	Continuous service	01/11/21 – 30/04/25
Headlam Group Performance Share Plan 2017 granted to key management 8 April 2022 ¹	–	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	73,164	134,830	Continuous service	01/11/22 – 30/04/26
Headlam Group Performance Share Plan 2017 granted to key management 7 October 2022	–	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	Continuous service	14/04/23 – 13/04/33
Headlam Group Performance Share Plan 2017 granted to key management 29 June 2023 ¹	516,320	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	180,284	407,345	Continuous service	30/06/23 – 29/06/33
Three-year Sharesave scheme granted to other employees 6 October 2023	173,482	411,980	Continuous service	01/11/23 – 01/05/27
Headlam Group Performance Share Plan 2017 granted to key management 18 March 2024 ¹	603,082	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	94,191	Continuous service	19/03/24 – 18/03/34
Management Incentive Plan granted to senior management 18 April 2024	457,583	854,309	Continuous service	19/04/24 – 18/04/34
Three-year Sharesave scheme granted to other employees 16 October 2024	314,873	1,174,783	Continuous service	01/11/24 – 01/05/28
Management Incentive Plan granted to senior management 28 October 2024	1,223,270	2,031,254	Continuous service	29/10/24 – 28/10/34
Deferred Bonus Plan granted to Executive Directors 17 April 2025 ¹	55,000	–	Continuous service	18/04/25 – 17/04/35
Headlam Group Performance Share Plan 2017 granted to key management 17 April 2025 ¹	924,374	–	Awards will vest between 25% and 100% for performance between 'threshold' performance and 'maximum' performance	18/04/25 – 17/04/35
Management Incentive Plan granted to senior management 17 April 2025	1,375,501	–	Continuous service	18/04/25 – 17/04/35
Three-year Sharesave scheme granted to other employees 17 October 2025	1,133,434	–	Continuous service	01/11/25 – 01/05/29
Total share options	7,124,558	6,941,545		

¹ Further details are provided on pages 92 to 117 of the Directors' Remuneration Report.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

22 Share-based payments continued

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price (pence) 2025	Number of options 2025	Weighted average exercise price (pence) 2024	Number of options 2024
Outstanding at the beginning of the year	111.1	6,941,545	163.0	3,923,736
Exercised during the year	–	(22,563)	–	–
Granted during the year	48.3	5,499,838	110.3	5,426,098
Lapsed during the year	261.1	(100,038)	230.2	(703,366)
Forfeited during the year	76.3	(4,080,327)	165.7	(878,664)
Cancelled during the year	126.2	(1,113,897)	193.2	(826,259)
Outstanding at the end of the year	78.3	7,124,558	111.1	6,941,545
Exercisable at the end of the year	159.6	419,467	389.8	43,724

The weighted average share price at the date of exercise for options exercised during the year was 81.6p (2024: £nil).

The options outstanding at the year-end have an exercise price in the range of 0p to 257p and a weighted average remaining contractual life of 7.3 years (2024: 7.6 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 2025 are shown below:

	Performance Share Plan 2017	Deferred Bonus Plan 2017	Management Incentive Plan 2023	Sharesave scheme
2025				
Number of options granted	2,153,533	55,000	2,092,020	1,199,285
Grant date	17 April 2025	17 April 2025	17 April 2025	17 October 2025
Fair value at measurement date:				
No performance conditions (p)	–	73.26	9.01	9.43
Performance conditions (p) EPS 70% & ESG 10%	69.0	–	–	–
Performance conditions (p) TSR 20%	22.0	–	–	–
Share price at grant date (p)	82.6	82.6	82.6	50.80
Exercise price (p)	–	–	100.0	47.0
Expected volatility	30%	30%	30%	32%
Option life	Three years	Two years	Three years	Three years
Dividend yield	6.0%	6.0%	6.0%	6.0%
Risk-free rate of interest	3.83%	3.83%	3.83%	3.73%

The total expenses recognised for the year arising from share-based payments are as follows:

	Group		Company		Subsidiaries	
	2025 £M	2024 £M	2025 £M	2024 £M	2025 £M	2024 £M
Options issued	0.7	1.0	0.3	0.3	0.4	0.7
Shares issued	–	–	–	–	–	–
Total expense recognised	0.7	1.0	0.3	0.3	0.4	0.7

23 Capital and reserves

Share capital

	Ordinary Shares	
	2025	2024
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
	2025 £M	2024 £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 2025, the Company held 5,356,544 shares (2024: 5,393,392) in relation to treasury stock and shares held in trust for satisfying options and awards under employee share schemes. These shares have been disclosed in the treasury reserve. 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% (2024: 6.3%) of the issued share capital as at 31 December 2025 with a nominal value of £0.3 million (2024: £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

	2025 £M	2024 £M
Final dividend for 2023 of 6.0p paid 7 June 2024	–	4.8

The total value of dividends proposed or declared but not recognised at 31 December 2025 is £nil (2024: £nil).

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 2025, this reserve was £1.5 million and there were no changes to this special reserve during the current or previous year.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

24 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 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.

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. Whilst 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	
	2025 £M	2024 £M	2025 £M	Restated 2024 £M
Trade and other receivables (note 14)	80.9	101.1	164.2	127.3
Cash and cash equivalents (note 15)	26.1	12.0	25.5	7.5
	107.0	113.1	189.7	134.8

The fair values of the above financial assets at both 31 December 2025 and 2024, are deemed to approximate to carrying value due to the short-term maturity of the instruments.

All other receivables are not past due (2024: not past due).

The Company had trade receivables of £nil (2024: £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 2025 or 31 December 2024 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 2025 is determined as follows;

Ageing based on invoice date	Current < 30 days	30–60 days	60–90 days	Over 90 days	Total
31 December 2025					
Expected loss rate	0.3%	0.4%	1.6%	35.7%	
Gross carrying amount – trade receivables (£millions)	36.1	19.7	7.9	6.6	70.3
Loss allowance (£millions)	0.1	0.1	0.1	2.4	2.7

This provision excludes a specific trade receivable which has been provided for in full and as at 31 December 2025 totalled: £1.3 million (2024: £1.3 million).

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

The maximum exposure to credit risk for trade receivables at the Statement of Financial Position date by geographic region was:

	Group		Company	
	2025 £M	2024 £M	2025 £M	2024 £M
UK	60.2	69.0	–	–

During the year the Group's impairment charge as a percentage of revenue amounted to 0.2% (2024: charge 0.5%).

The loss allowances for trade receivables as at 31 December reconcile to the opening loss allowances as follows:

	Group trade receivables		Company trade receivables	
	2025 £M	2024 £M	2025 £M	2024 £M
Opening loss allowance at 1 January	4.3	1.9	–	–
Increase in loan loss allowance recognised in profit or loss during the year	1.0	2.9	–	–
Receivables written off during the year as uncollectible	(1.3)	(0.5)	–	–
Loss allowances transferred to assets held for sale	(0.5)	–	–	–
Closing loss allowance at 31 December	3.5	4.3	–	–

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 £32.3 million (2024: £10.0 million). The increase in the loss allowance in the year is driven by the fair value less costs to dispose of the European subsidiaries which are held as a disposal group held for sale (see note 25).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

24 Financial instruments continued

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:

	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
31 December 2025 Group						
Non-derivative financial liabilities						
Bank loans	59.0	(59.0)	(59.0)	–	–	–
Trade and other payables	87.7	(87.7)	(87.7)	–	–	–
Lease liabilities	66.7	(76.9)	(17.0)	(14.4)	(25.1)	(20.4)
	213.4	(223.6)	(163.7)	(14.4)	(25.1)	(20.4)

	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
31 December 2024 Group						
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)

	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
31 December 2025 Company						
Non-derivative financial liabilities						
Trade and other payables	65.4	(65.4)	(65.4)	–	–	–
Lease liabilities	14.8	(13.5)	(3.7)	(3.7)	(4.6)	(1.5)
	80.2	(78.9)	(69.1)	(3.7)	(4.6)	(1.5)

	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
31 December 2024 Company						
Non-derivative financial liabilities						
Trade and other payables	60.9	(60.9)	(60.9)	–	–	–
Lease liabilities	6.4	(8.2)	(2.2)	(2.2)	(2.2)	(1.6)
	67.3	(69.1)	(63.1)	(2.2)	(2.2)	(1.6)

The value of the Group's and Company's financial liabilities as detailed above at 31 December 2025 and 2024 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.

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	
	2025 £M	2024 £M	2025 £M	Restated 2024 £M
Variable rate instruments				
Financial assets	26.1	12.0	25.5	7.5
Financial liabilities	(59.0)	(1.1)	(59.0)	–
	(32.9)	10.9	(33.5)	7.5

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 2024.

	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 2025								
Variable rate instruments	(0.3)	0.3	–	–	(0.3)	0.3	–	–
31 December 2024								
Variable rate instruments	0.1	(0.1)	–	–	0.1	(0.1)	–	–

Foreign currency risk

The Group and Company do not have a material foreign currency risk.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

24 Financial instruments continued

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

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 2025, 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 £61.0 million and also had short term uncommitted facilities of £7.5 million in the UK and €4.6 million facility in Continental Europe. The total banking facilities available to the Group at 31 December 2025 were £72.5 million (2024: £100.4 million).

In January 2026 the Group refinanced its revolving credit facility and £7.5 million uncommitted facility into an £85.0 million asset-based lending facility, leveraging its inventory, receivables and properties. The new facility matures in January 2029, with two extension options, each for an additional year. It contains financial covenants on minimum liquidity headroom and minimum EBITDA through to December 2027 and a fixed charge cover ratio covenant thereafter.

No changes were made to the objectives, policies or processes during the years ended 31 December 2025 and 31 December 2024.

Covenants

The Group was subject to financial covenants in relation to its £61.0 million revolving credit facility agreement, being a monthly minimum liquidity test and a quarterly minimum EBITDA test apply. Liquidity is the total amount available committed facilities and the minimum EBITDA is calculated using EBITDA, adjusted to exclude the impact of IFRS 16. The Group met these covenants during the year.

The new asset-based lending facility contains the following financial covenants: minimum liquidity headroom (both month end and all-times) and minimum EBITDA through to December 2027 and a fixed charge cover ratio covenant thereafter. It also contains operational covenants debt turn, dilution levels, gross margin and inventory days.

25 Discontinued operations

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

Financial performance of discontinued operation

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

Impairment – discontinued operations

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

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

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

Cash flows from discontinued operations:

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

25 Discontinued operations continued

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

The following assets and liabilities were reclassified as held for sale in relation to discontinued operations as at 31 December 2025, following an impairment of £12.6 million in relation to the assets:

	Period ended 31 December 2025
	Total £M
Assets classified as held for sale	
Inventories	3.4
Trade and other receivables	9.5
Cash and cash equivalents	1.6
Total assets of disposal group held for sale	14.5

	Period ended 31 December 2025
	Total £M
Liabilities directly associated with assets classified as held for sale	
Bank overdrafts	(0.1)
Lease liabilities	(3.0)
Trade and other payables	(11.0)
Employee benefits	(0.6)
Total liabilities of disposal group held for sale	(14.7)

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

Company only

The investments held in European subsidiaries have been impaired by £6.4 million to reflect the fair value less costs to dispose of these entities as a result of the expected sale of the European subsidiaries.

26 Capital commitments

Group

As at 31 December 2025, the Group entered into commitments to purchase property, plant and equipment for £nil million (2024: £nil million).

Company

At 31 December 2025, the Company had commitments to purchase property, plant and equipment for £nil million (2024: £nil 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 60 and 61.

As at 31 December 2025, Directors of the Company and their immediate relatives controlled 0.2% of the total voting rights of the Company (2024: 0.2%).

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 (2024: £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 2025 £M	Restated Balance at 31 December 2024 £M
Amounts due from subsidiaries	125.5	100.4
Amounts due to subsidiaries	(23.2)	(31.2)

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 2025 £M	For year ended 31 December 2024 £M
Rental income	8.6	10.2
Recharge of operating expenses	3.2	2.6
Interest income	10.0	11.0

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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.

Domus Tiles Limited (company number: 00812533) is exempt from the requirement of the Companies Act 2006 relating to the audit of accounts under section 479A of the Companies Act 2006.

ALTERNATIVE PERFORMANCE MEASURES (‘APMs’)

Glossary of Alternative Performance Measures	Closest equivalent statutory measure	Definition and purpose
Underlying gross profit	Gross profit	Calculated as gross profit before non-underlying items
Underlying operating costs	Administrative expenses	Calculated as administrative expenses, distribution costs, net impairment losses on trade receivables, net of any other operating income and before non-underlying items.
Underlying operating profit	Operating profit	Calculated as operating profit before non-underlying items
Underlying operating profit margin	None	Calculated as underlying operating profit divided by revenue. This measure is used to assess how effective the Group is at converting revenue into underlying operating profit
Underlying profit before tax	Profit before tax	Calculated as profit before tax before non-underlying items. Underlying profit before tax is used in the determination of Executive Directors’ annual bonuses
Underlying profit after tax	Profit after tax	Calculated as profit after tax before non-underlying items
Underlying basic earnings per share	Basic earnings per share	Calculated as basic earnings per share before non-underlying items
Underlying diluted earnings per share	Diluted earnings per share	Calculated as diluted earnings per share before non-underlying items
Non-underlying items	None	Items which by virtue of their nature, size and expected frequency require adjustment to show the performance of the Group in a consistent manner which is comparable year-on-year. These comprise: amortisation of acquired intangibles; impairment of assets; business restructuring and change-related costs; profit on sale of property, plant and equipment; ERP system development; and insurance proceeds
EBIT	None	Calculated as underlying operating profit or loss adjusted to exclude the impact of IFRS 16 and share-based payments
EBITDA	None	Calculated as underlying operating profit or loss excluding the impact of depreciation and amortisation
Covenant EBITDA	None	Calculated as underlying operating profit or loss adjusted to exclude the impact of IFRS 16 and share-based payments and excluding the impact of depreciation and amortisation
Underlying operating cash flow	None	Calculated as shown in the table in the Financial Review. This metric is used to assess underlying cash generation
Net debt including lease liabilities	None	Calculated as cash and cash equivalents less other interest-bearing loans and borrowings and less lease liabilities

ALTERNATIVE PERFORMANCE MEASURES

(‘APMs’) CONTINUED

Glossary of Alternative Performance Measures	Closest equivalent statutory measure	Definition and purpose
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
Adjusted effective tax rate excluding non-underlying items	None	Calculated as tax credit excluding non-underlying items divided by underlying profit before tax
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

FOR THE YEAR ENDED 31 DECEMBER 2025

	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	Provision for legal claims £M	Profit on sale of property, plant and equipment £M	Business re-structuring and change-related costs £M	Impairment of disposal group held for sale £M	Adjusted Results (underlying) £M
Revenue	498.7	–	–	–	–	–	–	–	498.7
Cost of sales	(355.0)	–	–	–	–	–	3.6	–	(351.4)
Gross profit	143.7	–	–	–	–	–	3.6	–	147.3
Distribution costs	(131.2)	–	–	–	–	–	10.0	–	(121.2)
Administrative expenses	(81.6)	1.1	4.8	5.6	1.6	–	9.6	–	(58.9)
Net impairment losses on trade receivables	(0.6)	–	–	–	–	–	–	–	(0.6)
Other operating income	6.2	–	–	–	–	(6.2)	–	–	–
Operating (loss)/profit	(63.5)	1.1	4.8	5.6	1.6	(6.2)	23.2	–	(33.4)
Finance income	0.6	–	–	–	–	–	–	–	0.6
Finance expenses	(6.7)	–	–	–	–	–	–	–	(6.7)
Net finance costs	(6.1)	–	–	–	–	–	–	–	(6.1)
(Loss)/profit before tax	(69.6)	1.1	4.8	5.6	1.6	(6.2)	23.2	–	(39.5)
Taxation	4.8	(0.3)	(0.4)	–	–	–	–	–	4.1
Loss for the year from continuing operations	(64.8)	0.8	4.4	5.6	1.6	(6.2)	23.2	–	(35.4)
Loss for the year from discontinued operations	(17.1)	0.1	–	–	–	–	0.1	12.5	(4.4)
(Loss)/profit for the year attributable to the equity shareholders	(81.9)	0.9	4.4	5.6	1.6	(6.2)	23.3	12.5	(39.8)
Total (loss)/earnings per share									
Basic	(102.0)p	1.1p	5.5p	7.0p	2.0	(7.7)p	29.0p	15.5p	(49.6)p
Diluted	(102.0)p	1.1p	5.5p	7.0p	2.0	(7.7)p	29.0p	15.5p	(49.6)p

ADJUSTED RESULTS RECONCILIATION CONTINUED

FOR THE 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	525.7	–	–	–	–	–	–	525.7
Cost of sales	(380.3)	–	–	–	1.6	–	9.0	(369.7)
Gross profit	145.4	–	–	–	1.6	–	9.0	156.0
Distribution costs	(124.2)	–	–	–	–	–	4.4	(119.8)
Administrative expenses	(71.0)	1.2	1.1	2.6	–	–	6.3	(59.8)
Net impairment losses on trade receivables	(2.6)	–	–	–	1.3	–	–	(1.3)
Other operating income	21.1	–	–	–	–	(21.1)	–	–
Operating (loss)/profit	(31.3)	1.2	1.1	2.6	2.9	(21.1)	19.7	(24.9)
Finance income	0.1	–	–	–	–	–	–	0.1
Finance expenses	(6.9)	–	–	–	–	–	–	(6.9)
Net finance costs	(6.8)	–	–	–	–	–	–	(6.8)
(Loss)/profit before tax	(38.1)	1.2	1.1	2.6	2.9	(21.1)	19.7	(31.7)
Taxation	17.0	(0.4)	(0.2)	(0.6)	(0.7)	(3.5)	(4.8)	6.8
(Loss)/profit from continuing operations	(21.1)	0.8	0.9	2.0	2.2	(24.6)	14.9	(24.9)
Loss from discontinued operations	(3.9)	0.1	0.6	–	–	–	–	(3.2)
(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 from continuing operations								
Basic	(26.3)p	1.0p	1.1p	2.5p	2.7p	(30.6)p	18.6p	(31.0)p
Diluted	(26.3)p	1.0p	1.1p	2.5p	2.7p	(30.6)p	18.6p	(31.0)p
(Loss)/earnings per share from discontinued operations								
Basic	(4.9)p	0.1p	0.8p	–	–	–	–	(4.0)p
Diluted	(4.9)p	0.1p	0.8p	–	–	–	–	(4.0)p
Total (loss)/earnings per share								
Basic	(31.2)p	1.1p	1.9p	2.5p	2.7p	(30.6)p	18.6p	(35.0)p
Diluted	(31.2)p	1.1p	1.9p	2.5p	2.7p	(30.6)p	18.6p	(35.0)p

FINANCIAL RECORD

	2025 £M	Re-presented 2024 £M	2023 £M	2022 £M	2021 £M
Trading results (Continuing operations)					
Revenue	498.7	525.7	656.5	663.6	667.2
Underlying gross profit	147.3	156.0	207.8	219.5	220.5
Overheads	(180.7)	(180.9)	(191.7)	(180.3)	(183.2)
Underlying (loss)/profit before net financing costs	(33.4)	(24.9)	16.1	39.2	37.3
Net financing costs	(6.1)	(6.8)	(5.1)	(2.1)	(1.5)
Underlying (loss)/profit on ordinary activities before tax	(39.5)	(31.7)	11.0	37.1	35.8
Taxation	4.1	6.8	(2.2)	(7.4)	(9.2)
Underlying (loss)/profit on ordinary activities after taxation – continued operations	(35.4)	(24.9)	8.8	29.7	26.6
Underlying (loss)/profit on ordinary activities after taxation – discontinued operations	(4.4)	(3.2)	–	–	0.1
(Loss)/profit for the year attributable to the equity shareholders	(39.8)	(28.1)	7.1	41.8	27.6
Shareholder value					
(Loss)/earnings per share for profit from continuing operations	(80.7)p	(26.3)p	9.6p	40.1p	23.5p
Underlying (loss)/earnings per share for profit from continuing operations	(44.1)p	(31.0)p	11.0p	35.5p	31.5p
(Loss)/earnings per share for (loss)/profit from discontinued operations	(21.3)p	(4.9)p	–	–	5.3p
Paid interim and final dividend per share	–	6.0p	15.2p	14.8p	5.8p
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	–	–	–	–	–

The results for 2021–2023 within the financial record have not been re-presented to reflect the discontinued activity that occurred in 2025, they remain the historical results reported for the Group.

FINANCIAL RECORD CONTINUED

	2025 £M	Restated 2024 £M	2023 £M	2022 £M	2021 £M
Net assets					
Non-current assets					
Property, plant and equipment	68.8	86.9	127.6	119.9	113.3
Right of use assets	53.6	55.1	41.6	36.7	35.0
Intangible assets	11.3	17.6	19.4	17.8	18.1
Deferred tax assets	8.2	3.9	0.9	–	–
	141.9	163.5	189.5	174.4	166.4
Current assets					
Inventories	77.4	102.8	131.5	139.8	130.9
Trade and other receivables	86.6	111.0	117.1	119.1	114.0
Income tax receivable	–	3.6	3.1	–	–
Cash and cash equivalents	26.1	12.0	21.1	2.1	61.2
Assets classified as held for sale	22.7	4.8	–	–	–
	212.8	234.2	272.8	261.0	306.1
Total assets	354.7	397.7	462.3	435.4	472.5
Current liabilities					
Bank overdraft	–	(1.1)	(0.7)	–	–
Other interest-bearing loans and borrowings	(59.0)	–	(50.0)	(0.3)	(0.6)
Lease liabilities	(12.6)	(13.8)	(11.9)	(11.4)	(10.5)
Trade and other payables	(97.2)	(139.2)	(129.1)	(153.2)	(178.0)
Employee benefits	–	–	(1.1)	(1.0)	(1.0)
Income tax payable	(0.4)	–	–	(1.9)	(1.0)
Provisions	(1.6)	–	–	–	–
Liabilities relating to assets held for sale	(14.7)	–	–	–	–
	(185.5)	(154.1)	(192.8)	(167.8)	(191.1)
Non-current liabilities					
Other interest-bearing loans and borrowings	–	–	–	–	(6.9)
Lease liabilities	(54.1)	(47.4)	(31.5)	(26.3)	(25.5)
Provisions	(3.3)	(3.1)	(2.6)	(1.7)	(2.7)
Deferred tax liabilities	–	–	(13.2)	(12.1)	(10.3)
Employee benefits	(1.8)	(2.1)	(1.8)	(2.7)	(3.9)
	(59.2)	(52.6)	(49.1)	(42.8)	(49.3)
Total liabilities	(244.7)	(206.7)	(241.9)	(210.6)	(240.4)
Net assets	110.0	191.0	220.4	224.8	232.1

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The production of this report supports the work of the Woodland Trust, the UK's leading woodland conservation charity. Each tree planted will grow into a vital carbon store, helping to reduce environmental impact as well as creating natural havens for wildlife and people.

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