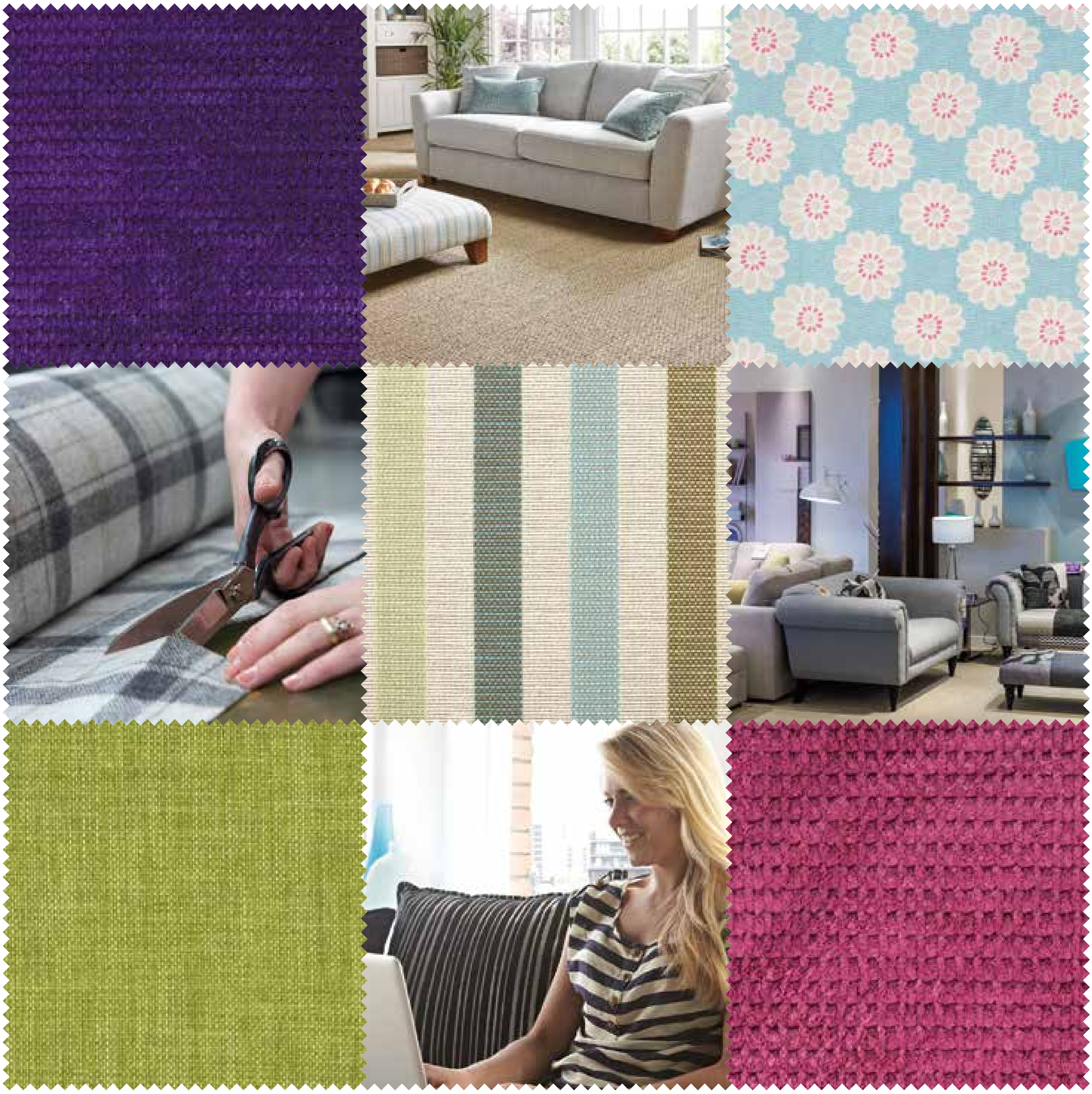
dfs

making everyday more comfortable

Interim Report 2015



We are the sofa experts

Design · Manufacture · Retail · Service

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Chairman's welcome

I am delighted to welcome all our new shareholders and to be able to report a strong performance in our first set of results as a newly listed public company.

Of course, DFS has been here before, but we now differ in a number of important ways from the company that was quoted in London over a decade ago.

Perhaps most obviously we are under new leadership, with Ian Filby as our CEO since Advent made its investment in the business in 2010. He is supported by a highly experienced senior management team, who have unparalleled knowledge of our sector and can draw on past experience from some of the top companies in the retail industry. Our recent non-executive appointments have given us a Board that is also undoubtedly best-in-class.

The business has also been transformed in scale, and we now have a market share by value more than three times greater than that of any other player in the upholstery sector. This scale drives multiple advantages across our operations and provides a strong platform for further growth as we continue to implement our proven strategy.

To support our growth, we have recently made a number of important investments in technology, brands, supply chain, store formats and international markets to create numerous new opportunities, all of which are already proving to be successful for the company and its shareholders.

DFS has demonstrated its ability to grow sales and take market share inexorably over its 45 years of operating history. Shareholders should be aware, however, that the company's excellent record of long term profit growth and cash generation has always been accompanied by some volatility in short term trading. This is a characteristic of our sector and precisely why we need to constantly drive our market with new designs, strong advertising, and exciting promotions.

While much has changed, we have been careful to conserve certain simple but fundamental principles that set DFS apart from the rest. We are dedicated to our product category as 'the sofa experts.' From design to delivery and every step in between, we are simply the best in the business.

We have always carefully guarded the culture of a family business, and will continue to do so. We keep it simple, while paying massive attention to detail, and have a 'can do' culture that puts delivering customer satisfaction as our top priority.

We also have a mind-set that is focused on success – relentlessly dissatisfied with the status quo, setting ambitious goals and working tirelessly to get there. We have by no means fulfilled the potential of DFS and we are excited about the opportunity ahead.

Our dedication to creating and making quality sofas that every home loves and can afford, combined with maintaining the culture of a family business, continues to be at the heart of our success.

This is what DFS means to me and I hope it will also strike a chord with you, and that you will share in our continuing success story in the years to come.

Richard Baker
Chairman

Our upholstery sales are over 3x that of our next nearest competitor giving us tangible scale advantages

Our business

DFS is the leading upholstery retailer in the UK – passionate about making and selling high quality, great looking sofas since 1969.

Heritage
DFS was founded in 1969 with a single store and manufacturing workshop near Doncaster. Over our 45 year history we have grown profitably to be the UK market leading upholstery retailer with a 25.7% share of the estimated £3 billion upholstered furniture sector in 2014, according to Verdict.

Distinctive customer proposition
At DFS, we design, manufacture, sell, deliver and install an extensive range of upholstered and other furniture products for our customers. Our product offering is complemented by our market-leading consumer financing options, best-in-class customer service, comprehensive after-sales service, a long-term guarantee and ongoing product support.

We engage with our customers through our stores, live chat service, telephone call centres and websites to offer a convenient, omnichannel customer experience.

In store, our customers are able to benefit from our knowledgeable and well-trained sales employees and the inspiration of our accessorised roomsets, with typically 60 to 70 ranges on display in each store. Our online sales advisers are available to speak to customers 24 hours a day, 365 days a year and our live chat video service allows us to engage with our customers face-to-face.

Extensive product range
We aim to offer our customers the broadest range of upholstery products with a wide variety of styles, brands and price points, all of which are exclusive to DFS. Typically, we have over 200 upholstery ranges on sale at any one time.

To further enhance our premium product proposition, we have established exclusive partnerships with Country Living, House Beautiful, French Connection and G-Plan and acquired Sofa Workshop and Dwell.

Dedication to quality
DFS products are designed and manufactured to exacting standards and our confidence in our quality is backed by an industry-leading free 10 year structural guarantee across all our upholstery products.

All our products are handmade to customer order by skilled upholsterers either at one of our three UK factories or by our long-standing supplier partners.

Unmatched service proposition
To complement our product quality, we also invest in our service. We directly employ over 200 delivery drivers and crew to allow us to provide our customers with a full installation service. Our products are delivered into the room of our customer's choice and then are unwrapped, assembled (if required) and inspected before all packaging material is taken away for recycling.

To ensure our customers receive the highest quality of aftercare we also employ over 150 of our own in-house upholstery service technicians, with at least one based in every store, to promptly visit customer homes and address any service queries.

DFS at a glance:

Inspire
We are the UK's 4th largest retail advertiser. Our 'always on' marketing drives consumer demand and awareness of our extensive product range which aims to offer a 'sofa for everyone'.

Create
Our own UK design studios and upholstery factories design and produce more than a quarter of the furniture we sell, allowing lead times on some made-to-order sofas to be as little as three weeks.

Retail
105 DFS stores in the UK, Ireland and Netherlands, plus 17 smaller footprint Sofa Workshop and Dwell branded stores.

Our websites and apps complement our store network and provide a strong incremental sales channel.

Service
Our dedicated in-house delivery crew and upholstery technicians provide full installation and service support.

Make a space
Simply create a digital version of the room your sofa will sit in using our style library, or upload your own photos.

The clear leader in UK upholstered furniture retail

Today DFS employs more than 3,500 people and operates over 100 retail stores in the UK, the Republic of Ireland and the Netherlands, a comprehensive online channel, and our own three upholstery factories in the UK.

45 years

of specialist heritage in the design, manufacture and sale of upholstered furniture

Service

End-to-end direct control of all aspects of our operations, from manufacturing to delivery and after sales service, allowing us to offer high-quality customer service and increase operational flexibility

Market overview

We have been consistently capturing market share, achieving success through our differentiated customer proposition and omnichannel presence.

Large potential customer base

DFS has a specialist focus on the retail upholstered furniture sector which accounts for approximately 25% of the furniture and floorcoverings market. The UK retail upholstered furniture sector was estimated by Verdict to be c.£3.0 billion in 2014. We also offer a selected range of beds, dining and other furniture giving access to other segments in the market.

Clear leader in the sector…

DFS is the clear leader in the upholstery sector with 25.7% share by value. Our share is over three times larger than that of the next competitor.

Our website also maintains a leading presence, attracting over 40% of the sector's traffic volumes.

…which has returned to steady growth that is forecast to continue

Between 1994 and 2014, the UK upholstered furniture sector has grown by 2.9% per annum on a compound annual growth basis.

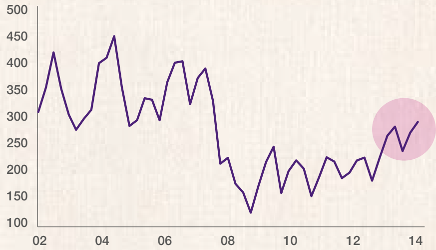
The sector is principally driven by three key factors: consumer confidence, housing market activity and consumer credit availability. After peaking at £3.9bn in 2007, the subsequent financial crisis, compounded by the exit of several significant retailers, caused the market to decline to £2.9 billion in 2011 from where it has since stabilised to c.£3.0 billion in 2014. The market is forecast to reach c.£3.1 billion in 2015, and on the basis that the demand drivers have generally continued to show improvement, it is anticipated this momentum will continue.

1 GfK Consumer Confidence, Overall index for "UK Consumer Confidence"
2 HM Revenue & Customs quarterly residential property transactions valued over £40,000 for England and Wales
3 Bank of England Net Unsecured Lending to Individuals Seasonally Adjusted

Key market drivers

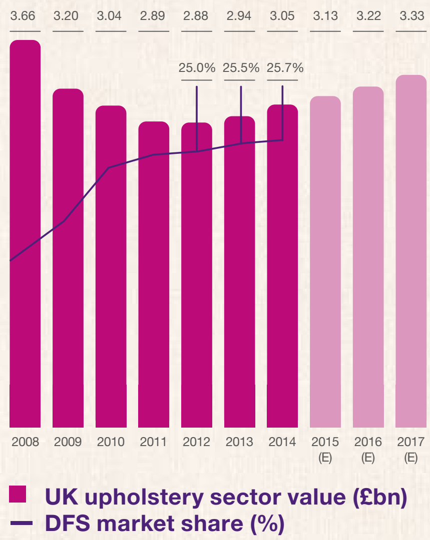
Consumer confidence (%)[1]

Housing transactions ('000s)[2]



Net unsecured lending (% change)[3]

UK upholstery sector value (£bn) & DFS market share (%)



Our unprompted brand awareness of 75% is over 2.5x greater than that of our nearest competitor

Broadening our appeal

DFS has always offered customers a wide range of styles covering contemporary, basic, classic and traditional designs and our price points have consistently covered a wide spectrum of price ranges.

Since 2011, in order to enhance our product appeal with more aspirational customers, DFS has introduced exclusive brand upholstery ranges such as Grand Tour and developed exclusive brand partnerships with Country Living and House Beautiful, monthly interior design publications owned by Hearst Magazines, French Connection, the fashion clothing retailer, and G-Plan, the branded upholstery manufacturer. We have also acquired Sofa Workshop and Dwell as additional aspirational brands.

Through our focus and initiatives we believe we have successfully increased our market share with that aspirational customer segment from c.18% to c.22% when including the sales of Sofa Workshop and Dwell, however further opportunity remains to increase our share up to levels achieved by the business overall.

Business model

We have a ‘difficult to match’ business model, with key advantages that deliver sales growth, market share gain and strong margins.

Recommend

- Award-winning customer feedback system to track Net Promotor Score (NPS) at an individual employee level
- Database of more than 5 million customer records, each with delivery addresses, supporting future store location decisions and enabling direct marketing initiatives

Inspire

- DFS is the UK’s 4th largest retail advertiser
- Significant spend and ‘always on’ marketing generates unprompted brand awareness over 2.5x any specialist competitor
- Rich, engaging web presence attracting over 40% of sector web traffic
- Continued innovation in marketing activities with a focus on technology

Business model made possible by:

Scale + Vertical integration + Expert focus

Manufacture & install

- Products manufactured to customer order, resulting in virtually stockless, negative working capital model
- External purchasing scale and in-house manufacturing enables DFS to offer industry leading value across all price points and minimises lead times on bespoke products
- Directly employed delivery crews and service upholsterers allows end-to-end control of customer experience and focus on customer service

Sell

- Nationwide network of well-invested, attractively presented stores
- Online and telephone sales teams available 24 hours a day, 365 days a year
- Well-trained sales teams – 3 month induction programme including 2 weeks classroom training
- Broadest product range in the industry, enhanced by exclusive branded ranges
- Interest-free credit offer independently rated by Defaqto as the best in furniture retailing

Key business model characteristics

Highly flexible cost base with over 70% of costs discretionary, variable or semi-variable.

Our stores are destinations, achieving sales density over 2x our peers' average with every store contributing to profitability.

Virtually stockless sales model, giving us negative working capital.

Made for online retail

We believe DFS's business model is well-suited to exploit the general shift towards online retail.

For most consumers, upholstery is a well-considered purchase – it represents a significant expenditure on a product that will be located at the heart of the home.

Over 70% of upholstery customers begin their research online, and we have a website with rich, inspirational media content that enables customers to search for products by material, size and style. We also offer room-planning tablet applications to allow customers to create a digital version of their living room, and to customise their product choice by selecting from the range of colours and fabrics available before viewing a virtual reality representation of their choice.

However, given the importance of comfort, design and materials to the purchase decision, currently over 90% of upholstery customers wish to experience a product before placing an order. DFS already has a nationwide network of over 100 stores that act as 'destination showrooms' to allow potential customers to view, test and learn about products under consideration.

Furthermore, given the size and weight of the upholstery products, fulfilment is a significant cost to upholstery retailers. DFS is able to use its significant scale (over 3x larger than any competitor, and larger still when compared to online-only retailers) to maximise the number of deliveries a two person delivery crew can make in a single day by minimising the distance travelled between deliveries. This intensity in delivery reduces fulfilment cost per order and allows DFS to offer compelling value to its customers.

Reflecting the significant investment made and these operational advantages, DFS has seen consistently strong growth in website visitor traffic, with dfs.co.uk now attracting over 1.5m unique visitors per month, and generating important online revenues. For the 26 weeks ended 31 January 2015 Web represented 10.9% of Group revenue (2014: 9.7%).

Strategy

We have proven strategies to deliver growth

1. Broadening our product and brand appeal

- We intend to continue the growth of our branded product range which now accounts for a significant element of sales
- We have begun steady development of our Sofa Workshop and Dwell store portfolio and are leveraging DFS best practices and benefiting from operational synergies in those businesses
- The ongoing evolution of our marketing strategy will continue to enhance our appeal to all customer segments

2. Exploiting already identified opportunities for new store roll-out

- Approximately 20 further traditional format sites for 10-15,000 square foot stores have been identified with 3-5 stores currently being delivered each year
- Opportunity for smaller format stores of <5,000 square foot to be considered to target urban areas and smaller towns allowing DFS to gain further market share

3. Selectively expanding our international store presence

- We believe there is the capacity for 2-3 additional Republic of Ireland stores, where we have already grown to be number two in the sector despite only entering in 2012
- The Netherlands has been identified as the optimal first location for further international organic growth with a trial store opened in November 2014 and the potential existing for up to 20 stores in total

4. Releasing additional retail space from conversion of onsite store warehouses

- Targeting 17 Customer Distribution Centres ("CDCs") to open across the country, following a roll-out of three per annum with each CDC expected to delivering a payback within two years
- Released space of typically 5,000 square foot in each of our converted South-East stores has been successful in delivering incremental sales of dining furniture and beds, with other formats now being trialled
- The shift to CDCs offers a total incremental retail space expansion of c.400,000 square foot (+24% space across the group)

5. Benefiting from the increasing importance of online channels

- Improve free stock sales using eBay and other direct channels
- Long-tail opportunity through additional ranges of direct home delivery furniture, utilising traffic and IFC offer
- Sofa Workshop and Dwell opportunity

6. Market set to grow c.3.0% per annum between 2014-17

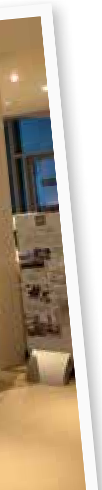
- Market growth driven by positive trends in consumer confidence, housing transactions and credit availability

Key risks

The Group faces a number of risks and uncertainties in both the development and day-to-day operations of its business. The Board regularly reviews key business risks and oversees the implementation by executive directors and operational management of processes to manage these risks.

Those risks that could potentially have a significant impact on the business are discussed below, together with the Group's related mitigating activities. Other risks which are currently either not known to the Group or are not considered material could also impact the Group's reported performance or assets.

Risk	Mitigation
Business strategy The success of the Group depends upon the formulation and implementation of appropriate strategies by the Board.	Strategic issues are regularly discussed at Board meetings in addition to dedicated strategy days. Performance against strategic targets is documented and reviewed to assess progress and enable any remedial actions to be taken on a timely basis. Senior management are set specific objectives for their business area which are aligned to the strategy and a proportion of their remuneration is dependent on the achievement of these objectives.
Economy and market conditions The retail market for upholstered furniture in the UK is highly competitive. The Group's success is therefore dependent on its ability to compete effectively, particularly during peak trading periods. The Group's products represent a significant discretionary spend for customers and demand is heavily influenced by factors affecting the wider UK economy including (but not limited to) consumer confidence, income levels, interest rates, the availability of credit and the level of housing market activity.	The Group continues to make substantial investments in marketing to maintain its leading brand status. Detailed sales information by product and store is reviewed daily, enabling changes to product selection, incentive structures and advertising strategy to be made on a dynamic basis to optimise sales. Products and services are continually reviewed to ensure they suit customers' needs, are competitively priced, offer good value and are supported by excellent customer service, in order to enhance the Group's market-leading position.
Supply chain management A large portion of the Group's products are supplied by a core of manufacturers, with many produced in continental Europe and Asia. The Group's internal manufacturing operations also supply a significant proportion of goods sold and may not wholly be able to compensate for the failure of any of the Group's key external suppliers to satisfy their delivery obligations.	The Group maintains flexible supply arrangements to facilitate switching between suppliers where necessary and uses a variety of freight forwarders to avoid reliance on any one transport link. All external upholstered furniture suppliers are frequently inspected by the Group to ensure that production is proceeding smoothly and that quality standards are maintained.
Consumer finance The majority of the Group's sales are to customers that utilise its interest free finance offerings, which are provided by external finance houses that, in return for a fee, bear the risk of customer default. Credit standards with respect to customer finance offerings typically tighten during periods of economic downturn, which may limit the Group's ability to offer customer finance on commercially acceptable terms and/or may increase the amount of the fee payable to the external providers of customer finance.	The Group has longstanding relationships with a number of finance houses and now has long term contracts in place with three providers which more than covers the total requirement for customer finance. These arrangements enable a redistribution of business in the event of withdrawal by one or more providers, and acceptance rates and fee levels are continuously reviewed to ensure that each provider remains competitive.



Key risks continued

Risk	Mitigation
Expansion of retail store network The growth of the Group depends on its ability to open and operate new stores on a timely and cost-effective basis while continuing to increase sales at existing stores. Competition for desirable retail sites has historically been significant, which may reduce the availability and/or increase the rental costs of such sites. Successful execution of any new store roll-out also depends upon a number of other factors, including the hiring, training and retention of qualified personnel and the capability of the Group's existing information technology and distribution systems to accommodate new stores.	A detailed appraisal model is applied to assess the payback period and expected profitability of each potential new store, including its impact on existing stores in the area. Appraisals are subject to thorough review and approval by the Board before any investment is made. The Group has an established supporting infrastructure in place to recruit and train staff and fit out and open stores to schedule.
Employees The success of the Group depends significantly on its ability to attract and retain a workforce that includes experienced sales, product design and production personnel and to retain members of its senior management team, many of whom have significant experience in the Group's business and industry.	Employee remuneration is structured to be at attractive levels and to incentivise employees towards results that are aligned with the objectives of the Group. In addition, senior management may participate in equity in the Group or in longer term incentive plans operating over a three year cycle.
IT systems The Group's operations depend upon the continued availability and integrity of its IT systems, including its website.	Full back up and business continuity procedures, comprising both internal and third party resources, are in place and are regularly reviewed, tested and updated.
Financial risk and liquidity A downturn in the macroeconomic environment may impact the Group's ability to obtain financing. The Group is also exposed to foreign currency exchange risk on certain purchases sourced from overseas.	The Group remains highly cash generative and currently has sufficient medium and long term facilities in place, including a £30.0 million revolving credit facility in place until March 2020 which is as yet unutilised. This risk is managed through the use of foreign currency forward contracts in accordance with a Board-approved treasury policy. No derivatives are entered into for speculative purposes.
Regulatory environment The Group is subject to an increasing burden of compliance in many of its activities from regulatory and other authorities and is subject to regulatory risk with potential for significant financial impact or reputational damage. Changes to other legislation which may have significant retrospective or future economic effects could also impact operating results. Following the Company's admission to the London Stock Exchange on 11 March 2015 the Group will be subject to increased regulatory obligations as a result of being listed and management will need to devote a substantial amount of time to ensure that the Group's business complies with all of these requirements. In addition, the reporting requirements, rules and regulations will increase the Group's legal and financial compliance costs and make some activities more time-consuming and costly.	Comprehensive training and monitoring programmes are in place to ensure that employees are appropriately skilled to deliver high levels of customer service and maintain regulatory compliance. A Reputational Risk Committee is in place to monitor management information and review processes and procedures to ensure our customers are treated fairly. The Group has appointed experienced non-executive directors to strengthen its Board of directors and support strong corporate governance. The Board is supported by an experienced senior management team, augmented as necessary by specialist third party advisors. Additional costs associated with the Group becoming a public company have been incorporated into the Group's financial and operational plans to ensure appropriate levels of monitoring and control.

Chief Executive's operating review

Ian Filby
Chief Executive Officer

Our IPO represents an important step forward in our mission to turn this great British business into one that is truly world class. I am pleased to report continued momentum in the first half of the current financial year, building on the strong performance of the second half last year to deliver a record last twelve months' result for the Group.

To stay abreast of fashion trends, we introduced over 220 new models last year

Results

Group gross sales for the 26 weeks ended 31 January 2015 grew by 10.5% to £431.2 million (2014: £390.1 million). This includes our acquisitions, Sofa Workshop and Dwell; the increase in gross sales for DFS alone was 9.1%. Group adjusted EBITDA increased by 16.5% to £27.6 million after adding back non-recurring exceptional expenses related to our IPO, and costs related to acquisitions and our international expansion, totalling £3.7 million (2014: £2.5 million).

Strategy

We have continued to make good progress with the implementation of our strategy. Our success to date has been firmly based on our exceptional customer proposition, offering the best and broadest product range in terms of styles, brands and price-points, which are made more affordable by our industry-leading interest free credit offer and supported by outstanding customer service.

From this strong base as the market leader in every segment where we operate, we intend to further broaden our product and brand appeal without compromising quality. To achieve this, the Group has a number of proven and developing growth levers including a measured programme of store expansion and retail space release in the UK and overseas, continued development of our omnichannel proposition and constant enhancement of our product range, particularly to build on our established success in extending our appeal to more customers.

We see significant opportunity to further increase our penetration in the UK, strengthen our established market leadership in online upholstered furniture sales and further develop the DFS brand internationally.

Stores – UK and International

Continuing our store expansion programme, we opened six new stores in the first half to give us a total of 105 DFS branded stores: 101 in the UK, three in the Republic of Ireland and one in The Netherlands. Our new UK stores opened in York, Ayr, Basingstoke and Oxford during the half year, and we also opened our third Republic of Ireland store at Carrickmines (Dublin). Having identified The Netherlands as the optimal location for our first move into Continental Europe we opened a new store at Cruquius in early November 2014 and this is now making customer deliveries.

All our new stores, including Cruquius, are trading encouragingly.

We will continue to expand our UK retail portfolio at an average rate of three to five current format DFS stores a year, with additional Dwell and Sofa Workshop stores, and we plan to further develop our international presence once concepts are proven. Since the financial period end we have also opened our first trial compact footprint DFS store in Westfield Stratford, next to a new Sofa Workshop store and close by our existing Dwell store.

Chief Executive's operating review continued

Key performance indicators

Gross Sales (inc. VAT) £895m in the 12 months to 31 Jan 2015	Adjusted EBITDA £86m in the 12 months to 31 Jan 2015	Free cash flow before tax and financing £74m in the 12 months to 31 Jan 2015
25.7% market share of UK upholstery retail	67% average post-delivery NPS in the 12 months to 31 Jan 2015	21% ROCE in the 12 months to 31 Jan 2015
105 DFS stores as at 31 Jan 2015	10.7% of Group sales through Web channels	3 CDC conversions complete with 2 further leases for CDC space signed

Customer Distribution Centres ("CDCs")

Our CDC concept, already operating successfully in South East and North West England, was extended into Scotland during the first half and now covers 13 stores. The initiative enhances our customers' experience and generates additional sales by releasing more selling space in our existing stores through moving their in-store warehouse and distribution operations into lower rent and more logistically efficient offsite locations. So far we have released an additional 36,000 sq ft of retail selling space through this initiative, and we will begin to fit out the space in Scotland shortly. We have also recently signed leases on our next two CDC locations: North East England and Central Southern England. We intend to roll out the CDC concept across our estate by creating approximately three new CDCs each year.

Web

Our market-leading website is designed to ensure ease and efficiency for the growing number of customers who access our online platform through tablets and mobile phones. While one of its primary roles will continue to be to inspire and attract customers to physical stores, the Group's Web channel also appeals to convenience shoppers and those who may not be willing or able to visit a physical retail store. The Web channel has continued to maintain its sector leading online position and to make an important contribution to our strong results. For the 26 weeks ended 31 January 2015 Web represented 10.9% of Group revenue (2014: 9.7%).

We intend to build on this great asset to further strengthen our position as the market leader for online upholstered furniture sales both by adding further product ranges to the DFS branded website and strengthening the Sofa Workshop and Dwell online presence. This will allow us to capitalise on the Group's existing Web traffic and efficiently utilise our vertically integrated business model, including our well-established delivery infrastructure.

Market share gain through complementary brands

We intend to continue developing our branded product offering as part of our drive to increase our appeal to more customers. The consolidation of the Sofa Workshop and Dwell brands into the Group further develops our established partnerships with these complementary, aspirational brands and builds on the success we have achieved with our exclusive ranges of high quality sofas handcrafted in the UK under brands such as Country Living, House Beautiful, French Connection and G-Plan.

To enhance the availability of our complementary brands, from October 2014 we commenced the sale of Dwell sofa-beds and other furniture and accessories on the dfs.co.uk website and since December 2014 we have introduced three exclusive Sofa Workshop upholstery ranges into selected DFS stores. Both Dwell and Sofa Workshop initiatives have performed well, delivering strong customer feedback and order volumes. These two businesses acquired in the previous financial year are trading strongly in their own right.

The Board and our people

The Board has been strengthened by the appointment of three highly experienced Independent Non-Executive Directors since October 2014: Luke Mayhew, Gwyn Burr and Julie Southern. Their wide-ranging expertise will help us to both develop our business and enhance our corporate governance, ensuring that we have a best-in-class Board to support us in executing our strategy and fulfilling our obligations to our shareholders. The Board is supported by an experienced senior management team with significant industry knowledge and a strong record of accomplishment in recent challenging economic conditions.

We rely on the more than 3,500 people who make, sell and deliver our furniture to provide the outstanding customer service that is a key part of DFS's unique proposition and throughout the period we have been delighted to see continued outstanding levels of customer satisfaction as measured by Net Promoter Score ('NPS'). We are very grateful to all our employees for their contributions to our continuing success, and are delighted to have been able to provide them with an opportunity to participate in share ownership through our IPO, where our employees acquired over £850,000 of DFS shares.

We attract over 40% of upholstery sector web traffic to dfs.co.uk, with over 1.5m unique visitors per month

Chief Executive's operating review continued

In addition, as part of the IPO, selling shareholders allocated 1% of their profits to the DFS Partnership Scheme, which enabled approximately 2,600 DFS staff to receive a share of a £2.6 million pay out from the previous shareholders and senior management.

Market environment

Overall market demand for upholstered furniture in the UK is predominantly driven by prevailing consumer confidence, the level of housing market activity and consumer credit availability. We continue to see favourable reported trends in key indicators in all three of these market drivers, despite some recent moderation in housing transaction volumes, and the upcoming general election having the potential to create some short term volatility. We therefore have confidence that our business will continue to benefit over the long term from a growing upholstery market.

We design and manufacture approximately a quarter of the products we sell at our three UK factories

Outlook

Our first half results provide a strong base for the results for the full year although it should be noted that our first half is typically the smaller half in terms of deliveries and our performance in the second half will be measured against stronger comparatives. Our trading since the end of the reporting period is on track and we are confident that DFS will deliver in line with market expectations for the current year.

DFS remains well positioned to deliver long-term profitable growth as one of the UK's best-known brands, a major British manufacturer and the country's leading retailer of upholstered furniture. Our IPO has further strengthened our financial position and given us an excellent platform from which to fulfil our vision of taking DFS from a great British business to a world class business. We look forward to driving our various growth initiatives against the backdrop of an improving macroeconomic environment and to building on our 45 year track record of success in delivering growth in sales, outstanding total shareholder returns and sector leading return on capital employed.

Ian Filby
Chief Executive Officer

26 March 2015

Performance summary

	H1 FY15	H1 FY14	YoY change	LTM† Jan 15	LTM† Jan 14	YoY change
Gross sales	£431.2m	£390.1m	+10.5%	£894.5m	£811.5m	+10.2%
Revenue	£332.8m	£299.2m	+11.2%	£690.4m	£621.4m	+11.1%
Adjusted EBITDA[1]	£27.6m	£23.7m	+16.5%	£86.2m	£77.1m	+11.8%
Adjusted EBITDA margin	8.3%	7.9%	+0.4%pt	12.5%	12.4%	+0.1%pt
Operating profit	£15.6m	£14.0m	+11.4%	£62.5m	£61.4m	+1.8%
Free cash flow[2]	£35.2m	£36.6m	-3.8%			
No. DFS stores	105	100	+5%			

† Last Twelve Months
1 Adjusted EBITDA means earnings before interest, taxation, depreciation and amortisation and non-underlying items, as adjusted for certain material, unusual or non-recurring items which the directors believe are not indicative of the Group's prior period underlying performance, principally the exclusion of initial trading losses associated with newly acquired businesses and the re-allocation of a discretionary incentive payment to the period to which it related
2 Free cash flow is the sum of Adjusted EBITDA, gross capital expenditure and changes in working capital

Financial review

We have delivered a strong financial performance in the period and undertaken several key development steps to create a strong stable platform for future growth.

Our interim results reflect the reporting period before our IPO and related refinancing in March 2015.

Sales and revenue

Group gross sales for the first half increased by 10.5% to £431.2 million (2014: £390.1 million), reflecting a 9.1% increase in DFS sales as well as increased contributions from Dwell and Sofa Workshop. Changes in the mix of interest free credit offers selected by our customers meant that Group revenues increased by slightly more, growing by 11.2% to £332.8 million (2014: £299.2 million).

Gross margin

Gross margin on goods sold decreased slightly compared to last year, reflecting our continued investment in competitive price points as well as product sales mix effects. The continuing growth in our UK store network and online sales has spread the costs of national advertising over a wider revenue base, reducing marketing costs as a proportion of sales. We have also achieved efficiencies in store occupancy costs. As a consequence of all these factors gross profit increased at a faster rate than revenue, up 16.5% to £45.9 million (2014: £39.4 million).

Profitability

Administrative expenses increased by 7.0% primarily due to increased staff costs reflecting additional central capability to drive growth initiatives and also additional costs relating to the central functions of the Dwell and Sofa Workshop businesses acquired in the previous financial year. Coupled with the improvements in gross profit margin this resulted in an adjusted EBITDA for the first half of £27.6 million, an increase of 16.5% on the previous year. The adjusted EBITDA margin for the period increased by 0.4%pt to 8.3%. Our first half is typically seasonally the smaller half for revenue and we have historically seen an improved EBITDA margin for the full year compared to the first half.

Non-underlying and other adjusted costs incurred in the period relating to the IPO and the Group's international expansion totalled £3.7 million (2014: £2.5 million). Further exceptional costs relating to the IPO and refinancing will be incurred during the second half of the financial year, with overall transaction related costs for the IPO and refinancing expected to total approximately £20.0 million. Operating profit increased by 11.4% to £15.6 million (2014: £14.0 million).

Finance costs

Finance expenses of £30.1 million for the half year reflected the Group's capital structure under its former ownership. As a result of the IPO and related refinancing undertaken, the Group's £310.0 million senior secured notes were repaid on 12 March 2015 and a new senior bank facility of £200.0 million drawn down at a much lower interest rate (together with an undrawn revolving credit facility of £30.0 million), giving an expected ongoing cost of borrowing of less than 5% of gross debt. In addition, previous shareholder loans and accrued interest of £192.7 million were converted into ordinary share capital. The effect of these transactions was to significantly reduce the Group's net debt and its total financing charge.

Cash flow and balance sheet

Our free cash flow generation remains robust, delivering very strong conversion levels from adjusted EBITDA. Group cash balances at the end of the half year, before the IPO refinancing, were £49.7 million (2014: £36.4 million). New store openings, including our first store in the Netherlands, contributed to an increase in capital expenditure for the first half to £11.1 million (2014: £8.4 million), which has slightly reduced free cash flow year on year. Working capital movements reflected the increased volumes in the business, providing inflows with our virtually stockless, made-to-order model and hence negative working capital.

The IPO and related refinancing and changes in capital structure took place after the period under review and resulted in the Group establishing a positive net asset position and a net debt of less than £200.0 million.

Dividend

The strength of our cash flow has enabled DFS consistently to both reduce leverage and to return cash to shareholders as part of our total shareholder return. We intend to adopt a progressive dividend policy that reflects the long-term earnings and cash flow potential of the Group, with a dividend pay-out ratio of around 40-50% of profit after tax, split approximately one-third and two-thirds between interim and final dividends respectively. We expect our first dividend as a public company to be a final dividend in respect of the current financial year ending in July 2015 and paid following our Annual General Meeting.

Bill Barnes
Finance Director

26 March 2015

Board of Directors

Who we are

Richard Baker
Chairman

Richard Baker joined DFS in 2010 and has 29 years of experience in the consumer and retail sector. Between 2003 and 2007, he was Chief Executive of Boots Group and Alliance Boots, and oversaw the merger between Boots Group and Alliance Unichem in 2005.

Prior to joining Boots, Richard was Chief Operating Officer at the supermarket group Asda. Since September 2014, Richard has served as non-executive Chairman of Whitbread plc, following his appointment as a non-executive director in September 2009. He is also currently a non-executive Operating Partner of Advent, the non-executive Chairman of the Global Advisory Council of Aimia Inc, which owns and runs the Nectar loyalty programme in the United Kingdom and he is an independent director of the Lawn Tennis Association. Richard has an MA (Hons) in Engineering Science from Cambridge University and a Diploma in Strategic Retail Management from Harvard.

Ian Filby
Chief Executive Officer

Ian Filby joined DFS in September 2010 and has 34 years of retail experience, primarily at Alliance Boots, where his most recent roles were Retail Brand Development Director and Trading Director.

Until January 2010, Ian was also Interim Chief Executive Officer of Nectar, the UK's leading coalition loyalty programme. He is also currently non-executive Chairman of Shoe Zone plc and is a member of the British Retail Consortium Board, and Chairman of the British Retail Consortium Policy Board. Ian has an MA (Hons) in Chemistry from Cambridge University.

Bill Barnes
Finance Director

Bill Barnes joined DFS in 2003 and has 25 years of experience in the retail sector.

After more than ten years at Price Waterhouse, Bill spent 14 years at Next plc where he was Group Financial Controller and Company Secretary. Bill has a B.Com (Bachelor of Commerce) from the University of Birmingham and is a fellow of the Institute of Chartered Accountants.

Luke Mayhew
Senior Independent Non-executive Director

Luke Mayhew joined DFS in October 2014 as Senior Independent Non-executive Director.

Luke previously served for 13 years on the Board of John Lewis Partnership, including as Managing Director of the Department Store division. Luke also spent five years at British Airways Plc and seven years at Thomas Cook Group PLC in senior positions. He was also previously Chairman of the British Retail Consortium, a non-executive director of WH Smith PLC and Chairman of Pets at Home Group Limited. He is currently an independent non-executive director of InterContinental Hotels Group PLC and Trustee of BBC Children in Need. Luke has a BA (Hons) from Oxford University and a Masters in Economics from the University of London.

Julie Southern
Independent Non-executive Director

Julie Southern joined DFS in February 2015 and currently chairs our Audit Committee.

She was previously with Virgin Atlantic from 2000-2012, first spending ten years as CFO before taking on the role of Chief Commercial Officer in 2010. Prior to joining Virgin Atlantic, Julie was Group Finance Director of Porsche Cars GB and Finance and Operations Director of WH Smith's subsidiary HJ Chapman & Co. Julie currently is a non-executive director of NXP Semiconductors and also Rentokil Initial where she also chairs the Audit Committee. She is a qualified accountant, having trained with Price Waterhouse, and has an MA (Hons) in Economics from Cambridge University.

Gwyn Burr
Independent Non-executive Director

Gwyn Burr joined DFS in December 2014, and chairs its Remuneration Committee.

She previously served on the operating board of J Sainsbury plc with responsibility for customer service, human resources, corporate responsibility and corporate communications, as well as key sponsorship schemes including the Paralympic Games programme. Before that, she held various management positions within the supermarket group Asda. She is currently an independent non-executive director of Metro AG, Wembley National Stadium Limited, Hammerson plc and Just Eat plc. She is also a non-executive director of Sainsbury's Bank plc and the Financial Ombudsman Service. Gwyn has a BA (Hons) in Economics and History from Bradford University.

Andy Dawson
Non-executive Director

Andy Dawson joined the DFS Board in 2010 in connection with the acquisition of DFS by Advent.

He is a Partner of Advent and coordinates Advent's retail activities in Europe. He has over 10 years of experience in private equity focused on the retail sector. Andy has a MA (Hons) in Engineering from Cambridge University.

Financial statements

Unaudited condensed consolidated income statement

	Note	**26 weeks to 31 January 2015 £m**	26 weeks to 25 January 2014 £m	53 weeks to 2 August 2014 £m
Gross sales	3	**431.2**	390.1	853.4
Revenue	3	**332.8**	299.2	656.8
Cost of sales		**(286.9)**	(259.8)	(544.9)
Gross profit		**45.9**	39.4	111.9
Administrative expenses		**(18.3)**	(17.1)	(31.9)
Underlying operating profit before depreciation and amortisation		**27.6**	22.3	80.0
Depreciation		**(6.9)**	(6.0)	(12.3)
Amortisation		**(1.4)**	(1.2)	(2.4)
Non-underlying items	4	**(3.7)**	(1.1)	(4.4)
Operating profit		**15.6**	14.0	60.9
Finance income		**0.1**	0.1	0.2
Finance expenses		**(30.1)**	(28.1)	(57.5)
(Loss)/profit before tax		**(14.4)**	(14.0)	3.6
Taxation		**(0.3)**	0.5	(8.1)
Loss for the period		**(14.7)**	(13.5)	(4.5)
Attributable to:				
Owners of the Company		**(13.2)**	(12.0)	(5.0)
Non-controlling interests		**(1.5)**	(1.5)	0.5
		(14.7)	(13.5)	(4.5)

Earnings per share

	Note	**26 weeks to 31 January 2015**	26 weeks to 25 January 2014	53 weeks to 2 August 2014
Basic and diluted (pence)	5	**(30.8)**	(28.2)	(11.7)

Note: the unaudited condensed consolidated income statement and earnings per share presented are based on results and number of shares in issue prior to the Group's IPO on 11 March 2015 and therefore do not reflect the consequent changes in financing and capital structure

Unaudited condensed consolidated statement of comprehensive income

	26 weeks to 31 January 2015 £m	26 weeks to 25 January 2014 £m	12 months to 2 August 2014 £m
Loss for the year	**(14.7)**	(13.5)	(4.5)
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Effective portion of changes in fair value of cash flow hedges	**7.4**	(6.2)	(8.1)
Net change in fair value of cash flow hedges reclassified to profit or loss	**0.3**	(0.2)	2.4
Income tax on items that are or may be reclassified subsequently to profit or loss	**(1.5)**	1.3	1.2
Other comprehensive (expense)/income for the year, net of income tax	**6.2**	(5.1)	(4.5)
Total comprehensive expense for the year	**(8.5)**	(18.6)	(9.0)
Attributable to:			
Owners of the Company	**(7.0)**	(17.1)	(9.5)
Non-controlling interests	**(1.5)**	(1.5)	0.5
	(8.5)	(18.6)	(9.0)

Financial statements

Unaudited condensed consolidated balance sheet

	31 January 2015 £m	25 January 2014 £m	2 August 2014 £m
Non-current assets			
Property, plant and equipment	**55.3**	50.1	50.9
Intangible assets	**489.7**	490.3	490.2
Other financial assets	**–**	–	0.1
Deferred tax assets	**9.4**	11.1	11.2
	554.4	551.5	552.4
Current assets			
Inventories	**33.9**	28.3	28.8
Other financial assets	**4.7**	–	–
Trade and other receivables	**20.5**	18.7	26.0
Cash and cash equivalents	**49.7**	36.4	53.8
	108.8	83.4	108.6
Total assets	**663.2**	634.9	661.0
Current liabilities			
Trade payables and other liabilities	**(356.9)**	(326.7)	(337.8)
Provisions	**(6.0)**	(6.0)	(5.8)
Other financial liabilities	**–**	(3.7)	(3.1)
Current tax liabilities	**(3.8)**	(3.9)	(7.3)
	(366.7)	(340.3)	(354.0)
Non-current liabilities			
Senior secured notes	**(307.0)**	(306.1)	(306.6)
Provisions	**(4.4)**	(4.5)	(4.4)
Other liabilities	**(69.2)**	(68.7)	(70.8)
	(380.6)	(379.3)	(381.8)
Total liabilities	**(747.3)**	(719.6)	(735.8)
Net liabilities	**(84.1)**	(84.7)	(74.8)
Equity attributable to equity holders of the parent			
Share capital	**42.6**	42.6	42.6
Cash flow hedging reserve	**4.7**	(3.7)	(3.0)
Retained earnings	**(129.0)**	(120.7)	(113.5)
Equity attributable to owners of the Company	**(81.7)**	(81.8)	(73.9)
Non-controlling interests	**(2.4)**	(2.9)	(0.9)
Total equity	**(84.1)**	(84.7)	(74.8)

Note: the unaudited condensed consolidated balance sheet represents the statement of affairs before the IPO on 11 March 2015 and subsequent reorganisation of borrowing and capital structure.

Unaudited condensed consolidated statement of changes in equity

	Share capital £m	Cash flow hedging reserve £m	Retained earnings £m	Non-controlling interest £m	Total equity £m
Balance at 27 July 2013	42.6	2.7	(108.7)	(1.6)	(65.0)
Loss for the period	–	–	(12.0)	(1.5)	(13.5)
Other comprehensive income/(expense)	–	(6.4)	1.3	–	(5.1)
Total comprehensive income/(expense) for the period	–	(6.4)	(10.7)	(1.5)	(18.6)
Issue of shares in subsidiary	–	–	–	0.2	0.2
Dividends	–	–	(1.3)	–	(1.3)
Balance at 25 January 2014	42.6	(3.7)	(120.7)	(2.9)	(84.7)
Balance at 2 August 2014	42.6	(3.0)	(113.5)	(0.9)	(74.8)
Loss for the period	–	–	(13.2)	(1.5)	(14.7)
Other comprehensive income/(expense)	–	7.7	(1.5)	–	6.2
Total comprehensive income/(expense) for the period	–	7.7	(14.7)	(1.5)	(8.5)
Dividends	–	–	(0.9)	–	(0.9)
Capital contribution	–	–	0.1	–	0.1
Balance at 31 January 2015	**42.6**	**4.7**	**(129.0)**	**(2.4)**	**(84.1)**

Financial statements

Unaudited condensed consolidated cash flow statement

	26 weeks to 31 January 2015 £m	26 weeks to 25 January 2014 £m	53 weeks to 2 August 2014 £m
Operating profit	**15.6**	14.0	60.9
Adjustments for:			
Depreciation, amortisation and impairment	**8.2**	7.1	14.7
Gain on sale of property, plant and equipment	**(0.4)**	(0.3)	(0.7)
Share based payment expense	**0.1**	–	0.3
Decrease in trade and other receivables	**5.5**	8.0	0.2
Increase in inventories	**(5.1)**	(4.5)	(5.0)
Increase in trade and other payables	**18.0**	17.8	13.2
Increase/(decrease) in provisions	**0.2**	–	(0.4)
	42.1	42.1	83.2
Tax paid	**(3.5)**	(2.6)	(8.0)
Net cash from operating activities	**38.6**	39.5	75.2
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	**0.4**	0.3	0.8
Interest received	**0.1**	0.1	0.2
Acquisition of subsidiaries	**–**	(1.4)	(1.4)
Acquisition of property, plant and equipment	**(10.3)**	(7.1)	(12.9)
Acquisition of other intangible assets	**(0.8)**	(1.3)	(2.5)
Net cash from investing activities	**(10.6)**	(9.4)	(15.8)
Cash flows from financing activities			
Interest paid	**(30.7)**	(30.5)	(42.1)
Payment of finance lease liabilities	**(0.5)**	(0.3)	(0.6)
Dividends paid	**(0.9)**	(1.3)	(1.3)
Net cash from financing activities	**(32.1)**	(32.1)	(44.0)
Net (decrease)/increase in cash and cash equivalents	**(4.1)**	(2.0)	15.4
Cash and cash equivalents at beginning of period	**53.8**	38.4	38.4
Cash and cash equivalents at end of period	**49.7**	36.4	53.8

Notes to the unaudited condensed consolidated interim financial statements

1. Basis of preparation

This unaudited condensed consolidated interim financial information for DFS Furniture plc (formerly Diamond Holdco 1 Limited, "the Company") and its subsidiaries (together, "the Group") was approved for release on 26 March 2015.

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* and the Disclosure and Transparency Rules of the Financial Conduct Authority, and comprise the results for the 26 weeks ended 31 January 2015, the 26 weeks ended 25 January 2014 and the 53 weeks ended 2 August 2014.

The interim financial statements have not been audited or reviewed by auditors pursuant to the Auditing Practices Board guidance on 'Review of Interim Financial Information'. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the 53 weeks ended 2 August 2014, a copy of which is available at www.dfscorporate.co.uk.

The financial information included in this interim statement of results does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006. The statutory accounts for the 53 weeks ended 2 August 2014 have been reported on by the Company's auditors and delivered to the Registrar of Companies. The auditor's report for those accounts was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006.

Accounting policies

The accounting policies adopted in preparing the condensed consolidated interim financial statements are consistent with the policies applied in the Group's financial statements for the 53 weeks ended 2 August 2014, which were prepared under IFRS as adopted by the European Union. There are no new standards, amendments to existing standards or interpretations that are effective for the first time in the financial year beginning 3 August 2014 that would be expected to have a material impact on the Group's results.

Going concern

On the basis of their assessment of the Group's financial position, operating forecasts and financing arrangements the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The directors are therefore satisfied that it is appropriate to adopt the going concern basis of accounting in preparing the interim financial statements.

2. Post balance sheet event: Initial public offering ('IPO')

Following the end of the interim period to which this report relates, the Group successfully completed its IPO and the Company's ordinary shares were admitted to trading on the main market of the London Stock Exchange on 11 March 2015.

In connection with the IPO the Group's capital structure was reorganised and its borrowings refinanced. The Group's £310.0 million senior secured notes were repaid on 12 March 2015 and a new senior bank facility of £200.0 million drawn down at a significantly reduced interest rate, together with an undrawn revolving credit facility of £30.0 million. In addition, previous shareholder loans and accrued interest of £192.7 million were converted into ordinary share capital. The effect of these transactions was to significantly reduce the Group's net debt and its future finance expenses.

Since the IPO and related refinancing occurred after the end of the interim reporting period, the unaudited condensed consolidated financial statements presented in this report reflect the Group's state of affairs prior to the IPO and do not include the effect of any of the above transactions.

Notes to the unaudited condensed consolidated interim financial statements continued

3. Segmental Analysis

The Group's operating segments under IFRS 8 have been determined based on management accounts reports reviewed by the Board. Segment performance is assessed based upon earnings before interest and tax excluding depreciation charges and non-underlying items ("underlying EBITDA").

The Group has only one reportable segment, which derives its revenues from the retailing of upholstered furniture and related products. Activities included in other segments comprise the manufacture and distribution of upholstered furniture.

The Group's operations and related assets and its external revenue derive principally within the UK & Eire and accordingly no separate analysis by geographical area has been presented.

	External sales			Internal sales			Total gross sales		
	26 weeks to 31 January 2015 £m	26 weeks to 25 January 2014 £m	53 weeks to 2 August 2014 £m	**26 weeks to 31 January 2015 £m**	26 weeks to 25 January 2014 £m	53 weeks to 2 August 2014 £m	**26 weeks to 31 January 2015 £m**	26 weeks to 25 January 2014 £m	53 weeks to 2 August 2014 £m
Retail	**431.2**	390.1	853.4	**–**	–	–	**431.2**	390.1	853.4
Other segments	**–**	–	–	**45.2**	43.8	89.1	**45.2**	43.8	89.1
Eliminations	**–**	–	–	**(45.2)**	(43.8)	(89.1)	**(45.2)**	(43.8)	(89.1)
Gross sales	**431.2**	390.1	853.4	**–**	–	–	**431.2**	390.1	853.4

	26 weeks to 31 January 2015 £m	26 weeks to 25 January 2014 £m	53 weeks to 2 August 2014 £m
Total segments gross sales	**431.2**	390.1	853.4
Less: value added and other sales taxes	**(66.7)**	(61.1)	(131.8)
Less: costs of interest free credit and aftercare services	**(31.7)**	(29.8)	(64.8)
Revenue	**332.8**	299.2	656.8

	26 weeks to 31 January 2015 £m	26 weeks to 25 January 2014 £m	53 weeks to 2 August 2014 £m
Retail underlying EBITDA	**24.8**	21.3	75.2
Other segments underlying EBITDA	**2.8**	1.0	4.8
	27.6	22.3	80.0
Depreciation & amortisation	**(8.3)**	(7.2)	(14.7)
Non-underlying items (note 4)	**(3.7)**	(1.1)	(4.4)
Operating profit	**15.6**	14.0	60.9
Finance income	**0.1**	0.1	0.2
Finance expenses	**(30.1)**	(28.1)	(57.5)
(Loss)/profit before tax	**(14.4)**	(14.0)	3.6

4. Operating profit

Group operating profit is stated after charging:

	26 weeks to 31 January 2015 £m	26 weeks to 25 January 2014 £m	53 weeks to 2 August 2014 £m
Non-underlying items			
Accelerated share based payments charge	**0.1**	–	0.3
International and acquired business set-up costs	**1.9**	0.7	1.5
Non-recurring and exceptional legal and professional costs	**1.7**	–	2.0
Acquisition costs	**–**	0.4	0.4
Restructuring costs	**–**	–	0.2
	3.7	1.1	4.4

Reconciliation of operating profit to adjusted EBITDA

	26 weeks to 31 January 2015 £m	26 weeks to 25 January 2014 £m	53 weeks to 2 August 2014 £m
Operating profit	**15.6**	14.0	60.9
Depreciation	**6.9**	6.0	12.3
Amortisation	**1.4**	1.2	2.4
Non-underlying items (above)	**3.7**	1.1	4.4
Underlying EBITDA	**27.6**	22.3	80.0
Adjusted items	**–**	1.4	2.3
Adjusted EBITDA	**27.6**	23.7	82.3

Adjusted items relate to losses arising in the initial ownership period of new subsidiaries and enhanced staff rewards relating to prior periods.

5. Earnings per share

	26 weeks to 31 January 2015 £m	26 weeks to 25 January 2014 £m	53 weeks to 2 August 2014 £m
Loss attributable to owners of the Company	**(13.2)**	(12.0)	(5.0)
	No. shares (millions)	No. shares (millions)	No. shares (millions)
Weighted average shares for basic and diluted earnings per share	**42.6**	42.6	42.6

The calculation of earnings per share relates to the results and number of shares in issue prior to the Group's IPO on 11 March 2015 and therefore does not reflect the consequent changes in financing and capital structure.

At 31 January 2015 the Company had 42,615,218 ordinary shares of £1 each in issue. On 17 February 2015 a further 192,708,003 £1 ordinary shares were issued to capitalise principal and accrued interest on outstanding loans from parent companies. One further £1 ordinary share was issued on 22 February and the resulting total share capital of 235,323,222 ordinary shares of £1 each were then consolidated to 156,882,148 ordinary shares of £1.50 each.

On 5 March 2015 a further 56,148,453 ordinary shares of £1.50 each were issued conditional to the admission of the Company's shares to trading on the London Stock Exchange, bringing the total shares in issue on admission to 213,030,601 ordinary shares of £1.50 each.

Notes to the unaudited condensed consolidated interim financial statements continued

6. Dividends

The following dividends were recognised during the period:

	26 weeks to 31 January 2015 £m	26 weeks to 25 January 2014 £m	53 weeks to 2 August 2014 £m
£0.03 (2013: £1.22) per qualifying ordinary share	**0.9**	1.3	51.9

7. Financial instruments

All derivatives are categorised as Level 2 under the requirements of IFRS 7 as they are valued using techniques based significantly on observed market data.

Except as detailed below, the directors consider that the fair values of each category of the Group's financial instruments are the same as their carrying values in the Group's balance sheet.

	31 January 2015		25 January 2014		2 August 2014	
	Carrying amount £m	**Fair value £m**	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Senior secured notes						
Fixed rates notes due August 2018	**200.0**	**207.0**	200.0	213.0	200.0	208.5
Floating rate notes due August 2018	**110.0**	**110.1**	110.0	111.2	110.0	110.6
	310.0	**317.1**	310.0	324.2	310.0	319.1

The fair values of the senior secured notes are their market values at the balance sheet date. Market values include accrued interest and changes in credit risk and interest rate risk and are therefore different to the reported carrying amounts.

8. Risks and uncertainties

The directors have considered the principal risks and uncertainties as presented in the Group's financial statements for the 53 weeks ended 2 August 2014 and determined that these risks remain relevant for the remaining 26 weeks of the current financial year. These risks comprise: business strategy; economy and market conditions; supply chain management; consumer finance; expansion of retail store network; employees; IT systems; financial risk and liquidity; regulatory environment. Further details of these risks can be found on pages 9 and 10 of this Interim Report.

9. Seasonality of operations

The Group's business is subject to sales order peaks due to the effects of promotional periods and, historically, a significant proportion of its annual revenue has been derived from orders generated during specific promotional periods. Promotional periods are generally aligned with periods over which consumers seek to make more purchases. The Group's most important trading periods in terms of order volumes have been in the promotional periods during the post-Christmas winter sale, Easter, the pre-Christmas guaranteed delivery period, and other public bank holidays. These increases in its order volumes (as opposed to its revenue, which is recognised upon completion of delivery, typically between three and 12 weeks after orders are placed) have generally been influenced, inter alia, by increases in the Group's spending on marketing and promotions in the period immediately prior to, and during, these promotional periods.

10. Capital expenditure
For the 26 weeks to 31 January 2015, acquisition of property, plant and equipment (including those acquired under finance leases) totalled £11.3 million (2014: £8.1 million). Acquisitions of intangible assets (computer software) totalled £0.8 million (2014: £1.3 million). Net proceeds on the sale of assets in the period were £0.4 million (2014: £0.3 million).

At 31 January 2015 the Group had contracted capital commitments of £1.7 million (2014: £1.3 million) for which no provision has been made in the financial statements.

11. Net debt

	2 August 2014 £m	Cash flow £m	Other non-cash changes £m	31 January 2015 £m
Cash in hand, at bank	53.8	(4.1)	–	**49.7**
Cash and cash equivalents	53.8	(4.1)	–	**49.7**
Senior secured notes	(306.6)	–	(0.4)	**(307.0)**
Finance lease liabilities	(3.8)	0.5	(1.0)	**(4.3)**
Total net debt	(256.6)	(3.6)	(1.4)	**(261.6)**

Net debt at 31 January 2015 is prior to the Group's IPO refinancing becoming effective on 12 March 2015 and consequently does not reflect that transaction or the associated reorganisation of the Group's capital structure.

Responsibility statement

We confirm that to the best of our knowledge:

a) The condensed set of financial statements has been prepared in accordance with IAS 34;

b) The interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of the principal risks and uncertainties for the remaining six months of the year); and

c) The interim management report includes a fair review of the information required by DT 4.2.8R (disclosure of related party transactions and changes therein).

By order of the board

Ian Filby
Chief Executive Officer

Bill Barnes
Finance Director

26 March 2015

This Interim Report, the full text of the Stock Exchange announcement and the results presentation can be found on the Company's website at www.dfscorporate.co.uk

This interim report contains statements that constitute forward-looking statements relating to the business, financial performance and results of the Company and the industry in which the Company operates. These statements may be identified by words such as "may", "will", "shall", "anticipate", "believe", "intend", "project", "goal", "expectation", "belief", "estimate", "plan", "target", or "forecast" and similar expressions for the negative thereof; or by forward-looking nature of discussions of strategy, plans or intentions; or by their context. No representation is made that any of these statements or forecasts will come to pass or that any forecast results will be achieved. All statements regarding the future are subject to inherent risks and uncertainties and various factors that would cause actual future results, performance or events to differ materially from those described or implied in these statements. Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operates in the future. Further, certain forward-looking statements are based upon assumptions of future events which may not prove to be accurate and neither the Company nor any other person accepts any responsibility for the accuracy of the opinions expressed in this interim report or the underlying assumptions. Past performance is not an indication of future results and past performance should not be taken as a representation that trends or activities underlying past performance will continue in the future. The forward-looking statements in this interim report speak only as at the date of this interim report and the Company expressly disclaims any obligation or undertaking to release any updates or revisions to these forward-looking statements to reflect any change in the Company's expectations in regard thereto or any change in events, conditions or circumstances on which any statement is based after the date of this interim report or to update or to keep current any other information contained in this interim report or to provide any additional information in relation to such forward-looking statements. Undue reliance should not therefore be placed on such forward-looking statements.

Shareholder information

DFS Furniture plc trades on the London Stock Exchange under the ticker DFS

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