8 October 2015 **For immediate release**

DFS Furniture plc

Preliminary Results

PROVEN GROWTH STRATEGY DELIVERS RECORD RESULTS

DFS Furniture plc, (the "Group"), the market leading retailer of upholstered furniture in the United Kingdom today announces its preliminary results for the 52 weeks ended 1 August 2015 (prior year: 53 weeks ended 2 August 2014)

Financial Highlights:

- Group gross sales up 7.0% to £913.1 million (FY14: £853.4 million)
- Group revenue up 7.5% to £706.1 million (FY14: £656.8 million)
- Group adjusted EBITDA up 8.4% to £89.2 million (FY14: £82.3 million)
- Group profit before tax £10.7 million (FY14: £3.6 million)
- Continued strong cash generation : 1.8x net debt / adjusted EBITDA
- Adjusted underlying EPS of 18.5p
- Successful IPO and refinancing significantly reduce debt and future interest costs
- Total dividend of 9.3p per share proposed, twice covered by adjusted underlying EPS

Operational Highlights:

- Proven growth strategy on track:
    - UK stores
        - Five new 10-15,000 sq. ft. DFS stores opened in UK and ROI
        - DFS small store format successfully trialled in London: two more planned
    - Broadening our appeal
        - 75% growth in branded upholstery orders through DFS
        - Sofa Workshop and Dwell store base expanded
    - International
        - First Continental European store opened in The Netherlands in November 2014
        - Opened Rotterdam store in September 2015, with one further store to be opened in FY16
    - Full utilisation of retail space
        - Six Customer Distribution Centres now operating successfully, releasing circa 70,000 sq. ft. of additional selling space
    - Online
        - Strong 17% growth in web sales
        - New in-store and at home technology increasing customer engagement
- Continued strong increases in customer satisfaction scores; post-purchase NPS now above 80%
- Partnership with Team GB for Rio 2016 Olympics

DFS Chairman Richard Baker said:

"The Group's growth strategy is delivering positive results across multiple initiatives and there are still substantial further potential opportunities for DFS in both the UK and international markets under our current strategy. With the key macro-economic indicators for the upholstery sector all positive and our strategic initiatives on track, we can look to the future with confidence. "We have an exceptionally strong management team, a leading customer proposition, a financial model that is well adapted for the volatility in demand that the sector can experience, and a proven long-term growth strategy. DFS is well positioned to build upon its excellent progress in the year ahead."

DFS Chief Executive Officer Ian Filby said:

"The Group delivered a good overall performance in FY15, outperforming the broader furniture market, and achieving record sales and operating profits. Furthermore we have made continuing progress across all strategic initiatives, giving me confidence that we will continue to deliver on our growth targets. The dividend we have recommended is a clear expression of our belief that we will continue to deliver both attractive earnings growth and cash returns for shareholders in the future."

Note

Adjusted EBITDA means underlying profit before depreciation and amortisation, as adjusted for certain material, unusual or non-recurring items which the directors believe are not indicative of the Group's underlying performance. In FY14, adjusting items totalled £2.3 million, 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.

Analyst Presentation

DFS will be hosting an analyst presentation at 9.00am today. There will be a listen only telephone dial-in facility available on +44 (0)1452 569 393. Callers should state that they wish to join the DFS Results Conference Call. The presentation slides will be made available on the Group's website: www.dfscorporate.co.uk. A replay facility will be available for twenty-five days after the event. To access the replay please dial +44 (0)1452550000 and use pass code 48965391.

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About DFS Furniture plc

DFS is the clear market leading retailer of upholstered furniture in the United Kingdom. We design, manufacture, sell and deliver to our customers an extensive range of upholstered furniture products. The business operates a retail network of upholstered furniture stores in the United Kingdom and Europe, together with an online channel. These have been established and developed gradually over more than 45 years of operating history. We attract customers to our stores and website through our substantial and continued investment in nationwide marketing activities and our reputation for high quality products and service, breadth of product ranges and price points and favourable consumer financing options.

CHAIRMAN'S STATEMENT

Our flotation in March this year was an exciting milestone in our transition from a formerly founder-led private company to an independent, listed business focused on delivering profitable growth and cash returns to shareholders. Since joining as Chairman over five years ago, I have been consistently impressed by how the flexible business model, vertical integration and scale of our Group allow us to generate strong cash returns regardless of market headwinds or tailwinds. I am delighted to see continued evidence that the growth strategy put in place by the executive management team is delivering positive results across multiple initiatives.

There are still substantial further potential opportunities for DFS in both the UK and international markets under our current strategy. The strong performance of our store opening programme is indicative of the long-term opportunity in the UK as we develop and test new store sizes and formats. Our trial store in Cruquius in The Netherlands continues to perform encouragingly, giving us the confidence to continue our international trial by opening more stores and increasing marketing spend. The opening of Sofa Workshop and Dwell shop-in-shops represents a natural step in our journey to increase our appeal to a broader range of customers and maximise returns from our store warehouse space conversion. In addition, overlying these initiatives, our continued increase in online participation gives us great confidence that our omnichannel offer will continue to deliver excellent growth.

Our markets

The financial year saw a continuation of the favourable upholstery sector conditions experienced since the second half of our 2014 fiscal year, evidenced by the key macroeconomic indicators of consumer confidence, housing market activity and consumer credit availability. All of these show positive signs of ongoing recovery. The value of the upholstery market still remains more than 20% beneath the peak seen in 2007, which gives us further confidence in the prospects for long-term growth in the sector, notwithstanding the short-term variations in trading resulting from transient weather or public events.

Results and dividend

The business has performed well in the year delivering record levels of revenues, profits and cash flow. This performance is especially pleasing given the potential impact of uncertainty around the UK general election in May, the prior year's extra week of trading and the flotation process earlier in the year.

Given the strong cash flow generation that is a feature of our business model, the Board has taken the decision to declare payment of an interim dividend of 3.1 pence per share and recommend to shareholders a final dividend of 6.2 pence per share. We see this as a clear statement of intent to deliver for shareholders both earnings growth and cash returns through our progressive dividend policy.

People

I am exceptionally proud of the continued hard work of our family of over 3,500 employees across the Group, who deliver outstanding service at every stage of our customer experience. Our Net Promoter Scores, a measure of customer service, have reached record levels over the last few months, and bear testament to the team's efforts to delight our customers, and I thank them for their dedication.

We have had non-executive representation on our board, which I have chaired, for many years before our listing. I am pleased that we have been able to add three outstanding independent non-executives to support the business in its strategic and operational development. We recognise the importance of a diversity of skills at Board level and our new members bring complementary experience from a variety of business backgrounds, giving us particular strengths in customer service, employee engagement, responsible retailing and financial control.

I would also like to express my thanks to Jon Massey for his 27 years of service to the Group, as he retires from full-time executive responsibilities. We look forward to continuing to benefit from his experience as he continues to work with us in an advisory capacity.

Conclusion

With the key macro-economic indicators for the upholstery sector all positive and our strategic initiatives on track, we can look forward with confidence. We have an exceptionally strong management team, a leading customer proposition, a financial model that is well adapted for the volatility in demand that the sector can experience, and a proven long-term growth strategy. DFS is well positioned to make further excellent progress in the year ahead.

Richard Baker
Chairman

CHIEF EXECUTIVE'S OPERATING REVIEW

I am pleased to report a further successful period of operational success and strategic progress. Leveraging the strength of our business model, we have successfully met our targets for near-term growth while maintaining very strong cash flows and also making the investments necessary to achieve long-term success.

The results for the last twelve months represent a record level of gross sales and adjusted EBITDA, and our cash conversion has remained outstanding. Reflecting this strong cash generation, we are pleased to be able to recommend payment of both an interim and final dividend, and can confirm that we have reduced our net debt below the level expected for year-end at the time of our IPO. We look forward to continuing to deliver both earnings growth and free cash flow for our shareholders.

Our strategic progress has also been exciting. Our branded ranges have continued to be positively received by consumers. We have been encouraged by our progress in the Netherlands and the positive results that we have seen to date from our small-store UK format. Our UK and ROI new store opening programme has continued to deliver incremental EBITDA, with six stores opened during the financial year, with each already now operationally profitable. We have also been able to continue to make more of our core store footprint through conversion of in-store warehouses into incremental retail space and establishing three further Customer Distribution Centres ("CDCs"). We continue to see the benefits of our sector-leading investment in online, with exceptional growth in visitor traffic.

Growth strategy update

Broadening our appeal to customers

Our stated mission is "creating and making sofas that *every* home loves and can afford". While we already have the leading competitive share in all consumer segments that we identify, our research suggests that we achieve different degrees of success in various consumer demographic segments. We have a clear focus on strengthening our share of the "aspirational consumer" segment of the furniture market, where we believe our handmade-to-order product and British manufacturing base should appeal strongly. To deliver on this strategy we are evolving aspects of our customer proposition, while seeking to maintain our core appeal to all customers.

We have continued to develop our range of exclusive branded products, including new luxury leather ranges under the Iconica brand, and have started the sale of selected collections of sofas and sofabeds from Sofa Workshop and Dwell through our DFS stores and website. This is an exciting development alongside the growth of our Country Living, House Beautiful and French Connection brands. We have also continued to evolve our marketing approach, complementing our significant investment in advertising with an increased use of PR, direct marketing and sponsored advertising.

Reflecting our continued progress and investment, orders for our Exclusive Branded ranges grew by 75%. Furthermore, independent surveys conducted on our behalf suggest that we have now grown our presence with the aspirational customer segment we are targeting from 18% to 23% (including Sofa Workshop and Dwell sales) and we continue to believe that we are on track to reach our 2018 target of 25% segment share.

UK and ROI store roll-out

We have a strong track record of opening new DFS stores in the UK and ROI at a rate of three to five per annum, and this trend has continued over the last 12 months with five successful new openings of 10-15,000 sq. ft. stores. Using our established customer catchment area model, which leverages our comprehensive delivery postcode data, we are able to assess accurately the opportunity that exists for a new store and ensure that substantial incremental EBITDA is delivered.

In order to establish how we can better access urban areas, we also opened a trial format 2,500 sq. ft. store in the Westfield shopping centre in Stratford, London in March 2015. Based on the success that we have seen to date we have taken the decision to open a further two trial small format stores.

Our Sofa Workshop business also opened standalone stores in Newbury and Westfield Stratford, and in August 2015 opened shops in converted DFS warehouse space in Glasgow and Gateshead. Also in August 2015, Dwell opened stores in converted DFS warehouse space in Glasgow and New Malden.

International expansion

Building on the experience we gained in our successful entry into the Republic of Ireland, in November 2014 we opened our first trial store in Cruquius, near Amsterdam, in the Netherlands. This move has been challenging, requiring us to operate with a different local language and under a new regulatory regime, while simultaneously establishing and growing our brand awareness with consumers. We have been encouraged by our progress to date. Our strong product range, in-house manufacturing expertise and service culture has proved to appeal to Dutch consumers despite the challenge of adverse currency movements. On the back of the positive results that we have seen to date we have taken the decision to open two further stores during the current financial year, one of which opened in September 2015 in the Alexandrium shopping mall / retail park in Rotterdam (10,000 sq. ft.). As disclosed in our July trading update, our investment in future growth in The Netherlands is expected to lead to an increase in operating costs net of incremental revenue of £2-3 million in FY16.

A somewhat different, but likewise potentially exciting growth initiative has also commenced in Spain. On 1 October 2015 we acquired a locally well-regarded business, branded "DFS Spain", which has served the expatriate community from a single c. 5,000 sq. ft. store on the south coast of Spain for over a decade. In addition to securing the registered DFS trademark in Spain, which will now allow us to target DFS advertising to the expatriate market in Spain, we will benefit from a physical showroom presence, giving customers a local point to experience our range and allowing us to benefit from increased logistical efficiencies in Spain. Although we have no plans at present to grow our Spain showroom base, we see this acquisition as a positive step to unlock the potential of our strong brand recognition and online web offer on dfs.co.uk with up to 800,000 expatriates from the UK currently living in Spain.

Retail space conversion

During the year we continued to pursue our CDC conversion programme, converting in-store warehouses into additional retail space and consolidating those warehouse operations into larger purpose-built off-site facilities. In August 2015 we opened our sixth CDC in Bristol, and we have now released approximately 70,000 square feet of retail space across 12 stores. We currently plan to use released space to sell dining and bedroom furniture, where we have had proven success; and, we are also trialling the use of the space alternatively for Sofa Workshop or Dwell shop within shops or an extended DFS upholstery range.

Online

Our website dfs.co.uk maintained its sector leading presence, continuing to attract over 40% of upholstery sector web traffic over the course of the year. We have seen continued double-digit growth in online sales with the proportion of Group orders placed contributing materially to our sales.

During the year we have also sought to increase the integration of our online technology with our store estate. We rolled out our online store appointment booking service nationwide, and are trialling the display of “virtual reality” representations of customer orders on in-store display screens.

We have also launched the DFS Live app, allowing our customers to interact from their home using video functionality with our Live Chat team. Our online advisers are available 24x7 and our customers now have the choice to interact using either in-store, video or telephone channels.

Customer service

We continue to strive to deliver the highest standards of customer service. Our approach relies both on proactive training and Net Promoter Score (“NPS”) linked incentivisation of our staff, combined with a feedback system that allows us accurately to measure and track the satisfaction of customers throughout their purchase down to the product, store, factory and employee level.

During the last 12 months we revised the pay structure for all sales staff to increase the importance of customer satisfaction scores. We have also commenced an incremental training programme to ensure all our front-line customer-facing staff possess at least a level 2 customer service NVQ award.

I am grateful for the positive way in which all our people have taken on, owned and driven forward our customer service approach over recent years and I would like to express my thanks for their efforts.

Reflecting our service approach I am pleased to report that our post-purchase NPS is now over 80%. Because of this success in achieving exceptional rates of post-purchase customer satisfaction, we will broaden our focus to emphasise *established* customer satisfaction – the willingness of customers that purchased our products six months previously to recommend our products to their friends or family.

Management

I would like to thank Jon Massey for his distinguished service to the Group over the last 27 years. Jon informed the Group that he wished to retire from full-time executive employment and therefore it has been agreed with our IPO joint global coordinators that he will be released with immediate effect from the lock-up arrangements that currently apply to our senior managers.

I would also like to welcome Nick Collard to DFS, who has been appointed to the new role of Chief Commercial Officer as part of our executive committee. Nick has extensive retail knowledge and expertise from a distinguished career with Morrisons and Boots. He will strengthen the senior management team, focusing on product and range management and further enhancing our growth initiatives.

Corporate responsibility

At DFS we continue to work hard to put corporate responsibility at the heart of everything we do. The Group formulated an Energy Management Policy to support the reduction of our energy use, and we have continued to reduce vehicle emissions from our company car fleet, despite increases in store numbers and headcount. We also maintained our focus on the efficiency of our delivery fleet, and made further progress in working towards our long term goal of sending zero waste to landfill.

In the community, we continued our partnership with the British Heart Foundation both in fundraising through the successful sofa recycling scheme and by training new and existing staff in CPR skills and defibrillator awareness. We also continued our support for BBC Children in Need for the second year.

Team GB partnership

We were delighted to announce in December that DFS was Team GB's chosen official homeware partner for the Rio 2016 Olympic Games. While we are of course proud to support our nation's athletes as they seek to build on the success they saw in London 2012, we believe that we will derive real operational benefits from this investment. First, we see significant potential to promote our brand with consumers, leveraging the strong consumer appeal of Team GB. Secondly, we are fortunate to be able to work with a number of athletes and Team GB ambassadors to develop our organisation operationally, using their marginal gains philosophy and also their one team approach to improve our employee engagement levels.

We are excited at the potential that the partnership offers and how strongly it fits with a number of the strategic growth initiatives that we are pursuing.

Outlook

We have been reassured to see positive trends in UK disposable income and consumer confidence continuing, and we expect this to provide a supportive market environment for the furniture sector over the coming months. We further believe that the Group is well-positioned relative to its competitors and we thus have confidence that the business is in a strong position to sustain its track record of gross sales growth and furniture market share capture in 2015/16, albeit our performance will now be measured against the strong comparators of the financial year under review.

Overall the business enjoys excellent prospects to deliver long-term profitable growth, strong cash generation and a progressive dividend policy as one of the UK's best-known brands, a major British manufacturer and the country's leading retailer of upholstered furniture.

Ian Filby
Chief Executive

FINANCIAL REVIEW

This is the first Financial Review since the Group listed in March 2015. For the majority of the year on which we are reporting a different pre-IPO capital structure was in place and the period also includes significant non-underlying costs of a non-recurring nature. Accordingly we have referred to adjusted underlying results where appropriate within this report in order to present a more meaningful analysis.

The table below is presented in order to show an underlying position.

	Underlying **£m**	**Non-underlying** **£m**	**FY15 Total** **£m**
EBITDA	89.2	(11.6)	77.6
Depreciation and amortisation	(17.0)	-	(17.0)
Operating profit	72.2	(11.6)	60.6
Finance income	0.1	-	0.1
Finance expense	(39.0)	(11.0)	(50.0)
Profit/(Loss) Before Tax	33.3	(22.6)	10.7
Taxation	(10.4)	2.9	(7.5)
Profit/(Loss) for the year	22.9	(19.7)	3.2
Adjusted for:			
Shareholder loan interest	16.6		
Adjusted profit after tax	39.5		
Dividend proposed	(19.8)		
Adjusted retained profit	19.7		

Sales and revenue

Group gross sales for the year increased by 7.0% to £913.1 million (FY14: £853.4 million), including a 5.8% increase in DFS sales as well as increased contributions from Dwell and Sofa Workshop. The mix of interest free credit offers selected by our customers resulted in a slightly higher increase in Group revenue, which grew by 7.5% to £706.1 million (FY14: £656.8 million). The slight reduction in growth rate in the second half of the financial year reflects the more demanding comparatives and the extra trading week last year, but continued to show strong momentum.

Gross margin

Continuing the trend of the first half year, gross profit increased at a faster rate than revenue, up 9.3% to £122.3 million (FY14: £111.9 million). While our planned investments in price points and changes in our product sales mix resulted in a slight decrease in gross margin on goods sold, this was offset by greater efficiencies in other direct costs. In particular 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. .

Central costs

Underlying administrative expenses rose by 3.8% primarily due to increased staff costs reflecting additional management capability to drive growth initiatives, additional costs relating to the central functions of the Dwell and Sofa Workshop businesses acquired in the previous financial year, and the first period of additional costs associated with our listed status. We anticipate 'plc' costs, largely associated with share based remuneration charges, to increase by c. £1m per annum in each of the following two financial years.

Operating profit and EBITDA

The net impact of the sales and margin effects noted above was an 8.4% increase in adjusted EBITDA for the year to £89.2 million (FY14: £82.3 million), with the adjusted EBITDA margin increasing by 10 basis points to 12.6% (FY14: 12.5%). Underlying operating profit rose 10.7% to £72.2 million (FY14 £65.3 million).

Non-underlying costs incurred in the period, mainly relating to the IPO and the Group's international expansion, totalled £11.6 million (FY14: non underlying and adjusted items of £6.7 million). Non-recurring costs associated with newly acquired businesses or the establishment of operations in new geographical territories are treated as non-underlying in the first year, in line with our accounting policy. In FY15 £2.8 million of non-underlying costs were related to international and acquired business start-up activity. Operating profit after non-underlying costs was broadly unchanged at £60.6 million (FY14: £60.9 million).

Finance costs

As noted at the half year, the IPO and related refinancing significantly reduced the Group's net debt and established a new financing structure with a much lower ongoing annual interest cost.

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. We also renewed an undrawn revolving credit facility of £30.0 million, in order to maintain financial flexibility. In addition, previous shareholder loans and accrued interest of £192.7 million were converted into ordinary share capital.

Finance costs include interest payable on a shareholder loan, for which £16.6m is adjusted for on a post-tax basis in the table at the beginning of this financial review, as the loan was extinguished on the IPO. In addition, a total of £11.0 million was incurred on the redemption premium and charges connected with the repayment of the Group's £310.0 million senior secured notes and these have been presented separately as exceptional finance costs.

We expect that finance costs in future will be significantly lower than those experienced historically, with our fully-hedged external cash borrowing cost falling to beneath 5% (including facility fees).

Tax

The tax charge reported for the year is distorted by certain non-underlying items which have been treated as non-deductible for Corporation Tax. Excluding these items, the underlying effective tax rate on underlying Profit Before Tax is 21.5%, slightly higher than the UK Corporation Tax rate applicable in the period of 20.7%.

Earnings per share

An adjusted calculation of Earnings Per Share ("EPS") based on the 213.0 million ordinary shares in issue since the IPO, and adjusted earnings of £39.5 million in the table at the beginning of this financial review, results in adjusted EPS of 18.5 pence per share.

Capital expenditure

Gross capital expenditure for the year was £22.9 million (FY14: £17.8 million excluding the cost of acquisitions). The increase primarily related to new store openings, including both new DFS stores in the UK and overseas and the expansion of Sofa Workshop and Dwell, and the roll out of Customer Distribution Centres in the UK. We have also maintained our investment in the refit of existing stores and development of our retail website. This level of capital investment is likely to continue in the current financial year and be augmented by additional investment in international expansion.

Cash flow and balance sheet

The IPO, and related refinancing and changes in capital structure, resulted in the Group establishing a robust balance sheet to support future growth. We closed the year with cash of £40.7 million, giving a net debt position of £162.2 million, providing significant cover in financing the proposed dividend, and achieving a gearing ratio of 1.8x adjusted EBITDA, in line with our intention stated at IPO to reduce gearing to less than 2x by year end. Cash flow includes non-underlying expenditure associated with the IPO and refinancing of £27.6 million and returns to previous shareholders pre IPO of £20.0 million.

Cash flow is therefore analysed as follows:

	£m
Closing cash July 2015	40.7
Opening cash July 2014	53.8
Cash outflow in the year	(13.1)
Adjusted for:	
IPO and associated refinancing	27.6
Return to pre IPO shareholders	20.0
Adjusted underlying increase in cash	34.5

Our strong free cash flow generation means we continue to reflect very strong conversion levels from adjusted EBITDA. 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. Our cash generation will continue to provide the opportunity to delever further, even after the progressive dividend policy we intend to establish.

Dividend

The strength of our operating results and cash flow enable DFS to make a strong statement of intent that we will deliver excellent returns to shareholders. The Board has therefore proposed both an interim dividend of 3.1 pence per share and a final dividend of 6.2 pence per share in respect of the financial year ended July 2015. Subject to approval of the final dividend at the Annual General Meeting to be held on 4 December 2015, the proposed final dividend and interim dividend will be paid on 30 December 2015 to shareholders on the register on 11 December 2015, and the shares will become ex-dividend on 10 December 2015. The total return of 9.3 pence per share equates to a distribution of approximately 50% of adjusted underlying Profit After Tax. Notwithstanding our anticipated earnings growth, our reduced financing costs in FY16 alone will allow strong growth in this dividend and we plan to maintain a pay-out ratio of between 45-50% of Profit After Tax.

Bill Barnes
Finance Director

Consolidated Income Statement

for 52 weeks ended 1 August 2015 (53 weeks ended 2 August 2014)

	Note	**2015 Under-lying £m**	**2015 Non-underlying £m**	**2015 Total £m**	2014 Under-lying £m	2014 Non-underlying £m	2014 Total £m
Gross sales	*2*	**913.1**	**-**	**913.1**	853.4	-	853.4
Revenue	*2*	**706.1**	**-**	**706.1**	656.8	-	656.8
Cost of sales		**(583.8)**	**-**	**(583.8)**	(544.9)	-	(544.9)
Gross profit		**122.3**	**-**	**122.3**	111.9	-	111.9
Administrative expenses	*3*	**(33.1)**	**(11.6)**	**(44.7)**	(31.9)	(4.4)	(36.3)
Operating profit before depreciation and amortisation		**89.2**	**(11.6)**	**77.6**	80.0	(4.4)	75.6
Depreciation		**(14.3)**	**-**	**(14.3)**	(12.3)	-	(12.3)
Amortisation		**(2.7)**	**-**	**(2.7)**	(2.4)	-	(2.4)
Operating profit		**72.2**	**(11.6)**	**60.6**	65.3	(4.4)	60.9
Finance income		**0.1**	**-**	**0.1**	0.2	-	0.2
Finance expenses	*4*	**(39.0)**	**(11.0)**	**(50.0)**	(57.5)	-	(57.5)
Profit before tax		**33.3**	**(22.6)**	**10.7**	8.0	(4.4)	3.6
Taxation		**(10.4)**	**2.9**	**(7.5)**	(8.7)	0.6	(8.1)
Profit/(loss) for the year		**22.9**	**(19.7)**	**3.2**	(0.7)	(3.8)	(4.5)
Attributable to:							
Owners of the Company		**24.4**	**(19.7)**	**4.7**	(1.2)	(3.8)	(5.0)
Non-controlling interests		**(1.5)**	**-**	**(1.5)**	0.5	-	0.5
		22.9	**(19.7)**	**3.2**	(0.7)	(3.8)	(4.5)

Statutory earnings per share

Basic	*5*	**22.4p**	**(18.1)p**	**4.3p**	(4.4)p	(13.1)p	(17.5)p
Diluted	*5*	**22.3p**	**(18.0)p**	**4.3p**	(4.4)p	(13.1)p	(17.5)p

Consolidated Statement of Comprehensive Income
for 52 weeks ended 1 August 2015 (53 weeks ended 2 August 2014)

	2015 £m	2014 £m
Profit/(loss) for the year	**3.2**	(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	**7.0**	(8.1)
Net change in fair value of cash flow hedges reclassified to profit or loss	**(2.3)**	2.4
Income tax on items that are or may be reclassified subsequently to profit or loss	**(0.9)**	1.2
Other comprehensive income/(expense) for the year, net of income tax	**3.8**	(4.5)
Total comprehensive income/(expense) for the year	**7.0**	(9.0)
Attributable to:		
Owners of the Company	**8.5**	(9.5)
Non-controlling interests	**(1.5)**	0.5
	7.0	(9.0)

Consolidated Balance Sheet
at 1 August 2015 (2 August 2014)

	2015 £m	2014 £m
Non-current assets		
Property, plant and equipment	**57.6**	50.9
Intangible assets	**489.3**	490.2
Other financial assets	**1.3**	0.1
Deferred tax assets	**12.1**	11.2
	560.3	552.4
Current assets		
Inventories	**28.3**	28.8
Other financial assets	**1.1**	-
Trade and other receivables	**25.3**	26.0
Cash and cash equivalents	**40.7**	53.8
	95.4	108.6
Total assets	**655.7**	661.0
Current liabilities		
Trade payables and other liabilities	**(145.2)**	(337.8)
Provisions	**(6.1)**	(5.8)
Other financial liabilities	**(0.8)**	(3.1)
Current tax liabilities	**(8.2)**	(7.3)
	(160.3)	(354.0)
Non-current liabilities		
Interest bearing loans and borrowings	**(197.9)**	(306.6)
Provisions	**(4.4)**	(4.4)
Other liabilities	**(69.2)**	(70.8)
	(271.5)	(381.8)
Total liabilities	**(431.8)**	(735.8)
Net assets/(liabilities)	**223.9**	(74.8)
Equity attributable to equity holders of the parent		
Share capital	**319.5**	42.6
Share premium	**40.4**	-
Merger reserve	**18.6**	-
Cash flow hedging reserve	**1.7**	(3.0)
Retained earnings	**(156.3)**	(113.5)
Equity attributable to owners of the Company	**223.9**	(73.9)
Non-controlling interests	**-**	(0.9)
Total equity	**223.9**	(74.8)

Consolidated Statement of Changes in Equity

	Share capital £m	Share premium £m	Merger reserve £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 year	-	-	-	-	(5.0)	0.5	(4.5)
Other comprehensive income/(expense)	-	-	-	(5.7)	1.2	-	(4.5)
Total comprehensive income/(expense) for the year	-	-	-	(5.7)	(3.8)	0.5	(9.0)
Issue of shares in subsidiary	-	-	-	-	-	0.2	0.2
Dividends	-	-	-	-	(1.3)	-	(1.3)
Capital contribution	-	-	-	-	0.3	-	0.3
Balance at 2 August 2014	**42.6**	**-**	**-**	**(3.0)**	**(113.5)**	**(0.9)**	**(74.8)**
Profit for the year	-	-	-	-	4.7	(1.5)	3.2
Other comprehensive income/(expense)	-	-	-	4.7	(0.9)	-	3.8
Total comprehensive income/(expense) for the year	-	-	-	4.7	3.8	(1.5)	7.0
Reorganisation on IPO	219.3	-	18.6	-	(47.2)	3.3	194.0
Equity raised on IPO	57.6	40.4	-	-	-	-	98.0
Dividends paid to non-controlling interests	-	-	-	-	-	(0.9)	(0.9)
Share based payments	-	-	-	-	0.6	-	0.6
Balance at 1 August 2015	**319.5**	**40.4**	**18.6**	**1.7**	**(156.3)**	**-**	**223.9**

Consolidated Cash Flow Statement

for 52 weeks ended 1 August 2015 (53 weeks ended 2 August 2014)

	2015	2014
	£m	£m
Operating profit	**60.6**	60.9
Adjustments for:		
Depreciation, amortisation and impairment	**17.0**	14.7
Gain on sale of property, plant and equipment	**(0.8)**	(0.7)
Share based payment expense	**0.6**	0.3
(Increase)/decrease in trade and other receivables	**(1.6)**	0.2
Decrease/(increase) in inventories	**0.5**	(5.0)
Increase in trade and other payables	**2.4**	13.2
Increase/(decrease) in provisions	**0.2**	(0.4)
	78.9	83.2
Tax paid	**(8.4)**	(8.0)
Net cash from operating activities	**70.5**	75.2
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	**0.9**	0.8
Interest received	**0.1**	0.2
Acquisition of subsidiaries	**-**	(1.4)
Acquisition of property, plant and equipment	**(19.0)**	(12.9)
Acquisition of other intangible assets	**(1.8)**	(2.5)
Net cash from investing activities	**(19.8)**	(15.8)
Cash flows from financing activities		
Proceeds from new loan	**200.0**	-
Interest paid	**(41.9)**	(42.1)
Exceptional finance costs	**(10.4)**	-
Repayment of borrowings	**(310.0)**	-
Proceeds on issue of new shares	**98.0**	-
Settlement of partly paid share capital	**2.3**	-
Payment of finance lease liabilities	**(0.9)**	(0.6)
Dividends paid	**(0.9)**	(1.3)
Net cash from financing activities	**(63.8)**	(44.0)
Net (decrease)/increase in cash and cash equivalents	**(13.1)**	15.4
Cash and cash equivalents at beginning of year	**53.8**	38.4
Cash and cash equivalents at end of year	**40.7**	53.8

Notes to the condensed consolidated financial statements

1. Basis of preparation

The condensed consolidated financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRS"). The financial statements are prepared on the historical cost basis except for certain financial instruments and share based payment liabilities which are measured at their fair value. The financial statements are for the 52 weeks to 1 August 2015 (last year 53 weeks to 2 August 2014).

The financial information included in these condensed consolidated financial statements 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 included 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.

Initial Public Offering ("IPO")
During the financial period, 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.

Going concern
The Group remains highly cash generative and currently has sufficient medium and long term facilities in place, including £200.0 million of a senior loan facility maturing in 2020 and a £30.0 million revolving credit facility in place until March 2020 which is as yet unutilised. Further details of these facilities and the Group's financial management objectives are detailed in the financial statements.

On the basis of their assessment of the Group's financial position, forecasts and projections, the Company's directors have a reasonable expectation that the Company and the Group will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Notes to the condensed consolidated financial statements

2. 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.

Gross sales	**External sales**		**Internal sales**		**Total gross sales**	
	2015	2014	**2015**	2014	**2015**	2014
	£m	£m	**£m**	£m	**£m**	£m
Retail	913.1	853.4	0.6	-	**913.7**	853.4
Other segments	-	-	92.7	89.1	**92.7**	89.1
Eliminations	-	-	(93.3)	(89.1)	**(93.3)**	(89.1)
Gross sales	913.1	853.4	-	-	**913.1**	853.4

	2015	2014
	£m	£m
Total segments gross sales	**913.1**	853.4
Less: value added and other sales taxes	**(141.4)**	(131.8)
Less: costs of interest free credit and aftercare services	**(65.6)**	(64.8)
Revenue	**706.1**	656.8

	2015	2014
	£m	£m
Retail underlying EBITDA	**82.4**	75.2
Other segments underlying EBITDA	**6.8**	4.8
	89.2	80.0
Depreciation & amortisation	**(17.0)**	(14.7)
Non-underlying items (note 3)	**(11.6)**	(4.4)
Operating profit	**60.6**	60.9
Finance income	**0.1**	0.2
Finance expenses	**(39.0)**	(57.5)
Exceptional refinancing costs	**(11.0)**	-
Profit before tax	**10.7**	3.6

A geographical analysis of revenue is given below:

	2015	2014
	£m	£m
United Kingdom	**689.7**	643.3
Europe	**16.4**	13.5
	706.1	656.8

3. *Operating profit*

Group operating profit is stated after charging/(crediting):

	2015 **£m**	2014 £m
Depreciation on tangible assets	**14.3**	12.3
Net gain on disposal of property, plant and equipment	**(0.8)**	(0.7)
Amortisation of intangible assets	**2.7**	2.4
Cost of inventories recognised as an expense	**295.8**	267.6
Write down of inventories to net realisable value	**0.8**	2.0

Non-underlying items

Items that are material in size, unusual or non-recurring in nature are disclosed separately in the income statement in order to provide an indication of the Group's underlying business performance. Non-underlying items relating to the reported financial period are as follows:

	2015 **£m**	2014 £m
Costs in respect of IPO	**8.5**	1.5
International and acquired business set-up costs	**2.8**	1.6
Other legal and professional costs	**0.3**	0.9
Acquisition costs	**-**	0.4
	11.6	4.4

4. *Finance expense*

	2015 **£m**	2014 £m
Interest payable on senior secured notes	**(14.2)**	(23.6)
Interest payable on senior loan facility	**(2.8)**	-
Bank fees	**(0.5)**	(0.5)
Fair value lease adjustment unwind	**(3.0)**	(3.0)
Interest payable on parent company loan	**(17.0)**	(29.8)
Interest payable on 17% cumulative redeemable preference shares	**(0.1)**	(0.2)
Interest payable on 8% vendor loan notes	**(0.2)**	(0.1)
Unwind of discount on provisions	**(0.1)**	(0.1)
Finance lease interest	**(0.3)**	(0.2)
Other interest	**(0.8)**	-
Total finance expense	**(39.0)**	(57.5)

Exceptional finance costs of £11.0m were incurred during the period as a consequence of the refinancing undertaken in connection with the Company's admission to the London Stock Exchange. These costs primarily related to the redemption premium and write off of remaining unamortised issue costs on the Group's £310.0m senior secured notes.

Notes to the condensed consolidated financial statements

5. Earnings per share

Due to the changes in the Company's capital structure as a result of the IPO, the weighted average number of shares in issue for the calculation of statutory and underlying earnings per share, calculated in accordance with IAS 33 below does not provide a meaningful basis for comparison to future reporting periods. The related changes to the Group's financing arrangements including the repayment of the parent company loan have also had a similar impact.

The Directors have presented an adjusted underlying earnings per share in the Financial Review on page 12 which they consider provides a more useful measure for shareholders in respect of the current period. Adjusted underlying earnings per share excludes the tax-adjusted interest payments on the parent company loan from earnings and is calculated as if the number of ordinary shares in issue at 1 August 2015 had been in issue throughout both the current and previous financial years.

Statutory earnings per share
Basic earnings per share is calculated by dividing the net profit or loss for the financial period attributable to ordinary equity holders of the parent company by the weighted average number of ordinary shares outstanding during the period. The weighted average number of shares reflects the movements in share capital detailed in note 6, changes in the Company's capital structure with no corresponding change in resources are reflected as if they had occurred at the beginning of the earliest period presented.

Diluted earnings per share is calculated using the same net profit or loss for the financial period attributable to ordinary equity holders of the parent company, but increasing the weighted average number of ordinary shares by the dilutive effect of potential ordinary shares.

	2015	2014
	p	p
Basic total earnings per share	**4.3**	(17.5)
Diluted total earnings per share	**4.3**	(17.5)

	2015	2014
	£m	£m
Profit/(loss) for the year attributable to equity holders of the parent company	**4.7**	(5.0)

	2015	2014
	No.	No.
Weighted average number of shares in issue for basic earnings per share	**108,753,074**	28,410,145
Dilutive effect of employee share based payment awards	**380,479**	-
Weighted average number of shares in issue for diluted earnings per share	**109,133,553**	28,410,145

Underlying earnings per share
Underlying basic earnings per share and underlying diluted earnings per share are calculated by dividing the profit for the period attributable to ordinary equity holders of the parent company, as adjusted to exclude the effect of non-underlying items, by the same weighted average numbers of ordinary shares above used for basic and diluted earnings per share respectively.

Notes to the condensed consolidated financial statements

5. *Earnings per share (continued)*

	2015	2014
	£m	£m
Profit/(loss) for the year attributable to equity holders of the parent company	**4.7**	(5.0)
Non-underlying items	**22.6**	4.4
Tax effect of non-underlying items	**(2.9)**	(0.6)
Underlying profit/(loss) for the year attributable to equity holders of the parent company	**24.4**	(1.2)

	2015	2014
	p	p
Underlying basic underlying earnings per share	**22.4**	(4.4)
Underlying diluted underlying earnings per share	**22.3**	(4.4)

6. *Share capital*

Ordinary shares of £1 each	**Number of shares**		**Ordinary shares**	
	2015	2014	**2015**	2014
	'000	'000	**£m**	£m
Allotted, called up and fully paid				
At the start of the financial period	**42,615**	42,615	**42.6**	42.6
Issued during the year	**192,708**	-	**192.7**	-
Consolidation to ordinary shares of £1.50 each	**(235,323)**	-	**(235.3)**	-
At the end of the financial period	**-**	42,615	**-**	42.6

Ordinary shares of £1.50 each	**Number of shares**		**Ordinary shares**	
	2015	2014	**2015**	2014
	'000	'000	**£m**	£m
Allotted, called up and fully paid				
At the start of the financial period	-	-	-	-
Consolidation of ordinary shares of £1 each	**156,882**	-	**235.3**	-
Issued during the period	**56,148**	-	**84.2**	-
At the end of the financial period	**213,030**	-	**319.5**	-

At 3 August 2014 the Company had in issue 42,615,218 ordinary shares of £1 each. 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. No gain or loss arose from this transaction as the carrying value of the shareholder debt reflected its fair value. One further £1 ordinary share was issued on 22 February 2015 and the resulting total of 235,323,222 ordinary shares of £1 each were then consolidated to 156,882,148 ordinary shares of £1.50 each.

On 10 March 2015 a total of 17,717,081 ordinary shares of £1.50 each were issued to senior management and certain other employees of the Group in exchange for their minority interests in the issued share capital of DFS Investments Limited, a subsidiary undertaking of the Company which has subsequently been placed into Members Voluntary Liquidation.

On 11 March 2015 a further 38,431,372 ordinary shares of £1.50 each were issued for cash consideration of £98.0m, conditional to the Admission of the Company's shares to trading on the London Stock Exchange. This brought the total shares in issue at 2 August 2015 to 213,030,601 ordinary shares of £1.50 each.

Notes to the condensed consolidated financial statements

7. Net debt

	2014 £m	Cash flow £m	Other non-cash changes £m	2015 £m
Cash in hand, at bank	53.8	(13.1)	-	**40.7**
Cash and cash equivalents	53.8	(13.1)	-	**40.7**
Senior secured notes	(306.6)	310.0	(3.4)	**-**
Senior loan facility	-	(200.0)	2.1	**(197.9)**
Finance lease liabilities	(3.8)	0.9	(2.1)	**(5.0)**
Total net debt	(256.6)	97.8	(3.4)	**(162.2)**

8. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2015 £m	2014 £m
Less than one year	**58.1**	54.3
Between one and five years	**222.5**	208.1
More than five years	**382.4**	420.5
	663.0	682.9

The Group has entered into operating leases in respect of stores, warehouses and equipment. These non-cancellable leases have remaining terms of between 3 months and 20 years. The majority of the Group's operating leases provide for their renewal by mutual agreement at the expiry of the lease term.

During the year £56.7m was recognised as an expense in the income statement in respect of operating leases (2014: £51.6m). At 1 August 2015, future rentals receivable under non-cancellable leases where the Group is the lessor were £13.6m (2014: £14.3m).

9. Dividends and AGM

The following dividends were recognised during the year:

	2015 £m	2014 £m
£Nil (2014: £0.03) per qualifying ordinary share	**-**	1.3

Dividends paid to non-controlling interests in the year were £0.9m (2014: £Nil).

On 7 October 2015 the directors declared an interim dividend of 3.1p per ordinary share and recommended a final dividend of 6.2p in respect of the financial period ended 1 August 2015, resulting in a total proposed dividend of £19.8m. It is intended that both dividends will be paid on 30 December 2015. DFS Furniture plc shares will trade ex-dividend from 10 December 2015 and the record date will be 11 December 2015. These dividends have not therefore been recognised as a liability in these financial statements.

The Annual General Meeting will be held on Friday 4 December at Warmsworth House, Holiday Inn, High Road, Warmsworth, Doncaster DN4 9UX The Annual Report and Accounts and Notice of Meeting will be sent to shareholders and copies will be available from the Company's registered office: 1 Rockingham Way, Redhouse Interchange, Adwick-le-Street, Doncaster, DN6 7NA and on the Company's website at www.dfscorporate.co.uk.

Notes to the condensed consolidated financial statements

This statement, 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 preliminary announcement 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 preliminary announcement 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 preliminary announcement 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.