28 March 2018 **For immediate release**

DFS Furniture plc ("DFS" and the "Group")

Half Year Results
Results for the 26 Weeks ended 27 January 2018

PERFORMANCE ON TRACK, FULL-YEAR EXPECTATIONS UNCHANGED

DFS Chief Executive Officer Ian Filby said:
"We have seen a strengthening trading performance across the first half of the financial year and through February into March. We therefore remain confident that, despite the current challenging market conditions, the Group will deliver modest growth in EBITDA and generate strong cashflow across this financial year, in-line with our expectations."

Financial Summary:

- Group revenue up 4.3% to £396.1 million (2017: £379.9 million) reflecting increasing scale and relative market leadership following the recent acquisition of Sofology
- Revenue before acquisitions of £366.5m, down 3.5%, reflecting the expected challenging market environment, but 3.0% higher over a two-year period
- US Dollar related gross margin impact in DFS of c. £7 million in period has been fully mitigated, with hedging in place through FY19
- Underlying EBITDA before acquisitions of £30.0 million (2017: £32.4 million), in line with our expectations, with the 7.4% decrease reflecting lower revenues. Benefits of our ongoing operating efficiency programmes now demonstrably flowing through
- Profit before tax of £7.0 million, stated after £4.6 million of non-underlying costs and the impacts of acquired businesses, is in line with our expectations, (2017: £16.7 million); basic earnings per share of 2.6 pence (2017: 6.2 pence)
- Consistent, strong underlying free cash flow generation of £25.5m (2017: £27.2m)
- Interim dividend of 3.7 pence (2017: 3.7 pence)

Operational Summary:

- Growth strategy on track:
    - Omnichannel approach
        - Double digit growth in DFS online traffic and transactions
        - Gross sales of the Group's online channels in the last twelve months now over £160m on a pro forma basis
    - Broadening DFS's appeal
        - Marketing campaigns delivering further record ratings
        - French Connection, House Beautiful and Country Living partnership ranges, and Joules launch, have together seen growth of 8%
    - Retail space optimisation
        - Completion of DFS Customer Distribution Centre network with 19th CDC
        - 10 co-located stores opened driving strong growth in Dwell and delivering an average sales uplift of over 15% year-on-year from same space
    - UK and ROI DFS store roll-out
        - Three new DFS standard-format stores on-track to deliver under 21 months payback with ongoing strong lease-adjusted returns on capital
        - DFS small store trial extended with first retail park format in Chelmsford
    - International
        - The Netherlands: One new store added and TV marketing commenced
        - Spain: Two stores well established and trading profitably
- Sofology acquisition offers significant potential building on strong trading momentum
- Record established customer Net Promoter Score achieved
- Strong employee engagement maintained, named as a member of the 25 Best Big Companies to Work For

Key Performance Indicators

	LTM[1] Jan 18	LTM[1] Jan 17	YoY change	H1 FY18	H1 FY17	YoY change
Financial KPIs						
Gross sales[2]	£1,010.9m	£1,012.8m	*-0.2%*	£513.8m	£493.7m	*4.1%*
Revenue	£778.9m	£780.1m	*-0.2%*	£396.1m	£379.9m	*4.3%*
Revenue before acquisitions[3]	£749.3m	£780.1m	*-3.9%*	£366.5m	£379.9m	*-3.5%*
Underlying EBITDA before acquisitions[3]	£80.0m	£95.8m	*-16.5%*	£30.0m	£32.4m	*-7.4%*
Underlying EBITDA	£79.5m	£95.8m	*-17.0%*	£29.5m	£32.4m	*-9.0%*
Profit before tax	£40.4m	£65.0m	*-37.8%*	£7.0m	£16.7m	*-58.1%*
Underlying earnings per share	17.1p	23.9p	*-28.5%*	4.6p	6.2p	*-25.8%*
Earnings per share	15.1p	23.9p	*-36.8%*	2.6p	6.2p	*-58.1%*
Underlying free cash flow[4]	£55.3m	£65.1m	*-15.0%*	£25.5m	£27.2m	*-6.2%*
Underlying cash conversion[5]	69.6%	68.0%		86.4%	84.0%	
Non-financial KPIs						
Number of UK & ROI DFS stores				117	112	
Established customer DFS Net Promoter Score				37.4	33.6	
DFS online (e-commerce & telephone) revenue growth rate				+8.1%	+13.9%	
Growth in DFS Partnership Brand sales				+8%	+22%	
Stores with converted warehouse space[6]				42	34	

Notes:

Half year results for the 26 weeks ended 27 January 2018 are presented with a comparative period of the 26 weeks ended 28 January 2017.

[1] Last Twelve Months – the 52 weeks ended 27 January 2018 are measured relative to the 52 weeks ended 28 January 2017.

[2] Gross sales represents amounts payable by external customers for goods and services supplied by the Group, including aftercare services (for which the Group acts as an agent), delivery charges and value added and other sales taxes.

[3] Revenue before acquisitions excludes revenues of businesses acquired in the reporting period; underlying EBITDA before acquisitions means earnings before interest, taxation, depreciation and amortisation, as adjusted for the trading performance of acquired businesses and certain material, unusual or non-recurring items which the directors believe are not indicative of the Group's prior period underlying performance.

[4] Underlying free cash flow is the sum of underlying EBITDA, less gross capital expenditure and changes in working capital.

[5] Underlying cash conversion is underlying free cash flow expressed as a percentage of underlying EBITDA

[6] Weighted average number of DFS stores during the financial period where former warehouse space has been converted into retail space.

Analyst Presentation

DFS will be hosting an analyst presentation at 9.00am today at the office of our broker UBS, 5 Broadgate Circle, London, EC2M 2QS. A live audio webcast and the presentation slides will be available on the Group's website: www.dfscorporate.co.uk.

Capital Markets Day

DFS will be hosting a Capital Markets Day on 2 May 2018 including presentations from senior management, and a visit to DFS's Croydon store. The presentation slides will be made available on the day on the Group's website: www.dfscorporate.co.uk. For further details please contact investor.relations@dfs.co.uk.

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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 through nearly 50 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.

CHIEF EXECUTIVE'S OPERATING REVIEW

We are pleased to report a performance in line with our expectations despite a furniture market that continues to be challenging. As a result, and supported by the strengthening trading momentum that we have seen since July 2017, including across the first three months of this year, we continue to believe we will deliver modest growth in EBITDA and strong cash generation across the financial year. We have also accelerated our strategic development over the period, completing the acquisitions of Sofology and the Multiyork assets in addition to progressing our programme of growth levers.

Results

The Group delivered revenue growth of 4.3%, in the 26 weeks to 27 January 2018, measured against the comparable 26-week period in the prior financial year (including the benefit of the acquisition of Sofology).

Revenues for the Group, excluding Sofology, over the first half of the current financial year were 3.5% lower than the prior year, but 3.0% higher when measured over two years. Our online channels, together with our developing Dwell business have once again grown strongly within this overall performance.

Our trading momentum has strengthened during the first half of the financial year and through into March 2018. We therefore continue to expect the second half of the financial year to demonstrate a stronger year-on-year revenue trend than the first half.

Underlying EBITDA before acquisitions decreased by 7.4% to £30.0 million (2017: £32.4 million). The anticipated cost pressure of £7 million from adverse US Dollar related foreign exchange movements, which was in addition to the cost pressure of £14 million experienced in the 2017 financial year, was offset by product specification and mix initiatives. However, marketing deflation and operating cost efficiencies together with the increased revenues of online growth and additional retail space only partly offset the lower revenue performance of the overall DFS store estate and the increased property costs of CDCs and new stores.

Underlying profit before tax, which also reflects the small seasonal-related operating loss by Sofology over the two-month period of ownership and some of the interest costs of acquisition, was 30.5% lower at £11.6 million (2017: £16.7 million).

The Board has declared an interim dividend of 3.7 pence per share (2017: 3.7 pence), payable on 20 June 2018 to shareholders on the register at 1 June 2018.

Growth strategy update

We have continued to make good operational progress in implementing our growth strategy, building upon our core strengths of market-leading scale, the flexibility of our cost base, and vertically integrated manufacturing and retail operations.

Omnichannel

With over 80% of customers conducting research before visiting a DFS showroom, our Group's web sites acting as the primary source of pre-purchase research and a material percentage of online customers choosing to see products in person before purchase, we know our customer journey frequently steps across channels. We have continued our focus to make this omnichannel journey as smooth as possible for our customers.

Reflecting some of the progress we have made in over a decade of online and technology investment, we believe we have a well-optimised and efficient online and mobile platform and this is reflected in DFS's Foresee FXI customer experience score for its mobile website of 80%, which is above the retail market average of 78% and exceptionally high for a big-ticket retailer. Our Group's digital evolution is accelerating and is being enhanced through our innovation partnership programme. This programme has already created our successful Swoosh visualisation technology and our bespoke Apollo furniture logistics software, which underpins our CDC operations, controlling van scheduling, with dynamic learning and optimisation of routes. We continue to experiment in other technologies including neural linguistics analysis to optimise performance of our telephone sales teams, in-store location beacon technology, variant testing software to optimise web forms and AI-assisted software to enhance our learning and recruitment activities.

Web traffic to dfs.co.uk continues to grow consistently and notwithstanding the overall market environment unique visitor traffic was c.10% higher in the first half of the 2018 financial year relative to the same period in 2017, with these trends particularly driven by the growth of mobile unique visitors. DFS's overall online revenue growth was 8.1% in particular driven by the rapid growth of e-commerce transactions. We have also seen DFS's share of specialist segment traffic maintained at over 40%, and DFS continues to be the second most googled term in the segment (after "sofa").

The Group's websites, where customers can choose to transact either by telephone sales team or by e-commerce, are an online furniture market leader and have together generated gross sales of over £160 million over the last twelve months on a pro forma basis.

Broadening our appeal to customers

We continue to extend our appeal to a broader range of customers. Building on the progress already made in the 2017 financial year, awareness and appreciation of the DFS brand has continued to grow through the extension of our ongoing successful colleague-focused advertising partnership with Aardman to also cover the release of their latest feature film "Early Man".

In addition to DFS brand awareness, which is consistently high, we track the effectiveness of our advertising through three key metrics: Brand Love, Brand Consideration and Call to Action. All of these key metrics have seen new highs during the first half of this financial year, and we were delighted that our Aardman campaigns were named by Campaign Magazine's Adwatch as achieving the highest advertising recall across all retailers for the second year in a row.

Our Partnership Brands also continued to deliver good gross sales order growth of 8%. The performance of French Connection, House Beautiful and Country Living ranges has been particularly pleasing and we have continued our product innovation including the launch of new French Connection *Zircon*, House Beautiful *Long Beach* and Country Living *Morland* ranges. We have also benefited across the period from the introduction of our new exclusive Joules ranges into 11 trial stores. Following the initial positive response, we have expanded the Joules offer to be on display in two product bays across 40 stores from mid-March 2018.

Dwell and Sofa Workshop traded in line with our expectations over a period of substantial growth and change. Dwell once again delivered double digit revenue growth and returned to a positive EBITDA performance over the period, helped by its significant co-located store opening programme in the prior financial year, and five new co-located store openings in the period. We also opened five new Sofa Workshop stores during the period, each co-located with DFS and undertook the acquisition of a further six new Sofa Workshop sites as part of the acquisition of assets from Multiyork. These additional Sofa Workshop sites are being refitted and will open during the second half of the financial year 2018. Incremental pre-opening costs, such as rents, rates and wages for store colleagues continuing to be employed during the refit period, will impact Sofa Workshop financial performance during this financial year.

UK and Republic of Ireland DFS store network development

Our well-established programme of opening new 10-15,000 sq ft DFS stores in the UK and Republic of Ireland at the rate of three to five per year remains in-line with plan, with three opened in December 2017 in Haverfordwest, Rugby and Wednesbury (Birmingham). While these stores are still very recent, we believe they will continue our well-established historical trend of achieving a sub 21 months cash payback and incremental EBITDA of over £500k. We have a clearly defined new store pipeline to maintain our planned store expansion for the next two years, subject to final negotiations.

In addition to our new store openings, during the last six months we undertook a major refit, downsize of the original store footprint and co-location with Dwell in our DFS Croydon store. Once again, we have received the benefit of a reduced ongoing rent and a substantial lease extension incentive package from our landlords.

Opportunities for lease renegotiation commonly arise within five years of lease expiry. While we see only a small number of lease expiries in the next three calendar years, we see 46 group store leases expiring by the end of 2023. Through our CACI modelling, we understand each store's catchment area in detail, and the incremental revenues it is likely to be generating. At lease renegotiation we are disciplined in ensuring we generate incremental profits and good returns on lease adjusted capital employed. In pursuing this approach we currently expect to exit and close between two and four DFS stores in the 2018 calendar year, depending on the outcome of conversations with landlords. As a result of lease renegotiations we expect to be able to drive down the current cost of the DFS store estate over time (including new stores).

We opened a smaller c. 6,000 sq.ft. DFS store at Chelmsford in November, the fourth store in our small trial format and our first on a retail park location. Having experimented with stores at c. 2,500 sq.ft. and also 5,000-6,000 sq.ft., we believe that the 5,000-6,000 sq.ft. format is likely to offer stronger returns and we will focus further trials on this format, including the opening of a small store in Guildford before Easter. We continue to develop our sales approach, ranging and technology in our smaller stores, to create the potential for broader national roll-out in future.

Retail space optimisation

We completed the national roll-out of customer distribution centres (CDCs) with the opening of our 19th UK CDC in Chelmsford in February 2018. We are seeing the operational benefits of CDCs in our supply chain performance metrics, and in particular in both cost per order, which has fallen by £2 year-on-year as a result of the programme, while also delivering superior customer satisfaction scores.

Our retail space conversion programme will continue through FY18 and FY19. We opened five new co-located Dwell stores during the first half, and five new co-located Sofa Workshop stores. All are trading successfully and are driving significantly increased footfall and a significant over 15% average increase in group-wide order intake without any change to rental costs, or any observable reduction in DFS revenues. Dwell co-locations are currently driving additional revenues of approximately £1.0 million and our Sofa Workshop co-locations are driving revenue of c. £0.9 million.

As previously indicated, by the conclusion of the programme we expect to achieve nationwide coverage, giving a chain of more than 40 Dwell stores, together with up to 15 co-located Sofa Workshop stores. There will also be further space released elsewhere in the DFS estate that can either be returned to landlords or used to offer additional ranges of beds and dining furniture.

Building on this programme, and the success of smaller DFS retail formats we are exploring opportunities within our store estate to intensify the revenues productivity of DFS upholstery retail space through either downsizing existing DFS stores or through introducing Dwell, Sofa Workshop or dining and beds furniture into space previously traded as DFS upholstery. Early success with this approach has been seen in a number of locations such as Milton Keynes, Enfield and Banbury.

International expansion

Our measured strategy for the Group's international development continues to progress. We opened a further store in Eindhoven in the Netherlands in November, giving us a total of six stores in the country. This brought us to sufficient scale to begin to test the impact of national marketing on TV, based on our proven model in the UK, which commenced in February 2018. Our operating profit investment in The Netherlands remains in line with our expectations and as previously indicated is likely to be in the range of £2-3 million over the current year as a whole.

In Spain our two stores are trading strongly appealing to British and other ex-pats and also increasingly the Spanish domestic population. We expect DFS Spain to make a positive contribution to EBITDA this financial year.

Acquisitions

We believe in a challenging market, there is an increased opportunity to move strategic development of our Group forward.

On 30 November 2017 we completed the acquisition of Sofology, which now operates 41 technology-led stores and an online channel, for an initial debt-free, cash-free consideration of £25 million.

As announced on 22 December 2017, we also acquired the intellectual property assets, including brand, and the leases to eight store locations of the well-known premium Multiyork brand for consideration of £1.2 million.

Due to the timing of the Sofology acquisition in the financial period, we have seen a small seasonally-related adverse impact on underlying EBITDA of approximately £0.5 million. If the acquisition of Sofology had completed on the first day of our financial period, we believe the business would have delivered revenues of £86.8m and positive EBITDA of £1.1 million for the six months. Due in particular to the pre-opening costs of the acquired Multiyork stores, across the two acquisitions we expect there to be no material benefit to Group underlying EBITDA over the full financial year.

We are pleased by the strong top-line trading performance achieved by Sofology which has been driven by increased marketing spend, new stores and product upsell initiatives. We continue to observe the complementary way that Sofology trades alongside DFS, with recent new Sofology stores having very limited impact on neighbouring DFS store trading performance.

We have begun to progress the release of the synergies available with benefits already delivered in a number of areas such as payment card processing terms, interest free credit acceptance rates and the costs of container shipping from the Far East to UK distribution centres. Further early opportunities around the costs of goods for resale and not for resale are also being explored and we remain comfortable that there will be an opportunity for £4m of near-term operating cost benefits that will phase in and annualise during the 2019 and 2020 financial years.

Longer term we see opportunities for DFS and Sofology to increase utilisation of the enlarged warehouse and delivery infrastructure and also to better utilise existing leased land in a small number of historical DFS locations to drive additional profitable revenues at limited additional property costs.

With a limited Sofology store presence in key areas of the South-west, South-East, East Anglia, Wales, North Scotland and Northern Ireland, we believe there is also clear further national roll-out potential for the brand to reach 70+ stores. Additional store openings will be carefully phased to ensure there is an efficient supply chain to support low-cost customer delivery, and to ensure brand standards in people recruitment, training and leadership are maintained.

Through increased national scale, and by leveraging group benefits, we see the clear potential in the medium to long-term for Sofology to move towards at least typical furniture market EBITDA margins of 6%-8% and potentially beyond. Although unlocking this opportunity will require some capital investment and significant effort from the Sofology and DFS management and teams, we remain excited about the earnings growth opportunity this implies.

People

We are firm in our belief that a key point of difference of our Group's businesses, from other established market competitors and also new online based entrants, is the quality and service provided by the more than 5,000 people who design, make, sell and deliver our furniture, and provide our after-sales service.

We were pleased that their feedback enabled us to feature among the Sunday Times' Top 25 Best Big Companies To Work For in the UK, complementing our established Top Employer certification by the Top Employers Institute.

We have further extended our apprenticeship and training programmes, and continue to align incentives for our people with Net Promoter Score (NPS) performance, which I am pleased to report once again reached high levels of 84.9% post purchase (2017: 85.1%) and grew significantly to 37.4% (2017: 33.6%) on an established customer (six months post purchase) basis during the first half.

Outlook

We have seen positive momentum in our trading across the first half of the financial year and the start of the second half despite a market that is continuing to be challenging, and remains susceptible to falls in consumer confidence.

We have accelerated our strategic development over the period, notably completing the acquisitions of Sofology as well as the Multiyork assets. Our online channels, together with our developing Dwell business, have once again grown strongly and we will continue our focus on making strong operational progress across all parts of our growth strategy.

The financial returns of strategic investments previously made are visibly feeding through into our results and we continue to expect benefits from the annualisation of product margin initiatives and operating cost efficiencies over the second half of the financial year.

Accordingly, our expectations for profits remain unchanged, and we continue to expect modest growth in underlying EBITDA before acquisitions and generation of strong cashflow over the 2018 financial year.

Ian Filby
Chief Executive

FINANCIAL REVIEW

Further progress has been made on the initiatives that were put in place during the challenging second half of FY17 to drive operating efficiencies and product margin growth, and these actions are now making a measurable contribution to reported results. The financial strength of the Group enabled the completion of a significant acquisition in the half year and the maintenance of the interim dividend.

The Group successfully completed the acquisition of Sofology on 30 November 2017. Accordingly, the consolidated results presented in this interim statement include two months' activity of the acquired business. In order to facilitate an understanding of underlying trading performance, the following table separates the results of Sofology from the pre-acquisition group:

	DFS £m	Other brands £m	Existing Group £m	Sofology £m	Total £m
Gross sales	443.2	33.1	476.3	37.5	**513.8**
Revenue	339.5	27.0	366.5	29.6	**396.1**
Cost of sales	(135.7)	(11.8)	(147.5)	(15.2)	**(162.7)**
Gross profit	203.8	15.2	219.0	14.4	**233.4**
Selling and distribution costs (excl. property costs)	(115.9)	(10.7)	(126.6)	(9.1)	**(135.7)**
Brand contribution	87.9	4.5	92.4	5.3	**97.7**
Property costs			(42.2)	(3.5)	**(45.7)**
Underlying administrative expenses			(20.2)	(2.3)	**(22.5)**
Underlying EBITDA			30.0	(0.5)	**29.5**
Depreciation and amortisation			(12.0)	(0.8)	(12.8)
Underlying operating profit			18.0	(1.3)	**16.7**

As detailed in the summary financial statements, with the expansion of the Group though a significant acquisition, we have taken the opportunity to enhance the presentation of our financial information by separating cost of sales from other selling and distribution costs on the face of the income statement. All figures in this financial review, including prior year comparatives, reflect the new basis of presentation.

EXISTING GROUP (excluding Sofology)

Gross sales and revenue

As we had previously indicated, we expected the continuing challenges in the UK furniture market to have a negative impact on sales moving into FY18. This expectation has been borne out in practice with Group gross sales for the half year decreasing by -3.5% to £476.3m (2016: £493.7 million). Group revenue was also lower by the same percentage at £366.5 million (2017: £379.9 million). This predominantly reflected negative like for like revenues at DFS, partially offset by new store openings and continued revenue growth in Dwell.

Gross profit

Gross profit for the half year decreased by 2.0% to £219.0 million (2017: £223.5 million). This was lower than the decrease in revenue, reflecting an improvement in gross margin percentage of 100 basis points to 59.8% (2017: 58.8%).

At the time of our full year results we anticipated a £7 million headwind to product margin in the first half as a result of the lower US Dollar rate, which came through in the period in addition to approximately £14 million of adverse impact experienced in FY17. We however have been able to successfully mitigate this headwind through the ongoing development of the actions we had put in place in FY17 to improve our sourcing and range mix. We will continue to pursue these actions with a view to achieving a year on year improvement in gross margin percentage over the full financial year.

The actions we are taking together with the scale of our operations, geographical mix of our sourcing and our significant UK own-manufacturing capability continue to provide us with significant advantages compared to many other retailers in our sector.

Operating costs

In addition to the actions taken to improve gross margin, we have continued to focus on improving the efficiency of our cost base. In particular, deflation in TV advertising costs has allowed us to make savings in promotional spend while maintaining our strong presence and share of voice.

The variable nature of our cost base means that the majority of other operating costs have remained broadly consistent as a proportion of revenue. Overall therefore, selling and distribution costs (including property costs) decreased by -0.8% to £168.7 million (2017: £170.0 million).

Property costs and administrative expenses

New store and CDC openings have resulted in an increase in property costs, which in an environment of negative like-for-like revenues has resulted in an increase in these costs relative to revenue.

Underlying administrative expenses decreased by 4.3% to £20.2 million (2017: £21.1 million), reflecting timing of spend and a continued focus on controllable costs such as travel and professional fees.

Non-underlying costs

Non-underlying costs included within administration expenses in the half year comprise £2.3 million of professional fees associated with the acquisitions of Sofology and Multiyork and the subsequent Competition and Markets Authority process, £0.5 million of integration costs incurred to date to drive the release of synergies and a further £0.3 million in connection with supply chain reorganisation and the closure of our national distribution centre.

Operating profit and EBITDA

The net impact of the revenues and margin effects noted above on the pre-acquisition Group was a -7.4% decrease in underlying EBITDA for the half year to £30.0 million (2017: £32.4 million).

As we guided at the full year results, depreciation and amortisation charges have increased for the half-year to £12.0 million (2017: £10.4 million) as a consequence of the additional capital investment in the CDC and retail space optimisation programme over the last three years.

Consequently underlying operating profit for the group in the period was £18.0 million (2017: 22.0 million).

ACQUISITIONS

Sofology

The Group's acquisition of Sofology Limited was formally completed on 30 November 2017, for an initial debt-free, cash-free valuation of £25.0 million. Cash consideration paid was £26.0 million, reflecting net cash less debts on acquisition. Based on current assessments of earnings for the relevant 12 month period to 30 September 2018, it is not currently anticipated that any additional consideration will become payable. After the recognition of an intangible asset of £13.8 million in respect of the Sofology brand name, goodwill arising on the transaction was £25.1 million.

Trading for the two months post acquisition was in line with seasonal expectations for the business, albeit impacted by inbound stock delays in December. Sofology contributed £29.6 million to Group revenue in the half year and generated an EBITDA loss of £0.5 million. If Sofology had been part of the group from the start of the reporting period, it would have contributed a total of £86.8 million to reported Group revenue and EBITDA of £1.1 million.

Multiyork

On 27 December 2018 the Group acquired eight store leases and certain assets and intellectual property from Multiyork Furniture Limited following that business entering administration. Cash consideration for this acquisition was £1.2 million.

COMBINED GROUP

Revenue and profit

Group revenue including acquisitions for the half year was £396.1 million, an increase of 4.3% on the previous year (2017: £379.9 million). Gross profit increased by 4.4% to £233.4 million (2017: £223.5 million) a slightly greater percentage increase than revenue due to the improved gross margin percentage in DFS as noted above.

As a consequence of the factors impacting revenue and costs above, underlying Group EBITDA of £29.5 million was 9.0% lower than the previous year (2017: £32.4 million).

In addition to the growth in depreciation in the existing group, depreciation of Sofology fixed assets and amortisation of the acquired Sofology brand name will add a further approximately £7 million of depreciation and amortisation charges per annum, of which £1.4m relate to the acquired brand name. A Sofology depreciation charge of £0.8m has been recognised in the half year. Total Group depreciation and amortisation charges for the half year were £12.8 million (2017: £10.4 million).

The reduced operating margin of the enlarged Group together with the increased depreciation and amortisation charges resulted in a £5.3 million decrease in underlying operating profit to £16.7 million (2017: £22.0 million).

The seasonality of our business is such that profit generation is significantly weighted to the second half of the financial year. This effect, coupled with the expected timing of the benefits of the initiatives we have in place means we remain confident of delivering modest underlying profit growth over the full financial year.

Finance costs

At the start of the financial year, the Group completed a successful refinancing of its borrowings, converting existing facilities to a revolving credit facility of the same total size (£230.0 million) and retaining the same covenants.

A key benefit of the new facility is to be able to flex the level of borrowings to more closely meet short term requirements, rather than retaining and paying interest on a larger fixed loan at the same time as building cash balances which attract little or no interest income. In order to use the new facility most efficiently to minimise the Group's finance cost, surplus cash is used to reduce borrowings instead of being held separately. As a consequence cash on the balance sheet is much lower than previous reporting periods, representing only some foreign currency balances and unpooled cash at subsidiary companies, and this will continue going forward

Non-underlying costs of £1.5 million arose on the refinancing, of which £1.2 million related to the writing off of unamortised issue costs on the previous facility.

As a consequence of the new facility, underlying finance costs for the half year have reduced to £5.2 million (2017: £5.4 million) notwithstanding the increase in net debt arising from the Sofology acquisition.

Tax

The tax charge recognised in the interim financial statements has been calculated on the basis of the expected effective tax rate for the full year of 22.2% (2017: 21.0%), slightly higher than the applicable UK Corporation Tax rate of 19.0% (2017: 19.6%). The variance to the applicable rate is primarily due to disallowable depreciation on non-qualifying assets, with this figure increasing in FY18 as a consequence of the investment in the CDC and space optimisation programme over the last two financial years.

Earnings per share

Underlying basic earnings per share were 4.6 pence, a decrease of 25.8% from the 6.2 pence reported for the first half last year. Total basic earnings per share after non-underlying charges was 2.6 pence (2017: 6.2 pence).

Capital expenditure

Cash capital expenditure for the half year was £13.9 million (2017: £17.4 million), with the reduction in line with our expectations as the CDC and retail space conversion programme nears completion.

The addition of Sofology to the Group will add c.£4 million to cash capital expenditure for the current financial year. However, we have recently engaged with a leasing partner for the sourcing of our commercial vehicles, which will reduce reported cash capital expenditure by a similar amount. Our previous guidance of £24-26 million for FY18 therefore remains unchanged.

Cash flow and balance sheet

Reflecting the acquisition costs incurred in the half year, closing net debt at January 2018 was £172.3 million (2017: £135.6 million) giving a gearing ratio of 2.17 times underlying EBITDA (2017: 1.42 times). The Board continues to target a return to a gearing ratio of 1.5 times over the medium term.

Dividend

The actions we are taking on gross margin and the efficiency of our cost base have begun to deliver during the first half and our profit expectations for the full year remain unchanged. As a consequence the Board has maintained the interim dividend at 3.7 pence per share.

Nicola Bancroft
Chief Financial Officer

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	**Nicola Bancroft**
Chief Executive	*Chief Financial Officer*

28 March 2018

Unaudited condensed consolidated income statement

		26 weeks to 27 January 2018			26 weeks to 28 January 2017	52 weeks to 29 July 2017
		Underlying	**Non-underlying**	**Total**	Total	Total
	Note	**£m**	**£m**	**£m**	£m	£m
Gross sales	*2*	**513.8**	-	**513.8**	493.7	990.8
Revenue	*2*	**396.1**	-	**396.1**	379.9	762.7
Cost of sales		**(162.7)**	-	**(162.7)**	(156.4)	(314.2)
Gross profit		**233.4**	-	**233.4**	223.5	448.5
Selling and distribution costs		**(181.4)**	-	**(181.4)**	(170.0)	(328.0)
Administrative expenses		**(22.5)**	**(3.1)**	**(25.6)**	(21.1)	(38.1)
Operating profit before depreciation and amortisation		**29.5**	**(3.1)**	**26.4**	32.4	82.4
Depreciation		**(11.1)**	-	**(11.1)**	(9.2)	(19.4)
Amortisation		**(1.7)**	-	**(1.7)**	(1.2)	(2.5)
Operating profit	*3*	**16.7**	**(3.1)**	**13.6**	22.0	60.5
Finance income		**0.1**	-	**0.1**	0.1	0.2
Finance expenses	*4*	**(5.2)**	**(1.5)**	**(6.7)**	(5.4)	(10.6)
Profit before tax		**11.6**	**(4.6)**	**7.0**	16.7	50.1
Taxation	*5*	**(2.0)**	**0.5**	**(1.5)**	(3.6)	(10.6)
Profit for the period		**9.6**	**(4.1)**	**5.5**	13.1	39.5

Statutory earnings per share						
Basic	*6*	**4.6p**	**(2.0)p**	**2.6p**	6.2p	18.7p
Diluted	*6*	**4.6p**	**(2.0)p**	**2.6p**	6.1p	18.6p

Unaudited condensed consolidated statement of comprehensive income

	26 weeks to 27 January 2018 £m	26 weeks to 28 January 2017 £m	52 weeks to 29 July 2017 £m
Profit for the period	**5.5**	13.1	39.5
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	**(6.7)**	5.4	1.8
Net change in fair value of cash flow hedges reclassified to profit or loss	**3.0**	(5.5)	(5.8)
Income tax on items that are/may be reclassified subsequently to profit or loss	**0.9**	-	0.8
Other comprehensive income/(expense) for the period, net of income tax	**(2.8)**	(0.1)	(3.2)
Total comprehensive income for the period	**2.7**	13.0	36.3

Unaudited condensed consolidated balance sheet

	27 January 2018 £m	28 January 2017 £m	29 July 2017 £m
Non-current assets			
Property, plant and equipment	**95.7**	73.2	74.2
Intangible assets	**533.5**	491.9	491.8
Deferred tax assets	**9.4**	9.2	9.8
	638.6	574.3	575.8
Current assets			
Inventories	**59.0**	39.9	36.6
Other financial assets	**-**	1.2	-
Trade and other receivables	**32.7**	25.7	24.5
Cash and cash equivalents	**22.6**	69.4	61.0
	114.3	136.2	122.1
Total assets	**752.9**	710.5	697.9
Current liabilities			
Trade payables and other liabilities	**(230.6)**	(176.9)	(165.6)
Provisions	**(5.1)**	(6.6)	(5.1)
Other financial liabilities	**(8.0)**	(0.8)	(3.5)
Current tax liabilities	**(1.7)**	(2.6)	(3.8)
	(245.4)	(186.9)	(178.0)
Non-current liabilities			
Interest bearing loans and borrowings	**(185.6)**	(198.6)	(198.8)
Provisions	**(6.0)**	(5.1)	(5.2)
Other financial liabilities	**(2.7)**	(3.5)	(3.5)
Other liabilities	**(79.8)**	(67.4)	(67.3)
	(274.1)	(274.6)	(274.8)
Total liabilities	**(519.5)**	(461.5)	(452.8)
Net assets	**233.4**	249.0	245.1
Equity attributable to equity holders of the parent			
Share capital	**319.5**	319.5	319.5
Share premium	**40.4**	40.4	40.4
Merger reserve	**18.6**	18.6	18.6
Treasury shares	**(3.7)**	(3.7)	(3.7)
Cash flow hedging reserve	**(10.7)**	(3.1)	(7.0)
Retained earnings	**(130.7)**	(122.7)	(122.7)
Total equity	**233.4**	249.0	245.1

Unaudited condensed consolidated statement of changes in equity

	Share capital £m	Share premium £m	Merger reserve £m	Treasury shares £m	Cash flow hedging reserve £m	Retained earnings £m	Total equity £m
Balance at 30 July 2016	319.5	40.4	18.6	(3.7)	(3.0)	(121.2)	250.6
Profit for the period	-	-	-	-	-	13.1	13.1
Other comprehensive income/(expense)	-	-	-	-	(0.1)	-	(0.1)
Total comprehensive income/(expense) for the period	-	-	-	-	(0.1)	13.1	13.0
Dividends	-	-	-	-	-	(15.9)	(15.9)
Share based payments	-	-	-	-	-	1.3	1.3
Balance at 28 January 2017	**319.5**	**40.4**	**18.6**	**(3.7)**	**(3.1)**	**(122.7)**	**249.0**
Balance at 29 July 2017	319.5	40.4	18.6	(3.7)	(7.0)	(122.7)	245.1
Profit for the period	-	-	-	-	-	5.5	5.5
Other comprehensive income/(expense)	-	-	-	-	(3.7)	0.9	(2.8)
Total comprehensive income/(expense) for the period	-	-	-	-	(3.7)	6.4	2.7
Dividends	-	-	-	-	-	(15.9)	(15.9)
Share based payments	-	-	-	-	-	1.5	1.5
Balance at 27 January 2018	**319.5**	**40.4**	**18.6**	**(3.7)**	**(10.7)**	**(130.7)**	**233.4**

Unaudited condensed consolidated cash flow statement

	26 weeks to 27 January 2018 £m	26 weeks to 28 January 2017 £m	52 weeks to 29 July 2017 £m
Operating profit	**13.6**	22.0	60.5
Adjustments for:			
Depreciation, amortisation and impairment	**12.8**	10.4	21.9
Gain on sale of property, plant and equipment	**(0.4)**	(0.4)	(0.8)
Share based payment expense	**1.5**	1.3	2.0
(Increase)/decrease in trade and other receivables	**(3.2)**	0.7	1.9
Increase in inventories	**(9.3)**	(5.0)	(1.7)
Increase in trade and other payables	**21.7**	15.3	2.2
Decrease in provisions	**(0.8)**	(0.1)	(1.5)
	35.9	44.2	84.5
Tax paid	**(4.1)**	(4.1)	(9.7)
Net cash from operating activities	**31.8**	40.1	74.8
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	**0.4**	0.5	1.0
Interest received	**0.1**	0.1	0.2
Acquisition of businesses	**(21.3)**	-	-
Acquisition of property, plant and equipment	**(12.0)**	(15.5)	(25.2)
Acquisition of other intangible assets	**(1.9)**	(1.9)	(3.1)
Net cash from investing activities	**(34.7)**	(16.8)	(27.1)
Cash flows from financing activities			
Proceeds from new loan	**187.0**	-	-
Interest paid	**(3.6)**	(3.7)	(7.3)
Exceptional refinancing costs	**(1.9)**	-	-
Repayment of borrowings	**(200.0)**	-	-
Payment of finance lease liabilities	**(1.1)**	(1.0)	(2.3)
Dividends paid	**(15.9)**	(15.9)	(43.8)
Net cash from financing activities	**(35.5)**	(20.6)	(53.4)
Net (decrease)/increase in cash and cash equivalents	**(38.4)**	2.7	(5.7)
Cash and cash equivalents at beginning of period	**61.0**	66.7	66.7
Cash and cash equivalents at end of period	**22.6**	69.4	61.0

Notes to the unaudited condensed consolidated financial statements

1. Basis of preparation

This unaudited condensed consolidated interim financial information for DFS Furniture plc (“the Company”) and its subsidiaries (together, “the Group”) was approved for release on 28 March 2018.

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 27 January 2018, the 26 weeks ended 28 January 2017, and the 52 weeks ended 29 July 2017.

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 52 weeks ended 29 July 2017.

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 52 weeks ended 29 July 2017 have been reported on by the Company’s auditor 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.

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 52 weeks ended 29 July 2017, 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 30 July 2017 that would be expected to have a material impact on the Group’s results.

Presentation of financial statements

Following the acquisition of Sofology Limited, the directors have reflected on the continuing need to provide relevant financial information to shareholders as the Group grows and develops. As a consequence, with effect from the financial year commencing 30 July 2017 the analysis of operating expenses on the face of the income statement has been expanded to separate cost of sales from other selling and distribution costs. This change does not impact reporting operating profit and all comparatives presented have been restated in line with the new presentation.

Going concern

The Group remains highly cash generative and currently has sufficient medium and long term facilities in place, including a £230.0 million revolving credit facility in place until August 2022.

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. The directors are therefore satisfied that it is appropriate to adopt the going concern basis of accounting in preparing the interim financial statements.

Notes to the unaudited 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.

	External sales			**Internal sales**			**Total gross sales**		
	26 weeks to 27 January 2018 £m	26 weeks to 28 January 2017 £m	52 weeks to 29 July 2017 £m	**26 weeks to 27 January 2018 £m**	26 weeks to 28 January 2017 £m	52 weeks to 29 July 2017 £m	**26 weeks to 27 January 2018 £m**	26 weeks to 28 January 2017 £m	52 weeks to 29 July 2017 £m
Retail	513.8	493.7	990.8	**0.3**	0.3	0.6	**514.1**	494.0	991.4
Other segments	-	-	-	**44.5**	44.7	88.9	**44.5**	44.7	88.9
Eliminations	-	-	-	**(44.8)**	(45.0)	(89.5)	**(44.8)**	(45.0)	(89.5)
Gross sales	513.8	493.7	990.8	**-**	-	-	**513.8**	493.7	990.8

	26 weeks to 27 January 2018 £m	26 weeks to 28 January 2017 £m	52 weeks to 29 July 2017 £m
Total segments gross sales	**513.8**	493.7	990.8
Less: value added and other sales taxes	**(80.1)**	(76.6)	(153.8)
Less: costs of interest free credit and aftercare services	**(37.6)**	(37.2)	(74.3)
Revenue	**396.1**	379.9	762.7

	26 weeks to 27 January 2018 £m	26 weeks to 28 January 2017 £m	52 weeks to 29 July 2017 £m
Underlying EBITDA			
Retail	**26.0**	29.2	75.3
Other segments	**3.5**	3.2	7.1
	29.5	32.4	82.4
Depreciation & amortisation	**(12.8)**	(10.4)	(21.9)
Non-underlying items (note 3)	**(3.1)**	-	-
Operating profit	**13.6**	22.0	60.5
Finance income	**0.1**	0.1	0.2
Finance expenses	**(5.2)**	(5.4)	(10.6)
Exceptional refinancing costs	**(1.5)**	-	-
Profit before tax	**7.0**	16.7	50.1

Notes to the unaudited condensed consolidated financial statements

2. Segmental analysis *(continued)*

A geographical analysis of revenue is presented below:

	26 weeks to 27 January 2018 £m	26 weeks to 28 January 2017 £m	52 weeks to 29 July 2017 £m
United Kingdom	**380.9**	367.6	736.6
Europe	**15.2**	12.3	26.1
Total revenue	**396.1**	379.9	762.7

3. Operating profit

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

	26 weeks to 27 January 2018 £m	26 weeks to 28 January 2017 £m	52 weeks to 29 July 2017 £m
Depreciation on tangible assets	**11.1**	9.2	19.4
Net gain on disposal of property, plant and equipment	**(0.4)**	(0.4)	(0.8)
Amortisation of intangible assets	**1.7**	1.2	2.5
Cost of inventories recognised as an expense	**165.9**	164.0	326.4
Write down of inventories to net realisable value	**(0.1)**	0.2	0.6
Other cost of sales variances	**(3.1)**	(7.8)	(12.8)
Operating lease rentals	**34.4**	30.5	61.6
Non-underlying items:			
Acquisition related professional fees	**2.3**	-	-
Integration costs	**0.5**	-	-
Restructuring costs	**0.3**	-	-
	3.1	-	-

Acquisition related fees and integration costs arose on the Group's acquisitions of Sofology Limited and certain assets from Multiyork (see note 7). Restructuring costs relate to the previously announced closure of our national distribution centre.

4. Finance expense

	26 weeks to 27 January 2018 £m	26 weeks to 28 January 2017 £m	52 weeks to 29 July 2017 £m
Interest payable on senior loan facility	**(3.4)**	(3.6)	(7.1)
Bank fees	**(0.2)**	(0.1)	(0.2)
Fair value lease adjustment unwind	**(1.4)**	(1.4)	(2.9)
Unwind of discount on provisions	**(0.1)**	(0.1)	(0.1)
Finance lease interest	**(0.1)**	(0.2)	(0.3)
Total finance expense	**(5.2)**	(5.4)	(10.6)

In addition, exceptional finance costs of £1.5m were incurred during the period (2017: £nil) as a consequence of the refinancing of the Group's senior loan facility in August 2017.

Notes to the unaudited condensed consolidated financial statements

5. Taxation

The tax charge recognised in the interim financial statements has been calculated on the basis of the expected effective tax rate for the full year of 22.2% (26 weeks to 28 January 2017: 21.0%).

6. Earnings per share

	26 weeks to 27 January 2018 Pence	26 weeks to 28 January 2017 Pence	52 weeks to 29 July 2017 pence
Basic earnings per share	**2.6**	6.2	18.7
Diluted earnings per share	**2.6**	6.1	18.6

	26 weeks to 27 January 2018 £m	26 weeks to 28 January 2017 £m	52 weeks to 29 July 2017 £m
Profit attributable to equity holders of the parent company	**5.5**	13.1	39.5

	26 weeks to 27 January 2018 No.	26 weeks to 28 January 2017 No.	52 weeks to 29 July 2017 No.
Weighted average number of shares for basic earnings per share	**211,602,046**	211,530,721	211,530,721
Dilutive effect of employee share based payment awards	**808,296**	1,400,508	753,518
Weighted average number of shares for diluted earnings per share	**212,410,342**	212,931,229	212,284,239

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.

	26 weeks to 27 January 2018 £m	26 weeks to 28 January 2017 £m	52 weeks to 29 July 2017 £m
Profit attributable to equity holders of the parent company	**5.5**	13.1	39.5
Non-underlying items	**4.6**	-	-
Tax effect of non-underlying items	**(0.5)**	-	-
Underlying profit attributable to equity holders of the parent company	**9.6**	13.1	39.5

	26 weeks to 27 January 2018 Pence	26 weeks to 28 January 2017 Pence	52 weeks to 29 July 2017 pence
Underlying basic earnings per share	**4.6**	6.2	18.7
Underlying diluted earnings per share	**4.6**	6.1	18.6

Notes to the unaudited condensed consolidated financial statements

7. Business combinations

Sofology

On 30 November 2017 the Group acquired 100% of the issued share capital of Sofology Limited, a UK based living room furniture retailer with a focus on upholstered furniture. This acquisition has added a further strong distinctive brand to the Group's current portfolio, supporting the Group's existing strategy of developing its appeal to a broader range of customers.

Initial consideration payable was £26.0 million, with deferred contingent consideration payable based on underlying earnings before interest, tax, depreciation and amortisation for the 12 months ended 30 September 2018. Based on the post-acquisition performance of the acquired business and current forecasts, the Directors estimate that no further consideration will be payable.

The goodwill of £25.1m arising from the acquisition is attributable to the established store network, workforce, designs and technologies of the acquired business and cost savings realised in the combined businesses through economies of scale and other synergies.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out below:

Recognised amounts if identifiable assets acquired and liabilities assumed **Provisional fair value**	**£m**
Property, plant & equipment	18.7
Intangible assets – software	1.3
Intangible assets – brand name	13.8
Inventories	13.1
Cash	5.9
Trade and other receivables	5.0
Trade payables and other liabilities	(55.2)
Deferred tax	(1.7)
Total identifiable net assets	0.9
Goodwill	25.1
Total consideration	26.0
Satisfied by:	
Cash consideration	26.0
Contingent consideration	-
Total consideration	26.0
Cash consideration	26.0
Less: cash and cash equivalent balances acquired	(5.9)
Net cash outflow arising on acquisition	20.1

Acquisition related costs of £2.7 million have been charged as non-underlying administrative expenses in the income statement.

In the period from 1 December 2017 to 27 January 2018, Sofology Limited contributed £29.6 million to reported Group revenue and a loss before tax of £1.6 million. Had Sofology Limited been consolidated from 30 July 2017, reported Group revenue would have been £453.3 million, and underlying EBITDA would have been £31.1 million. Profit before tax, including the costs of shareholder loans and non-underlying items would have been £4.3 million.

Multiyork

On 27 December 2018 the Group acquired eight store leases and certain assets and intellectual property from Multiyork Furniture Limited following that business entering administration. Cash consideration for this transaction, which has been accounted for as a business combination, was £1.2 million and £0.1million of related acquisition costs have been recognised in non-underlying administrative expenses.

Notes to the unaudited condensed consolidated financial statements

8. Dividends

	Pence per ordinary share		**26 weeks to 27 January 2018 £m**	26 weeks to 28 January 2017 £m	52 weeks to 29 July 2017 £m
Final ordinary dividend for FY16	7.5p	paid	**-**	15.9	15.9
Interim ordinary dividend for FY17	3.7p	paid	**-**	-	7.8
Special dividend for FY17	9.5p	paid	**-**	-	20.1
Final ordinary dividend for FY17	7.5p	paid	**15.9**	-	-
			15.9	15.9	43.8

The directors have declared an interim dividend for the period ended 28 July 2018 of 3.7p per ordinary share to be paid on 20 June 2018. DFS Furniture plc shares will trade ex-dividend from 31 May 2018 and the record date will be 1 June 2018.

9. 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.

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.

10. Risks and uncertainties

The directors have considered the principal risks and uncertainties as presented in the Group's annual report for the 52 weeks ended 29 July 2017 and determined that these risks remain relevant for the remaining 26 weeks of the current financial year. These risks comprise: Business strategy; Economy and consumer market conditions; Expansion of retail store network; Website and IT systems; Consumer finance; Supply chain; Employees; Financial risk and liquidity; and Regulatory environment. Further details of these risks can be round on pages 16 to 19 of the Group's annual report and accounts, a copy of which is available on the Group's website at www.dfscorporate.co.uk.

11. 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.

As a result of this seasonality of operations the results for the first half of the financial year are normally smaller than the second half.

Notes to the unaudited condensed consolidated financial statements

12. Capital expenditure

For the 26 weeks to 27 January 2018, acquisition of property, plant and equipment (including those acquired under finance leases) totalled £13.9 million (2017: £17.4 million). Acquisitions of intangible assets (computer software) totalled £1.9 million (2017: £1.9 million). Net proceeds on the sale of assets in the period were £0.4 million (2017: £0.5 million).

At 27 January 2018 the Group had contracted capital commitments of £5.9 million (2017: £1.7 million) for which no provision has been made in the financial statements.

13. Net debt

	29 July 2017 £m	**Cash flow £m**	**Acquisitions £m**	**Other non-cash changes £m**	**27 January 2018 £m**
Cash in hand, at bank	61.0	(38.4)	-	-	**22.6**
Cash and cash equivalents	61.0	(38.4)	-	-	**22.6**
Senior loan facility	(198.8)	200.0	-	(1.2)	**-**
Senior revolving credit facility	-	(187.0)	-	1.4	**(185.6)**
Finance lease liabilities	(6.7)	1.1	(1.8)	(1.9)	**(9.3)**
Total net debt	(144.5)	(24.3)	(1.8)	(1.7)	**(172.3)**

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 operate 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.