24 September 2020 **For immediate release**

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

Preliminary Results

EMERGING STRONGER, WITH FINANCIAL AND OPERATING RESILIENCE, FOLLOWING A CHALLENGING YEAR

DFS Furniture plc (the "Group"), the market leading retailer of living room and upholstered furniture in the United Kingdom, today announces its preliminary results for the 52 weeks ended 28 June 2020 (prior year 48 weeks ended 30 June 2019).

The Group changed its accounting reference date from 31 July to 30 June last year and FY19 was therefore a short accounting period of 48 weeks. In order to enable comparison to our historical results, unaudited pro-forma figures for the 52 weeks ended 30 June 2019 are presented in the table and commentary below in addition to the audited statutory period of the 48 weeks ended 30 June 2019. In addition, the Group has adopted IFRS 16 Leases for the first time in the current financial year on a modified retrospective basis with no restatement of comparatives.

	FY20 (52 weeks) £m	**FY19 (48 weeks) £m**	**LTM[1] Jun-19 £m**	**YoY change £m**
Gross Sales[1]	935.0	1,165.0	1,287.2	(352.2)
Revenue	724.5	901.0	996.2	(271.7)
Underlying PBT(A) pre IFRS 16[1]	**(56.8)**	**28.2**	**50.2**	**(107.0)**
Adoption of IFRS16	(6.3)	n/a	n/a	
Underlying PBT(A)[1]	**(63.1)**	**n/a**	**n/a**	
PBT pre IFRS 16[1]	(74.9)	22.4	43.6	(118.5)
PBT	(81.2)		n/a	
Basic EPS	(31.4)p	8.6p	18.4p	(49.8)p
Dividends per share	-	11.2p	11.2p	(11.2)p
Net debt[1] (pre IFRS16)	(169.2)	(176.3)	(176.3)	7.1

[1] Definitions and reconciliations of KPIs including Alternative Performance Measures ("APMs") are provided at the end of this statement in Note 12 to the condensed consolidated financial statements

Financial Summary:

- Group revenue for FY20 £724.5m, a reduction of £271.7m from the unaudited pro-forma 52 week comparative period, driven by the pause in trading during the Covid-19 lockdown
- Underlying loss before tax pre IFRS 16 and excluding brand amortisation[1] of £56.8m, a reduction of £107.0m, driven by reduced margin from lower revenue levels, and partially offset by mitigating actions
- Restructuring and impairment charges totalling £16.6m recognised in connection with strategic review of smaller brands
- Year end net debt maintained at £169.2m on a pre IFRS 16 basis[1], compared with £176.3m at June 2019, with equity issuance proceeds of £63.9m offsetting operating losses
- No final dividend proposed, to maximise resilience given macroeconomic uncertainty
- Strong online order intake since March, and in showrooms since reopening, which has continued into current year

Operational and Strategic Highlights:

Comprehensive response to Covid-19, protecting colleagues, customers and the long-term value of the business.

Further progress with our strategy to lead sofa retailing in the digital age:

<u>Drive the DFS core</u>
- Focus on digital and showroom investment to drive DFS omnichannel, underpinned by record new product development and a relentless focus on customer service with established customer NPS rising to 42.9% (FY19 33.0%)

<u>Build the Platforms</u>
- Development of a Group-wide, best-in-class platform underway with the roll out of The Sofa Delivery Co., and our Stockwise inventory management system
- Property savings on track to deliver £6-8m annualised saving by FY23: a further £1.4m of annualised savings secured since June 2019 taking the total to £4.3m to date

<u>Unlock New Growth</u>
- Sofology roll-out accelerates with three new showrooms opened in this year and 6-10 sites targeted for FY21

Development of our ESG strategy, detailing specific multi-year targets for our brands across key areas of the business

The current year has started very strongly with all showrooms now open and our digital channels continuing to grow. Our year-on-year order intake growth over the last twelve weeks, combined with our previously announced higher opening order book, implies c.£226m of additional revenues will be realised in this financial year.

Tim Stacey, Group Chief Executive Officer said:

"While the reported decline in profit is undoubtedly disappointing in headline financial terms, a significant proportion of this profit has already been recovered in the current year as we resumed customer deliveries. The current year has started very strongly with all showrooms now open and our digital channels continuing to grow. We believe that this growth is due to a combination of pent up demand from lockdown, consumers spending relatively more on their homes and the strength of the DFS and Sofology propositions in particular.

We remain focused on executing our strategy, with agility and pace, and believe that the Group is well placed to further strengthen our market-leading position in the medium term. The events of the past year have allowed us to build an even stronger sense of togetherness. We emerge from the crisis stronger and with renewed energy and purpose."

Enquiries:

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Analysts presentation

DFS will be hosting a virtual results analyst presentation at 9.00am today. A live webcast and the presentation slides will be available on the Group's website: www.dfscorporate.co.uk.

About DFS Furniture plc

The Group is the clear market-leading retailer of living room furniture in the United Kingdom. We design, manufacture, sell and deliver to our customers an extensive range of furniture products. The business operates an omnichannel retail network of living room furniture showrooms and web sites in the United Kingdom and other European countries, trading through three leading brands. The Group has been established and developed gradually over 50 years of operating history. We attract customers 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.

CHAIR'S STATEMENT

Overview
This has been an extraordinary year, unprecedented in the challenges posed by the closure of our showrooms, manufacturing and delivery capabilities for almost three months of our peak spring trading period. During this period, the majority of our colleagues were furloughed and the small team which remained, worked from home.

I applaud the response of our people in managing the closure of our operations in late March, looking after colleague welfare and planning and executing the reopening of the business at the start of June.

During the peak of the COVID-19 pandemic, the Board met frequently to provide support and guidance to the Group Leadership Team. This included assisting with the making key tactical decisions required to secure the operational and financial position of the Group, including agreeing arrangements with landlords and suppliers to manage our cashflow, increasing the Group's banking facilities and raising new equity financing.

Strategy Progress
In the first full financial year since its launch, we have continued to progress the implementation of the Group's strategy to be the leading sofa retailer in the digital age. In particular, a number of new initiatives have been launched to further develop the omni-channel proposition of the largest brands, DFS and Sofology. Progress has also been made on leveraging DFS's existing assets to support improved returns on capital through sharing retail space and logistics assets to support Sofology's expanded presence across the UK. Having proved our ability to do this, including the integration and development of the supporting information systems and processes the Group is well positioned to replicate this approach across the UK and the Republic of Ireland over the next two years.

Financial Results
At our half-year trading update we reported that Group revenues were down 5.7% in the first half against the strong prior year comparative; however, importantly, order intake was up year-on-year in the second half, with a particular strength in the DFS brand. This remained the position and the Group, excluding the underperformance of Sofa Workshop, was on track to broadly meet market profit expectations for the full year until the COVID-19 pandemic took hold in late March. Then, in line with Government requirements, all UK operations excluding our web platform were suspended from 23 March. Our showrooms, manufacturing facilities and delivery network closed for almost three months, resulting in a revenue shortfall of c.£270m which led to a reported loss before tax for the year of £81.2m.

Covid-19 Pandemic Closedown
The reaction of the business to the pandemic was fast and effective. After pausing operations overnight, additional communication channels were established to ensure colleagues remained fully informed of the developing situation and the impact of the business' 'hibernation'. Almost 90% of our colleagues were furloughed and around 500 remaining colleagues worked tirelessly to manage the impact on the business. Expenditure was minimised and, in order to increase financial resilience, in April 2020 the executive team secured an incremental £70m twelve month debt facility from our banks to supplement our existing lending arrangements, and we also raised £64m in new equity financing from a share placing.

I would also like to express our thanks to the Group's many stakeholders for their support through this challenging period. This includes the Government for providing broad support including the Coronavirus Job Retention Scheme and many of our larger suppliers and landlords, who agreed to payment deferrals.

Re-establishing our Operations

The DFS and Sofology brands traded well online throughout the lockdown period. Benefitting from continued investment over numerous years, as we shared in our July trading statement order intake across the online channels was up 77% year-on-year from the beginning of lockdown to 12 July.

Most of the Group's customers still choose to visit our showrooms, so they can experience the look and feel of our products, as well as the all important "comfort test", before committing to a purchase. During lockdown the executive team worked hard to put in place all the steps necessary to safely welcome back employees and customers into our showrooms and restart our manufacturing and delivery operations with appropriate safety measures. To facilitate the reopening, we implemented strict social distancing and hygiene measures and introduced a new appointment system for customers which has proved popular.

Since re-opening in June, we have been pleased to see a significant increase in customer orders, which has been sustained into the first 3 months of the new financial year. We believe this reflects both latent demand from the period of closure and a renewed focus and enthusiasm amongst customers for enhancing the comfort of their homes.

The high level of orders, combined with constrained deliveries through June as operations gradually recommenced, resulted in a higher than normal order bank at the end of the year. The Group therefore entered the new financial year with good momentum.

We are very aware of the ongoing economic uncertainty and have decided to focus our efforts more closely on the development of the DFS and Sofology brands, which we believe provide the greatest opportunities for growth. To facilitate this we have, since the end of the financial year, completed the sale of Sofa Workshop and integrated the management of the Dwell retail team into DFS to reduce costs and help it become a more profitable part of the Group. Unfortunately, the consequence of this is the loss of a number of colleague roles from the business.

We recognise the environment in the new financial year, is likely to be highly challenging, and may require rapid changes in our ways of working to adapt to the continued impact of COVID-19. The Board and Executive have adopted a shorter, more frequent planning cycle to reflect this heightened risk. I am confident given the pace at which the Group has responded to recent challenges we have the right team and structures in place to manage these risks.

Our purpose, our values and our people

The Group, which is the outright market leader in its sector in the UK, has a distinctive culture. There is a great sense of pride, commitment, and a "can-do" attitude amongst the people that work across the business. Our purpose, built on our values, is to bring great design and comfort into every living room, in an affordable, responsible, and sustainable manner.

That our people live our values has been evident from their dedication and enthusiasm over the past year. Aside from the pandemic there is a significant amount of change going on within the Group and I commend our employees for their commitment and determination to see through the numerous projects that are underway.

Environmental, Social and Governance ("ESG")

With the support of the Board, the Group Leadership Team has spent a considerable amount of time and effort developing phase one of the Group's ESG strategy. Our ambition is to leverage our influence and scale as market leader to offer sustainable and ethical products and to drive a more circular product lifecycle. This starts from sourcing and manufacturing, through to retailing and delivery, before then ensuring the collection and responsible disposal of products at the end of their useful lives. As a result, we expect to become more efficient, competitive and innovative without margin dilution to support the long-term sustainability and profitability of the Group. We believe this approach to sustainability is expected by our customers and indeed embedding sustainability into everything we do is a key priority for the future.

We are well aware that there is much to be done, and the team has been on a journey to first understand, through independent audits, our current situation in relation to sourcing, energy consumption, waste products and our people. We have then developed what we consider to be stretching but realistic targets and plans to achieve these.

We launched four key initiatives in the year: our wood and leather sourcing strategy; reduction and recycling of packaging; our 'sofa rescue' service to reduce the amount of waste product entering landfill; and our tree planting initiative working with the Woodland Trust. There are many other work streams underway - more detail on these and our targets will be found in our full annual report.

I am proud of the work done by our colleagues across the Group to support the incredible work of the NHS during the height of the health crisis. Support was provided to 50 NHS hospitals across the UK, by donating and delivering sofabeds, sofas and recliners to allow health workers to enjoy much needed rest whilst remaining on site between shifts to support patients.

The Board

In September 2019, Alison Hutchinson succeeded Luke Mayhew as Senior Independent Director, prior to his retirement from the Board at the AGM in November. In January, Steve Johnson succeeded Alison as Chair of the Remuneration Committee. In January 2020 we welcomed Jane Bednall to the Board as a Non-Executive Director. Jane has subsequently taken on the role as our Designated Non-Executive Director as we look to further strengthen the Board's understanding of employee views.

The Board's focus in the year has been to drive the implementation of the Group's strategy through providing oversight, support and challenge to the Group Leadership team. Although interrupted by the sudden and extreme impact of Covid-19 closure, the Group's strategic direction remains intact and steps have been taken to accelerate changes which we anticipate will enhance the Group's UK market leadership position and profitability.

Dividend

As a result of the uncertainty driven by the pandemic, we took the decision to cancel the interim dividend. Whilst trading has been strong since the lockdown measures eased, we remain cautious around the continued potential impacts of Covid-19 on operations and the macro-economy. While the terms of the incremental banking facility secured in April preclude payment of a dividend at the current time in any event, we would not have otherwise sought to recommend payment of a final dividend in respect of the FY20 financial year as we seek to maximise the financial resilience of the Group.

Looking ahead

The Group's scale economies, brand heritage, vertical integration and financial strength position it well for what is, as noted in the Chief Executive's outlook, likely to be a tough trading environment. This strength has enabled the Group to grow its market share during previous times of economic challenge as less resilient competitors exited the market, for example during the global financial crisis of 2008/9.

In these uncertain times we need to be cautious and alert to the unexpected. It is impossible to predict the impact of the political, social and economic developments we are seeing. Notwithstanding these challenges, the Board is confident that the strength and resilience of the business places the Group in a relatively strong position over the long term and well placed to manage these market uncertainties. We remain committed to developing the Group to drive shareholder returns, have a positive impact on our society and continue to provide a rewarding place for our people to work and believe these aspirations are mutually compatible.

Ian Durant

Chair of the Board
24 September 2020

CHIEF EXECUTIVE'S OPERATING REVIEW

Overview

The decision to close our business down for the first time in 50 years on 23 March 2020, based on the Government guidance, was momentous but clearly necessary. We moved swiftly to protect colleagues and customers by temporarily closing all showrooms, manufacturing and distribution operations.

The way our people responded to this crisis was nothing short of exemplary, and I cannot thank them enough for their spirit, engagement and hard work throughout lockdown, ingredients that enabled us to come through the crisis. We also really appreciated the support we received from our key stakeholders, including our shareholders, our banking partners, our suppliers and our landlords. With their collective support, and the actions we have taken, I am very confident that the Group has emerged even stronger from this unprecedented period.

Re-opening the business safely has been a huge undertaking and we have put colleague and customer safety first. The careful re-opening through late May and June, together with the disruption through lockdown itself, has clearly impacted the financial performance in the year with revenue for the 52 weeks to 28 June 2020 declining by £271.7m to £724.5m compared to the 52 week unaudited pro-forma comparative period. This reported performance is based on the fact that the Group recognises revenues at the point of delivery of orders to customers, and consequently second half financial performance was particularly adversely affected. The Group traded very well online, but government lockdown restrictions from March 23 severely restricted customer deliveries for much of the remaining period.

Underlying loss before tax excluding brand amortisation[1] for the year on a pre-IFRS 16 basis was £56.8m compared to a profit of £50.2m in the comparative period. We ended the year with net debt on a pre-IFRS 16 basis[1] of £169.2m (2019: £176.3m), after raising £63.9m from shareholders as part of our measures to build financial resilience in response to the pandemic.

Since the year end, net debt has reduced significantly, due to a combination of the resumption of customer deliveries and very strong order intake, which has exceeded our expectations in the first few months of the new financial year. We have reviewed extensive external and internal data and we believe that the current level of performance is due to a combination of latent demand post lockdown, a shift of consumer behaviour towards spending on "home", the relative strength of our omnichannel offer and competitor market exits.

Based on data from Global Retail, the upholstery market was relatively flat for three years from the start of 2017 to the end of 2019, driven by low consumer confidence and a subdued housing market caused by political uncertainty and relative macro-economic weakness. There appeared to be some green shoots in the market after the December General Election, pre-lockdown, as conversion and Average Order Value improved post Boxing Day, although footfall and web visitors remained fairly depressed.

Post-lockdown there appears to be a shift upwards in the market cycle, but it is only a few months of trading, and macro-economic storm clouds are gathering, together with the next phase of Brexit and the threat of further disruption from Covid-19. Indeed, the current out-performance could be "pull forward" from the autumn as consumers fear a second wave of the virus. It is therefore impossible to call how sustainable this trend might be, and as such, to predict the future from the autumn onwards would be speculative at best. That said, given the start to the new financial year and the relative strength of our proposition, we are well positioned to take advantage if the current trends continue and we can also cope with potential further disruption.

Prior to the arrival of Covid-19, we were making good progress on our strategic initiatives, despite the continued challenges from the relatively flat market. During lockdown we reflected on our progress, given the acceleration in consumer behaviour towards online shopping, and the underlying strengths of our well-invested omnichannel platform and unrivalled industry scale.

As I outline below, since the year end, we have taken further actions to reinforce the structure of the Group and we will continue to invest in core assets and key initiatives which support our long-term strategy and deliver improved shareholder returns.

Managing the Covid-19 pandemic
Our company values, allied to our rigorous risk management framework, helped shape our response to the Covid-19 pandemic. From January, Covid-19 evolved rapidly from a predominantly regional concern, disrupting our Chinese imports, to an international crisis affecting many elements of daily life, including every aspect of our own Group activities.

As the pandemic spread into the UK, our first actions were to prioritise the health and safety of our colleagues and customers. On 23 March, we closed all our showrooms, manufacturing and distribution operations in the UK, Republic of Ireland and Spain and immediately suspended all customer deliveries, with health concerns paramount. Despite severe restrictions on physical operations, we continued to support close to 5,000 furloughed colleagues at a time of growing financial uncertainty, fully protecting salaries in April and maintaining salaries at 80% of full pay until colleagues returned to work, in excess of Government salary caps. In solidarity with our teams on furlough, all our Group's senior leadership, including our Board Directors and senior executives, agreed an equivalent salary reduction.

We also amended our sick pay policy to take account of Covid-19 risks and the salaries of the Group's senior executives were reduced while operations were suspended. We also provided valuable well-being support to employees via numerous avenues including our employee assistance helpline and The DFS Living Well Workplace platform. Government restrictions on our business began to be eased from the end of May, and our own operations resumed once we were confident that we had the correct measures in place to protect our colleagues and customers.

Safety concerns addressed, aided by our Group-wide Google technology infrastructure to facilitate remote team-working, we were able to enact recently updated business continuity procedures in order to protect the health of the business. We undertook a thorough financial review, significantly reducing expenditure, deferring new store openings and utilising the UK Government's business rates holiday and the Coronavirus Job Retention Scheme to manage costs and cash.

In relation to key external stakeholders, we aimed to act with integrity in relation to our suppliers and landlords. Recognising their existential challenges, we prioritised payments to smaller, key long-standing suppliers. We acknowledge the support of our strongest landlords and suppliers in allowing us to secure temporary improvements to our payment schedules.

Our investors also deserve recognition for their support during the pandemic. With cash flows temporarily constrained as lockdown restrictions prevented us from delivering our growing customer order bank, we were able to secure a temporary £70m extension to our banking facilities. Our largest shareholders also participated in a £63.9m share placing, which was also supported by our Board members. As dividend payments have been suspended to help manage the financial impact of the pandemic, we acknowledge our shareholders' support and will aim to recommence payments once the macroeconomic outlook is more certain.

At a time of unprecedented challenge, I have greatly admired how our various stakeholders and management teams have been able to work calmly together, allowing us to operate safely and preserve the long term value of the Group. The power of strong relationships is something that we value highly as a Group.

Review of strategic progress
The far-reaching consequences of the pandemic underline more than ever the importance of fully embracing digital channels as online penetration accelerates across the retail sector. In the upholstery market we believe that it is the combination of digital and the physical aspects of our showrooms that will continue to be successful. We know from our research that 90% of sofa buying decisions are made in the showrooms after the all important "sit test" as "comfort" is the number one reason why customers choose to buy a sofa or not. Showrooms are therefore at the centre of our business model and, as such, we believe that the Group is well placed if consumers reprioritise the home within their lifestyles and spending patterns.

Our strategy, to lead sofa retailing in the digital age, aims to generate, as previously announced, £40m of incremental profit before tax relative to FY18 and excluding the impact of normal market growth/decline, by focusing on three core pillars: (i) to drive the DFS core brand, (ii) to build group platforms to maximise efficiency, and (iii) to unlock new profitable channels of growth.

Drive the DFS Core
The DFS brand is the largest and most profitable in the Group and the key priority of our strategy is to focus on driving this brand across all channels. We continue to invest in our infrastructure in order to further improve our omnichannel customer journey.

With a strong online offer and well-invested showrooms, DFS is well positioned to compete across all channels. Prior to the Covid-19 pandemic, our recent market research showed that 85% of customers began their sofa buying research online, with around 90% of customers subsequently visiting a showroom to conduct a "sit-test" before completing their purchase. As such we believe that the combination of digital and physical showrooms is the right business model for the upholstery sector.

We were pleased, however, to see that we could trade well online, even without the benefit of showrooms during the lockdown period. This performance underlines the strength of the DFS brand and our online proposition, as well as our reputation for supplying good value products.

Our showrooms performed strongly as they reopened in the final weeks of the financial year. This trend has continued into the current financial year, together with high levels of growth through our online channels. Our online penetration of total orders is up 3ppts to 22% over the last six months.

A greater proportion of our advertising expenditure was spent on digital marketing as we worked with Facebook, Instagram and Pinterest to develop increasingly targeted customer campaigns. We also improved our on-site search capabilities, being the first sofa retailer in the UK to introduce "visual search". This functionality enables customers to take photos of any sofa they see in any setting and then compare that to our extensive ranges.

In the first half of the year, we re-platformed the DFS website onto Google Cloud, enabling improved functionality, a faster user experience and far greater user capacity. Furthermore, having been the first sofa retailer to launch augmented reality on an iPhone mobile browser, enabling a customer to view a sofa in their own home, we've launched a second generation service with a new software partner and have been increasing the number of ranges available on this service. These initiatives have had a positive impact, particularly when showrooms were closed during the lockdown period.

We continued to invest in our showrooms in the year, equipping our sales colleagues across the showroom estate with 1,200 new Google Chrome tablets. The tablets enable rapid access to key information in a convenient and secure way, utilising customer data from their online account with us to direct them to the products they've been browsing and similar products that may match their requirements. Working with our artificial intelligence partner, Satalia, we developed a model to predict footfall, based on local market trends, weather, and promotional campaigns to ensure we can act at short notice to optimise our sales team scheduling to meet demand.

We continue to track customer satisfaction by monitoring Net Promoter Scores (NPS) at various stages of the customer journey. Our post purchase NPS score for the DFS brand was 85.7% (FY19 84.2%). Our established customer satisfaction score improved significantly to 42.9% (FY19 33.0%). This increase was driven by a combination of better digital communication with customers post purchase, improved product quality and new digital tools enabling customers to book their own delivery and access customer service and help.

We're using our data more efficiently to deliver timely insights into consumer trends and drive more effective product development. We continue to see above average sales growth from our licensed sofa brands including French Connection, House Beautiful, Country Living and Joules, with successful new model introductions driving sales as they roll out across the DFS store estate.

Towards the end of the financial year, we also introduced the DFS Chair Edit - a series of new colourful accent chairs that complement existing sofa product ranges and allow customers to indulge their own design talents and create a coordinated living room look. In the current year, we have recently launched new ranges targeting busy families and to attract additional style-focused customers with our exclusive Halo Luxe partnership, which showcases the very best leather products.

We are making great progress in modernising and driving the DFS core business and this remains the key priority of our strategy. We look forward to continuing our investment, particularly in digital capability, as the year progresses, as we look to strengthen DFS's market-leading position.

Build the platforms
This strategic pillar focuses on Group-wide benefits from utilising existing infrastructure and scaling systems, processes and data. As a market-leading, vertically-integrated business, we are targeting significant efficiency gains from our property, logistics, marketing and manufacturing activities.

We continue to make good progress securing property savings, through a combination of rent reductions on leases approaching renewal and downsizing some showrooms. Last year we secured a further £1.4m of annualised savings, bringing the total annualised saving since the program began to £4.3m. We are confident of achieving the £6-8m targeted annual savings by FY23 as previously communicated. In order to secure the maximum value benefit over the longer term, we only commit to new leases where appropriate terms are available, reflecting the rental market trend and the Group's strength as an anchor tenant on many retail parks. We are also well placed to strengthen our portfolio during a period of market disruption affecting our competitors.

We continue to seek efficiencies from our Customer Distribution Centre (CDC) network, with some of our CDCs now delivering multiple Group brands after a successful trial. In the year, we relocated our Belfast CDC from our retail site into a new standalone location, repurposing the space to house more of our brands with minimal incremental rent. Our relocated Belfast CDC now delivers more of our brands' products to customers' homes on the same vehicles under our 'The Sofa Delivery Co' branded group delivery network. This network will enable us to provide better and more consistent service to our customers at a lower cost to the Group by: increasing utilisation of our delivery fleet and reducing carbon emissions; reducing CDC operating costs; and leveraging DFS's proprietary routing and scheduling optimisation software. We have the opportunity to transition all the Group's sofa delivery operations to this model by the end of Financial Year 2022 with annualised savings of £3m+.

To improve customer experience, we have trialled seven days a week and later evening delivery slots in our Glasgow CDC. As well as providing greater customer convenience, the change in shift patterns has also generated positive feedback from our colleagues in relation to work life balance and rest periods. We are considering extending this trial to all CDCs over the next 24 months.

We target continuous incremental improvements in our customer facing technology platforms. In the year, we enabled DFS customers to book their delivery and installation slots online. Around fifty percent of our customers now use this online functionality resulting in both higher NPS scores and increased efficiency. Customers can also now track where their delivery vehicle is, in real-time, on the day of delivery.

Marketing has been a traditional DFS strength and a major area of investment for the group. However, we believe we can drive significant efficiencies by using increasingly granular data-led analysis, particularly in relation to our digital marketing investment. With the support of our expert partners, we have identified optimum amounts of investment by brand for the current financial year, which will be regularly reviewed to reflect prevailing market conditions.

Going forward we are reviewing our own manufacturing capacity and capability given our growth plans for DFS, Sofology and Dwell, the clear margin benefits of vertical integration and the potential for increased control of end to end supply chain.

We recognise that world class retail businesses are moving to become more platform-based in order to enable future profitability and extract cost efficiencies. We are making good progress on our platforms and intend to deliver all of the cost savings identified by Financial Year 2023.

Unlock new growth
The third pillar of our strategy is 'unlock new growth' which targets profitable growth from our other brands. Most recently this was reflected in the acquisition of Sofology in 2017 for £25m, following on from opportunistic acquisitions of Dwell and Sofa Workshop in 2013 and organic expansion in the Netherlands and Spain.

Recent operational challenges, weaker results and the uncertain retail outlook have led us to review our Group structure and re-assess the prospects of certain smaller Group businesses. As we recover from the pandemic, we believe that it is important that the Group retains the financial resilience to weather a period of economic uncertainty, and that the investment in individual brands matches future returns prospects. With a leaner, simplified structure, we believe the Group will be best placed to maintain its leading market position, while taking advantage of the significant Sofology profit growth opportunity.

Sofology
We plan to accelerate the development of Sofology, and see significant scope to expand the number of showrooms in the UK, driving further economies of scale. We were encouraged by the performance of Sofology during the year, particularly the online channels during the lockdown period and as showrooms re-opened towards the end of the financial year.

Sofology continues to lead the sector with its seamless omnichannel journey, and made further progress in this area in the last financial year. Recent developments include website enhancements such as a 'go-in-store' capability, whereby a customer browsing online can be connected to a colleague in a showroom via video, see the product live and have any questions answered, and the introduction of a 'sofa sizer', enabling a customer to enter the maximum height, width and depth of a sofa with the range immediately refined and presented to the customer. These initiatives have helped contribute to improved web and showroom conversion throughout the year.

We have developed significant new product ranges and refreshed the existing offer through the addition of new coverings. These new collections have been successful in driving improved Average Order Values and gross margins, and as such are driving strong sales and margin growth year on year post lockdown.

Sofology's NPS continues to benefit from investment in product quality and after sales service. Colleague engagement scores have also continued to improve and attrition has reduced significantly.

Sofology opened three new showrooms in the period including its first showroom in Northern Ireland. Despite disruption due to lockdown measures, we remain encouraged by the new showroom performance.

We continue to see the opportunity to grow the Sofology brand to 65-70 outlets in the medium term. In the current year, taking advantage of favourable lease terms, we are seeking to accelerate the showroom opening programme and plan to open 6-10 new showrooms in the next twelve months.

Sofa Workshop and Dwell
The disappointing performance by Sofa Workshop we outlined in our interim results deteriorated further in the second half. Following our strategic review, we decided to sell Sofa Workshop and the transaction was finalised and announced in August.

In a competitive homewares market, Dwell also reported a decline in sales and brand contribution during the year. We have restructured the Dwell operating model to enable its wide range of attractive products to be sold more seamlessly to DFS customers, as well as online. We believe that Dwell has a complementary proposition to our sofa brands and is now set up to deliver profitable growth going forward.

International
Prior to lockdown, the performance of our six Netherlands showrooms was in line with expectations and we expect to conclude our review on growth options for this business in 2021. Our two Spanish showrooms continue to perform well despite potential uncertainty from Brexit which may have some effect in the areas they are located.

People, purpose and values
FY20 placed significant demands on our Group colleagues, including managing uncertainties around the government furlough programme, or working extended hours from home alongside domestic pressures and perhaps coping with anxiety around Covid-19. Using a variety of means, we have aimed to support our colleagues from a financial and wellbeing perspective as much as possible during this period. I genuinely appreciate all our colleagues for their efforts in the year.

Despite the growing importance of digital technology, retailing remains very much a 'people' business, and the industry remains the UK's largest private sector employer. I am proud to lead a Group with more than 5,000 passionate and dedicated colleagues. As a vertically-integrated omnichannel business, with a strong 'family' ethos, the Group offers a wide range of career opportunities across our manufacturing, retailing, distribution and support functions. We also provide a range of career development opportunities, from our award-winning apprenticeship programme to leadership skills workshops.

We continue to receive external recognition for our employment engagement, gaining a Best Companies™ accreditation for a fifth consecutive year, with colleagues highlighting positive manager relationships and an enjoyable team working environment as key attractions of the Group. We continue to benefit from colleagues' loyalty, with almost 40% of colleagues having more than five years' service with the Group.

As a successful UK-based company and the market leader in our sector, we also believe that, in addition to delivering long-term value for shareholders, we have a responsibility to contribute to the success of wider society and to be aware of our impact on the environment. To this end, we have spent time reflecting on our company purpose throughout the year:

Our Group purpose is to bring great design and comfort into every living room, in an affordable, responsible, and sustainable manner. Our customers and our people are at the heart of everything we do, reflected in our three core values of "Think Customer", "Be Real" and "Aim High". These values are firmly ingrained across the Group and are central to our strategy and our purpose.

Environmental, Social and Governance (ESG)
Reflecting our purpose and values, we are committed to acting in a responsible and sustainable manner into the long-term. Our Group-wide ESG initiative is led by Sofology CEO Sally Hopson and supported by Alison Hutchinson as Board sponsor. In the last twelve months, we have intensified our efforts in this critical area, and have developed a new ESG Strategy that will be announced alongside our preliminary results. The Strategy will detail specific multi-year targets for our brands across key areas of the business including sourcing, packaging, recycling, energy efficiency, gender diversity and flexible working. We intend to turn ESG leadership into a sustainable source of competitive advantage for the Group.

Impact of the UK's exit process from the EU
In my 2019 CEO's report, I reported in detail on our work on the potential impact of the UK's departure from the European Union. Our preparations have continued, overseen by the Group Risk Team reporting to the Audit Committee. The UK is currently in a transition period until the end of 2020 while trade negotiations take place regarding the nature of the future relationship with the EU. The level of change required as part of any trade deal is unclear as yet. We have established a cross brand Working Group prioritising actions to address the "known knowns" surrounding the EU departure process. With governments prioritising the Covid-19 response, it is currently unclear whether the transition period will be extended and, on balance therefore, the risks of a 'no deal' departure have increased.

As indicated in last year's report, the two principal risks to the Group from the EU departure remain consumer confidence related impacts on consumer demand, and border delays. As a result of the Covid-19 pandemic, consumer confidence is already low. We will continue our preparations to minimise the disruption as part of our risk management process, until the UK and EU's path forward is clear.

Outlook

While the reported decline in profit is undoubtedly disappointing in headline financial terms, a significant proportion of this profit has already been recovered in the current year as we resumed customer deliveries. We have also continued to make progress with our strategic agenda, strengthened our stakeholder relationships and worked hard to preserve the value of the Group.

The current year has started very strongly with all showrooms now open and our digital channels continuing to grow. Our year-on-year order intake growth over the last twelve weeks, combined with our previously announced higher opening order book, implies c.£226m of additional revenues will be realised in this financial year. We believe that this growth is due to a combination of pent up demand from lockdown, consumers spending relatively more on their homes and the strength of the DFS and Sofology propositions in particular.

In the absence of further lockdown impacts, we therefore look forward to reporting a strong first half sales and profit performance, although the full year outcome will be dependent on the effects of the pandemic and Brexit on consumer confidence, the housing market and levels of employment. Cash generation will continue to be a priority as we look to rebuild our financial resilience.

We remain focused on executing our strategy, with agility and pace, and believe that the Group is well placed to further strengthen our market-leading position in the medium term. The events of the past year have allowed us to build an even stronger sense of togetherness. We emerge from the crisis stronger and with renewed energy and purpose.

Tim Stacey

Group Chief Executive Officer
24 September 2020

FINANCIAL REVIEW

Our headline financial results reflect the impact of the Covid-19 lockdown, due to showroom closures and the suspension of deliveries for the majority of the final quarter as well as an unusually strong prior year comparative in the first half. Since the Group recognises revenue on delivery to the customer, the lockdown period resulted in a significant sales and profit shortfall compared to the prior year. In order to mitigate the short and medium term financial impacts of the pandemic, the Group has taken wide-ranging actions with the aim of strengthening its financial resilience. Order intake in late June and in the current year has been very positive year-on-year as we have benefited from deferred consumer spending, and an increased consumer prioritisation of home-spending, since the national lockdown ended.

Nevertheless, despite current trading, the economic outlook remains particularly uncertain due to the ongoing pandemic and the end of the Brexit transition period. Our current year focus is on capturing the benefit of the strong market environment while it persists, maintaining financial resilience, and prioritising investment in the key elements of our long-term digital age strategy. To support our responsiveness we have shortened our planning cycles, and sought where possible to time-limit any incremental cost commitments that we make - for example in discretionary marketing spend commitments and flexible recruitment of colleagues to match resources with current incremental demand.

During this period of unprecedented change and challenge for the Group, I sincerely appreciate the hard work and dedication of all our colleagues in helping us respond positively and proactively, and the strong support and understanding that we have received from our broader stakeholder groups.

Basis of financial presentation

In the previous financial year, the Group changed its accounting reference date and reported a 48 week period to 30 June 2019. The current period being reported is the 52 week period to 28 June 2020. In order to provide a meaningful comparative, the unaudited pro-forma results for the 52 week period to 30 June 2019 are included in the table below and commentary that follows.

The financial statements are prepared for the first time this year under IFRS 16. The Group has adopted a modified retrospective transition approach to IFRS 16, meaning financial statements for earlier periods will not be restated. To aid comparability with the prior period, results are presented in the table both before and after applying IFRS 16. The impact of applying IFRS 16 is to increase the reported loss before tax for the reported 52 weeks by £6.3m. The adoption of IFRS 16 has no impact on the way we run the business or on the Group’s cash flows, other than a marginal change in corporation tax payments due with a slight reduction in the short term, offset by higher payments in the longer term.

Brand contribution, which is reported before property or central costs, remains our preferred measure of segment profitability.

52 weeks to 28 June 2020 *£m*	DFS	Sofology	Other	**Group - underlying IAS 17**	IFRS 16	**Group - underlying IFRS 16**	Non-underlying items	Brand amort'n	**Group - Reported IFRS 16**
Gross Sales	697.1	181.7	56.2	**935.0**	-	**935.0**	-	-	**935.0**
Revenue	535.2	143.7	45.6	**724.5**	-	**724.5**	-	-	**724.5**
Cost of sales	(212.6)	(72.3)	(22.5)	**(307.4)**	-	**(307.4)**	(3.1)	-	**(310.5)**
Gross profit	322.6	71.4	23.1	**417.1**	-	**417.1**	(3.1)	-	**414.0**
Selling & distribution costs	(191.6)	(47.8)	(20.9)	**(260.3)**	-	**(260.3)**	(2.1)	-	**(262.4)**
Brand contribution	131.0	23.6	2.2	**156.8**	-	**156.8**	(5.2)	-	**151.6**
Property costs				**(102.5)**	75.3	**(27.2)**	-	-	**(27.2)**
Administrative expenses				**(68.1)**	0.4	**(67.7)**	(0.2)	-	**(67.9)**
EBITDA				**(13.8)**	75.7	**61.9**	(5.4)	-	**56.5**
Depreciation, amortisation & impairment				**(31.2)**	(56.3)	**(87.5)**	(11.2)	(1.5)	**(100.2)**
Operating profit				**(45.0)**	19.4	**(25.6)**	(16.6)	(1.5)	**(43.7)**
Interest				**(11.8)**	(25.7)	**(37.5)**	-	-	**(37.5)**
Profit before tax				**(56.8)**	(6.3)	**(63.1)**	(16.6)	(1.5)	**(81.2)**

	Unaudited pro-forma results: 52 weeks to 30 June 2019				**Audited results for the 48 weeks to 30 June 2019**			
£m	DFS	Sofology	Other	**Group - underlying**	Group - underlying	Non-underlying items	Brand amort'n	**Group - Reported**
Gross Sales[1]	942.1	260.7	84.4	**1,287.2**	1,165.0			**1,165.0**
Revenue	721.7	205.9	68.6	**996.2**	901.0	-	-	**901.0**
Cost of sales	(288.4)	(101.5)	(31.7)	**(421.6)**	(383.8)	-	-	**(383.8)**
Gross profit	433.3	104.4	36.9	**574.6**	517.2	-	-	**517.2**
Selling & distribution costs[+]	(232.1)	(56.7)	(25.6)	**(314.4)**	(293.7)	-	-	**(293.7)**
Brand contribution[1]	201.2	47.7	11.3	**260.2**	223.5	-	-	**223.5**
Property costs				**(107.5)**	(99.1)	-	-	**(99.1)**
Administrative expenses				**(62.5)**	(59.3)	(4.4)	-	**(63.7)**
EBITDA[1]				**90.2**	65.1	**(4.4)**	-	**60.7**
Depreciation, amortisation & impairment				**(29.3)**	(26.8)	-	(1.4)	**(28.2)**
Operating profit				**60.9**	38.3	**(4.4)**	**(1.4)**	**32.5**
Interest				**(10.7)**	(10.1)	-	-	**(10.1)**
Profit before tax				**50.2**	28.2	(4.4)	(1.4)	**22.4**

[+] *excluding property costs*

[1]*Refer to note 12 to the condensed consolidated financial statements for definitions and reconciliations of alternative performance measures.*

Covid-19 impact and refinancing

The CEO Report covers the Group's detailed operational and strategic actions in relation to the pandemic in the last financial year. From a financial perspective, our main actions in response to the pandemic were to address the profit and cash flow implications of disruption to our made-to-order, negative working capital model, to meet our financial obligations to key stakeholders (in particular those smaller suppliers most dependent upon the Group) and to ensure that we had sufficient financial resources to see us through a lockdown period of potentially uncertain duration.

In March, as the implications of the pandemic became more apparent, the Group undertook a wide range of mitigating actions to reduce cash operating costs. In addition, in order to give the Group liquidity headroom through a severe lockdown scenario, the Group successfully completed a placing of 42.6m shares (an increase of 19.9% of the issued ordinary share capital of DFS prior to the placing) to raise gross proceeds of £63.9m in April 2020. Alongside the placing, the Group also secured a 12-month, £70m extension to its existing £250m bank facilities.

Our usual bank covenants of 3.0x (IAS17) net debt / EBITDA and 1.5x Fixed Charge Cover have been temporarily replaced by two financial covenants for so long as the additional £70m 12 month facility remains outstanding. The first is a quarterly EBITDA test that proxies the previous net debt / EBITDA test, and requires us to ensure cumulative EBITDA (IAS17) during FY20 grows by at least £17.1m each quarter across the FY20 financial year, reaching a target last nine month EBITDA of £51.3m in March 2021. The second is a test to ensure that total facilities are not drawn beyond £300m each month end through to November 2020 and beyond £250m each month end through to March 2021.

Restructuring of Dwell and sale of Sofa Workshop
As detailed in our July trading update, towards the end of FY20 the Group began an operational restructuring of Sofa Workshop and Dwell to improve the returns generated by these brands. Since the financial year end, the Sofa Workshop business has been sold and Dwell's retail sales teams and certain back office support functions have been integrated into the DFS brand operating unit, while their buying, marketing and other commercial operations will remain distinct. Largely as a result of this restructuring and related trading, the Group has recognised non-cash impairments of acquisition-related goodwill and brand names and certain property right-of-use assets. The Group has also incurred cash restructuring costs of £1.3m associated with related headcount reductions and a £3.1m reduction in net realisable value of associated inventory. In total we have recognised income statement charges of £16.6m in FY20 in relation to the restructuring, which have been presented as non-underlying costs.

Sales and revenue
As noted above, annual revenues were severely impacted by the pause in deliveries for the majority of the final quarter to comply with COVID-19 restrictions. Total gross sales[1] for the Group declined by 27.4% to £935.0m compared to the pro-forma twelve month comparative period. Revenue, which is stated after deducting VAT and the costs of providing interest free credit and aftercare products, declined at a similar rate to £724.5m. Sofology opened three showrooms in the financial year which overall performed in line with our expectations prior to the pause in trading due to Covid-19.

While the suspension of customer deliveries severely impacted reported revenue in the financial year, the Group continued to take orders online during the lockdown period, achieving strong year-on-year growth. Showrooms also benefited from a release of latent demand as stores re-opened in the final weeks of the financial year. We discuss the current year implications of a materially higher year-on-year opening order bank in the 'looking forward' section below.

Gross profit
Underlying[1] gross profit declined by 27.4% to £417.1m compared to £574.6m for the twelve month pro forma comparative period as a result of the lower revenues and a small decrease in underlying gross margin percentage of 10bps to 57.5%. The DFS brand gross margin increased 20bps year-on-year as a result of sourcing, pricing and quality improvements coming through as well as more favourable US dollar exchange rates. This was offset by increased promotional activity and customer care costs across Dwell and Sofa Workshop and sell-off of clearance stock in Sofology. After additional inventory write downs in connection with the reorganisation of Dwell and Sofa Workshop, reported gross margin was £414.0m.

We source around one quarter of the finished goods that we sell from the Far East, and we pay for these goods in US dollars. We continue to protect ourselves from adverse US dollar exchange rate movements for our spend of c. $165m annually, by hedging our US dollar purchases to maintain eighteen months cover by value. Our hedged rate for FY20 as a whole was broadly consistent with the rates secured for FY19. Our hedged rate for FY21 is 5 cents lower than the average rate secured for the whole of FY20. Each one cent movement in the dollar to sterling exchange rate impacts profits by approximately £1m, however these impacts will be felt by all industry participants and we will seek to mitigate these impacts in our commercial proposition.

Operating costs and brand contribution[1]
Underlying selling and distribution costs (excluding property costs) reduced by £54.1m (17.2%) to £260.3m, reflecting the reduced trading volumes together with a wide range of mitigating actions to offset the financial impact of the pandemic, including a re-phasing of marketing spend and reduced discretionary expenditure. We continued to invest in key initiatives including Sofology showroom expansion, digital innovation and last-mile logistics development. Underlying brand contribution[1] for the Group reduced by £103.4m overall to £156.8m.

Property costs and administrative expenses
Underlying property costs[1] pre IFRS 16 reduced by £5.0m to £102.5m. This was primarily due to a c.£6m benefit in FY20 from the retail business rates holiday implemented by the UK government from April 2020. While a limited increase in costs arose from incremental space taken in the year, this was broadly offset by the impact of lease re-gears.

Underlying administrative expenses[1] pre IFRS 16 increased by £5.6m to £68.1m, predominantly as a result of investment in the infrastructure to support the delivery of strategic initiatives and to a lesser extent from regulatory-driven increases to employer pension contributions.

EBITDA[1]
As a net result of the lower revenues and the other factors described above, the Group's underlying EBITDA[1] pre IFRS 16 decreased from £90.2m profit for the unaudited pro-forma 12 months to June 2019 to a loss of £13.8m for FY20. Government support through the retail business rates holiday and for the furlough of over 5,000 of our team members to protect employment levels partially mitigated the substantial losses that we have incurred due to the business suspension.

Depreciation, amortisation and impairment
Underlying depreciation, amortisation and impairment charges of £31.2m pre IFRS 16 (excluding brand amortisation) reflected a modest increase on the prior year in line with the related asset base. A further £11.2m of non-underlying impairment charges were recognised in connection with the restructuring discussed above, including the write down of the Sofa Workshop goodwill and brand name.

Interest
Pre IFRS 16 interest charges increased by £1.1m from £10.7m to £11.8m due to higher borrowings as part of our contingency planning in the early stages of the pandemic.

Profit Before Tax ('PBT')
Underlying PBT[1] for the year (pre-IFRS 16 and brand amortisation) was a loss of £56.8m compared with a profit of £50.2m for the unaudited twelve month pro-forma comparative period. Including non-underlying items and the adoption of IFRS 16, total reported loss before tax was £81.2m .

IFRS 16
To provide better comparability with the previous financial year, the table above illustrates the impact on the income statement of the adoption of IFRS 16. Further details are provided in Note 1 to the financial statements.

Reported EBITDA[1] (including the impact of IFRS 16) was £56.5m as a consequence of the majority of lease rental charges no longer being charged to operating profit. These charges were replaced with additional depreciation and interest charges of £56.3m and £25.7m respectively. The net impact of these changes increased the reported loss before tax for the 52 weeks ended 30 June 2020 by £6.3m compared to that which would have been reported under IAS 17.

Although the timing of the recognition of lease expenses is accelerated under IFRS 16, the total expense over the life of the lease is identical to that under IAS 17. Therefore, excluding the effect of any future changes to the Group's leases, this negative impact will reduce over the next two financial years and by FY23 would result in a modest benefit to reporting profit before tax. However, new leases entered into will also slow the realisation of this non-cash benefit to reported profits.

Tax
The reported effective tax rate for FY20 is 14.8%. This is lower than the applicable UK Corporation Tax rate of 19.0% primarily due to losses incurred in Sofa Workshop which have not been recognised as deferred tax assets, the non-deductible write down of goodwill and disallowable depreciation on non-qualifying assets.

Earnings per share
Basic earnings per share for the Group was a loss of 31.4 pence per share for the 52 weeks to 28 June 2020 (48 weeks to 30 June 2019: profit of 8.6 pence per share), based on a weighted average number of shares in issue for the financial year of 220.3m reflecting the placing of new shares in April 2020 (FY19 212.0m).

Capital expenditure
Cash capital expenditure for the period was £23.4m, a reduction of £2.9m from the £26.3m for the unaudited pro forma comparative period[1]. The year-on-year reduction reflects a scaling back in non-essential discretionary capital expenditure as part of our mitigating actions to manage the financial impact of the pandemic. In addition to the £23.4m cash capital expenditure, £5.3m of assets (predominantly delivery vehicles and company cars) were acquired under lease arrangements which was a consistent level of investment to last year.

Cash flow and balance sheet
As we have highlighted previously, the DFS business model benefits from negative working capital: payments are received from customers on or before delivery, while our suppliers are paid to agreed terms. Working capital balances are seasonal depending on recent trading activity and cost seasonality (particularly in advertising spend) as well as predictable patterns of payments on rents, tax payments and other recurring charges. Inventory balances are limited and have historically remained broadly stable.

The suspension of customer deliveries during the pandemic delayed the receipt of the related customer payments and the Group was only partially able to limit the unwind of its negative working capital position. The additional £70m 12-month credit facility agreed in April was primarily intended to cover a working capital unwind. The proceeds of the placing, combined with both the resumption of customer deliveries towards the end of FY20, and the better than expected sales in the current year to date, means the Group has not as yet needed to draw on this secondary facility.

The sharp reduction in operating profits experienced in the second half resulted in a significant operating cash outflow for the year. This was partially mitigated by the actions the Group had taken to reduce discretionary spending as well as utilisation of available Government support. In addition to the £6.0m in-year benefit of the retail business rates holiday, the Group has received £19.5m in respect of FY20 under the UK Coronavirus Job Retention Scheme, and was also able to defer VAT, PAYE and Duty payments totalling £28.7m into FY21. In consultation with our landlords, £27.8m of rent payments were also deferred as at year end. A working capital out flow is therefore to be expected in FY21 as stakeholders' various Covid-19 related payment deferral schemes and agreements fall due. Combined with net financing cash inflows as a result of the share placing, the Group ended the year with a pre IFRS 16 net debt of £169.2m (FY19 £176.3m).

Dividend

Reflecting confidence in the Group's outlook at the time, the FY20 interim dividend was declared at 3.7 pence per share. Subsequently, however, it became clear that Covid-19 was evolving from a Far East sourcing issue into a more significant threat to the UK economy. A desire to strengthen the group's financial resilience and liquidity position led the Group to cancel the payment of the interim dividend and seek additional financing facilities, including a 12-month, £70m facility secured in April 2020. As part of the terms of this facility, the Group has undertaken not to pay dividends or conduct any acquisitions until either six months after the repayment of the incremental facility, or following the refinancing of all existing bank facilities.

Given the broader macroeconomic uncertainty, the desire to increase financial resilience and the restrictions in place under the banking facilities, the Directors do not propose a final dividend (FY19: 7.5 pence).

We do recognise the value placed by shareholders upon regular dividend payments. The Group will continue to review the potential for a recommencement of dividends in the light of our trading performance, business requirements and the uncertain economic environment.

Risk and governance

Building on initiatives in FY19, the Group continues to strengthen its approach to risk and governance. In FY20 a particular focus was on developing comprehensive operational risk registers via group-wide engagement sessions, as well as the roll-out of our new in-house developed online risk management platform. The new platform is expected to further embed risk management into the day-to-day practice of all senior and middle management colleagues. Specific risk-focused initiatives undertaken during the financial year included a full externally assessed Cyber review, completed in July 2019, and an upgrade to the Group's Business Continuity procedures, completed in September 2019, both of which have proved valuable in facing into the impacts of Covid-19. Business Continuity and Resilience constitutes one of the Group's Principal Risks and the Group has incorporated the learnings and strategies from our response to the pandemic in 2020 into its procedures for responding to a potential second wave of the Covid-19 virus or other significant disruption. The Group's formal business continuity plans will be updated further in the current year.

Looking forward

As indicated in our August trading update, the Group has experienced strong trading since the lockdown period both online and in our showrooms. Nevertheless, given the lingering effects of the pandemic and wider economic uncertainty, we remain cautious on the outlook for the remainder of 2020 and into 2021 and we remain concerned by lower consumer confidence and a potentially slower residential property market. Whilst a weak trading environment would impact our short-term revenue and profits, the Group has historically prospered in economic downturns and gained market share.

The dichotomy between current trading and the potential future macroeconomic environment makes giving meaningful guidance for our revenue performance in FY21 and beyond exceptionally challenging; and it will be our revenue performance that will primarily drive our future profit outturn. To assist our stakeholders however, we have prepared three scenarios for revenue performance. We believe the scenarios can help give a feel for how the Group might perform in very different trading environments. However, the choice of revenue changes modelled and their impact on costs and profits should be seen as illustrative and not as guidance given the number of factors that are unforeseeable and the current early stage of the current financial year.

Scenario Overview

IFRS 16 Basis	**Low**	**Medium**	**High**
Revenues	Rest of Year: **-30%** £959m	Rest of Year: **-15%** £1,064m	Rest of Year: **0%** £1,169m
Gross Profit	Overall gross margin broadly flat at 58%		
	£556m	£617m	£678m
Operating Costs	Identified cost mitigation of up to £15m	c. £400m	Increases by <10% of change in revenues
Interest & Depreciation	c.£123m		
Implied PBT	£57m	£94m	£147m

Revenues
In planning for FY21 we benchmark our performance relative to the 52 weeks to December 2019, where we generated revenues of £943.0m excluding Sofa Workshop. We take some comfort from a materially higher opening order bank year-on-year, from which we expect to realise an incremental c.£100m of revenues and early trading over the first 12 weeks that has generated a further c.£126m of incremental revenues. Trading in October 2020 onwards may however be significantly weaker, with (i) the UK furlough scheme potentially coming to an end which may affect employment levels and consumer sentiment, and (ii) expected longer manufacturing lead times for our products creating less of a call to action for delivery ahead of Christmas, and (iii) the potential impact of Brexit on sentiment. Offsetting that, we have some early evidence that the DFS Group is gaining market share following the recent tough environment and we believe we may see consumers continuing to prioritise spending on their homes, which is consistent with the average order value growth that we have seen over the last twelve weeks of +7.6%. We therefore see a very wide range of potential outcomes, with some of our internal modelling scenarios hypothesising that the upholstery market could be weaker than the 10% year-on-year market declines seen post the global financial crisis. Likewise we also do see a potential scenario where demand levels could even stay positive across the year.

Gross Profit
Our gross margins continue to remain stable or grow slightly in the retail activities of our scale brands of DFS and Sofology. Although we will face some pressure from adverse foreign exchange rates we believe this can be offset through the commercial proposition. As revenues rise or fall, the manufacturing participation will flex slightly, which may generate slight fluctuation in margin levels, however this variation is unlikely to be significant relative to other assumptions.

Cost Base
We have taken appropriate action on operating costs, including headcount and marketing budgets. Following the sale of Sofa Workshop, we believe our base operating cost base is likely to be c.£400m excluding Sofa Workshop. Retail business rates relief of c.£19m will also be received in FY21 and is reflected within that expected cost base. The cost base does carry some flexibility from sales team commissions and last-mile delivery costs, which we expect to move by a little less than 10% of any revenue

change. We do also retain the ability to make choices on our advertising spend and other cost commitments, giving potential additional flexibility of up to £15m.

Interest and Depreciation
We expect these to remain broadly similar to prior years, albeit with depreciation of property right-of-use assets changing to reflect the increased property estate and the potential for bank facility refinancing fees to be incurred during the year.

Profit Before Tax Outturn
The three scenarios show a wide range of outcomes, but it is notable that all scenarios result in profit before tax above recent financial years, and the 'middle' and 'high' scenario are materially above prior years. We would however be cautious around extrapolating these profits into future years given that the rates relief is not expected to continue and the risk that these revenue levels will not recur.

Financial Resources and Cashflow
Following the recently completed equity placing and the £70m temporary working capital facility secured in April, our available cash resources at the year end were just over £160m. In line with typical market practice, we expect to refinance the Group's existing £250m senior revolving credit facility at least a year ahead of its maturity in August 2022.

Although we do expect that we will need to make 'deferred' rental and taxation payments of approximately £56.5m during FY21 and into FY22, our strong trading to date has reduced net bank borrowings (excluding finance lease obligations) as at 21 September 2020 to £32.2m (equivalent to overall pre-IFRS 16 net debt of less than £50.0m) and we believe we have the resilience to respond to a range of economic scenarios whilst continuing to invest in our most compelling growth initiatives.

Applying recent learnings from the pandemic, we also now expect customer deliveries and hence revenue and cash generation to continue throughout all but the most severe lockdown scenarios, further increasing our resilience. We have prioritised capital expenditure on our critical development initiatives and up to ten showrooms opening during the year, which have proven rapid paybacks, and we therefore currently expect our capital expenditure in FY21 to be broadly in line with prior years.

In conclusion
The past six months have presented exceptional challenges and we do not anticipate the near-term environment will be any less demanding. Notwithstanding that, we continue to believe the business is well positioned strategically and has an appropriate financial model and resources to deliver attractive shareholder returns.

Mike Schmidt

Chief Financial Officer
24 September 2020

[1] *Refer to note 12 to the condensed consolidated financial statements for definitions and reconciliations of alternative performance measures.*

Consolidated income statement

		52 weeks to 28 June 2020			48 weeks to 30 June 2019		
		Underlying	**Non-underlying**	**Total**	Underlying	Non-underlying	Total
	Note	**£m**	**£m**	**£m**	£m	£m	£m
Gross sales	2	**935.0**	**-**	**935.0**	1,165.0	-	1,165.0
Revenue	2	**724.5**	**-**	**724.5**	901.0	-	901.0
Cost of sales		**(307.4)**	**(3.1)**	**(310.5)**	(383.8)	-	(383.8)
Gross profit		**417.1**	**(3.1)**	**414.0**	517.2	-	517.2
Selling and distribution costs		**(287.5)**	**(2.1)**	**(289.6)**	(392.8)	-	(392.8)
Administrative expenses	3	**(67.7)**	**(0.2)**	**(67.9)**	(59.3)	(4.4)	(63.7)
Operating profit before depreciation and amortisation		**61.9**	**(5.4)**	**56.5**	65.1	(4.4)	60.7
Depreciation		**(81.9)**	**-**	**(81.9)**	(23.3)	-	(23.3)
Amortisation		**(6.8)**	**-**	**(6.8)**	(4.9)	-	(4.9)
Impairments		**(0.3)**	**(11.2)**	**(11.5)**	-	-	-
Operating (loss)/profit	3	**(27.1)**	**(16.6)**	**(43.7)**	36.9	(4.4)	32.5
Finance income		**0.1**	**-**	**0.1**	0.2	-	0.2
Finance expenses	4	**(37.6)**	**-**	**(37.6)**	(10.3)	-	(10.3)
(Loss)/profit before tax		**(64.6)**	**(16.6)**	**(81.2)**	26.8	(4.4)	22.4
Taxation		**11.1**	**0.9**	**12.0**	(5.1)	0.8	(4.3)
(Loss)/profit for the year		**(53.5)**	**(15.7)**	**(69.2)**	21.7	(3.6)	18.1

Earnings per share							
Basic	5	**(24.3)**	**(7.1)**	**(31.4)**	10.3p	(1.7)p	8.6p
Diluted	5	**(24.3)**	**(7.1)**	**(31.4)**	10.1p	(1.7)p	8.4p

Consolidated statement of comprehensive income

	52 weeks to 28 June 2020 £m	48 weeks to 30 June 2019 £m
(Loss)/profit for the year	**(69.2)**	18.1
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	**3.9**	9.7
Net change in fair value of cash flow hedges reclassified to profit or loss		
Recognised in cost of sales	**(8.3)**	(6.1)
Recognised in finance expense	**0.7**	(0.6)
Income tax on items that are/may be reclassified subsequently to profit or loss	**0.4**	(0.5)
Other comprehensive (expense)/income for the period, net of income tax	**(3.3)**	2.5
Total comprehensive (expense)/income for the period	**(72.5)**	20.6

Consolidated balance sheet

	28 June 2020 £m	30 June 2019 £m
Non-current assets		
Property, plant and equipment	**74.1**	89.9
	384.5	-
Intangible assets	**532.5**	539.0
Other financial assets	**0.8**	1.4
Deferred tax assets	**24.0**	8.7
	1,015.9	639.0
Current assets		
Inventories	**58.9**	54.8
Other financial assets	**4.5**	6.3
Trade and other receivables	**22.2**	32.8
Current tax assets	**7.8**	-
Cash and cash equivalents	**62.3**	29.8
	155.7	123.7
Total assets	**1,171.6**	762.7
Current liabilities		
Trade payables and other liabilities	**(216.0)**	(225.1)
Lease liabilities	**(88.6)**	-
Provisions	**(11.9)**	(5.0)
Other financial liabilities	**(0.1)**	-
Current tax liabilities	**-**	(0.8)
	(316.6)	(230.9)
Non-current liabilities		
Interest bearing loans and borrowings	**(218.7)**	(194.0)
Lease liabilities	**(428.6)**	-
Provisions	**(3.9)**	(5.6)
Other financial liabilities	**(1.9)**	(0.7)
Other liabilities	**-**	(79.7)
	(653.1)	(280.0)
Total liabilities	**(969.7)**	(510.9)
Net assets	**201.9**	251.8
Equity attributable to equity holders of the parent		
Share capital	**383.4**	319.5
Share premium	**40.4**	40.4
Merger reserve	**18.6**	18.6
Treasury shares	**(0.7)**	(2.1)
Cash flow hedging reserve	**3.3**	7.0
Retained earnings	**(243.1)**	(131.6)
Total equity	**201.9**	251.8

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 28 July 2018	**319.5**	**40.4**	**18.6**	**(3.3)**	**4.0**	**(126.8)**	**252.4**
Profit for the year	-	-	-	-	-	18.1	18.1
Other comprehensive income/(expense)	-	-	-	-	3.0	(0.5)	2.5

Total comprehensive income/(expense) for the period	-	-	-	-	3.0	17.6	20.6
Dividends	-	-	-	-	-	(23.8)	(23.8)
Treasury shares issued	-	-	-	1.2	-	(1.2)	-
Share based payments	-	-	-	-	-	2.6	2.6
Balance at 30 June 2019	**319.5**	**40.4**	**18.6**	**(2.1)**	**7.0**	**(131.6)**	**251.8**
Adjustment on initial application of IFRS 16 (net of tax)	-	-	-	-	-	(26.4)	(26.4)
Adjusted balance at 1 July 2019	**319.5**	**40.4**	**18.6**	**(2.1)**	**7.0**	**(158.0)**	**225.4**
Loss for the year	-	-	-	-	-	(69.2)	(69.2)
Other comprehensive income/(expense)	-	-	-	-	(3.7)	0.4	(3.3)
Total comprehensive income/(expense) for the period	-	-	-	-	(3.7)	(68.8)	(72.5)
Dividends	-	-	-	-	-	(15.9)	(15.9)
Purchase of own shares	-	-	-	(1.1)	-	-	(1.1)
Treasury shares issued	-	-	-	2.5	-	(1.2)	1.3
Shares issue	63.9	-	-	-	-	-	63.9
Settlement of share based payments	-	-	-	-	-	(1.6)	(1.6)
Share based payments	-	-	-	-	-	2.4	2.4
Balance at 28 June 2020	**383.4**	**40.4**	**18.6**	**(0.7)**	**3.3**	**(243.1)**	**201.9**

Consolidated cash flow statement

	52 weeks to 28 June 2020 £m	48 weeks to 30 June 2019 £m
(Loss)/profit for the period	**(69.2)**	18.1
Adjustments for:		
Income tax expense	**(12.0)**	4.3
Financial income	**(0.1)**	(0.2)
Financial expenses	**37.6**	10.3
Depreciation of property, plant and equipment	**21.3**	23.3
Depreciation of right of use assets	**60.6**	-
Amortisation of intangible assets	**6.8**	4.9
Impairment of assets	**11.5**	-
Gain on sale of property, plant and equipment	**(1.1)**	(0.8)
Settlement of share based payments	**(1.6)**	-
Share based payment expense	**2.4**	2.6
Increase in trade and other receivables	**(1.6)**	(1.6)
Increase in inventories	**(4.1)**	(0.4)
Increase/(decrease) in trade and other payables	**4.7**	(10.2)
Increase/(decrease) in provisions	**6.6**	(0.3)
Net cash from operating activities before tax	**61.8**	50.0
Tax paid	**(6.1)**	(7.4)
Net cash from operating activities	**55.7**	42.6
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	**1.4**	1.2
Interest received	**0.1**	0.2
Acquisition of property, plant and equipment	**(16.8)**	(17.5)
Acquisition of other intangible assets	**(6.6)**	(6.9)
Net cash from investing activities	**(21.9)**	(23.0)
Cash flows from financing activities		
Interest paid	**(9.0)**	(7.7)
Interest paid on lease liabilities	**(29.2)**	-
Payment of lease liabilities[1]	**(36.3)**	(3.5)
Drawdown/(repayment) of borrowings	**25.0**	(2.0)

Proceeds on issue of shares	**63.9**	-
Purchase of own shares	**(1.1)**	-
Proceeds from sale of own shares	**1.3**	-
Ordinary dividends paid	**(15.9)**	(23.8)
Net cash from financing activities	**(1.3)**	(37.0)
Net decrease in cash and cash equivalents	**32.5**	(17.4)
Cash and cash equivalents at beginning of period	**29.8**	47.2
Cash and cash equivalents at end of period	**62.3**	29.8

[1]Prior period interest and capital repayments on lease liabilities relate solely to finance leases recognised in accordance with IAS 17.

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 charges which are measured at their fair value. The financial statements are for the 52 weeks to 28 June 2020 (last year 48 weeks to 30 June 2019).

The financial information set out above does not constitute the company's statutory accounts for the periods ended 28 June 2020 or 30 June 2019 but is derived from those accounts. Statutory accounts for the period ended 30 June 2019 have been delivered to the registrar of companies, and those for the period ended 28 June 2020 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Going concern

The Group has a £250.0m revolving credit facility in place until August 2022, and in April 2020, to increase resilience to the short-term effects of the Covid-19 pandemic, secured an additional twelve month facility of £70.0m from the same group of lending banks. In the same month the Group also secured £63.9m of equity funding from a placing of ordinary shares. During the period from the inception of the additional £70.0m facility through to June 2021, existing covenants on the revolving credit facility (of 3.0x net Debt / EBITDA and 1.5x Fixed Charge Cover) have been replaced by new minimum quarterly EBITDA and net debt covenants. At the date of approval of these financial statements, none of the £70.0m facility had been utilised and a further £170.0m of the revolving credit facility remained undrawn, giving the Group a total of £240.0m available facility in addition to cash in hand, at bank (£47.8m as at 21 September 2020).

The Directors have prepared cash flow forecasts for the Group covering a period of 18 months to March 2022. These forecasts indicate that the Group will be in compliance with the minimum quarterly EBITDA and net debt covenants applicable for that period, which are assessed monthly, as well as the original covenants which become effective once more from June 2021. These forecasts include a number of assumptions in relation to: level of customer order intake; gross profit margins; and achievement of cost savings in line with the Group's strategic plans.

The Directors have also prepared severe but plausible downside sensitivity scenarios which cover the same period as the base case. These downside scenarios include specific consideration of a range of impacts that could arise from the continued coronavirus pandemic and the UK's exit from the EU. These scenarios included: significantly reduced customer spending; a second lockdown during FY21 leading to reduced order intake and customer deliveries; disruptions to manufacturing and supply chain causing delays in receiving stock; and possible changes in the regulatory environment surrounding product warranty insurance. As part of this analysis, mitigating actions within the Group's control should these severe but plausible scenarios occur have also been considered. These mitigating actions included reducing discretionary advertising expenditure, a pause on expansionary capital investment and other measures to protect cash balances. These forecast cash flows, considering the ability and intention of the Directors to implement mitigating actions should they need to, indicate that there remains sufficient headroom in the forecast period for the Group and Company to operate within the committed facilities and to comply with all relevant banking covenants during the forecast period.

The Directors have considered all of the factors noted above, including the inherent uncertainty in forecasting the impact of the coronavirus pandemic, and are confident that the Group and Company have adequate resources to continue to meet all liabilities as and when they fall due for the foreseeable future and at least for the period of twelve months from the date of these financial statements. Accordingly, the financial statements are prepared on a going concern basis.

New accounting standards

In the period ended 28 June 2020, the Group has adopted IFRS 16. Further details of the impact of the adoption of this standard are given below. There are no other new standards, amendments to existing standards or interpretations that are effective for the first time in the period ended 28 June 2020 that have a material impact on the Group's results.

A number of new or revised standards and interpretations have been issued which are not yet effective or endorsed by the EU, and which have not therefore been applied by the Group in these financial statements.

IFRS 16 Leases

IFRS 16 *Leases* replaces existing lease guidance under IAS 17 *Leases* and introduces a fundamental change to the recognition, measurement, presentation and disclosure of leases for lessees. IFRS 16 eliminates the current dual accounting model for lessees under IAS 17 (operating leases and finance leases) and requires lessees to account for most leases under a single, on-balance sheet model. Accordingly, figures presented for the 48 weeks ended 30 June 2019 reflect the requirements of IAS 17, while those presented for the 52 weeks ended 28 June 2020 are in accordance with IFRS 16.

Definition of a lease

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Transition method and practical expedients used

The Group has opted to apply the modified retrospective approach to transition; under this approach the Group is not required to restate prior year figures.

Under the modified retrospective approach, IFRS 16 provides for a number of optional practical expedients. On transition, the Group has applied the following practical expedients:

- application of IFRS 16 to contracts that were previously identified as leases applying IAS 17 *Leases* and IFRIC 4 *Determining whether an arrangement contains a lease;*
- use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- accounting for short term (less than 12 months as at 30 June 2019) leases and low value leases on transition as operating leases;
- exclusion of initial direct costs from the measurement of the right of use asset on transition;
- reliance on IAS 37 onerous lease assessment to determine whether leases are onerous on transition;
- use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease; and
- Covid-19-related rent concessions amendment – deferrals of lease payments as a direct result of Covid-19 have been assessed as non-modifying.

The published Covid-19 related rent concessions amendment has been applied to all relevant rent concessions during the financial year. The amount recognised in the income statement as a consequence of applying the practical expedient to changes in lease payments arising from rent concessions was £0.3m, all rent concessions relate to deferrals of lease payments. The Group has elected to adopt the amendment early, although it has yet to be endorsed by the EU.

Lease liability - initial recognition

At 1 July 2019 the Group has recognised a lease liability and a right of use asset. On transition, the lease liabilities are recognised at the present value of future lease payments discounted at the incremental borrowing rate applicable to the lease. On transition, the Group's weighted average incremental borrowing rate was 5.6%.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments; and
- amounts expected to be payable under a residual value guarantee.

Lease liability – subsequent measurement

The lease liability is subsequently increased by the interest cost arising from the unwind of the discount, and decreased by the cash lease payments made.

Lease liability – remeasurement

The lease liability is remeasured if:

- there is a change in either the lease term or the assessment of an option to purchase the underlying asset. In these circumstances, the lease liability is remeasured using a revised discount rate; or
- there is a change in the amounts expected to be payable under a residual guarantee or if there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments. In these circumstances, the discount rate remains unchanged, unless the change in lease payments results from a change in floating interest rates.

In both scenarios, the carrying value of the right of use asset will be adjusted by the amount of the remeasurement of the lease liability, to the extent that the right of use asset will be reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.

Right of use asset – initial recognition

IFRS 16 defines a right of use asset as an asset which represents a lessee's right to use an underlying asset for the lease term.

At transition, the right of use assets are measured at either:

- "Mod A": the carrying value as if IFRS 16 had been applied since the lease commencement date, discounted by the Group's incremental borrowing rate as at 1 July 2019. This methodology has been applied where the historical information has been available to facilitate this.

  or
- "Mod B": an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments recognised in the statement of financial position immediately before the date of initial application. This methodology has been applied to the majority of the Group's leases.

Right of use asset – subsequent measurement

Right of use assets are subsequently measured at initial carrying value:

- less any accumulated depreciation and any accumulated impairment losses; and
- adjusted for any remeasurement of the lease liability

The right of use asset is subsequently depreciated on a straight line basis from the commencement date to the end of the lease term. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Impact on the Group financial statements

The impact of the IFRS 16 transition adjustments on the 30 June 2019 balance sheet are summarised below:

	Note	30 June 2019 IAS 17 £m	IFRS 16 adjustment £m	1 July 2019 IFRS 16 £m
Non-current assets				
Property, plant and equipment	*i*	89.9	(10.5)	79.4
Right of use assets	*ii*	-	445.0	445.0
Intangible assets		539.0	-	539.0
Other financial assets		1.4	-	1.4
Deferred tax assets	*iii*	8.7	5.4	14.1
		639.0	439.9	1,078.9
Current assets				
Inventories		54.8	-	54.8
Other financial assets		6.3	-	6.3
Trade and other receivables	*iv*	32.8	(12.3)	20.5
Cash and cash equivalents		29.8	-	29.8
		123.7	(12.3)	111.4
Total assets		762.7	427.6	1,190.3
Current liabilities				
Trade payables and other liabilities	*v*	(225.1)	13.5	(211.6)
Lease liabilities	*vi*	-	(88.8)	(88.8)
Provisions		(5.0)	-	(5.0)
Other financial liabilities		-	-	-
Current tax liabilities		(0.8)	-	(0.8)
		(230.9)	(75.3)	(306.2)
Non-current liabilities				
Interest bearing loans and borrowings		(194.0)	-	(194.0)
Lease liabilities	*vi*	-	(459.8)	(459.8)
Provisions	*vii*	(5.6)	1.4	(4.2)
Other financial liabilities		(0.7)	-	(0.7)
Other liabilities	*v*	(79.7)	79.7	-
		(280.0)	(378.7)	(658.7)
Total liabilities		(510.9)	(454.0)	(964.9)
Net assets		251.8	(26.4)	225.4
Equity attributable to equity holders of the parent				
Share capital		319.5	-	319.5
Share premium		40.4	-	40.4
Merger reserve		18.6	-	18.6
Treasury shares		(2.1)	-	(2.1)
Cash flow hedging reserve		7.0	-	7.0
Retained earnings		(131.6)	(26.4)	(158.0)
Total equity		251.8	(26.4)	225.4

Notes

i. Reclassification of net book value of assets classified as finance leases under IAS 17.
ii. Recognition of right of use assets on transition (including reclassification in 1. above).
iii. Movement in deferred tax arising from IFRS 16 transition adjustments.
iv. Elimination of IAS 17 lease prepayment balances.
v. Elimination of IAS 17 lease incentive balances (capital contributions, rent-free periods and fixed rent reviews), adjusted for in right of use asset (or opening retained earnings where Mod A has been applied).
vi. Recognition of lease liabilities arising under IFRS 16 and reclassification of finance lease liabilities previously recognised under IAS 17.
vii. Elimination of IAS 37 onerous lease provisions, adjusted for in value of right of use asset.

The following table reconciles the undiscounted commitments under non-cancellable operating leases as at 30 June 2019, as presented in the Group's Annual Report for the 48 weeks to 30 June 2019, to the amount of lease liabilities recognised on transition to IFRS 16 at 1 July 2019:

	1 July 2019 £m
Commitments under non-cancellable operating leases as at 30 June 2019	**695.1**
Effect of discounting	(156.0)
Leases previously accounted for as finance leases	12.1
Other	(2.6)
Lease liabilities recognised as at 1 July 2019	**548.6**

The impact of IFRS 16 to the income statement for the 52 week period to 28 June 2020 is summarised below:

		52 weeks to 28 June 2020		
	Note	Presented under IAS 17 £m	Impact of IFRS 16 £m	Presented under IFRS 16 £m
Gross sales		935.0	-	935.0
Revenue		724.5	-	724.5
Cost of sales		(310.5)	-	(310.5)
Gross profit		414.0	-	414.0
Selling and distribution costs		(369.0)	79.4	(289.6)
Administrative expenses		(68.3)	0.4	(67.9)
Operating (loss)/profit before depreciation, amortisation and impairment	*i*	(23.3)	79.8	56.5
Depreciation	*ii*	(25.9)	(56.0)	(81.9)
Amortisation		(6.8)	-	(6.8)
Impairments	*iii*	(7.1)	(4.4)	(11.5)
Operating loss		(63.1)	19.4	(43.7)
Finance income		0.1	-	0.1
Finance expenses	*iv*	(11.9)	(25.7)	(37.6)
Loss before tax		(74.9)	(6.3)	(81.2)
Taxation	*v*	11.9	0.1	12.0
Loss for the period		(63.0)	(6.2)	(69.2)

Notes

i. Reversal of operating lease rental charges recognised under IAS 17.
ii. Depreciation charge on right of use assets recognised under IFRS 16.
iii. Right of use asset impairment recognised under IFRS 16
iv. Unwind of discount on IFRS 16 lease liabilities.
v. Tax effect on net income statement differences.

The impact of IFRS 16 to the balance sheet as at 28 June 2020 is summarised below:

	Notes	28 June 2020 IAS 17 £m	IFRS 16 adjustment £m	28 June 2020 IFRS 16 £m
Non-current assets				
Property, plant and equipment	i	85.0	(10.9)	74.1
Right of use assets	ii	-	384.5	384.5
Intangible assets		532.5	-	532.5
Other financial assets		0.8	-	0.8
Deferred tax assets	iii	18.5	5.5	24.0
		636.8	379.1	1,015.9

Current assets				
Inventories		58.9	-	58.9
Other financial assets		4.5	-	4.5
Trade and other receivables	iv	23.8	(1.6)	22.2
Current tax assets		7.8	-	7.8
Cash and cash equivalents		62.3	-	62.3
		157.3	(1.6)	155.7
Total assets		794.1	377.5	1,171.6
Current liabilities				
Trade payables and other liabilities	v	(243.2)	27.2	(216.0)
Lease liabilities	vi	-	(88.6)	(88.6)
Provisions		(13.2)	1.3	(11.9)
Other financial liabilities		(0.1)	-	(0.1)
Current tax liabilities		-	-	-
		(256.5)	(60.1)	(316.6)
Non-current liabilities				
Interest bearing loans and borrowings		(218.7)	-	(218.7)
Lease liabilities	vi	-	(428.6)	(428.6)
Provisions	vii	(8.8)	4.9	(3.9)
Other financial liabilities		(1.9)	-	(1.9)
Other liabilities		(73.7)	73.7	-
		(303.1)	(350.0)	(653.1)
Total liabilities		(559.6)	(410.1)	(969.7)
Net assets		234.5	(32.6)	201.9
Equity attributable to equity holders of the parent				
Share capital		383.4	-	383.4
Share premium		40.4	-	40.4
Merger reserve		18.6	-	18.6
Treasury shares		(0.7)	-	(0.7)
Cash flow hedging reserve		3.3	-	3.3
Retained earnings		(210.5)	(32.6)	(243.1)
Total equity		234.5	(32.6)	201.9

Notes

i. Reclassification of net book value of assets classified as finance leases under IAS 17.
ii. Recognition of right of use assets on transition (including reclassification in 1. above).
iii. Movement in deferred tax arising from IFRS 16 transition adjustments.
iv. Elimination of IAS 17 lease prepayment balances.
v. Elimination of IAS 17 lease incentive balances (capital contributions, rent-free periods and fixed rent reviews), adjusted for in right of use asset (or opening retained earnings where Mod A has been applied).
vi. Recognition of lease liabilities arising under IFRS 16 and reclassification of finance lease liabilities previously recognised under IAS 17.
vii. Elimination of IAS 37 onerous lease provisions, adjusted for in value of right of use asset.

2 Segmental Analysis

The Group's operating segments under IFRS 8 have been determined based on management accounts reports reviewed by the Executive Board. Segment performance is assessed based upon brand contribution. Brand contribution is defined as underlying EBITDA (being earnings before interest and tax excluding depreciation charges and non-underlying items) excluding property costs and central administration costs.

The Group reviews and manages the performance of its operations on a retail brand basis, and the identified reportable segments and the nature of their business activities are as follows:

DFS: the manufacture and retailing of upholstered furniture and related products through DFS branded stores and websites.

Sofology: the retailing of upholstered furniture and related products through Sofology branded stores and website.

Other segment activities comprise the retailing of upholstered and other furniture and related products through other brands, including Dwell and Sofa Workshop.

Segment revenue and profit

	External sales		**Internal sales**		**Total gross sales**	
	52 weeks to 28 June 2020 £m	48 weeks to 30 June 2019 £m	**52 weeks to 28 June 2020 £m**	48 weeks to 30 June 2019 £m	**52 weeks to 28 June 2020 £m**	48 weeks to 30 June 2019 £m
DFS	**697.1**	850.2	**-**	-	**697.1**	850.2
Sofology	**181.7**	237.7	**-**	-	**181.7**	237.7
Other segments	**56.2**	77.1	**0.1**	0.5	**56.3**	77.6
Eliminations	**-**	-	**(0.1)**	(0.5)	**(0.1)**	(0.5)
Gross sales	**935.0**	1,165.0	**-**	-	**935.0**	1,165.0

	52 weeks to 28 June 2020 £m	48 weeks to 30 June 2019 £m
Total segments gross sales	**935.0**	1,165.0
Less: value added and other sales taxes	**(146.4)**	(183.5)
Less: costs of interest free credit and aftercare products	**(64.1)**	(80.5)
Revenue	**724.5**	901.0
Of which:		
Furniture sales	**676.0**	839.5
Sales of aftercare products	**48.5**	61.5
Revenue	**724.5**	901.0

52 weeks to 28 June 2020

	DFS £m	**Sofology £m**	**Other £m**	**TOTAL £m**
Revenue	535.2	143.7	45.6	724.5
Cost of sales	(212.6)	(72.3)	(22.5)	(307.4)
Gross profit	322.6	71.4	23.1	417.1
Selling & distribution costs (excluding property costs)	(191.6)	(47.8)	(20.9)	(260.3)
Brand contribution (segment profit)	**131.0**	**23.6**	**2.2**	**156.8**
Property costs				(27.2)
Underlying administrative expenses				(67.7)
Underlying EBITDA				61.9

48 weeks to 30 June 2019

	DFS £m	**Sofology £m**	**Other £m**	**TOTAL £m**
Revenue	650.6	187.7	62.7	901.0
Cost of sales	(262.5)	(92.3)	(29.0)	(383.8)
Gross profit	388.1	95.4	33.7	517.2
Selling & distribution costs (excluding property costs)	(217.1)	(52.7)	(23.9)	(293.7)
Brand contribution (segment profit)	**171.0**	**42.7**	**9.8**	**223.5**
Property costs				(99.1)
Underlying administrative expenses				(59.3)
Underlying EBITDA				65.1

	52 weeks to 28 June 2020 £m	48 weeks to 30 June 2019 £m
Underlying EBITDA	**61.9**	65.1
Non-underlying items	**(16.6)**	(4.4)
Depreciation & amortisation	**(88.7)**	(28.2)
Impairments	**(0.3)**	-
Operating profit	**(43.7)**	32.5
Finance income	**0.1**	0.2
Finance expenses	**(37.6)**	(10.3)
Profit before tax	**(81.2)**	22.4

A geographical analysis of revenue is presented below:

	52 weeks to 28 June 2020 £m	48 weeks to 30 June 2019 £m
United Kingdom	**701.7**	872.0
Europe	**22.8**	29.0
Total revenue	**724.5**	901.0

Segment assets and liabilities

	Assets		**Liabilities**	
	28 June 2020 £m	30 June 2019 £m	**28 June 20120 £m**	30 June 2019 £m
DFS	**1,009.8**	645.4	**(594.3)**	(236.6)
Sofology	**145.5**	91.0	**(143.9)**	(66.1)
Other segments	**23.5**	34.6	**(55.1)**	(37.4)
Total segments	**1,178.8**	771.0	**(793.3)**	(340.1)
Loans and financing	**-**	-	**(218.7)**	(194.0)
Financial assets/(liabilities)	**5.3**	7.7	**(2.0)**	(0.7)
Current tax	**7.8**	-	**-**	(0.8)
Deferred tax	**24.0**	8.7	**-**	-
Eliminations	**(44.3)**	(24.7)	**44.3**	24.7
Total Group	**1,171.6**	762.7	**(969.7)**	(510.9)

Segment assets comprises tangible and intangible non-current assets including goodwill and brand names, inventories, trade and other receivables, cash and cash equivalents. Segment liabilities comprises trade payables and current and non-current other liabilities and provisions.

	Additions to non-current assets		**Depreciation and amortisation**	
	52 weeks to 28 June 2020 £m	48 weeks to 30 June 2019 £m	**52 weeks to 28 June 2020 £m**	48 weeks to 30 June 2019 £m
DFS	**22.2**	24.5	**66.2**[1]	19.5
Sofology	**7.6**	3.8	**18.8**[2]	5.9
Other segments	**1.3**	1.1	**15.2**[3]	2.8
Total Group	**31.1**	29.4	**100.2**	28.2

Additions to non-current assets represents includes both tangible and intangible non-current assets but excludes amounts arising on transition to IFRS 16.

[1]DFS: includes impairment charges of £1.2m (2019: £nil)
[2]Sofology: includes impairment charges of £0.3m (2019: £nil)
[3]Other segments: includes impairment charges of £10.0m (2019: £nil)

3 Operating profit

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

	52 weeks to 28 June 2020 £m	48 weeks to 30 June 2019 £m
Depreciation on tangible assets (including depreciation on right of use assets)	**81.9**	23.3
Amortisation of intangible assets	**6.8**	4.9
Impairment of tangible assets	**5.2**	-
Impairments of intangible assets	**1.0**	-
Impairment of goodwill	**5.3**	-
Net gain on disposal of property, plant and equipment	**(1.1)**	(0.8)
Cost of inventories recognised as an expense	**317.1**	393.8
Write down of inventories to net realisable value	**7.2**	0.2
Other cost of sales variances	**(13.8)**	(10.2)
Operating lease rentals	**1.9**	73.6

During the period the Group received Government support through the Coronavirus Job Retention Scheme totalling £19.5m (2019: £nil).

Non-underlying items	**52 weeks to 28 June 2020 £m**	48 weeks to 30 June 2019 £m
Acquisition related professional fees	**-**	0.2
Integration costs	**-**	3.3
Restructuring costs	**2.3**	0.9
Impairment of goodwill and brand names	**6.3**	-
Impairment of tangible and right of use assets	**4.9**	-
Write down of inventories on restructuring	**3.1**	-
	16.6	4.4

Non-underlying costs in the current year arose in connection with the restructure of the Dwell brand and the sale of Sofa Workshop following the end of the financial year. The goodwill and intangible brand name relating to Sofa Workshop was fully impaired, together with right of use and other tangible assets relating to stores being closed. In addition, related inventories impacted by the restructure were written down to a reduced net realisable value. Other restructuring costs included redundancy costs and operational costs associated with exiting closed locations.

In the prior period acquisition related fees, additional consideration and integration costs arose on the Group's acquisition of Sofology Limited. Restructuring costs related to exceptional restructuring activity within the DFS brand and Group support centre, to align with the revised ways of working following the Sofology Limited acquisition.

4 Finance expense

	52 weeks to 28 June 2020 £m	48 weeks to 30 June 2019 £m
Interest payable on senior revolving credit facility	**(7.6)**	(6.8)
Bank fees	**(0.5)**	(0.2)
Fair value lease adjustment unwind	**-**	(2.7)
Unwind of discount on provisions	**-**	(0.1)
Interest on lease liabilities	**(29.2)**	(0.5)
Other interest	**(0.3)**	-
Total finance expense	**(37.6)**	(10.3)

5 Earnings per share

	52 weeks to 28 June 2020 Pence	48 weeks to 30 June 2019 Pence
Basic earnings per share	**(31.4)**	8.6
Diluted earnings per share	**(31.4)**	8.4

	52 weeks to 28 June 2020 £m	48 weeks to 30 June 2019 £m
(Loss)/profit attributable to equity holders of the parent company	**(69.2)**	18.1

	28 June 2020 £m	30 June 2019 £m
Weighted average number of shares for basic earnings per share	**220,289,976**	212,008,955
Dilutive effect of employee share based payment awards	**-**	3,144,296
Weighted average number of shares for diluted earnings per share	**220,289,976**	215,153,251

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.

	52 weeks to 28 June 2020 £m	48 weeks to 30 June 2019 £m
(Loss)/profit for the year attributable to equity holders of the parent company	**(69.2)**	18.1
Non-underlying loss after tax	**15.7**	3.6
Underlying (loss)/profit for the year attributable to equity holders of the parent	**(53.5)**	21.7

	52 weeks to 28 June 2020 Pence	48 weeks to 30 June 2019 Pence
Underlying basic earnings per share	**(24.3)**	10.3
Underlying diluted earnings per share	**(24.3)**	10.1

6 Dividends

			52 weeks to 28 June 2020 £m	48 weeks to 30 June 2019 £m
Final ordinary dividend for FY18	7.5p	paid	**-**	15.9
Interim ordinary dividend for FY19	3.7p	paid	**-**	7.9
Final ordinary dividend for FY19	7.5p	paid	**15.9**	-
			15.9	23.8

The directors do not recommend a final dividend in respect of the financial period ended 28 June 2020.

7 Financial instruments

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

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.

8 Capital expenditure

For the 52 weeks to 28 June 2020, additions of property, plant and equipment (including those acquired under finance leases) totalled £24.5m (2019: £22.5m). Additions of intangible assets (computer software) totalled £6.6m (2019: £6.9m).

At 28 June 2020 the Group had contracted capital commitments of £1.7m (2019: £5.4m) for which no provision has been made in the financial statements.

9 Net debt

	30 June 2019 £m	IFRS 16 transition £m	Cash flow £m	Other non-cash changes £m	28 June 2020 £m
Cash in hand, at bank	29.8	-	32.5	-	**62.3**
Cash and cash equivalents	29.8	-	32.5	-	**62.3**
Senior revolving credit facility	(194.0)	-	(25.0)	0.3	**(218.7)**
Finance lease liabilities	(12.1)	(536.6)	36.3	(4.8)	**(517.2)**
Total net debt	(176.3)	(536.6)	43.8	(4.5)	**(673.6)**

	30 June 2019 £m	Cash flow £m	Other non-cash changes £m	28 June 2020 £m
Cash in hand, at bank	47.2	(17.4)	-	**29.8**
Cash and cash equivalents	47.2	(17.4)	-	**29.8**
Senior revolving credit facility	(195.7)	2.0	(0.3)	**(194.0)**
Finance lease liabilities	(10.5)	3.5	(5.1)	**(12.1)**
Total net debt	(159.0)	(11.9)	(5.4)	**(176.3)**

Non-cash changes include the addition of new finance leases within the period of £7.7m (2019: £5.1m) and the amortisation of capitalised debt issue costs of (£0.3m) (2019: £0.3m).

10 Annual General Meeting

The Annual General Meeting will be held on 13 November 2020 at 1 Rockingham Way, Redhouse Interchange, Adwick-le-Street, Doncaster, DN6 7NA. 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.

11 Subsequent events

On 26 August 2020, the Group agreed the same of the entire issued share capital of The Sofa Workshop Limited for cash consideration of £0.3m. This sale was subject to the receipt of regulatory approval from the FCA which was received on 1 September 2020 and the transaction formally completed on 18 September 2020.

12 Alternative Performance Measures

In reporting the Group's financial performance, the Directors make use of a number of alternative performance measures (APMs) in addition to those defined or specified under EU-adopted International Financial Reporting Standards (IFRS).

The Directors consider that these APMs provide useful additional information to support understanding of underlying trends and business performance. In particular, APMs enhance the comparability of information between reporting periods by adjusting for non-underlying items. APMs are therefore used by the Group's Directors and management for internal performance analysis, planning and incentive setting purposes in addition to external communication of the Group's financial results.

In order to facilitate understanding of the APMs used by the Group, and their relationship to reported IFRS measures, definitions and numerical reconciliations are set out below. Definitions of APMs may vary from business to business and accordingly the Group's APMs may not be directly comparable to similar APMs reported by other entities.

Notes to FY20

The Group changed its accounting reference date to 30 June and accordingly the statutory audited results for FY19 were the 48 weeks ended 30 June 2019. To enable meaningful comparatives for reported key performance indicators, unaudited pro-forma figures for the 52 weeks ended 30 June 2019 have also been presented. These pro-forma figures are calculated by adding unaudited results per the Group management accounts for the 4 weeks to 28 July 2018 to the audited statutory results for the 48 weeks to 30 June 2019.

APM	Definition	Rationale
Like-for-like revenue	Revenue from all online and telephone channels and those retail showrooms which have been open for at least one full financial year and not identified as impacted by new showroom openings in the current or comparative period.	Provides insight into year on year changes in the underlying trading environment by excluding distortions from new showroom openings.
LTM FY19	Last twelve months/52 weeks ended 30 June 2019 (unaudited, pro-forma period).	A twelve month period is required to enable comparison to reported results for previous periods. The seasonal nature of the Group's activity means that many KPIs are only meaningful when assessed on a full year basis.
Gross sales	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	Key measure of overall sales performance which unlike IFRS revenue is not affected by the extent to which customers take up the Group's interest free credit offering.
Brand contribution	Gross profit less selling and distribution costs, excluding property and administration costs.	Measure of brand-controllable profit as it excludes shared Group costs.
EBITDA	Earnings before interest, taxation, depreciation and amortisation	A commonly used simple cash profit measure.
Non-underlying items	Certain material, unusual or non-recurring items which the directors believe are not indicative of the Group's underlying performance	Clear and separate identification of such items facilitates understanding of underlying trading performance.
Underlying EBITDA	Earnings before interest, taxation, depreciation and amortisation, as adjusted for non-underlying items	Profit measure reflecting underlying trading performance.

Underlying profit before tax and brand amortisation	Profit before tax adjusted for non-underlying items and amortisation associated with the acquired brands of Sofology, Dwell and Sofa Workshop	Profit measure widely used by investors and analysts.
Underlying earnings per share	Post-tax earnings per share as adjusted for non-underlying items.	Exclusion of non-underlying items facilitates year on year comparisons of the key investor measure of earnings per share.
Free cash flow	Sum of Underlying EBITDA, less gross capital expenditure and changes in working capital	Measure of the cash flow generated by the Group beyond that required to invest in its business activities.
Leverage (or gearing)	The ratio of period end net debt to underlying EBITDA for the previous twelve months.	Key measure for banking facilities which indicates the relative level of borrowings to profit.
Return on capital employed (ROCE)	Post-tax operating profit before non-underlying items plus operating lease charges, expressed as a percentage of the sum of: property, plant & equipment, computer software, working capital and 8x operating lease charges.	Represents the post-tax return the Group achieves on the investment it has made in its business.

Key performance indicators: Reconciliations to IFRS measures

EBITDA	**FY20 £m**	**LTM FY19 £m**	**FY19 £m**
Operating (loss)/profit	(43.7)	54.3	32.5
Depreciation	81.9	25.8	23.3
Amortisation	6.8	5.0	4.9
Impairments	11.5	-	-
EBITDA	56.5	85.1	60.7

Underlying EBITDA	**FY20 £m**	**LTM FY19 £m**	**FY19 £m**
EBITDA	56.5	85.1	60.7
Non-underlying operating items	5.4	5.1	4.4
Underlying EBITDA	61.9	90.2	65.1

EBITDA (Pre-IFRS 16)	**FY20 £m**	**LTM FY19 £m**	**FY19 £m**
Operating (loss)/profit	(43.7)	54.3	60.7
Impact of IFRS 16	19.4	-	-
Operating (loss)/profit (Pre-IFRS 16)	(63.1)	54.3	32.5
Depreciation (Pre-IFRS 16)	25.9	25.8	23.3
Amortisation (Pre-IFRS 16)	6.8	5.0	4.9
Impairments (Pre-IFRS 16)	7.1	-	-
EBITDA (Pre-IFRS 16)	(23.3)	85.1	60.7

Underlying EBITDA (Pre-IFRS 16)	**FY20 £m**	**LTM FY19 £m**	**FY19 £m**
EBITDA	(23.3)	85.1	60.7
Non-underlying operating items	9.5	5.1	4.4
Underlying EBITDA	(13.8)	90.2	65.1

Free cash flow	**FY20 £m**	**LTM FY19 £m**
Underlying EBITDA (pre-IFRS 16)	(13.8)	90.2
Acquisition of property, plant and equipment (pre-IFRS 16)	(16.8)	(19.4)
Acquisition of other intangible assets	(6.6)	(6.9)
Cash capital expenditure (pre-IFRS 16)	(23.4)	(26.3)
Share based payment expense	2.4	2.6
Increase in debtors (pre-IFRS 16)	9.1	(1.9)
Increase in inventories	(4.0)	3.2
Increase in trade and other payables (pre-IFRS 16)	8.6	25.5
Decrease in provisions (pre-IFRS 16)	11.3	(0.7)
Change in working capital (pre-IFRS 16)	27.4	28.7
Free cash flow generation (pre-IFRS 16)	(9.8)	92.6

Underlying profit before tax and brand amortisation (pre-IFRS 16)	**FY20 £m**	**LTM FY19 £m**	**FY19 £m**
(Loss)/profit before tax	(81.2)	43.6	22.4
Impact of IFRS 16	6.3	-	-
(Loss)/profit before tax (pre-IFRS 16)	(74.9)	43.6	22.4
Non-underlying items (pre-IFRS 16)	16.6	5.1	4.4
Amortisation of brand names	1.5	1.5	1.4
Underlying (loss)/profit before tax and brand amortisation (pre-IFRS 16)	(56.8)	50.2	28.2

Net debt (pre-IFRS 16)	**30 June 2019 £m**	**Cash flow £m**	**Other non-cash changes £m**	**28 June 2020 £m**
Cash in hand, at bank	29.8	32.5	-	62.3
Cash and cash equivalents	29.8	32.5	-	62.3
Senior revolving credit facility	(194.0)	(25.0)	0.3	(218.7)
Finance lease liabilities (pre-IFRS 16)	(12.1)	4.5	(5.2)	(12.8)
Total net debt	(176.3)	12.0	(4.9)	(169.2)

Return on capital employed	FY20 £m	LTM FY19 £m
Operating (loss)/profit (pre-IFRS 16)	(63.1)	54.3
Non-underlying operating items (pre-IFRS 16)	16.6	5.1
Operating lease charge (pre-IFRS 16)	79.9	80.2
Pre-tax return (pre-IFRS 16)	33.4	139.6
Effective tax rate	*17.1%*	*19.0%*
Tax adjusted return (A) (pre-IFRS 16)	**27.7**	**113.1**
Property, plant and equipment (pre-IFRS 16)	85.0	89.9
Computer software	11.8	10.5
	96.8	100.4
Inventories	58.9	54.8
Trade receivables	10.4	9.1
Prepayments (pre-IFRS 16)	11.7	22.8
Accrued income	0.9	0.6
Other receivables	0.8	0.3
Payments received on account	(86.8)	(42.2)
Trade payables	(41.9)	(106.9)
Working capital (pre-IFRS 16)	(46.0)	(61.5)
8 times lease charge (pre-IFRS 16)	639.2	641.6
Total capital employed (B) (pre-IFRS 16)	**690.0**	**680.5**
ROCE (A/B) (pre-IFRS 16)	**4.0%**	**16.6%**

This preliminary results 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 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.