9 March 2021 **For immediate release**

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

Interim Results Announcement

STRENGTHENING LEADERSHIP POSITION IN A RESILIENT UPHOLSTERY MARKET

DFS Furniture plc (the "Group"), the market leading retailer of living room and upholstered furniture in the United Kingdom, today announces its interim results for the 26 weeks ended 27 December 2020 (prior year comparative period is the 26 weeks ended 29 December 2019).

£'m	H1 FY21 (unaudited) £m	H1 FY20 (unaudited) £m	Change
Revenue	572.6	488.0	17.3%
Revenue excluding Sofa Workshop	567.5	477.9	18.7%
Digital % of revenues	*25.7%*	*18.4%*	*7.3%pt*
Underlying PBT(A)[1]	76.5	16.6	59.9
PBT	72.1	15.9	56.2
Basic underlying EPS[1]	23.5p	6.0p	291.7%
Basic EPS	22.5p	6.0p	275.0%
Net bank debt[1]	38.2	147.8	109.6

Financial summary:

- Group revenue £572.6m, up 17.3% year-on-year
- Revenue excluding Sofa Workshop up 18.7% year-on-year to £567.5m driven by strong order intake in the period, as a result of pent-up demand from 'lockdown one', market share gains and a shift in consumer spending to the home
- Resilient trading performance through recent lockdown periods, leveraging our integrated retail proposition, with online revenues up 66.2% year-on-year
- Underlying PBT(A)[1] up £59.9m to £76.5m, primarily as a result of the strong revenue growth.
- Reported PBT increased £56.2m to £72.1m
- Significant reduction in net bank debt[1] to £38.2m (c.£100m excluding temporary working capital benefit) from £157.7m at previous financial year end with period end leverage[1] at 1.1x
- £225m senior revolving credit facility term extended from August 2022 to December 2023 with two further one year extension options
- Order bank is currently over £65m higher in revenue terms than the prior year equivalent date, with the £200m higher order bank at Christmas-time providing resilience through the still ongoing retail lockdown in the second half to date

Operational and strategic highlights:

- Continued commitment to colleague and customer safety, health and wellbeing during the pandemic
- Evidence that Group market share has increased by c.2% in the period, extending our clear market leadership
- As showrooms reopen, we're targeting further market share gains from our well-positioned and resilient integrated retail business model

Strong strategic progress despite operational challenges of the pandemic, port disruption and raw materials supply:

- Drive the DFS core: continued improvements to our integrated digital and physical customer journey, service and product initiatives to further extend market leadership
- Build the platforms: Sofa Delivery Company roll-out underway; new manufacturing investment under consideration
- Unlock new growth: 3 new Sofology showrooms opened in H1; FY21 target of 6-10 openings remains intact

Meaningful progress against ESG Phase 1 Environmental (sourcing, packaging and emissions) targets and Social (gender, inclusion, community) targets in the period.

Tim Stacey, Group Chief Executive Officer said:
"This strong first half profit and cash flow performance is a true reflection of the supreme efforts put in by our teams right across the Group since the start of the pandemic. I am hugely grateful to every colleague for their constant focus on the safety, health and wellbeing of all their colleagues and also our customers.

Our business has proven to be resilient throughout the period despite showroom closures and a significant amount of external disruption in our supply chains. The investments we've made in our digital channels have generated exceptional revenue growth. Consequently our order bank remains well above normal levels and, subject to showrooms reopening by 12 April 2020, our central planning scenario is for an expected full year profit before tax outcome of approximately £105m, with further benefits to be realised in next year's financial results.

We're committed to our strategy to lead sofa retailing in the digital age with our proven integrated retail model. We expect to see a good level of activity in the home market as Covid-19 restrictions ease and, having accelerated the execution of our strategy and grown our market share, we are well set for future growth."

[1] Definitions and reconciliations of KPIs including Alternative Performance Measures ("APMs") are provided at the end of this statement in Note 14 to the condensed consolidated financial statements

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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: ww.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 integrated physical and digital retail network of living room furniture showrooms and web sites in the United Kingdom and other European countries, trading through our 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.

CHIEF EXECUTIVE'S OPERATING REVIEW

Overview

The Group delivered substantial progress in sales, profits and cash flow in the half, reflecting the benefit of pent-up demand early in the period, market share gains, a shift in consumer spending towards homeware categories and good cost control. Despite the ongoing impact of the pandemic, which required us to temporarily close many of our showrooms, and external supply chain disruption, we were able to continue taking orders, leveraging investments made in our online capabilities, as well as manufacturing and delivering safely to customers throughout the half.

These results reflect the supreme efforts of all of our colleagues who continue to apply our core Group values on a daily basis. We remain committed to our strategy to lead sofa retailing in the digital age, by focusing on our core strategic pillars, as well as working towards the medium-term ESG targets that we presented last September.

Strong, resilient and set for growth

Our Group benefits from four fundamental advantages that provide our business model with resilience and position us well for the future. We have navigated through the pandemic and reflecting the core strengths below, we believe that we are set for growth given our market share gain, our strategic opportunities and also the likely current pent-up demand in the homeware market.

1) Market leadership

As the clear market leader, scale is one of the major strengths of our business model. According to independent market research, pre-pandemic our Group had over 34% value share in the upholstery sub-sector of the living room furniture market and we are over three times the size of our nearest competitor. Furthermore, utilising proprietary datasets that we have developed with Barclaycard, we have observed recent, sustained Group market share growth of circa 2%, due to the performance of our online channels and also the exit of several competitors.

This scale provides us with cost advantages through leveraging our buying power with raw material and finished goods suppliers and minimising final mile logistics costs as a result of our customer postcode delivery density. We also enjoy purchasing economies of scale in advertising, insurance and interest-free-credit. Our market-leading showroom sales densities and online volumes also drive a range of operating efficiencies. Finally, we are also able to invest ahead of our competitors on our retail and operating platforms, our people and our technology.

2) Integrated retail business

A second core strength is the increasingly integrated nature of our retail business model. The continued investment in building the leading omnichannel business model in this sector allows us to meet fast-changing consumer shopping habits and positions us well for the future. We believe the combination of digital and physical is the right long-term approach to address consumers within the sofa market. Our market research shows that more than 85% of consumers research online prior to purchasing their sofa.

To this end we have a well-invested and growing online capability that we develop and enhance continuously. The combination of our high levels of brand awareness and a digital marketing targeting platform that identifies customers coming into the market, enables us to maintain a significant lead in sector search traffic, which is over 2.5x ahead of our next nearest specialist competitor. “DFS” is the most searched term for the sector ahead of “sofa” and “sofas” combined.

We know that a significant barrier to conversion online is the ability to visualise a product displayed digitally and so we offer the world's largest set of augmented reality sofa images through a web browser, some 12,500 3D images, allowing customers to visualise a sofa in any room in their home. We have also developed live “in-store” video communications that enable customers to interact with showroom colleagues from the comfort of their own homes.

A growing share of customers choose to transact entirely online, although the vast majority continue to visit our showrooms to conduct the all-important ‘sit-test’, with ‘comfort’ the number one reason why a customer selects a particular model. We are committed to maintaining an attractive showroom estate which benefits from regular refurbishments and technological enhancements. As the customer journey becomes increasingly integrated, we have adjusted our sales incentive model for showroom colleagues to support customers seamlessly throughout the purchase process.

We are comfortable committing to this channel-agnostic approach to customer engagement, as our ‘cost to serve’ online is lower than for transactions in our showrooms - utilising exactly the same fulfilment infrastructure while incurring lower or no showroom overheads. We also typically see those customers transacting digitally being more likely to self-serve for delivery arranging and any customer support queries, again reducing the cost to fulfil.

3) Sustainability

We are committed to building a sustainable business model, both in terms of our impact on the environment and preserving our long-term success as a Group. Our success has been driven by our strong brand awareness and reputation, our focus on great value and customer service, and the continual development of our operations. We have built-up our efficient infrastructure, superior scale and industry-specialised know-how over our 50 years of operating history. This gives us benefits in many of our physical and digital retail and logistics activities, whether through higher volumes, superior conversion or higher cost efficiency per transaction.

We launched our ESG strategy in September 2020, with a strong focus on the Environment based on our “sofa cycle” approach. We set out clear targets, which are included in the full ESG presentation available on our corporate website.

As the largest upholstery retailer in the UK, we aim to lead on the environmental challenges that exist in our industry. Our Sofa Rescue programme has already saved over 65,000 sofas from landfill, and we're taking it a step further by reviewing both materials and manufacturing methods to help the recyclability of our product.

We are also focused on tackling our carbon emissions. We have signed up for the BRC Climate Action Roadmap targets and are well on our way to meeting our Scope 2 targets by 2030. Though we have reduction plans for Scope 1, we are reliant on technological advances, such as emission-free 7.5 tonne trucks, to meet the 2035 target. Transparency and traceability focused on wood and leather in Phase One of our ESG targets have enabled us to ensure the raw materials used in our products are sourced responsibly and not contributing to deforestation, and we are on track to meet our 2025 FSC target. We are also expanding our supplier requirements to other aspects of the supply chain to include Leather Working Group certification and external certification for textiles. Not only will this ensure that there is rigorous third-party due diligence throughout our supply chains, but we are confident these will add value to our suppliers' value chains as well. And ultimately, as customer awareness grows, these certifications will also add value to the brands and products.

Our ESG strategy has been woven throughout our business, from Responsibility Champions to ESG Working Groups within each brand and external partners in place to support us. We're at the start of our ESG journey, but we've come a long way in a short amount of time and are excited about the opportunities ahead of us.

With a robust plan for 'E', we have turned our attention to 'S' and are working on a clear plan to further embed inclusion and diversity within the Group. The Group has a real 'family' ethos, and all our customers and all our people are already at the heart of everything we do, reflected in our three core values of 'Think Customer', 'Be Real', and 'Aim High'. The Group benefits from a high level of colleague loyalty and engagement and is regularly voted one of the best companies to work for in the UK. In terms of 'G', Governance is a core part of our status as a public listed company and we have all necessary governance mechanisms in place across to the Group to ensure we can achieve our targets and we are committed to complying with all relevant legislation and guidance as it develops.

4) Attractive homeware market

The homeware market has performed relatively well during this pandemic compared to other retail and leisure categories. We have observed strong levels of pent-up demand upon re-opening our showrooms after the previous lockdowns, with the vast majority of "lost" sales during enforced showroom closures being re-captured in subsequent weeks and months. As such, we would expect to benefit from a significant level of pent-up consumer demand post the current lockdown, and a positive market for the rest of 2021, subject to any further trading restrictions going forward.

In summary: We are set for growth

Superior shareholder returns is a long-term feature of our business. Economies of scale enable us to achieve market leading operating margins. Our made-to-order business model, relatively short lead times and supplier credit terms enable us to operate with negative working capital that releases cashflow as the business grows and drives high cash conversion and returns on capital employed. As we look forward, with the combination of the inherent strengths of our business model, a tailwind from pent-up demand and market growth, we expect to grow profits and cash in both the short and medium term.

Financial Results

Revenue rose 17% in the period, or 19% on a comparable basis (excluding Sofa Workshop). This performance reflects market share gains as well as the ongoing benefit of a shift in consumer spending to home categories. The Group saw a particularly strong order intake in Q1 due to latent demand following the end of the first UK lockdown and a resilient Q2 despite extensive showroom closures in November.

Underlying profit before tax and brand amortisation[1] increased from £16.6m to £76.5m in the first half. Profits benefited from the drop-through effect of high revenue growth, cost control and lower retail rates payments.

Reflecting strong trading alongside a c.£60m favourable movement in working capital, net bank debt[1] reduced by £119.5m in the period to £38.2m. As we reported in December, the group extended its banking facility until the end of 2023, which has removed restrictions on dividend payments. While we do not propose a dividend with the interim results, we see the potential to restart ordinary dividend payments in the near term, subject to outlook and operational performance.

Operational Update

The first half of FY21 presented a wide range of operational challenges and I'd like to thank all our colleagues for enabling the business to operate successfully during this period.

The ongoing Covid-19 pandemic has required us to remain very agile in response to Government regulations that have changed frequently and often at short notice. As in the first wave of the pandemic, our absolute priority was the safety and wellbeing of our customers and colleagues. Colleagues are regularly reminded to adhere to our health and safety "Golden Rules", introduced earlier in the pandemic.

A second lockdown resulted in the closure of the vast majority of our showrooms for several weeks in the autumn. While most of our showrooms re-opened briefly in early December, Tier Four lockdowns and a third national lockdown resulted in significant closure periods for all our UK showrooms in the run up to Christmas and through our post-Christmas sale; these showroom closures have continued into the second half of the year. Despite the closures, we continued trading very successfully online, and manufacturing and delivering to customers as well as offering service and repair visits. As the Group recognises revenues at the point of delivery of orders to customers, being able to safely manufacture and deliver to customers despite showroom closures allowed us to satisfy orders placed earlier in the year.

Gross sales[1] via our online channel increased by 66.2% compared with a year earlier. Independent market research data continues to demonstrate that we are the clear market leader in the sale of sofas online in the UK. During the recent and ongoing periods of showroom closure we believe we have reaped the benefits of long-standing investment in our online capability, such as superior site load speeds giving a more responsive experience and leading visual search and augmented reality capabilities that build on our long-standing strength of imagery.

Our online performance has contributed to a particularly increased market share during lockdown periods relative to specialist category competitors, as indicated by Barclaycard data. This does not alter our view that the right model to succeed in our sector is integrated retail, and we expect it is likely that our online penetration will reduce once showrooms are fully reopened.

The proprietary Barclaycard data also does show evidence that the Group is continuing to extend our market leadership with our market share increasing by in the region of 2% over the whole of the last six months. We believe that this gain is sustainable, and with no other change in market size, compared to a previous c.34% group market share, would imply more than a 5% growth in our recurring annual revenues. We believe, this measured share gain reflects both the exit of competitors, the shift of the market towards online and also the growth of the reach of the Group's physical retail estate.

As we highlighted in our December pre-close statement, the arrival of some of our imported products, and the consequent recognition of revenues, has been delayed by ongoing shipping disruption from the Far East and raw materials supply issues relating principally to foam availability in Europe. This, along with manufacturing capacity constraints internally and externally, resulted in longer than average lead times, which we are working hard to reduce in the second half. We appreciate customers' continued patience regarding deliveries as well as our sales and customer support teams for their efforts in keeping customers informed throughout this period.

The Group has spent the period since the Referendum preparing thoroughly for Brexit and we had plans in place for a variety of outcomes to government negotiations and the end of the transition period. The two principal risks to the Group from the EU departure were identified as consumer confidence-related impacts on consumer demand and border delays. While these uncertainties have been compounded by the effect on the global supply chain by the Covid-19 pandemic, very limited disruption has been experienced to date and we continue to believe that the Group is well placed in its key markets following the UK's departure from the EU.

Strategic Update

In spite of the operational challenges detailed above, the Group has remained focused on its strategy to lead sofa retailing in the digital age. Our strategy will transform the Group in the medium-term by focusing on three interrelated pillars - drive the DFS core, build the platforms for growth and unlock new growth. We continue to target a £40m medium term profit before tax benefit from the extensive range of initiatives targeted across the business.

Drive the DFS Core

The DFS brand is the largest and most profitable in the Group and the key priority of this strategic pillar is to drive the growth of the brand across all our channels. In the first half, the DFS brand delivered revenue and brand contribution growth of 21% and 35% respectively. We continue to invest in our digital and physical infrastructure in order to further improve our integrated retail customer journey.

One of the attractions of our well-invested omnichannel business model is that we can support customers to shop in the way that suits them, whether they prefer to shop purely online, solely in a showroom or a combination of the two. With more and more customers using the web to begin their sofa search process, many of our investments are focused on making this research stage as convenient as possible.

Online, we have introduced a more responsive checkout which has improved the customer experience. We are growing our 'visual search' database, enabling customers to take photos of a sofa they like in any setting and compare it with our extensive ranges online. We are also continuing to expand our augmented reality database, one of the largest in the retail sector, which allows a customer to visualise a sofa in 3D in their living room using a smartphone. In addition, we have introduced shared baskets so customers can conduct their research seamlessly across the platform, review options at a pace that works for them and complete their purchase whether the showroom is open or not.

We believe an attractive showroom experience is vital to the customer journey and have continued to invest in our network in the period. We refurbished six showrooms during the first half of the year, and have nine planned for the second half. Customers appreciate our appointment bookings facility, which drove conversion in the first half.

Dwell, our homeware and accessories brand, has also been integrated into the DFS platform so customers can now order an increasing range of Dwell furniture and accessories directly from the DFS retail channels. The space allocation in the combined DFS/Dwell showrooms is being optimised across the various product categories with a view to maximising revenue across the platform.

The second element of our 'Drive The Core' strategy is to continue developing new services to engage customers. We are conducting live 'video in store' trials, which allow customers to interact with a sofa expert and see products in the showroom environment. We currently offer this service in around 11 showrooms. During a period of unprecedented disruption, our sales colleagues have been able to deliver customer service even whilst their showrooms are closed, supporting customers over our web chat facility. We have also made improvements to our remuneration model to support a more seamless customer journey.

We are using data and customer insights more effectively to design and develop new products with greater appeal to both existing and emerging customer segments. New product launches in the first half include: the Vinson, our first 'smart' sofa; Boxsit, our sofa-in a-box concept targeting young, urban renters; and Sofables, an aspirational modular sofa perfect for growing families. Our new Halo Luxe range, launched in September and supported with its own TV campaign, has succeeded in attracting aspirational customers to the DFS brand.

DFS is also well-known for our exclusive brand partner collaborations and every year we roll-out new eye-catching models. One of our current success stories is the Patterdale, developed in partnership with the lifestyle brand Joules. We are also launching our successful French Connection Studio model in our first ECO fabric, made from recycled plastic bottles and textiles waste. One of the highlights in the second half is the launch of our new partnership with 'Grand Designs' for a new range of sofas combining design integrity and a sustainability ethos.

In summary, while our DFS brand enjoys a strong competitive position in the UK sofa retailing market we continue to see opportunities for further growth. We have continued to grow our market share in the first half as we've grasped the opportunities presented by recent structural changes in the market. Our specialist expertise and financial strength means we can continue to invest in those products and services which provide the greatest value to customers.

Build The Platforms for Growth

This strategic pillar focuses on Group-wide benefits from leveraging 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 in order to improve productivity and the customer proposition. We have secured a further £0.9m of annualised savings since the previous year end, which will start to be realised from the second half of this financial year onwards. This brings the total annualised saving since the program began to £5.2m and we are confident of achieving as a minimum the £6-8m targeted annual savings by Financial Year 2023 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 rental market trends and the Group's strength as an anchor tenant on many retail parks.

Turning to logistics, we continue to progress towards our objective of building a leading Group-wide supply chain platform, The Sofa Delivery Company. Our aim is to offer improved customer service and a more flexible working environment for colleagues whilst also reducing the Group's environmental impact. Our current year roll-out plans are on track as we work towards achieving annualised savings of £3m+ by the end of financial year FY22. In the first half of the year, we completed the IT systems integration across the Group, a key enabler for multi-brand order fulfilment. We have also made significant progress in the implementation of our Stockwise inventory management system across our showrooms and Customer Distribution Centres (CDCs). This roll-out is now close to completion for the DFS brand with the Sofology roll-out a priority for the second half.

Following successful trials in the last financial year, we are in the process of launching The Sofa Delivery Company's 7-day, extended hours delivery model across the Group towards the end of the current financial year. Combined with other initiatives such as 'Track My Order' and eco-friendly delivery slots, The Sofa Delivery Company has a compelling proposition to meet our customers' busy lifestyles. A further objective is to complete the roll-out of The Sofa Delivery Company rebranding and vehicle livery across the CDC network. Over half of the network has been rebranded to date, with the remainder on track for completion by the financial year end. In a competitive market for large vehicle drivers, the Group is committed to being an attractive employer in the logistics industry, offering competitive rewards and attractive working conditions.

The Sofa Delivery Company is also at the forefront of the Group's ESG strategy, with a key role to play in meeting the Group's CO_2 emissions and waste and recycling targets. At the end of the first half we met our target of making 100% of sofa packaging recyclable. The benefits of moving to the extended hours delivery model will be a reduction in miles driven due to tighter delivery radials (aided by our Apollo smart routing technology) and an overall reduction in the number of DFS Group delivery fleet vehicles following the introduction of new shift patterns.

We continue to drive our marketing transformation programme forward. At a macro level, there has been a continued focus on data aggregation and activation. The DFS Group now has over 35 internal & external data sources captured within a centralised data lake from which a powerful set of data insights dashboards are now being leveraged across the business. At a more micro level, we are running a series of combined marketing channel and communications tests to understand how best to further optimise our marketing spend.

The combined impact of these macro and micro initiatives is allowing us to understand our customers further and, as a result, drive increasingly efficient and effective digital and physical footfall whilst achieving £6m of savings in H1 FY21 relative to FY19 and FY20.

Unlock New Growth
Sofology revenue and brand contribution increased 10.3% and 35.5% respectively in the first half. The reported revenue growth, relative to order intake experienced, was suppressed by shipping delays and foam disruption, which has now started to normalise in the second half of the financial year.

As detailed in our year end results, one of our growth priorities is to accelerate the roll-out of the Sofology showroom estate. We remain on track to add 6-10 new showrooms in the current financial year. In the first half we opened new outlets in Hove, Cambridge and Maidstone, extending Sofology's coverage in the South-East. The new showrooms are powered by 100% renewable electricity and are equipped with digital retail technology to reduce unnecessary waste and lessen the showroom's impact on the environment. Customers can use the Group's Sofa Rescue initiative, a sustainable collection service for recycling old sofas, saving them from landfill.

Current year product launches are also in keeping with Sofology's reputation as an environmental leader. In the first half of the year we launched our first 'eco sofa', the Pioneer, in conjunction with our 'Green Friday' marketing campaign. The Pioneer sofa features zero foam, 100% recyclable springs, sustainably sourced timber, fabric made from recycled yarns plus a 20-year guarantee.

We continue to see the opportunity to grow the Sofology brand to 65-70 outlets in the medium term, targeting revenue of c.£300m at a pre-tax profit margin of 5-7%.

Dwell and International
Back in July, following a strategic review of our smaller brands, we took a decision to sell our Sofa Workshop business and completed the disposal in September 2020. We also restructured the Dwell operating model to enable its wide range of attractive products to be sold more seamlessly to DFS brand customers, as well as online. As indicated with September's FY20 results, we are reviewing growth options for our International business, which includes six showrooms in Holland and two in Spain. In the first half we opened a new Dutch showroom in Breda, with a product and marketing offer more tailored to the local market.

Manufacturing Review
We outlined some reflections on our manufacturing operations at the time of the final results and would like to provide a further update. While the Group's digital and logistics platforms have received a higher proportion of our total investment in the last few years, vertical integration remains a key source of competitive advantage for the Group, particularly given consumer desires for unique designs and shorter lead times as well as our commitment to meeting our ESG targets. The Covid-19 pandemic and the extended Brexit process has also highlighted the complexities of a global supply chain for upholstery.

DFS has manufactured sofas since the company was formed and we currently manufacture around 20% of all Group sofas across five UK sites with around 950 colleagues. A further c.20% is manufactured in the UK by long-established partners. We currently import around 60% of our sofas, of which half are manufactured in the Far East. There are many benefits from manufacturing our own sofas including: greater supply chain transparency, increased control over lead times, product differentiation and innovation, superior quality control, the ability to flex capacity around peaks in demand, as well as manufacturing margin benefits.

We are currently refining our investment plans for our manufacturing operations. However, our early feasibility work is clear that, in addition to delivering a range of operational benefits consistent with our ESG targets and customer proposition ambitions, an attractive financial returns opportunity exists. While we will provide further details in due course, we indicatively expect to commit to an incremental investment of £12-15m (across FY22 and FY23). This investment would be funded from internal cash generation and will also meet our strict financial appraisal criteria.

Increasing our Sales of Living Room Furniture and Beds

We are developing our plans to increase our presence in the £1.2bn Living Room Furniture market through an attachment model and the £3.7bn Bedroom market primarily through our online platforms, which will increase the total addressable market that we target.

The Living Room furniture market is a natural attachment opportunity for both DFS and Sofology. Utilising Dwell's infrastructure, warehousing and supplier relationships we are now offering customers the opportunity to "buy the look" or whole living room including, for example, coffee tables, side tables, rugs and mirrors. Our attachment rates are currently less than 5% per sofa order, but with over 750,000 sofa orders per year we have an opportunity to develop a material business.

The largest segment of the Homeware market is the Bedroom market. We believe that we can deploy the assets we already have such as our website traffic, our well-invested web platforms, differentiated brand partners, manufacturing capability and leading Interest Free Credit offer in order to address the Bed market primarily online. Early proof points are emerging with bed sales online through the DFS brand channel growing +159% post Christmas.

Outlook

This strong first half profit and cash flow performance is a true reflection of the supreme efforts put in by our teams right across the Group since the start of the pandemic. I am hugely grateful to every colleague for their constant focus on the safety, health and wellbeing of all their colleagues and also our customers.

Our business has proven to be resilient throughout the period despite showroom closures and a significant amount of external disruption in our supply chains. The investments we have made in our digital channels have generated exceptional revenue growth. Consequently our order bank remains well above normal levels and, subject to showrooms reopening by 12 April 2020, our central planning scenario is for an expected full year profit before tax outcome of approximately £105m, with further benefits to be realised in next year's financial results.

We are committed to our strategy to lead sofa retailing in the digital age with our proven integrated retail model. We expect to see a good level of activity in the home market as Covid-19 restrictions ease and, having accelerated the execution of our strategy and grown our market share, we are well set for future growth.

Tim Stacey

Group Chief Executive Officer

[1] *Refer note 14 to the condensed consolidated financial statements for APM definitions.*

FINANCIAL REVIEW

The financial performance of the Group in the first six months was strong, and we ended the period in a robust financial position. While the current national lockdown has reshaped the profile of our financial performance we remain well-positioned for the remainder of the financial year and into the next.

The volatile trading environment of the first half of the financial year has highlighted the relative advantages of our made-to-order, channel-agnostic business model that clearly leads sofa retail both online and in the physical setting. In an environment in which showroom trading has been periodically disrupted, we have been able to utilise our order bank to keep our manufacturing and delivery operations fully utilised and generating profits and cash flow. Furthermore, the growth in our well-invested online operations has significantly mitigated showroom order intake disruption. Our operating costs have been broadly unaffected by both the “lumpiness” of demand and the switch in order intake channel as we rely on exactly the same fulfilment operation for orders taken in-store and online, and our made-to-order approach avoids the need to redistribute local stockholdings. Finally, our negative working capital model has avoided a requirement to invest in stock to support revenue growth.

The high demand levels experienced overall have driven material year on year revenue growth. A robust retail gross profit margin and good cost control, supported by the suspension of UK retail business rates, has resulted in significant profit growth. Despite various showroom closures through our second quarter and throughout the third quarter to date, given the strength of our trading performance we have not drawn on either the Coronavirus Job Retention Scheme or other property closure-related grants in the current financial year.

The trading performance along with our negative working capital model has enabled us to de-lever with net bank debt[1] reducing by £119.5m since June 2020 and we have fully repaid the HMRC VAT liabilities that were deferred from the previous financial year. Our period end position still benefits from transient working capital inflows, being principally increased customer deposits but also agreements in place to defer the payment of rent to landlords, and we therefore expect a working capital outflow of approximately £60m over the next six to twelve months. Notwithstanding this we expect that our financial leverage[1] will be in our targeted 0.5x-1.0x range at the end of FY21.

In December we entered into a new three-year agreement for a £225m senior revolving credit facility with our existing syndicate of seven banks and adding two mutual one year extension options. Under the terms of this facility, previous restrictions on acquisitions and dividends were lifted.

As disclosed previously, we reached Christmas Eve with an order bank over £200m higher, in revenue terms, than typical seasonal levels, providing us with resilience heading into the second half of the financial year. Despite the current closure of the showroom network, the order bank presently remains at around £65m ahead of the prior year reflecting the ongoing strength of online order intake over the lockdown period.

Basis of financial presentation

Following the reorganisation of our Dwell business over the summer period as highlighted in our FY20 Annual Report we have this year combined the Dwell and DFS brand segments into one to reflect how these brands are now managed. As also previously communicated, we sold the Sofa Workshop business in September 2020. In order to aid comparison of continuing operating segments, the table below and related commentary present reported results excluding Sofa Workshop for both current and prior periods.

After a year of transition to IFRS 16 in FY20, we now report all current and prior period numbers on an IFRS 16 basis.

26 weeks ended 27 December 2020	DFS	Sofology	Subtotal	Sofa Workshop	Total before non - underlying items	Non underlying items	Total
Gross Sales	**587.1**	**141.4**	**728.5**	**6.3**	**734.8**	**-**	**734.8**
Revenue	**454.9**	**112.6**	**567.5**	**5.1**	**572.6**	**-**	**572.6**
Cost of Sales	(190.0)	(53.0)	(243.0)	(1.3)	(244.3)	-	(244.3)
Gross Profit	**264.9**	**59.6**	**324.5**	**3.8**	**328.3**	**-**	**328.3**
Selling & Distribution costs	(121.7)	(28.3)	(150.0)	(0.5)	(150.5)	-	(150.5)
Brand Contribution[1]	**143.2**	**31.3**	**174.5**	**3.3**	**177.8**	**-**	**177.8**
Property Costs					(2.0)	-	(2.0)
Administrative Expenses					(40.1)	(1.1)	(41.2)
EBITDA[1]					**135.7**	**(1.1)**	**134.6**
Depreciation & Amortisation excl brand amortisation					(41.8)	-	(41.8)
Operating Profit					**93.9**	**(1.1)**	**92.8**
Interest					(17.4)	(2.6)	(20.0)
PBT pre brand amortisation[1]					**76.5**	**(3.7)**	**72.8**
Brand amortisation					(0.7)		(0.7)
PBT					**75.8**	**(3.7)**	**72.1**

26 weeks ended 29 December 2019	DFS	Sofology	Subtotal	Sofa Workshop	Total before non - underlying items	Non underlying items	Total
Gross Sales	**488.1**	**129.0**	**617.1**	**12.6**	**629.7**	**-**	**629.7**
Revenue	**375.8**	**102.1**	**477.9**	**10.1**	**488.0**	**-**	**488.0**
Cost of Sales	(150.7)	(50.5)	(201.2)	(5.0)	(206.2)	-	(206.2)
Gross Profit	**225.1**	**51.6**	**276.7**	**5.1**	**281.8**	**-**	**281.8**
Selling & Distribution costs	(119.4)	(28.5)	(147.9)	(4.1)	(152.0)	-	(152.0)
Brand Contribution[1]	**105.7**	**23.1**	**128.8**	**1.0**	**129.8**	**-**	**129.8**
Property Costs					(16.4)	-	(16.4)
Administrative Expenses					(34.0)	-	(34.0)
EBITDA[1]					**79.4**	**-**	**79.4**
Depreciation & Amortisation excl brand amortisation					(44.1)	-	(44.1)
Operating Profit					**35.3**	**-**	**35.3**
Interest					(18.7)	-	(18.7)
PBT pre brand amortisation[1]					**16.6**	**-**	**16.6**
Brand amortisation					(0.7)		(0.7)
PBT					**15.9**	**-**	**15.9**

Sales and revenue

We experienced very high order intake in the first quarter driven by pent-up demand following the UK's first lockdown in the previous financial year. We then operated through a period of flux in the second quarter with a series of mandated showroom closures in different parts of the countries we operate in and with the vast majority of showrooms closed through November. Our order intake performance in this second quarter was resilient, benefitting from our historical investments in our online proposition, together with a redeployment of sales and administration teams to support the conversion and processing of significantly elevated online order intake.

The high opening order bank through the period enabled us to maintain a consistent, elevated level of customer deliveries despite various retail showroom closures. We however experienced some limitations on internal and external manufacturing capacity, raw material shortages and supply chain disruption that impacted the revenue we could recognise in this period, particularly in the second quarter. Group revenue increased 18.7% to £567.5m excluding Sofa Workshop, and including the disposed operations grew by 17.3%. While order intake performance at both the DFS and Sofology brands has been similarly positive, the lower rate of revenue growth in the period in Sofology (+10.3%) relative to the DFS brand (+21.0%) reflects higher levels of disruption of inbound supply experienced in the second quarter. These impacts on Sofology have now largely normalised.

Gross profit
Gross profit increased 17.3% to £324.5m in the period, excluding Sofa Workshop. Gross profit as a percentage of revenue decreased from 57.9% to 57.2% (excluding Sofa Workshop). This was primarily due to internal manufacturing operation (which captures an incremental manufacturing cash margin) continuing to operate at full capacity, as in the prior year, and therefore giving a lower year-on-year mix benefit. Adjusting for this mix effect, despite facing cost headwinds for raw materials and shipping, gross margin was broadly flat year-on-year due to growth in average order value. While we anticipate higher global shipping costs, a weaker hedged dollar exchange rate and foam supply restrictions to persist through the second half of the financial year these factors are industry-wide and are not expected to cause a deterioration of sustainable gross profit margins.

Operating costs and brand contribution[1]
Selling and distribution costs (excluding property costs) of £150.0m increased by £2.1m year on year excluding Sofa Workshop. Higher operating costs are to be expected given the increased sales volumes and the variable nature of costs in our delivery network and wage commission models. We also incurred c.£2m of Covid-19 associated costs such as PPE. Given the strength of trading overall, we have not submitted claims under the CJRS or other pandemic-related government financial support schemes in the current financial year.

Our higher operating costs were partially offset by a significant increase in the effectiveness of our marketing spend driven by improved targeting, which allowed a c.£6m net year-on-year reduction in spend in the first half.

Brand contribution[1] of £174.5m for the half year represents an increase of £45.7m (excluding Sofa Workshop) driven by the higher revenues.

Property costs and administrative expenses
Under IFRS 16, property costs in the income statement include only business rates and a very small amount of rental charges where we occupy premises on a ‘hold-over’ basis (where the lease has expired) or for short term leases under a year long. Property costs decreased £14.4m year on year primarily due to the UK retail business rates relief which applies to the majority of our showroom estate.

Underlying[1] administrative expenses of £40.1m increased by £6.1m due to investment to support the acceleration of our strategy, increased performance recognition payments across the business and some pandemic-related one-off operating costs. We also recognised a one-off increase in our payment protection insurance provision in connection with historical sales transactions.

Depreciation, amortisation and interest
Depreciation and amortisation charges (excluding brand amortisation) reduced by £2.3m year-on year to £41.8m. The reduction was driven by a lower level of capital expenditure over the past twelve months and a reduction in IFRS 16 property related charges. The IFRS16 property-related charges are as a result of savings secured on existing leases and from the assignment of leases following the disposal of Sofa Workshop. These savings are partially offset by the impact of entering leases for new Sofology showrooms.

Underlying interest charges of £17.4m were £1.3m lower year-on-year as a result of a lower IFRS 16 related charge and lower average net debt position across the period.

Profit before tax ('PBT')

PBT on an underlying basis and excluding brand amortisation[1] has increased by £59.9m to £76.5m driven by the higher revenues.

Non-underlying costs of £3.7m were incurred in the period (FY20: Nil) in relation to the loss on disposal of Sofa Workshop (including legal fees and other related costs) and costs associated with the refinancing of the Group's revolving credit facility. Reported PBT of £72.1m was £56.2m higher than the comparative period.

Tax

The tax charge recognised in the interim financial statements has been calculated using the expected effective tax rate for the full year of 20.2% (FY20: 14.8%). This is higher than the applicable UK Corporation Tax rate of 19.0% (FY20: 19.0%), primarily due to disallowable depreciation on non-qualifying fixed assets. The FY20 effective tax rate was lower than normal for the Group due to losses incurred in Sofa Workshop which were not recognised as deferred tax assets and the non-deductible write down of goodwill.

EPS

Underlying basic earnings per share[1] for the Group was 23.5 pence (FY20: 6.0 pence). Reported earnings per share was 22.5 pence (FY20: 6.0 pence).

Capital expenditure, cash flow and balance sheet

We have generated significant operating cash inflows in the period driven by the strong trading performance and our negative working capital cycle.

Our operating cash flow generation has allowed us to continue to invest in our stated strategy. In the first half of this financial year we opened three Sofology and two DFS brand showrooms, made good progress on finishing the transformation of our final mile logistics network and continued our investment in our data and digital capabilities. We plan to invest further in these areas and the majority of the current year capital expenditure which we expect to be between £35-37m will fall in the second half of the financial year.

Net bank debt[1] reduced by £119.5m to £38.2m in the period and our leverage (measured as net bank debt / last twelve month operating cash flows before tax and excluding working capital movements, less lease payments) fell to 1.1x (FY20: 2.2x as measured on an IAS17 basis of net debt / trailing twelve month EBITDA[1]). In addition to the increased profits in the first half, the closing net bank debt position also benefits from the higher than usual closing order bank (and associated customer deposits). We therefore expect that the normalisation of the order bank to more typical seasonal levels, together with settlement of residual rent deferrals from the previous financial year, would generate a c.£60m working capital outflow over the next six to twelve months.

Our refinanced £225m banking facility covenants remain consistent with our facility pre Covid-19 at 3.0x maximum net debt / EBITDA and minimum 1.5x fixed charge cover, both measured on an IAS17 basis.

Dividend
We recognise the value placed by shareholders upon regular dividend payments and we have today published a revised Capital and Distribution policy on our corporate web site to guide on our future approach to dividends. Although I would strongly encourage our shareholders to read this document in full, I would summarise the key principles of our approach as:

1. To operate with a resilient, but efficient capital structure in the context of the principal risks the Group faces. We define this as operating broadly in the middle of a financial leverage range of between 0.5x-1.0x;
2. Prioritising investment in the long-term health of the Group, above other uses of cash flow generated, and committing to investments were we anticipate returns in excess of our cost of capital; and
3. Recognising dividends as an important element of our investment case for our shareholders, and aiming to maintain a payout ratio of between 40-50% of annual underlying cash generation.

We are also encouraged by the business's recent trading performance and the reduced financial leverage we are now operating at. The potential for a recommencement of dividends will depend on continuation of good trading and also how the principal risk environment changes over the next six months.

Outturn for the full financial year
The sofa demand cycle is robust and it is reasonable to believe that we will again experience the benefit of pent-up demand when our showrooms reopen. However our FY21 performance will inevitably be impacted by the short time period between the lockdown ending and the end of our financial year. This is because of the lead time between a customer order being placed, subsequent manufacture and the recognition of the associated revenues on delivery of our made-to-order products. Some scenarios are included below to illustrate the potential FY21 outturns, but also the potential for a build-up of order bank resilience for FY22, assuming a reopening as currently expected on 12 April 2021. For the avoidance of doubt, these scenarios reflect the benefit of the continued property rates suspension through to the end of June 2021.

	Low	**Medium**	**High**
*Order intake Vs FY19 from 12 April 2021**	*0%*	*+30%*	*+50%*
FY21 Revenues	£1,050m	£1,070m	£1,085m
FY21 PBTA[1] **	£97m	£105m	£112m
FY22 PBTA Order Bank Benefit[1]	+£0m	+£10m	+£20m
Net bank debt[1]	c.£120m	<£100m	<£100m

**Order intake growth measured excluding Sofa Workshop*
***Includes retail business rates holiday extension*

Prior experience in the first national lockdown showed order intake for the 13 weeks following resumption of trading of +64%. Our “high scenario” is more conservative than this given late spring and summer are typically less favourable trading periods. Should we see a particularly strong uplift in order intake in the remaining weeks of FY21, due to lead times, a significant proportion of this order intake would likely be realised in FY22.

We recognise the risk that showroom reopenings are delayed beyond 12 April, and this would adversely impact the profit outturn for the current year. We would however expect any reduction in FY21 largely to represent a deferral of profits into FY22.

Conclusion

We have traded through a volatile last twelve months and we are emerging with clear indications of market share gain. We will need to manage through a further potentially turbulent period until the Covid-19 pandemic subsides and there may be other unforeseen events to deal with in the future. However this is a resilient business with a proven record of strong cash flow generation across all but the most extreme situations. I believe the Group is well positioned operationally and financially and with a sound strategy should continue to generate strong and improving returns.

Mike Schmidt

Chief Financial Officer

[1] *Refer note 14 to the condensed consolidated financial statements for APM definitions.*

RISKS AND UNCERTAINTIES

The Group faces a number of risks and uncertainties in both the development and day-to-day operations of its business. A risk management process has been adopted to help the Group achieve its strategic objectives. The Board does not consider that the principal risks and uncertainties to have changed since the publication of the annual report for the period ended 28 June 2020. These comprise:

- Business continuity and resilience
- Implications of Brexit*
- Keeping core IT systems up and running and protected from cyber attacks
- Managing the business to high environmental, social and governance standards
- Financial risk and liquidity
- Changes to the regulatory environment
- Customer proposition and industry competition
- Transformation strategy

*While the Board notes that the end of the Brexit transition period has been reached, it believes the Group still remains exposed to potential future risks in relation to consumer demand and border delays (particularly, given the still-tightening restrictions on the Irish Sea crossing and the consequent impact on customs relationships with the EU overall). Border delays may impact the timing of when revenues are recognised and may result in increased transport and storage related costs.

Refer to pages 32 to 38 of the 2020 Annual Report (www.dfscorporate.co.uk) for a detailed explanation of these risks.

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

• the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union;

• the interim management report includes a fair review of the information required by:

(a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

(b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board

Tim Stacey	**Mike Schmidt**
Chief Executive Officer	Chief Financial Officer

9 March 2021

INDEPENDENT REVIEW REPORT TO DFS FURNITURE PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the 26 weeks ended 27 December 2020 which comprises the Condensed Consolidated Income Statement, Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Balance Sheet, Condensed Consolidated Statement of Changes in Equity, Condensed Consolidated Cash Flow Statement and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the 26 weeks ended 27 December 2020 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 1, the latest annual financial statements of the Group were prepared in accordance with International Financial Reporting Standards as adopted by the EU and the next annual financial statements will be prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

The purpose of our review work and to whom we owe our responsibilities
This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Frances Simpson
for and on behalf of KPMG LLP
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

9 March 2021

Unaudited condensed consolidated income statement

		26 weeks to 27 December 2020			26 weeks to 29 December 2019			52 weeks to 28 June 2020		
		Underlying	**Non-underlying**	**Total**	Underlying	Non-underlying	Total	Underlying	Non-underlying	Total
	Note	**£m**	**£m**	**£m**	£m	£m	£m	£m	£m	£m
Gross sales	*3*	**734.8**	-	**734.8**	629.7	-	629.7	935.0	-	935.0
Revenue	*3*	**572.6**	**-**	**572.6**	488.0	-	488.0	724.5	-	724.5
Cost of sales		**(244.3)**	**-**	**(244.3)**	(206.2)	-	(206.2)	(307.4)	(3.1)	(310.5)
Gross profit		**328.3**	**-**	**328.3**	281.8	-	281.8	417.1	(3.1)	414.0
Selling and distribution costs		**(152.5)**	**-**	**(152.5)**	(168.4)	-	(168.4)	(287.5)	(2.1)	(289.6)
Administrative expenses		**(40.1)**	**(1.1)**	**(41.2)**	(34.0)	-	(34.0)	(67.7)	(0.2)	(67.9)
Operating profit before depreciation, amortisation and impairments		**135.7**	**(1.1)**	**134.6**	79.4	-	79.4	61.9	(5.4)	56.5
Depreciation		**(38.9)**	**-**	**(38.9)**	(41.7)	-	(41.7)	(81.9)	-	(81.9)
Amortisation		**(3.6)**	**-**	**(3.6)**	(3.1)	-	(3.1)	(6.8)	-	(6.8)
Impairments		**-**	**-**	**-**	-	-	-	(0.3)	(11.2)	(11.5)
Operating profit	*4*	**93.2**	**(1.1)**	**92.1**	34.6	-	34.6	(27.1)	(16.6)	(43.7)
Finance income		**-**	**-**	-	-	-	-	0.1	-	0.1
Finance expense	*5*	**(17.4)**	**(2.6)**	**(20.0)**	(18.7)	-	(18.7)	(37.6)	-	(37.6)
Profit before tax		**75.8**	**(3.7)**	**72.1**	15.9	-	15.9	(64.6)	(16.6)	(81.2)
Taxation	*6*	**(15.7)**	**1.1**	**(14.6)**	(3.3)	-	(3.3)	11.1	0.9	12.0
Profit for the period		**60.1**	**(2.6)**	**57.5**	12.6	-	12.6	(53.5)	(15.7)	(69.2)

Statutory earnings per share										
Basic	*7*	**23.5p**	**(1.0)p**	**22.5p**	6.0p	-	6.0p	(24.3)p	(7.1)p	(31.4)p
Diluted	*7*	**23.3p**	**(1.0)p**	**22.3p**	5.9p	-	5.9p	(24.3)p	(7.1)p	(31.4)p

Unaudited condensed consolidated statement of comprehensive income

	26 weeks to 27 December 2020 £m	26 weeks to 29 December 2019 £m	52 weeks to 28 June 2020 £m
Profit/(loss) for the period	**57.5**	12.6	(69.2)
Other comprehensive income/(expense)			
Items that are or may be reclassified subsequently to profit or loss:			
Effective portion of changes in fair value of cash flow hedges	**(20.3)**	(4.7)	3.9
Net change in fair value of cash flow hedges reclassified to profit or loss			
Recognised in cost of sales	**3.8**	(5.9)	(8.3)
Recognised in finance expense	**1.3**	(0.4)	0.7
Income tax on items that are/may be reclassified subsequently to profit or loss	**2.9**	1.9	0.4
Other comprehensive expense for the period, net of income tax	**(12.3)**	(9.1)	(3.3)
Total comprehensive income/(expense) for the period	**45.2**	3.5	(72.5)

Unaudited condensed consolidated balance sheet

	Note	**27 December 2020 £m**	29 December 2019 £m	28 June 2020 £m
Non-current assets				
Property, plant and equipment	*11*	**69.8**	80.6	74.1
Right of use assets	*11*	**367.8**	419.0	384.5
Intangible assets	*11*	**532.6**	540.8	532.5
Other financial assets		**-**	-	0.8
Deferred tax assets		**24.1**	10.2	24.0
		994.3	1,050.6	1,015.9
Current assets				
Inventories		**49.7**	50.8	58.9
Other financial assets		**-**	0.5	4.5
Trade and other receivables		**24.2**	13.3	22.2
Current tax assets		**-**	-	7.8
Cash and cash equivalents		**26.8**	47.2	62.3
		100.7	111.8	155.7
Total assets		**1,095.0**	1,162.4	1,171.6
Current liabilities				
Trade payables and other liabilities		**(262.2)**	(223.9)	(216.0)
Lease liabilities		**(86.9)**	(88.1)	(88.6)
Provisions	*12*	**(15.8)**	(6.5)	(11.9)
Other financial liabilities		**(8.3)**	(1.7)	(0.1)
Current tax liabilities		**(2.9)**	(0.2)	-
		(376.1)	(320.4)	(316.6)
Non-current liabilities				
Interest bearing loans and borrowings		**(62.8)**	(194.1)	(218.7)
Lease liabilities		**(400.8)**	(436.9)	(428.6)
Provisions	*12*	**(5.3)**	(2.9)	(3.9)
Other financial liabilities		**(3.6)**	(2.8)	(1.9)
		(472.5)	(636.7)	(653.1)
Total liabilities		**(848.6)**	(957.1)	(969.7)
Net assets		**246.4**	205.3	201.9
Equity attributable to equity holders of the parent				
Share capital		**383.7**	319.5	383.4
Share premium		**40.4**	40.4	40.4
Merger reserve		**18.6**	18.6	18.6
Treasury shares		**(0.7)**	(1.7)	(0.7)
Shares held by employee benefit trust		**(0.3)**	-	-
Cash flow hedging reserve		**(11.9)**	(4.0)	3.3
Retained earnings		**(183.4)**	(167.5)	(243.1)
Total equity		**246.4**	205.3	201.9

Unaudited condensed consolidated statement of changes in equity

	Share capital £m	Share premium £m	Merger reserve £m	Treasury shares £m	Shares held by employee benefit trust £m	Cash flow hedging reserve £m	Retained earnings £m	Total equity £m
Balance at 30 June 2019	319.5	40.4	18.6	(2.1)	-	7.0	(131.6)	251.8
Impact of change in accounting policy	-	-	-	-	-	-	(33.5)	(33.5)
Adjusted balance at 1 July 2019	319.5	40.4	18.6	(2.1)	-	7.0	(165.1)	218.3
Profit for the period	-	-	-	-	-	-	12.6	12.6
Other comprehensive (expense)/income	-	-	-	-	-	(11.0)	1.9	(9.1)
Total comprehensive (expense)/income for the period	-	-	-	-	-	(11.0)	14.5	3.5
Dividends	-	-	-	-	-	-	(15.9)	(15.9)
Purchase of own shares	-	-	-	(0.4)	-	-	-	(0.4)
Treasury shares issued	-	-	-	0.8	-	-	(0.7)	0.1
Settlement of share based payments	-	-	-	-	-	-	(1.6)	(1.6)
Share based payments	-	-	-	-	-	-	1.3	1.3
Balance at 29 December 2019	**319.5**	**40.4**	**18.6**	**(1.7)**	-	**(4.0)**	**(167.5)**	**205.3**
Balance at 28 June 2020	383.4	40.4	18.6	(0.7)	-	3.3	(243.1)	201.9
Profit for the period	-	-	-	-	-	-	57.5	57.5
Other comprehensive (expense)/income	-	-	-	-	-	(15.2)	2.9	(12.3)
Total comprehensive (expense)/income for the period	-	-	-	-	-	(15.2)	60.4	45.2
Purchase of shares held by employee benefit trust	0.3	-	-	-	(0.3)	-	-	-
Settlement of share based payments	-	-	-	-	-	-	(2.2)	(2.2)
Share based payments	-	-	-	-	-	-	1.5	1.5
Balance at 27 December 2020	**383.7**	**40.4**	**18.6**	**(0.7)**	**(0.3)**	**(11.9)**	**(183.4)**	**246.4**

Unaudited condensed consolidated cash flow statement

	26 weeks to 27 December 2020 £m	26 weeks to 29 December 2019 £m	52 weeks to 28 June 2020 £m
Profit/(loss) for the period	**57.5**	12.6	(69.2)
Adjustments for:			
Income tax expense	**14.6**	3.3	(12.0)
Finance income	**-**	-	(0.1)
Finance expense	**17.4**	18.7	37.6
Non-underlying financing costs	**2.6**	-	-
Depreciation of property, plant and equipment	**9.8**	13.0	21.3
Depreciation of right of use assets	**29.1**	28.7	60.6
Amortisation of intangible assets	**3.6**	3.1	6.8
Impairment of assets	**-**	-	11.5
Gain on sale of property, plant and equipment	**(1.3)**	(0.4)	(1.1)
Loss on sale of subsidiaries	**1.1**	-	-
Settlement of share based payments	**(2.2)**	(1.6)	(1.6)
Share based payment expense	**1.5**	1.3	2.4
(Increase)/decrease in trade and other receivables	**(2.5)**	7.3	(1.6)
Decrease/(increase) in inventories	**9.2**	4.0	(4.1)
Increase in trade and other payables	**46.1**	13.0	4.7
Increase in provisions	**2.9**	0.2	6.6
Net cash from operating activities before tax	**189.4**	103.2	61.8
Tax paid	**(1.4)**	(5.1)	(6.1)
Net cash from operating activities	**188.0**	98.1	55.7
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	**1.4**	0.7	1.4
Proceeds from sale of subsidiaries	**0.3**	-	-
Interest received	**-**	-	0.1
Acquisition of property, plant and equipment	**(6.3)**	(11.8)	(16.8)
Acquisition of other intangible assets	**(4.1)**	(4.9)	(6.6)
Net cash from investing activities	**(8.7)**	(16.0)	(21.9)
Cash flows from financing activities			
Interest paid	**(4.0)**	(4.8)	(9.0)
Interest paid on lease liabilities	**(13.7)**	(14.6)	(29.2)
Payment of lease liabilities	**(39.0)**	(29.0)	(36.3)
Exceptional financing costs	**(3.1)**	-	-
Drawdown of borrowings	**-**	-	25.0
Repayment of borrowings	**(155.0)**	-	-
Proceeds on issue of shares	**0.3**	-	63.9
Purchase of own shares	**(0.3)**	(0.4)	(1.1)
Proceeds from sale of own shares	**-**	-	1.3
Dividends paid	**-**	(15.9)	(15.9)
Net cash from financing activities	**(214.8)**	(64.7)	(1.3)
Net (decrease)/increase in cash and cash equivalents	**(35.5)**	17.4	32.5
Cash and cash equivalents at beginning of period	**62.3**	29.8	29.8
Cash and cash equivalents at end of period	**26.8**	47.2	62.3

Notes to the unaudited condensed consolidated financial statements

1. Basis of preparation

This unaudited condensed consolidated interim financial information for DFS Furniture plc ("the Company") and its subsidiaries (together, "the Group") was approved for release on 9 March 2021.

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and the Disclosure and Transparency Rules of the Financial Conduct Authority, and comprise the results for the 26 weeks ended 27 December 2020, the 26 weeks ended 29 December 2019, and the 52 weeks ended 28 June 2020. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the 52 weeks ended 28 June 2020.

The financial information included in this interim statement of results does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006. The statutory accounts for the 52 weeks ended 28 June 2020 have been reported on by the Company's auditor and delivered to the Registrar of Companies. The auditor's report for those accounts was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006. The auditor's review report for the 26 weeks ended 27 December 2020 is attached.

Going concern

The financial statements are prepared on a going concern basis, which the directors believe to be appropriate for the following reasons.

The Group has a £225.0m revolving credit facility with a consortium of seven banks maturing in December 2023, with two one-year options to extend the facility, subject to mutual agreement. At the date of approval of these interim condensed financial statements, £[160]m of the revolving credit facility remained undrawn, in addition to cash in hand, at bank (£[40.0]m as at 5 March 2021).

Covenants applicable to the revolving credit facility are consistent with those on the previous facility (prior to the temporary alternative covenants in place from April 2020 to December 2020): 3.0x net Debt / EBITDA and 1.5x Fixed Charge Cover, and are assessed on a six-monthly basis at June and December. The Directors have prepared cash flow forecasts for the Group covering a period of at least twelve months from the date of approval of these interim condensed financial statements, which indicate that the Group will be in compliance with these covenants. These forecasts include a number of assumptions in relation to: duration and extent of Covid-19 related showroom closures in FY21 and FY22 and their impact on 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, including specific consideration of a range of impacts that could arise from the continued coronavirus pandemic. These scenarios included: more prolonged showroom closures; significantly reduced customer spending; and impacts on gross margin from regulatory and other changes. 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 to operate within the committed facilities and to comply with all relevant banking covenants during the forecast period.

Notes to the unaudited condensed consolidated financial statements

1. Basis of preparation *(continued)*

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 has adequate resources to continue to meet all liabilities as and when they fall due for a period of at least twelve months from the date of approval of these interim condensed financial statements. Accordingly, the financial statements are prepared on a going concern basis.

2. Principal accounting policies

As required by the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, the accounting policies adopted in preparing the condensed consolidated interim financial statements are consistent with the policies in the Group's financial statements for the 52 weeks ended 28 June 2020, which were prepared under IFRS as adopted by the European Union. There are no new standards, amendments to existing standards or interpretations that are effective for the first time in the period ended 27 December 2020 that have a material impact on the Group's results.

The annual financial statements of the Group for the year ending 27 June 2021 will be prepared in accordance with International Financial Reporting Standards (IFRSs) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

3. Segmental Analysis

The Group's operating segments under IFRS 8 have been determined based on management accounts reports reviewed by the Group Leadership Team. 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 and other furniture and related products through DFS and Dwell branded stores and websites.

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

During the current financial year, the retail operations and management of the Dwell brand were combined with the DFS brand and accordingly they are now presented as one segment. Prior period comparatives have been restated to align with the revised presentation. Other segment activities comprise the retailing of upholstered furniture and related products through Sofa Workshop.

Segment revenue and profit

	External sales			**Internal sales**			**Total gross sales**		
	26 weeks to 27 December 2020	26 weeks to 29 December 2019 Re-presented	52 weeks to 28 June 2020 Re-presented	**26 weeks to 27 December 2020**	26 weeks to 29 December 2019 Re-presented	52 weeks to 28 June 2020 Re-presented	**26 weeks to 27 December 2020**	26 weeks to 29 December 2019 Re-presented	52 weeks to 28 June 2020 Re-presented
	£m	£m	£m	**£m**	£m	£m	**£m**	£m	£m
DFS	**587.1**	488.1	735.3	**-**	-	0.1	**587.1**	488.1	735.4
Sofology	**141.4**	129.0	181.7	**-**	-	-	**141.4**	129.0	181.7
Other segments	**6.3**	12.6	18.0	**-**	-	-	**6.3**	12.6	18.0
Eliminations	**-**	-	-	**-**	-	(0.1)	**-**		(0.1)
Gross sales	**734.8**	629.7	935.0	**-**	**-**	-	**734.8**	629.7	935.0

Notes to the unaudited condensed consolidated financial statements

3. Segmental analysis *(continued)*

	26 weeks to 27 December 2020 £m	26 weeks to 29 December 2019 £m	52 weeks to 28 June 2020 £m
Total segments gross sales	**734.8**	629.7	935.0
Less: value added and other sales taxes	**(116.2)**	(98.5)	(146.4)
Less: costs of interest free credit and aftercare services	**(46.0)**	(43.2)	(64.1)
Revenue	**572.6**	488.0	724.5
Of which:			
Furniture sales	**530.4**	454.7	676.0
Sales of aftercare products	**42.2**	33.3	48.5
Revenue	**572.6**	488.0	724.5

26 weeks to 27 December 2020	**DFS Re-presented £m**	**Sofology £m**	**Other Re-presented £m**	**Total £m**
Revenue	**454.9**	**112.6**	**5.1**	**572.6**
Cost of sales	**(190.0)**	**(53.0)**	**(1.3)**	**(244.3)**
Gross profit	**264.9**	**59.6**	**3.8**	**328.3**
Selling and distribution costs (excluding property costs)	**(121.7)**	**(28.3)**	**(0.5)**	**(150.5)**
Brand contribution (segment profit)	**143.2**	**31.3**	**3.3**	**177.8**
Property costs				**(2.0)**
Underlying administrative expenses				**(40.1)**
Underlying EBITDA				**135.7**

26 weeks to 29 December 2019	DFS Re-presented £m	Sofology £m	Other Re-presented £m	Total £m
Revenue	375.8	102.1	10.1	488.0
Cost of sales	(150.7)	(50.5)	(5.0)	(206.2)
Gross profit	225.1	51.6	5.1	281.8
Selling and distribution costs (excluding property costs)	(119.4)	(28.5)	(4.1)	(152.0)
Brand contribution (segment profit)	105.7	23.1	1.0	129.8
Property costs				(16.4)
Underlying administrative expenses				(34.0)
Underlying EBITDA				79.4

52 weeks to 28 June 2020	DFS Re-presented £m	Sofology £m	Other Re-presented £m	Total £m
Revenue	566.5	143.7	14.3	724.5
Cost of sales	(227.5)	(72.3)	(7.6)	(307.4)
Gross profit	339.0	71.4	6.7	417.1
Selling and distribution costs (excluding property costs)	(205.3)	(47.8)	(7.2)	(260.3)
Brand contribution (segment profit)	133.7	23.6	(0.5)	156.8
Property costs				(27.2)
Underlying administrative expenses				(67.7)
Underlying EBITDA				61.9

Notes to the unaudited condensed consolidated financial statements

3. Segmental analysis *(continued)*

	26 weeks to 27 December 2020 £m	26 weeks to 29 December 2019 £m	52 weeks to 28 June 2020 £m
Underlying EBITDA	**135.7**	79.4	61.9
Non-underlying items	**(1.1)**	-	(16.6)
Depreciation & amortisation	**(42.5)**	(44.8)	(88.7)
Impairments	**-**	-	(0.3)
Operating profit	**92.1**	34.6	(43.7)
Finance income	**-**	-	0.1
Finance expense	**(17.4)**	(18.7)	(37.6)
Non-underlying financing costs	**(2.6)**	-	-
Profit before tax	**72.1**	15.9	(81.2)

A geographical analysis of revenue is presented below:

	26 weeks to 27 December 2020 £m	26 weeks to 29 December 2019 £m	52 weeks to 28 June 2020 £m
United Kingdom	**557.4**	472.7	701.7
Europe	**15.2**	15.3	22.8
Total revenue	**572.6**	488.0	724.5

Segment assets and liabilities

	Assets			**Liabilities**		
	27 December 2020 £m	29 December 2019 Re-presented £m	28 June 2020 Re-presented £m	**27 December 2020 £m**	29 December 2019 Re-presented £m	28 June 2020 Re-presented £m
DFS	**940.2**	986.9	997.0	**(650.6)**	(617.0)	(595.4)
Sofology	**155.6**	154.6	145.5	**(145.3)**	(131.3)	(143.9)
Other segments	**-**	20.7	7.5	**-**	(20.5)	(25.2)
Total segments	**1,095.8**	1,162.2	1,150.0	**(795.9)**	(768.8)	(764.5)
Loans and financing	**-**	-	-	**(62.8)**	(194.1)	(218.7)
Financial assets/(liabilities)	**-**	0.5	5.3	**(11.9)**	(4.5)	(2.0)
Current tax	**-**	-	7.8	**(2.9)**	(0.2)	-
Deferred tax	**24.1**	10.2	24.0	**-**	-	-
Eliminations	**(24.9)**	(10.5)	(15.5)	**24.9**	10.5	15.5
Total Group	**1,095.0**	1,162.4	1,171.6	**(848.6)**	(957.1)	(969.7)

Segment assets comprise 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, amortisation and impairments**		
	27 December 2020 £m	29 December 2019 Re-presented £m	28 June 2020 Re-presented £m	**27 December 2020 £m**	29 December 2019 Re-presented £m	28 June 2020 Re-presented £m
DFS	**10.1**	16.1	22.9	**32.4**	33.8	68.3
Sofology	**6.4**	5.5	7.6	**9.0**	9.3	18.8
Other segments	**-**	0.5	0.6	**1.1**	1.7	13.1
Total Group	**16.5**	22.1	31.1	**42.5**	44.8	100.2

Additions to non-current assets include both tangible and intangible non-current assets but exclude amounts arising on acquisition.

Notes to the unaudited condensed consolidated financial statements

4. Operating profit

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

	26 weeks to 27 December 2020 £m	26 weeks to 29 December 2019 £m	52 weeks to 28 June 2020 £m
Depreciation on tangible assets (including depreciation on right of use assets)	**38.9**	41.7	81.9
Amortisation of intangible assets	**3.6**	3.1	6.8
Impairment of tangible assets	**-**	-	5.2
Impairment of intangible assets	**-**	-	1.0
Impairment of goodwill	**-**	-	5.3
Net gain on disposal of property, plant and equipment	**(1.3)**	(0.4)	(1.1)
Cost of inventories recognised as an expense	**246.2**	212.1	317.1
Write down of inventories to net realisable value	**1.5**	(0.5)	7.2
Other costs of sales	**(3.4)**	(5.4)	(13.8)
Operating lease rentals	**1.0**	0.3	1.9
Non-underlying items:			
Restructuring costs	**-**	-	2.3
Impairment of tangible and right of use assets	**-**	-	4.9
Impairment of goodwill and brand names	**-**	-	6.3
Write down of inventories on restructuring	**-**	-	3.1
Loss on disposal of subsidiaries	**1.1**	-	-
	1.1	-	16.6

On 18 September 2020 the Group formally completed the disposal of The Sofa Workshop Limited for cash consideration of £0.3m. The loss on disposal includes professional fees, property guarantees and other costs associated with the disposal.

In the 52 weeks to 28 June 2020, non-underlying costs 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 relating to Sofa Workshop was fully impaired, together with the right of use and other tangible assets relating to stores being closed, and the brand name was written down to £0.3m. 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.

5. Finance expense

	26 weeks to 27 December 2020 £m	26 weeks to 29 December 2019 £m	52 weeks to 28 June 2020 £m
Interest payable on senior revolving credit facility	**2.5**	3.7	7.6
Bank fees	**1.1**	0.1	0.5
Interest on lease liabilities	**13.6**	14.9	29.2
Other interest	**0.2**	-	0.3
Total underlying finance expense	**17.4**	18.7	37.6
Non-underlying items:			
Refinancing costs	**2.6**	-	-
Total finance expense	**20.0**	18.7	37.6

Non-underlying finance costs relate to the refinancing of the Group’s revolving credit facility in December 2020.

Notes to the unaudited condensed consolidated financial statements

6. Taxation

The tax charge recognised in the interim financial statements has been calculated on the basis of the expected effective tax rate for the 26 weeks to 27 December 2020 of 20.2% (26 weeks to 29 December 2019: 20.5% and 52 weeks to 28 June 2020: 14.8%). The FY20 effective tax rate was lower than normal for the Group due to losses incurred in Sofa Workshop which were not recognised as deferred tax assets and the non-deductible write down of goodwill.

7. Earnings per share

	26 weeks to 27 December 2020 pence	26 weeks to 29 December 2019 pence	52 weeks to 28 June 2020 pence
Basic earnings per share	**22.5**	6.0	(31.4)
Diluted earnings per share	**22.3**	5.9	(31.4)

	26 weeks to 27 December 2020 £m	26 weeks to 29 December 2019 £m	52 weeks to 28 June 2020 £m
Profit/(loss) attributable to equity holders of the parent company	**57.5**	12.6	(69.2)

	26 weeks to 27 December 2020 No.	26 weeks to 29 December 2019 No.	52 weeks to 28 June 2020 No.
Weighted average number of shares for basic earnings per share	**255,808,727**	212,239,375	220,289,976
Dilutive effect of employee share based payment awards	**1,844,663**	2,630,951	-
Weighted average number of shares for diluted earnings per share	**257,653,390**	214,870,326	220,289,976

Underlying earnings per share

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

	26 weeks to 27 December 2020 £m	26 weeks to 29 December 2019 £m	52 weeks to 28 June 2020 £m
Profit/(loss) attributable to equity holders of the parent company	**57.5**	12.6	(69.2)
Non-underlying items loss after tax	**2.6**	-	15.7
Underlying profit attributable to equity holders of the parent company	**60.1**	12.6	(53.5)

	26 weeks to 27 December 2020 pence	26 weeks to 29 December 2019 pence	52 weeks to 28 June 2020 pence
Underlying basic earnings per share	**23.5**	6.0	(24.3)
Underlying diluted earnings per share	**23.3**	5.9	(24.3)

Notes to the unaudited condensed consolidated financial statements

8. Dividends

	Pence per ordinary share	**26 weeks to 27 December 2020 £m**	26 weeks to 29 December 2019 £m	52 weeks to 28 June 2020 £m
Final ordinary dividend for FY19	7.5p	**-**	15.9	15.9
		-	15.9	15.9

The directors do not recommend an interim dividend in respect of the financial period ended 27 June 2021.

9. Financial instruments

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

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

10. Seasonality of operations

The Group's business is subject to sales order peaks due to the effects of promotional periods and, historically, a significant proportion of its annual revenue has been derived from orders generated during specific promotional periods. Promotional periods are generally aligned with periods over which consumers seek to make more purchases.

The Group's most important trading periods in terms of order volumes have historically been in the promotional periods during the post-Christmas winter sale, Easter, the pre-Christmas guaranteed delivery period, and other public bank holidays. These increases in its order volumes (as opposed to its revenue, which is recognised upon completion of delivery, typically between three and 12 weeks after orders are placed) have generally been influenced, inter alia, by increases in the Group's spending on marketing and promotions in the period immediately prior to, and during, these promotional periods.

As a result of this seasonality of operations the results for the first half of the financial year have typically been smaller than the second half. However, the coronavirus pandemic has resulted in a significant change to expected trading patterns as the impact of showroom closures during lockdown periods and subsequent surges in customer demand have materially altered the phasing of order intake and subsequent revenue recognition.

Notes to the unaudited condensed consolidated financial statements

11. Capital expenditure

	Property, plant and equipment £m	Right of use asset £m	Intangible assets £m
Net book value as at 29 June 2020	74.1	384.5	532.5
Additions	6.3	6.1	4.1
Remeasurements	-	9.5	-
Disposals	(0.8)	(3.2)	(0.4)
Depreciation, amortisation and impairment	(9.8)	(29.1)	(3.6)
Net book value as at 27 December 2020	69.8	367.8	532.6

	Property, plant and equipment £m	Right of use asset £m	Intangible assets £m
Net book value as at 1 July 2019	79.4	445.0	539.0
Additions	11.9	5.3	4.9
Disposals	-	(0.3)	-
Depreciation, amortisation and impairment	(10.7)	(31.0)	(3.1)
Net book value as at 29 December 2019	80.6	419.0	540.8

12. Provisions

	Guarantee provision £m	Property provisions £m	Other provisions £m	Total £m
Balance at 28 June 2020	**8.1**	**1.6**	**6.1**	**15.8**
Transferred from accruals	**-**	**0.6**	**-**	**0.6**
Provisions made during the period	**2.3**	**3.0**	**2.9**	**8.2**
Provisions used during the period	**(2.3)**	**-**	**-**	**(2.3)**
Released during the period	**-**	**(1.2)**	**-**	**(1.2)**
Balance at 27 December 2020	**8.1**	**4.0**	**9.0**	**21.1**
Current	**5.6**	**1.2**	**9.0**	**15.8**
Non-current	**2.5**	**2.8**	**-**	**5.3**
	8.1	**4.0**	**9.0**	**21.1**

	Guarantee provision £m	Property provisions £m	Other provisions £m	Total £m
Balance at 30 June 2019	7.4	2.4	0.8	10.6
Impact of IFRS 16	-	(1.4)	-	(1.4)
Balance at 1 July 2019	7.4	1.0	0.8	9.2
Provisions made during the period	1.8	0.3	-	2.1
Provisions used during the period	(1.5)	-	-	(1.5)
Released during the period	-	(0.4)	-	(0.4)
Balance at 29 December 2019	7.7	0.9	0.8	9.4
Current	5.7	-	0.8	6.5
Non-current	2.0	0.9	-	2.9
	7.7	0.9	0.8	9.4

The Group offers a long-term guarantee on its upholstery products and in accordance with accounting standards a provision is maintained for the expected future cost of fulfilling these guarantees on products which have been delivered before the reporting date, nearly all claims arise within two years of delivery.

Notes to the unaudited condensed consolidated financial statements

12. Provisions *(continued)*

Property provisions relate to an estimate of dilapidation costs based on anticipated lease expiries and renewals, and lease guarantee obligations in respect of properties occupied by former subsidiary undertakings which are expected to unwind over the life of the lease.

Other provisions relate to payment of refunds to customers for payment protection insurance policies and deferred consideration payable on the Group's November 2017 acquisition of Sofology.

13. Net debt

	28 June 2020 £m	Cash flow £m	Other non-cash changes £m	27 December 2020 £m
Cash in hand, at bank	**62.3**	**(35.5)**	**-**	**26.8**
Cash and cash equivalents	**62.3**	**(35.5)**	**-**	**26.8**
Senior revolving credit facility	**(218.7)**	**155.0**	**0.9**	**(62.8)**
Lease liabilities	**(517.2)**	**39.0**	**(9.5)**	**(487.7)**
Total net debt	**(673.6)**	**158.5**	**(8.6)**	**(523.7)**

	30 June 2019 £m	IFRS 16 transition £m	Cash flow £m	Other non-cash changes £m	29 December 2019 £m
Cash in hand, at bank	29.8	-	17.4	-	47.2
Cash and cash equivalents	29.8	-	17.4	-	47.2
Senior revolving credit facility	(194.0)	-	-	(0.1)	(194.1)
Lease liabilities	(12.1)	(536.6)	29.0	(5.3)	(525.0)
Total net debt	(176.3)	(536.6)	46.4	(5.4)	(671.9)

14. 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 International Financial Reporting Standards (IFRS) as applied in the European Union.

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 the unaudited condensed consolidated financial statements

14. Alternative performance measures *(continued)*

APM glossary and definitions

APM	Definition	Rationale
Like-for-like revenue	Revenue from all online and telephone channels and those retail showrooms which have been in operation 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.
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.	Simple cash profit measure reflecting underlying trading performance.
Underlying profit before tax and brand amortisation PBT(A)	Profit before tax adjusted for non-underlying items and amortisation associated with the acquired brand names.	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.
LTM Dec-20	Last twelve months/52 weeks ended 27 December 2020 (unaudited, pro forma period).	Certain KPIs (e.g. Leverage) are only meaningful when assessed on a full year basis.
Cash EBITDA	Net cash from operating activities before tax less movements on working capital and provisions balances and payments made under lease obligations.	Measure of the operating cash generation of the business, normalised to reflect timing differences in working capital movements.
Leverage (gearing)[1]	The ratio of period end net bank debt to Cash EBITDA for the previous twelve months.	Key measure which indicates the relative level of borrowing to operating cash generation, widely used by investors and analysts.

1. *Definition revised following adoption of IFRS 16.*

Notes to the unaudited condensed consolidated financial statements

14. Alternative performance measures *(continued)*

Reconciliations to IFRS measures

EBITDA	**H1 FY21 £m**	**H1 FY20 £m**	**FY20 £m**
Operating profit/(loss)	92.1	34.6	(43.7)
Depreciation	38.9	41.7	81.9
Amortisation	3.6	3.1	6.8
Impairments	-	-	11.5
EBITDA	134.6	79.4	56.5

Underlying EBITDA	**H1 FY21 £m**	**H1 FY20 £m**	**FY20 £m**
EBITDA	134.6	79.4	56.5
Non-underlying operating items	1.1	-	5.4
Underlying EBITDA	135.7	79.4	61.9

Underlying profit before tax and brand amortisation – PBT(A)	**H1 FY21 £m**	**H1 FY20 £m**	**FY20 £m**
Profit/(loss) before tax	72.1	15.9	(81.2)
Non-underlying items	3.7	-	16.6
Amortisation of brand names	0.7	0.7	1.5
Underlying profit before tax and brand amortisation	76.5	16.6	(63.1)

Net bank debt	**H1 FY21 £m**	**H1 FY20 £m**	**FY20 £m**
Interest bearing loans and borrowings	62.8	194.1	218.7
Unamortised issue costs	2.2	0.9	1.3
Cash and cash equivalents	(26.8)	(47.2)	(62.3)
Net bank debt	38.2	147.8	157.7

Leverage	**LTM Dec-20 £m**	**FY20 £m**
Net bank debt (A)	38.2	157.7
Net cash from operating activities before tax	146.4	61.8
Less:		
Movement in trade and other receivables	11.4	1.6
Movement in inventories	(1.1)	4.1
Movement in trade and other payables	(37.8)	(4.7)
Movement in provisions	(9.3)	(6.6)
Payment of lease liabilities	(46.3)	(29.2)
Payment of interest on leases	(28.3)	(36.3)
Cash EBITDA (B)	35.0	(9.3)
Leverage (A/B)	1.1x	(17.0)x

Notes to the unaudited condensed consolidated financial statements

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

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