Financial statements

This section presents details of the Group's and the Company's financial performance and position as at 27 June 2021.

CONTENTS

Consolidated income statement *for 52 weeks ended 27 June 2021 (52 weeks ended 28 June 2020)*

	Note	**52 weeks to 27 June 2021** Underlying £m	Non-underlying £m	Total £m	52 weeks to 28 June 2020 Underlying £m	Non-underlying £m	Total £m
Gross sales[1]	1, 2	**1,368.7**	**–**	**1,368.7**	935.0	–	935.0
Revenue	2	**1,067.7**	**–**	**1,067.7**	724.5	–	724.5
Cost of sales		**(466.5)**	**–**	**(466.5)**	(307.4)	(3.1)	(310.5)
Gross profit		**601.2**	**–**	**601.2**	417.1	(3.1)	414.0
Selling and distribution costs		**(303.4)**	**–**	**(303.4)**	(287.5)	(2.1)	(289.6)
Administrative expenses	3	**(75.2)**	**(2.1)**	**(77.3)**	(67.7)	(0.2)	(67.9)
Operating profit before depreciation, amortisation and impairment		**222.6**	**(2.1)**	**220.5**	61.9	(5.4)	56.5
Depreciation		**(77.4)**	**–**	**(77.4)**	(81.9)	–	(81.9)
Amortisation		**(7.9)**	**–**	**(7.9)**	(6.8)	–	(6.8)
Impairments		**–**	**–**	**–**	(0.3)	(11.2)	(11.5)
Operating profit/(loss)	2, 3	**137.3**	**(2.1)**	**135.2**	(27.1)	(16.6)	(43.7)
Finance income	5	**–**	**–**	**–**	0.1	–	0.1
Finance expenses	5	**(32.9)**	**(3.1)**	**(36.0)**	(37.6)	–	(37.6)
Profit/(loss) before tax		**104.4**	**(5.2)**	**99.2**	(64.6)	(16.6)	(81.2)
Taxation	6	**(11.9)**	**1.4**	**(10.5)**	11.1	0.9	12.0
Profit/(loss) for the period		**92.5**	**(3.8)**	**88.7**	(53.5)	(15.7)	(69.2)
Earnings per share							
Basic	7	**36.0p**	**(1.5)p**	**34.5p**	(24.3)p	(7.1)p	(31.4)p
Diluted	7	**35.6p**	**(1.4)p**	**34.2p**	(24.3)p	(7.1)p	(31.4)p

1. Refer to pages 33 to 35 for APM definitions.

Consolidated statement of comprehensive income *for 52 weeks ended 27 June 2021 (52 weeks ended 28 June 2020)*

	52 weeks to 27 June 2021 £m	52 weeks to 28 June 2020 £m
Profit/(loss) for the period	**88.7**	(69.2)
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss:		
Effective portion of changes in fair value of cash flow hedges	**(22.4)**	3.9
Net change in fair value of cash flow hedges reclassified to profit or loss		
Recognised in cost of sales	**9.2**	(8.3)
Recognised in finance expense	**1.9**	0.7
Income tax on items that are or may be reclassified subsequently to profit or loss	**2.6**	0.4
Other comprehensive expense for the period, net of income tax	**(8.7)**	(3.3)
Total comprehensive income/(expense) for the period	**80.0**	(72.5)

Consolidated balance sheet *at 27 June 2021 (28 June 2020)*

	Note	**27 June 2021 £m**	28 June 2020 £m
Non-current assets			
Property, plant and equipment	8	**91.6**	74.1
Right of use assets	8, 9	**345.1**	384.5
Intangible assets	10	**535.4**	532.5
Other financial assets	12	**0.1**	0.8
Deferred tax assets	13	**24.7**	24.0
		996.9	1,015.9
Current assets			
Inventories	14	**61.1**	58.9
Other financial assets	12	**0.1**	4.5
Trade and other receivables	15	**17.1**	22.2
Current tax assets		**6.9**	7.8
Cash and cash equivalents (excluding bank overdrafts)		**22.7**	62.3
		107.9	155.7
Total assets		**1,104.8**	1,171.6
Current liabilities			
Bank overdraft		**(16.7)**	–
Trade payables and other liabilities	16	**(297.4)**	(216.0)
Lease liabilities	9	**(88.1)**	(88.6)
Provisions	20	**(15.1)**	(11.9)
Other financial liabilities	17	**(6.7)**	(0.1)
		(424.0)	(316.6)
Non-current liabilities			
Interest bearing loans and borrowings	18	**(23.1)**	(218.7)
Lease liabilities	9	**(366.0)**	(428.6)
Provisions	20	**(5.7)**	(3.9)
Other financial liabilities	17	**(1.5)**	(1.9)
		(396.3)	(653.1)
Total liabilities		**(820.3)**	(969.7)
Net assets		**284.5**	201.9
Equity attributable to owners of the Company			
Share capital	22	**25.9**	383.4
Share premium	22	**40.4**	40.4
Merger reserve	22	**18.6**	18.6
Capital redemption reserve	22	**357.8**	–
Treasury shares	22	**(0.7)**	(0.7)
Employee Benefit Trust shares	22	**(0.2)**	–
Cash flow hedging reserve	22	**(8.0)**	3.3
Retained earnings		**(149.3)**	(243.1)
Total equity		**284.5**	201.9

These financial statements were approved by the board of directors on 23 September 2021 and were signed on its behalf by

Tim Stacey
Chief Executive Officer

Mike Schmidt
Chief Financial Officer

Company registered number: 7236769

Consolidated statement of changes in equity

	Share capital £m	Share premium £m	Merger reserve £m	Capital redemption reserve £	Treasury shares £m	Employee Benefit Trust shares £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
Adjustment on initial application of IFRS 16 (net of tax)	–	–	–	–	–	–	–	(26.4)	(26.4)
Balance at 1 July 2019	319.5	40.4	18.6	–	(2.1)	–	7.0	(158.0)	225.4
Loss for the year	–	–	–	–	–	–	–	(69.2)	(69.2)
Other comprehensive income/(expense)	–	–	–	–	–	–	(3.7)	0.4	(3.3)
Total comprehensive income/(expense) for the year	–	–	–	–	–	–	(3.7)	(68.8)	(72.5)
Dividends	–	–	–	–	–	–	–	(15.9)	(15.9)
Purchase of own shares	–	–	–	–	(1.1)	–	–	–	(1.1)
Treasury shares issued	–	–	–	–	2.5	–	–	(1.2)	1.3
Shares issue	63.9	–	–	–	–	–	–	–	63.9
Settlement of share based payments	–	–	–	–	–	–	–	(1.6)	(1.6)
Share based payments	–	–	–	–	–	–	–	2.4	2.4
Balance at 28 June 2020	383.4	40.4	18.6	–	(0.7)	–	3.3	(243.1)	201.9
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**88.7**	**88.7**
Other comprehensive income/(expense)	**–**	**–**	**–**	**–**	**–**	**–**	**(11.3)**	**2.6**	**(8.7)**
Total comprehensive income/(expense) for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(11.3)**	**91.3**	**80.0**
Issue of shares to Employee Benefit Trust	**0.3**	**–**	**–**	**–**	**–**	**(0.3)**	**–**	**–**	**–**
Employee Benefit Trust shares issued	**–**	**–**	**–**	**–**	**–**	**0.1**	**–**	**1.0**	**1.1**
Repurchase and cancellation of deferred shares	**(357.8)**	**–**	**–**	**357.8**	**–**	**–**	**–**	**–**	**–**
Settlement of share based payments	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2.1)**	**(2.1)**
Share based payments	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3.6**	**3.6**
Balance at 27 June 2021	**25.9**	**40.4**	**18.6**	**357.8**	**(0.7)**	**(0.2)**	**(8.0)**	**(149.3)**	**284.5**

Consolidated cash flow statement *for 52 weeks ended 27 June 2021 (52 weeks ended 28 June 2020)*

	Note	**52 weeks to 27 June 2021 £m**	52 weeks to 28 June 2020 £m
Profit/(loss) for the period		**88.7**	(69.2)
Adjustments for:			
Income tax expense/(credit)	6	**10.5**	(12.0)
Finance income	5	**–**	(0.1)
Finance expenses	5	**32.9**	37.6
Exceptional financing costs	5	**3.1**	–
Depreciation of property, plant and equipment	8	**19.7**	21.3
Depreciation of right of use assets	9	**57.7**	60.6
Amortisation of intangible assets	10	**7.9**	6.8
Impairment of assets		**–**	11.5
Gain on sale of property, plant and equipment	3	**(1.2)**	(1.1)
Gain on disposal of right of use assets	3	**(1.4)**	–
Loss on sale of subsidiaries	3	**0.7**	–
Settlement of share based payments		**(2.1)**	(1.6)
Share based payment expense	25	**3.6**	2.4
Decrease/(increase) in trade and other receivables		**4.6**	(1.6)
Increase in inventories		**(2.2)**	(4.1)
Increase in trade and other payables		**81.4**	4.7
Increase in provisions		**3.3**	6.6
Net cash from operating activities before tax		**307.2**	61.8
Tax paid		**(8.2)**	(6.1)
Net cash from operating activities		**299.0**	55.7
Investing activities			
Proceeds from sale of property, plant and equipment		**1.5**	1.4
Proceeds received from sale of subsidiaries		**0.3**	–
Interest received		**–**	0.1
Acquisition of property, plant and equipment	8	**(38.0)**	(16.8)
Acquisition of other intangible assets	10	**(11.2)**	(6.6)
Net cash used in investing activities		**(47.4)**	(21.9)
Financing activities			
Interest paid		**(6.1)**	(9.0)
Interest paid on lease liabilities	9	**(26.7)**	(29.2)
Payment of lease liabilities	9	**(77.1)**	(36.3)
Exceptional financing costs		**(4.1)**	–
(Repayment)/drawdown of borrowings	26	**(195.0)**	25.0
Proceeds on issue of shares	22	**0.3**	63.9
Purchase of own shares		**(0.3)**	(1.1)
Proceeds from sale of own shares		**1.1**	1.3
Ordinary dividends paid		**–**	(15.9)
Net cash used in financing activities		**(307.9)**	(1.3)
Net (decrease)/increase in cash and cash equivalents	26	**(56.3)**	32.5
Cash and cash equivalents at beginning of period	26	**62.3**	29.8
Cash and cash equivalents (including bank overdraft) at end of period	26	**6.0**	62.3

Notes to the consolidated financial statements *at 27 June 2021*

1 ACCOUNTING POLICIES

DFS Furniture plc ("the Company") is a company incorporated and domiciled in the United Kingdom (Company number: 07236769). The address of the registered office is 1 Rockingham Way, Redhouse Interchange, Adwick-Le-Street, Doncaster, South Yorkshire, DN6 7NA.

The consolidated financial statements consolidate those of the Company and its subsidiaries (together referred to as "the Group"). The parent company financial statements present information about the Company as a separate entity and not about its group.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements. Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 1.18.

1.1 Basis of preparation

The consolidated financial statements have been prepared and approved by the directors in accordance with both international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The financial statements are prepared on the historical cost basis except for certain financial instruments and share based payment charges which are measured at their fair value. The financial statements are for the 52 weeks to 27 June 2021 (last year 52 weeks to 28 June 2020).

The Company has elected to prepare its parent company financial statements in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"); these are presented on pages 160 to 164.

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 20 September 2021, £217.0m of the revolving credit facility remained undrawn, in addition to cash in hand, at bank of £9.0m.

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 financial statements, which indicate that the Group will be in compliance with these covenants. These forecasts include a number of assumptions in relation to: market size and the Group's order intake; impacts on gross margin from regulatory and other changes; sector-wide manufacturing and supply chain capacities; and achievement of cost savings in line with the Group's strategic plans.

The Directors have also prepared severe but plausible downside sensitivity scenarios which cover the same period as the base case. These scenarios included: further two month Covid-19 related showroom closures; significantly reduced customer spending; and impacts on gross margin from inflationary cost pressures. 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.

The Directors have considered all of the factors noted above, including the inherent uncertainty in forecasting the impact of the Covid-19 pandemic, and are confident that the Group has adequate resources to continue to meet all liabilities as and when they fall due for the foreseeable future and at least twelve months from the date of approval of these financial statements. Accordingly, the financial statements are prepared on a going concern basis.

1.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control exists when the Group is exposed to or has rights to variable returns from its investment with the investee and has the ability to affect those returns through its power over the investee. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the date that control commences until the date that control ceases. The acquisition method is used to account for the acquisition of subsidiaries. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

1.3 Gross sales and revenue

Revenue is measured at the fair value of the consideration receivable by the Group for the provision of goods to external customers, being the total amount payable by the customer ("gross sales") less: value added and other sales taxes, the costs of obtaining interest free credit on behalf of customers and the amounts payable to third parties relating to aftercare services for which the Group acts as an agent. Where the Group acts as an agent, the amount recognised in revenue is the net fee receivable by the Group.

Many of the Group's customers choose to take advantage of the interest-free credit that the Group makes available. This credit is provided by external finance houses, who pay the Group the gross sales value of the customer order within a few days of delivery, less a fee for taking responsibility for payment collection and bearing the full credit risk for any future default by the customer. The fee due to the finance house varies depending on the amount borrowed by the customer, the length of the repayment term and the LIBOR rate at the time of the transaction.

In calculating reported revenue in accordance with IFRS the Group is required to deduct these fees from the value of the customer order. Reported revenue will therefore vary depending on the proportion of customers who choose to take up the interest free credit offer, the average duration of the interest free loan period and the prevailing LIBOR rates.

For the purposes of managing its business the Group focuses on gross sales, which is defined as the total amount payable by customers, inclusive of VAT and other sales taxes and prior to any accounting adjustments for interest-free credit fees or aftercare product costs. The directors believe gross sales is a more transparent measure of the activity levels and performance of its stores and online channels as it is not affected by customer preferences on payment options. Accordingly gross sales is presented in this annual report in addition to statutory revenue, with a reconciliation between the two measures provided in note 2 to the financial statements.

Notes to the consolidated financial statements continued *at 27 June 2021*

1 ACCOUNTING POLICIES CONTINUED

1.3 Gross sales and revenue continued

Both gross sales and revenue are stated net of returns and sales allowances, and are recognised when goods have been delivered to the customer, the revenue and costs in respect of the transaction can be measured reliably and collectability is reasonably assured. Receipt of goods by the customer represents the completion of the Group's performance obligation under the sales contract and payment is received prior to or immediately after delivery. Expected future costs of satisfying the Group's obligations under long-term product guarantees offered to customers are determined at the time of the sale, provided for separately (note 20) and charged to cost of sales.

1.4 Government grants

Government grants are recognised where there is reasonable assurance that the Group will comply with all attached conditions and that the grant will be received.

When the grant relates to an expense item, it is recognised as a deduction from the related expense within the period it becomes receivable.

1.5 Expenses

Non-underlying items

Items that are material in size, unusual or non-recurring in nature are disclosed separately in the income statement in order to provide an indication of the Group's underlying business performance. The principal items which may be included as non-underlying are:

- Significant profit or loss on the disposal of non-current assets
- Material impairment charges
- Significant non-recurring tax charges or credits
- Costs associated with significant corporate, financial or operating restructuring, including acquisitions
- Initial costs of establishing operations in new geographical territories

Material finance income or expenses associated with significant changes in the Group's borrowings are disclosed separately as non-underlying items below operating profit.

Royalty payments

Royalties payable to brand partners on sales of branded products are charged to cost of sales when the related product is delivered to the customer.

Finance income and expenses

Finance expenses comprise interest payable, finance charges on lease liabilities recognised in profit or loss using the effective interest method and unwinding of the discount on provisions and other liabilities measured at present value. Finance income comprises interest receivable on funds invested, dividend income, and net foreign exchange gains and losses.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the Group's right to receive payments is established.

1.6 Employee benefits

Defined contribution plans

Payments to defined contribution pension plans are recognised as an expense in the income statement as they fall due.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Share based payments

The fair value of equity settled share based payments is recognised as an expense over the vesting period of the related awards, with a corresponding increase in equity. Fair values are calculated using option pricing models appropriate to the terms and conditions of the awards. The amount charged as an expense is regularly reviewed and adjusted to reflect the achievement of service and non-market based performance conditions.

1.7 Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to a business combination, or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

At interim reporting periods the tax charge is calculated in accordance with IAS 34, adjusted for material non-taxable items.

A deferred tax asset is recognised on deductible temporary differences only to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

1.8 Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement except for effective differences arising on qualifying cash flow hedges, which are recognised directly in other comprehensive income.

1.9 Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

Goodwill is initially measured at cost, being the excess of the acquisition cost over the Group's interest in the assets and liabilities recognised. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Notes to the consolidated financial statements continued *at 27 June 2021*

1 ACCOUNTING POLICIES CONTINUED

1.9 Business combinations continued

Acquisitions prior to 31 July 2011 (date of transition to IFRSs)

IFRS 1 grants certain exemptions from the full requirements of Adopted IFRSs in the transition period. The Group and Company elected not to restate business combinations that took place prior to 31 July 2011. In respect of acquisitions prior to transition, goodwill is included at 31 July 2011 on the basis of its deemed cost, which represents the amount recorded under UK GAAP which was broadly comparable save that goodwill was amortised. On transition, amortisation of goodwill ceased as required by IFRS 1.

1.10 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful life of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

- Buildings 50 years
- Plant and equipment 3 to 10 years
- Motor vehicles 4 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

1.11 Leases

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease under IFRS 16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Lease liability – initial recognition

The Group recognises right of use assets and lease liabilities at the lease commencement date. The lease liabilities are recognised at the present value of future lease payments discounted at the incremental borrowing rate applicable to the lease.

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

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

Lease liability – subsequent measurement

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

Lease liability – remeasurement

The lease liability is remeasured if:

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

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

Right of use asset – initial recognition

IFRS 16 defines a right of use asset as an asset which represents a lessee's right to use an underlying asset for the lease term. Generally, right of use assets are initially measured at an amount equal to the lease liability.

Right of use asset – subsequent measurement

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

- Less any accumulated depreciation and any accumulated impairments losses: and
- Adjusted for any remeasurement of the lease liability.

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

Practical expedients and exemptions used

The Group has opted to apply the following practical expedients and exemptions:

- Use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Recognising lease payments on short-term (less than 12 months) leases and low value leases as an expense;
- Covid-19 Related Rent Concessions amendment to IFRS 16 "Leases" – deferrals of lease payments as a direct result of Covid-19 have been assessed as non-modifying.

The published Covid-19 Related Rent Concessions amendment to IFRS 16 "Leases" was adopted by the IASB on 28 May 2020 and endorsed by the European Union on 12 October 2020. On 31 March 2021, the IASB published a further amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. The Group continues to apply this amendment to all relevant rent concessions during the period. These concessions did not include waivers of rent payable.

1.12 Intangible assets and goodwill

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units and is not amortised but is tested annually for impairment.

Other intangible assets

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and accumulated impairment losses. Implementation costs associated with software and cloud computing arrangements are only capitalised where they relate to an identifiable asset under the control of the Group.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. Estimated useful lives are as follows:

- Computer software and website costs 3 years
- Acquired brand names 10 to 20 years

Notes to the consolidated financial statements continued *at 27 June 2021*

1 ACCOUNTING POLICIES CONTINUED

1.13 Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of finished goods manufactured by the Group includes direct materials, direct labour and appropriate overhead expenditure.

1.14 Impairment

The carrying amounts of the Group's tangible and intangible assets other than goodwill are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.15 Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Details of provisions recognised are in note 20 and the related significant estimates and judgements in note 1.18.

1.16 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

1.17 Derivative financial instruments and hedging

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Cash flow hedges

On adoption of IFRS 9, the Group made the election to continue to apply the hedge accounting requirements of IAS 39 to all of its hedging relationships. Therefore, where a derivative financial instrument is designated as a hedge of the variability in cash flows of a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised in other comprehensive income and presented within the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the income statement.

When the forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated cumulative gain or loss remains in the hedging reserve and is reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss.

For other cash flow hedges the associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the Group revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

1.18 Significant areas of estimation and judgement

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions that affect the value of reported assets, liabilities, revenues and expenses. The estimates and associated assumptions are based on historical experience and other relevant factors, but may differ from actual results. No significant areas of judgement or estimation arose in the current financial statements.

The following are other areas of important estimates relating to material balances in the Group's financial statements, but which do not meet the IFRS-defined criteria of a significant estimate:

Going concern

In making the assessment of going concern for the Group and the Company, the Directors consider a number of assumptions and estimates relating to the future performance of the Group, as detailed in note 1.1. The Directors are satisfied that no reasonably possible change in these estimates would result in a change in the going concern assessment of the Group or the Company and therefore it is not considered a significant estimate as at 27 June 2021.

Notes to the consolidated financial statements continued *at 27 June 2021*

1 ACCOUNTING POLICIES CONTINUED

1.18 Significant areas of estimation and judgement continued

Goodwill impairment

Goodwill is tested annually for impairment by comparing its carrying value to a calculation of the value in use of the relevant cash-generating units. This exercise requires estimates to be made of future cash flows arising from each cash-generating unit and the appropriate discount rate to apply. Further details of the key assumptions underlying the calculation are provided in note 10. The Directors are satisfied that no reasonably possible change in these estimates would result in the recognition of an impairment within the next twelve months and accordingly the carrying value of goodwill is not considered a significant estimate as at 27 June 2021.

Customer guarantees

The Group maintains a provision for its obligations under long-term product guarantees offered to its customers. In determining the value of this provision estimates are made of the number of future claims that will be received and the cost of satisfying those claims. Further details are provided in note 20. The Directors are satisfied that no reasonably possible change in these estimates would result in a material difference to the value of the provision and therefore it is not considered a significant estimate as at 27 June 2021.

Net realisable value of inventories

As detailed in note 14, the Group makes estimates of applicable selling prices to determine the net realisable value of inventories. The Directors are satisfied that no reasonably possible change in these estimates would result in a material difference to the value of the provision and therefore it is not considered a significant estimate as at 27 June 2021.

1.19 New accounting standards

There are no new standards, amendments to existing standards or interpretations that are effective for the first time in the period ended 27 June 2021 that have a material impact on the Group's results.

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

Notes to the consolidated financial statements continued *at 27 June 2021*

2 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, tax, depreciation, amortisation and non-underlying items) excluding property costs and central administration costs.

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

DFS: the manufacture and retailing of upholstered furniture and related products through DFS 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 year comparative figures have been re-presented to align with the revised presentation. Other segment activities comprise the retailing of upholstered furniture and related products through Sofa Workshop until it was disposed of on 18 September 2020.

Segment revenue and profit

	External sales		Internal sales		Total gross sales	
	52 weeks to 27 June 2021 £m	52 weeks to 28 June 2020 Re-presented £m	**52 weeks to 27 June 2021 £m**	52 weeks to 28 June 2020 Re-presented £m	**52 weeks to 27 June 2021 £m**	52 weeks to 28 June 2020 Re-presented £m
DFS	**1,093.2**	735.3	**–**	–	**1,093.2**	735.3
Sofology	**269.2**	181.7	**–**	–	**269.2**	181.7
Other segments	**6.3**	18.0	**–**	–	**6.3**	18.0
Gross sales	**1,368.7**	935.0	**–**	–	**1,368.7**	935.0

	52 weeks to 27 June 2021 £m	52 weeks to 28 June 2020 £m
Total segments gross sales	**1,368.7**	935.0
Less: value added and other sales taxes	**(217.4)**	(146.4)
Less: costs of interest free credit and aftercare products	**(83.6)**	(64.1)
Revenue	**1,067.7**	724.5
Of which:		
Furniture sales	**1,013.2**	676.0
Sales of aftercare products	**54.5**	48.5
Revenue	**1,067.7**	724.5

52 weeks to 27 June 2021

	DFS £m	**Sofology £m**	**Other £m**	**Total £m**
Revenue	**848.0**	**214.6**	**5.1**	**1,067.7**
Cost of sales	**(363.4)**	**(101.8)**	**(1.3)**	**(466.5)**
Gross profit	**484.6**	**112.8**	**3.8**	**601.2**
Selling & distribution costs (excluding property costs)	**(244.4)**	**(55.6)**	**(0.5)**	**(300.5)**
Brand contribution (segment profit)	**240.2**	**57.2**	**3.3**	**300.7**
Property costs				**(2.9)**
Underlying administrative expenses				**(75.2)**
Underlying EBITDA				**222.6**

Notes to the consolidated financial statements continued *at 27 June 2021*

2 SEGMENTAL ANALYSIS CONTINUED

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 & 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

	Note	**52 weeks to 27 June 2021 £m**	52 weeks to 28 June 2020 £m
Underlying EBITDA		**222.6**	61.9
Non-underlying items	3	**(2.1)**	(16.6)
Depreciation & amortisation		**(85.3)**	(88.7)
Impairments		**–**	(0.3)
Operating profit/(loss)		**135.2**	(43.7)
Finance income		**–**	0.1
Finance expenses		**(32.9)**	(37.6)
Non-underlying financing costs	5	**(3.1)**	–
Profit/(loss) before tax		**99.2**	(81.2)

A geographical analysis of revenue is presented below:

	52 weeks to 27 June 2021 £m	52 weeks to 28 June 2020 £m
United Kingdom	**1,044.6**	701.7
Europe	**23.1**	22.8
Total revenue	**1,067.7**	724.5

Notes to the consolidated financial statements continued *at 27 June 2021*

2 SEGMENTAL ANALYSIS CONTINUED

Segment assets and liabilities

	Assets		Liabilities	
	27 June 2021 £m	28 June 2020 Re-presented £m	**27 June 2021 £m**	28 June 2020 Re-presented £m
DFS	**903.4**	997.0	**(659.2)**	(595.4)
Sofology	**174.1**	145.5	**(157.8)**	(143.9)
Other segments	**–**	7.5	**–**	(25.2)
Total segments	**1,077.5**	1,150.0	**(817.0)**	(764.5)
Loans and financing	**–**	–	**(23.1)**	(218.7)
Financial assets/(liabilities)	**0.2**	5.3	**(8.2)**	(2.0)
Current tax	**6.9**	7.8	**–**	–
Deferred tax	**24.7**	24.0	**–**	–
Eliminations	**(4.5)**	(15.5)	**28.0**	15.5
Total Group	**1,104.8**	1,171.6	**(820.3)**	(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 impairment	
	52 weeks to 27 June 2021 £m	52 weeks to 28 June 2020 Re-presented £m	**52 weeks to 27 June 2021 £m**	52 weeks to 28 June 2020 Re-presented £m
DFS	**51.6**	22.9	**66.4**	68.3[1]
Sofology	**17.9**	7.6	**17.8**	18.8[2]
Other segments	**–**	0.6	**1.1**	13.1[3]
Total Group	**69.5**	31.1	**85.3**	100.2

Additions to non-current assets include both tangible and intangible non-current assets.

1. 2020: DFS: includes impairment charges of £1.4m.
2. 2020: Sofology: includes impairment charges of £0.3m.
3. 2020: Other segments: includes impairment charges of £9.8m.

Notes to the consolidated financial statements continued *at 27 June 2021*

3 OPERATING PROFIT

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

	52 weeks to 27 June 2021 £m	52 weeks to 28 June 2020 £m
Depreciation on tangible assets (including depreciation on right of use assets)	**77.4**	81.9
Amortisation of intangible assets	**7.9**	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	**(1.2)**	(1.1)
Net gain on disposal of right of use assets	**(1.4)**	–
Cost of inventories recognised as an expense	**465.5**	317.1
Write down of inventories to net realisable value	**5.6**	7.2
Other costs of sales	**(4.6)**	(13.8)
Operating lease rentals	**0.5**	1.9

During the period the Group did not receive any Government support through the Coronavirus Job Retention Scheme (2020: £19.5m).

Non-underlying items	**52 weeks to 27 June 2021 £m**	52 weeks to 28 June 2020 £m
Restructuring costs	**1.4**	2.3
Impairment of goodwill and brand names	**–**	6.3
Impairment of tangible and right of use assets	**–**	4.9
Write down of inventories on restructuring	**–**	3.1
Loss on disposal of subsidiaries	**0.7**	–
	2.1	16.6

On 18 September 2020, the Group formally completed the sale of the entire issued share capital 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 addition, non-underlying redundancy costs of £1.4m were incurred in the year in respect of a significant operational restructuring of the DFS sales administration function.

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.

	52 weeks to 27 June 2021 £m	52 weeks to 28 June 2020 £m
Auditor's remuneration:		
Audit of these financial statements	**0.4**	0.3
Audit of the financial statements of Group subsidiaries	**0.2**	0.1
Amounts receivable by the Company's auditor and its associates in respect of:		
All other services	**–**	–
	0.6	0.4

During the period, an amount of £50,000 was receivable by the Company's auditor in respect of the review of the Group's interim financial statements (2020: £20,000), and £5,000 in respect of other audit-related services (2020: £nil).

Notes to the consolidated financial statements continued *at 27 June 2021*

4 STAFF NUMBERS AND COSTS

The average number of persons employed by the Group during the period, analysed by category, was as follows:

	Number of employees	
	52 weeks to 27 June 2021	52 weeks to 28 June 2020
Production	**1,088**	1,160
Warehouse and transport	**902**	1,056
Sales and administration	**2,808**	3,281
	4,798	5,497

The aggregate payroll costs of these persons were as follows:

	52 weeks to 27 June 2021 £m	52 weeks to 28 June 2020 £m
Wages and salaries	**171.9**	163.1
Social security costs	**17.5**	15.5
Other pension costs	**4.7**	5.5
	194.1	184.1
Share based payment expense (equity settled)	**3.6**	2.4
	197.7	186.5
Coronavirus job retention scheme income	**–**	(19.5)
	197.7	167.0

Aggregate remuneration payable to directors in respect of qualifying services was as follows:

	52 weeks to 27 June 2021 £m	52 weeks to 28 June 2020 £m
Emoluments	**2.0**	1.1
Pension contributions	**0.1**	0.1
Gain on exercise of share options	**1.1**	0.1

Two directors accrued retirement benefits under pension schemes in the period (2020: one). All of the directors' pension contributions were to defined contribution schemes.

Notes to the consolidated financial statements continued *at 27 June 2021*

5 FINANCE INCOME AND EXPENSE

	52 weeks to 27 June 2021 £m	52 weeks to 28 June 2020 £m
Finance income		
Interest income on bank deposits	**–**	0.1
Total finance income	**–**	0.1

	52 weeks to 27 June 2021 £m	52 weeks to 28 June 2020 £m
Finance expense		
Interest payable on senior revolving credit facility	**(4.2)**	(7.6)
Bank fees	**(2.0)**	(0.5)
Unwind of discount on provisions	**(0.1)**	–
Interest on lease liabilities	**(26.5)**	(29.2)
Other interest	**(0.1)**	(0.3)
Total underlying finance expense	**(32.9)**	(37.6)
Non-underlying items:		
Refinancing costs	**(3.1)**	–
Total finance expense	**(36.0)**	(37.6)

Non-underlying finance costs of £3.1m relate to the refinancing of the Group's revolving credit facility in December 2020. This includes the write off of unamortised underwriting fees associated with the old revolving credit facility, break costs associated with exiting interest rate swaps that were no longer required, and professional fees incurred in relation to the arrangement of the new revolving credit facility.

6 TAXATION

Recognised in the income statement

	52 weeks to 27 June 2021 £m	52 weeks to 28 June 2020 £m
Current tax		
Current period	**8.9**	(2.6)
Adjustments for prior years	**0.1**	–
Current tax expense/(credit)	**9.0**	(2.6)
Deferred tax		
Origination and reversal of temporary differences	**7.4**	(6.8)
Deferred tax rate change	**(5.2)**	(1.9)
Adjustments for prior years	**(0.7)**	(0.7)
Deferred tax expense/(credit)	**1.5**	(9.4)
Total tax expense/(credit) in income statement	**10.5**	(12.0)

Notes to the consolidated financial statements continued *at 27 June 2021*

6 TAXATION CONTINUED

Reconciliation of effective tax rate

	52 weeks to 27 June 2021 £m	52 weeks to 28 June 2020 £m
Profit/(loss) before tax for the period	**99.2**	(81.2)
Tax using the UK corporation tax rate of 19% (2020: 19%)	**18.8**	(15.4)
Non-deductible expenses	**0.8**	2.5
Tax exempt revenues	**(0.3)**	–
Effect of tax rates in foreign jurisdictions	**0.3**	0.2
Disposal of subsidiaries	**(0.5)**	–
Recognition of previously unrecognised tax losses	**(2.6)**	2.9
Adjustments in respect of share options	**(0.2)**	0.4
Adjustment in respect of prior years	**(0.6)**	(0.8)
Impact of change in tax rate on deferred tax balances	**(5.2)**	(1.8)
Total tax expense/(credit)	**10.5**	(12.0)

The Finance Act 2021, which was substantively enacted in May 2021, included provisions to increase the rate of UK corporation tax to 25% with effect from 1 April 2023.

Deferred taxation is measured at tax rates that are expected to apply in the periods in which temporary timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Accordingly, a tax rate of 25% has been applied when calculating deferred tax assets and liabilities at 27 June 2021 (19% at 28 June 2020).

Income tax recognised in other comprehensive income

	52 weeks to 27 June 2021 £m	52 weeks to 28 June 2020 £m
Effective portion of changes in fair value of cash flow hedges	**(3.9)**	0.9
Net change in fair value of cash flow hedges reclassified to profit or loss	**1.7**	(1.6)
Adjustments in respect of share options	**0.1**	0.1
Impact of change in tax rate on deferred tax balances	**(0.5)**	0.2
	(2.6)	(0.4)

Notes to the consolidated financial statements continued *at 27 June 2021*

7 EARNINGS PER SHARE

Statutory earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the financial period attributable to ordinary equity holders of the parent company by the weighted average number of ordinary shares outstanding during the period. The weighted average number of shares reflects the movements in share capital detailed in note 22 and the impact of movements in treasury shares held by the Company. Changes in the Company's capital structure with no corresponding change in resources are reflected as if they had occurred at the beginning of the earliest period presented.

Diluted earnings per share is calculated using the same net profit or loss for the financial period attributable to ordinary equity holders of the parent company, but increasing the weighted average number of ordinary shares by the dilutive effect of potential ordinary shares. Potential ordinary shares arise from employee share based payment arrangements (note 25). Where share based payments are subject to performance conditions, they are included as potential ordinary shares to the extent that the performance conditions have been met at the reporting date. Details of share based payment vesting conditions are provided in the Director's Remuneration Report.

	52 weeks to 27 June 2021 pence	52 weeks to 28 June 2020 pence
Basic total earnings per share	**34.5**	(31.4)
Diluted total earnings per share	**34.2**	(31.4)

	52 weeks to 27 June 2021 £m	52 weeks to 28 June 2020 £m
Profit/(loss) for the period attributable to equity holders of the parent company	**88.7**	(69.2)

	27 June 2021 No.	28 June 2020 No.
Weighted average number of shares in issue for basic earnings per share	**257,096,686**	220,289,976
Dilutive effect of employee share based payment awards	**2,352,481**	–
Weighted average number of shares in issue for diluted earnings per share	**259,449,167**	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.

	52 weeks to 27 June 2021 £m	52 weeks to 28 June 2020 £m
Profit/(loss) for the period attributable to equity holders of the parent company	**88.7**	(69.2)
Non-underlying loss after tax	**3.8**	15.7
Underlying profit/(loss) for the period attributable to equity holders of the parent company	**92.5**	(53.5)

	52 weeks to 27 June 2021 pence	52 weeks to 28 June 2020 pence
Underlying basic earnings per share	**36.0**	(24.3)
Underlying diluted earnings per share	**35.6**	(24.3)

Notes to the consolidated financial statements continued *at 27 June 2021*

8 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £m	Plant and equipment £m	Motor vehicles £m	Right of use assets £m	Total £m
Cost					
Balance at 30 June 2019	8.6	161.6	28.3	–	198.5
Recognised on adoption of IFRS 16	–	–	–	434.5	434.5
Reclassifications		(1.3)	(17.1)	18.4	–
Additions	–	15.9	0.9	7.7	24.5
Remeasurements	–	–	–	(2.9)	(2.9)
Disposals	–	(1.8)	(0.1)	(3.3)	(5.2)
Balance at 28 June 2020	8.6	174.4	12.0	454.4	649.4
Reclassifications	**0.3**	**(0.8)**	**–**	**–**	**(0.5)**
Additions	**13.0**	**24.2**	**0.8**	**20.3**	**58.3**
Remeasurements	**–**	**–**	**–**	**13.4**	**13.4**
Disposals	**(1.4)**	**(5.3)**	**(2.6)**	**(25.2)**	**(34.5)**
Balance at 27 June 2021	**20.5**	**192.5**	**10.2**	**462.9**	**686.1**
Depreciation and impairments					
Balance at 30 June 2019	1.3	92.0	15.3	–	108.6
Reclassifications	–	(0.7)	(7.2)	7.9	–
Depreciation charge for the period	0.2	19.3	1.8	60.6	81.9
Disposals	–	(1.9)	–	(3.0)	(4.9)
Impairments	–	0.8	–	4.4	5.2
Balance at 28 June 2020	1.5	109.5	9.9	69.9	190.8
Reclassifications	**0.2**	**(0.7)**	**–**	**–**	**(0.5)**
Depreciation charge for the period	**1.0**	**17.6**	**1.1**	**57.7**	**77.4**
Disposals	**(1.0)**	**(5.0)**	**(2.5)**	**(9.8)**	**(18.3)**
Balance at 27 June 2021	**1.7**	**121.4**	**8.5**	**117.8**	**249.4**
Net book value					
At 30 June 2019	7.3	69.6	13.0	–	89.9
At 28 June 2020	7.1	64.9	2.1	384.5	458.6
At 27 June 2021	**18.8**	**71.1**	**1.7**	**345.1**	**436.7**

Remeasurements of right of use assets relate to leases where the terms have been renegotiated during the period.

Capital commitments

At 27 June 2021 the Group had contracted capital commitments of £3.6m (2020: £1.7m) for which no provision has been made in the financial statements.

Notes to the consolidated financial statements continued *at 27 June 2021*

9 LEASES

Right of use assets

	Property £m	Vehicles £m	Equipment £m	Total £m
Cost				
Balance at 30 June 2019	–	–	–	–
Recognised on adoption of IFRS 16	434.5	–	–	434.5
Reclassifications	–	17.1	1.3	18.4
Additions	2.4	5.3	–	7.7
Remeasurements	(2.9)	–	–	(2.9)
Disposals	–	(3.3)	–	(3.3)
At 28 June 2020	434.0	19.1	1.3	454.4
Additions	**17.4**	**2.3**	**0.6**	**20.3**
Remeasurements	**13.4**	**–**	**–**	**13.4**
Disposals	**(21.5)**	**(3.7)**	**–**	**(25.2)**
Balance at 27 June 2021	**443.3**	**17.7**	**1.9**	**462.9**
Depreciation and impairment				
At June 2019	–	–	–	–
Reclassifications	–	7.2	0.7	7.9
Depreciation charge for the period	56.1	4.2	0.3	60.6
Disposals	–	(3.0)	–	(3.0)
Impairment of right of use asset	4.4	–	–	4.4
At 28 June 2020	60.5	8.4	1.0	69.9
Depreciation charge for the period	**53.8**	**3.7**	**0.2**	**57.7**
Disposals	**(6.3)**	**(3.5)**	**–**	**(9.8)**
At 27 June 2021	**108.0**	**8.6**	**1.2**	**117.8**
Net book value				
At 30 June 2019	–	–	–	–
At 28 June 2020	373.5	10.7	0.3	384.5
At 27 June 2021	**335.3**	**9.1**	**0.7**	**345.1**

Notes to the consolidated financial statements continued *at 27 June 2021*

9 LEASES CONTINUED

Amounts recognised in the consolidated balance sheet:

	27 June 2021 £m	28 June 2020 £m
Current lease liabilities	**88.1**	88.6
Non-current lease liabilities	**366.0**	428.6

For more information on the maturity of the Group's lease liabilities, see note 24.

Amounts recognised in the consolidated income statement:

	52 weeks to 27 June 2021 £m	52 weeks to 28 June 2020 £m
Interest on lease liabilities	**26.7**	29.2
Variable lease payments not included in the measurement of lease liabilities	**(0.6)**	2.1
Income from subleasing right of use assets	**(0.5)**	(1.0)
Expenses relating to short-term leases and low value leases	**1.6**	0.8

Amounts recognised in the consolidated cash flow statement:

	52 weeks to 27 June 2021 £m	52 weeks to 28 June 2020 £m
Total cash outflow for lease liabilities	**103.8**	65.5

Non-cancellable short-term lease rentals are payable as follows:

	27 June 2021 £m	28 June 2020 £m
Less than one year	**0.1**	1.2
Between one and five years	**–**	–
More than five years	**–**	–
	0.1	1.2

The Group has entered into short-term leases in respect of warehouses and equipment.

At 27 June 2021, future rentals receivable under non-cancellable leases where the Group is the lessor were £2.7m (2020: £2.1m).

During the period ended 27 June 2021 the Group applied the practical expedient to all Covid-19 related rent concessions. This gave rise to £nil impact on profit and loss during the period (2020: £nil).

Notes to the consolidated financial statements continued *at 27 June 2021*

10 INTANGIBLE ASSETS

	Computer software £m	Brand Names £m	Goodwill £m	Total £m
Cost				
Balance at 30 June 2019	28.0	16.8	514.6	559.4
Additions	6.6	–	–	6.6
Balance at 28 June 2020	34.6	16.8	514.6	566.0
Additions	11.2	–	–	11.2
Disposals	(0.9)	(2.0)	(5.3)	(8.2)
Balance at 27 June 2021	**44.9**	**14.8**	**509.3**	**569.0**
Amortisation and impairments				
Balance at 30 June 2019	17.5	2.9	–	20.4
Amortisation charge for the period	5.3	1.5	–	6.8
Impairments	–	1.0	5.3	6.3
Balance at 28 June 2020	22.8	5.4	5.3	33.5
Amortisation charge for the period	6.5	1.4	–	7.9
Disposals	(0.8)	(1.7)	(5.3)	(7.8)
Balance at 27 June 2021	**28.5**	**5.1**	**–**	**33.6**
Net book value				
At 30 June 2019	10.5	13.9	514.6	539.0
At 28 June 2020	11.8	11.4	509.3	532.5
At 27 June 2021	**16.4**	**9.7**	**509.3**	**535.4**

Goodwill

The carrying amount of goodwill is allocated to the following cash generating units:

	Goodwill	
	27 June 2021 £m	28 June 2020 £m
DFS Trading Limited	**479.9**	479.9
Sofology Limited	**28.4**	28.4
DFS Spain Limited	**1.0**	1.0
	509.3	509.3

Goodwill is tested annually for impairment on the basis of value in use. The key assumptions underlying the calculations are those regarding expected future sales volumes, changes in selling prices and direct costs and the discount rate applied.

Cash flow forecasts are prepared from the latest financial results and internal budgets for the next four years, which take into account external macroeconomic indicators as well as internal growth expectations for each cash generating unit. Selling prices and related costs are based on past practice and expected future changes in the market. A terminal value was then calculated on the basis of the four year plan and an estimated long-term growth rate for the UK upholstery furniture sector of 2.0%. These cash flow forecasts were then discounted at pre-tax discount rates of 9.9%-10.1% (2020: 8.0%-11.1%). The discount rates are estimated based on the Group's weighted average cost of capital, risk adjusted for an individual unit's circumstances.

Notes to the consolidated financial statements continued *at 27 June 2021*

10 INTANGIBLE ASSETS CONTINUED

For the DFS brands and Sofology, these calculations showed significant headroom between the calculated value in use and the carrying value of goodwill in the financial statements. A number of sensitivities were then applied to the base case model to assess whether any reasonably possible changes in assumptions could cause an impairment that would be material to these consolidated financial statements. This analysis applied a number of challenging scenarios, including: possible shortfalls in cash flows compared to plan, a decrease in the long-term growth rate of the UK upholstery market, and changes in applicable discount rates. On the basis of this analysis the Directors concluded that a reasonably possible change in assumptions would not lead to an impairment being recognised.

11 INVESTMENTS IN SUBSIDIARIES

The following companies are incorporated in England & Wales, are wholly owned by the Group and have been consolidated:

	Principal activity
Diamond Holdco 2 Limited[1]	Intermediate holding company
Diamond Holdco 7 Limited[1]	Intermediate holding company
DFS Furniture Holdings plc[1]	Intermediate holding company
DFS Furniture Company Limited[1]	Intermediate holding company
DFS Trading Limited[1]	Furniture retailer
Sofology Limited[3]	Furniture retailer
Sofaworks Limited[1]	Dormant
Haydock Furniture Limited[3]	Dormant
The Sofa Delivery Company Limited[1]	Contract logistics
The Sofa Manufacturing Company Limited[1]	Dormant
The Sofa Servicing Company Limited[1]	Dormant
Coin Retail Limited (Jersey)[2]	Intermediate holding company
Coin Furniture Limited[1]	Furniture retailer
DFS Spain Limited[1]	Furniture retailer

Registered offices:
1. Rockingham Way, Redhouse Interchange, Adwick-le-Street, Doncaster DN6 7NA
2. 13-14 Esplanade, St Helier, Jersey JE1 1BD
3. Ashton Road, Golborne, Warrington, WA3 3UL

Notes to the consolidated financial statements continued *at 27 June 2021*

12 OTHER FINANCIAL ASSETS

	27 June 2021 £m	28 June 2020 £m
Non-current		
Foreign exchange contracts	**0.1**	0.8
Current		
Foreign exchange contracts	**0.1**	4.5

Foreign exchange contracts comprise forward contracts which are used to hedge exchange risk arising from the Group's overseas purchases (note 23).

13 DEFERRED TAX

Deferred tax assets and liabilities are attributable to the following:

	27 June 2021 £m	28 June 2020 £m
Fixed asset timing differences	**7.3**	6.2
IFRS 16	**11.9**	10.3
Remeasurement of derivatives to fair value	**2.0**	(0.6)
Tax losses carried forward	**2.4**	6.3
Brand names	**(2.2)**	(2.0)
Share based payments	**1.3**	1.0
Corporate interest restriction	**–**	1.8
Other temporary differences	**2.0**	1.0
Net tax assets	**24.7**	24.0

The deferred tax movement in the period is as follows:

	52 weeks to 27 June 2021 £m	52 weeks to 28 June 2020 £m
At start of period	**24.0**	8.7
Recognised on adoption of IFRS 16	**–**	5.4
(Charged)/credited to the income statement:		
Fixed asset timing differences	**1.5**	2.3
Unwind of IFRS 16 transition impact	**1.6**	0.1
Tax losses carried forward	**(3.9)**	4.8
Brand names	**(0.2)**	0.2
Share based payments	**0.3**	–
Corporate interest restriction	**(1.8)**	1.8
Other temporary differences	**1.0**	0.3
Disposal of subsidiaries	**(0.4)**	–
Recognised in the statement of comprehensive income	**2.6**	0.4
At end of period	**24.7**	24.0

Deferred tax assets on losses of £2.7m (2020: £6.8m) have not been recognised as there is uncertainty over the utilisation of these losses.

Notes to the consolidated financial statements continued *at 27 June 2021*

14 INVENTORIES

	27 June 2021 £m	28 June 2020 £m
Raw materials and consumables	**6.6**	7.4
Finished goods and goods for resale	**68.6**	63.2
	75.2	70.6
Provision for net realisable value	**(14.1)**	(11.7)
	61.1	58.9

In applying its accounting policy for inventory, the Group identifies those items where there is a risk that net realisable value does not exceed cost, due to either the age or condition of the item. An estimate of the net realisable value of such items is made based on the sale of similar items in the past, taking into account expected future opportunities for sale, and their carrying value reduced by an appropriate provision.

15 TRADE AND OTHER RECEIVABLES

	27 June 2021 £m	28 June 2020 £m
Trade receivables	**9.3**	10.4
Prepayments	**7.2**	10.1
Accrued income	**0.4**	0.9
Other receivables	**0.2**	0.8
	17.1	22.2

No interest is charged on trade receivables; the Group bears no credit risk in respect of amounts due from retail customers under interest free credit arrangements. Prepayments and accrued income do not include impaired assets.

16 TRADE PAYABLES AND OTHER LIABILITIES

	27 June 2021 £m	28 June 2020 £m
Current		
Payments received on account	**117.7**	86.8
Trade payables	**83.9**	41.9
Other creditors including other tax and social security	**31.3**	39.0
Accruals	**64.5**	48.3
	297.4	216.0

Payments on account represent contract liabilities under IFRS 15. The FY20 amounts have been realised through revenue in FY21 and it is anticipated that the FY21 amounts will be realised through revenue in the subsequent financial year. Trade payables do not bear interest and are paid within agreed credit terms.

Notes to the consolidated financial statements continued *at 27 June 2021*

17 OTHER FINANCIAL LIABILITIES

	27 June 2021 £m	28 June 2020 £m
Non-current		
Interest rate derivatives	**–**	1.9
Foreign exchange contracts	**1.5**	–
	1.5	1.9
Current		
Foreign exchange contracts	**6.7**	0.1

Foreign exchange contracts comprise forward contracts which are used to hedge exchange risk arising from the Group's overseas purchases (note 23). Interest rate derivatives are used to hedge interest rate risk on the Group's floating rate debt (note 23).

18 OTHER INTEREST-BEARING LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate and foreign currency risk, see note 23.

	27 June 2021 £m	28 June 2020 £m
Senior revolving credit facility	**25.0**	220.0
Unamortised issue costs	**(1.9)**	(1.3)
	23.1	218.7

The revolving credit facility bears interest at a rate of 3 month LIBOR plus 2.75% and is currently repayable on 21 December 2023, with two one-year options to extend the facility, subject to mutual agreement. The revolving credit facility is secured on a first priority basis with fixed and floating charges over substantially all of the assets of the Group. On 21 December 2020 the Group agreed the size of the revolving credit facility to be £225.0m, reducing to £215.0m from 26 June 2022.

For more information on the maturity of the Group's lease liabilities, see note 24.

19 EMPLOYEE BENEFITS

Defined contribution pension plans

The Group operates a number of defined contribution pension plans under which contributions by the employees and the Group are administered by trustees in funds separate from the Group's assets. The costs of these schemes are charged to the income statement as they become payable under the rules of the scheme. The total pension cost of the Group for the period was £4.7m (2020: £5.5m).

Notes to the consolidated financial statements continued *at 27 June 2021*

20 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
Provisions made during the period	6.6	3.1	3.2	12.9
Provisions reclassified during the period	–	0.8	–	0.8
Provisions used during the period	(5.6)	–	(1.1)	(6.7)
Provisions released on disposal of subsidiary	–	(0.7)	–	(0.7)
Provisions released during the period	–	(1.1)	(0.2)	(1.3)
Balance at 27 June 2021	**9.1**	**3.7**	**8.0**	**20.8**
Current	6.2	0.9	8.0	15.1
Non-current	2.9	2.8	–	5.7
	9.1	**3.7**	**8.0**	**20.8**

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. In calculating this provision the key areas of estimation are the number of future claims, average cost per claim and the expected period over which claims will arise (nearly all claims arise within two years of delivery). The Group has considered the sensitivity of the calculation to these key areas of estimation, and determined that a 10% change in either the average cost per claim or the number of expected future calls would change the value of the calculated provision by £0.9m. The directors have therefore concluded that reasonably possible variations in estimate would not result in a material difference.

Property provisions relate to potential obligations under lease guarantees offered to former subsidiary companies, the majority of which expire in 2025, and repair and remediation costs for Group properties based on anticipated lease expiries and renewals, which will predominantly be utilised more than five years from the reporting date.

Other provisions relate to payment of refunds to customers for payment protection insurance policies and other regulatory costs, and deferred consideration payable on the Group's November 2017 acquisition of Sofology. Subsequent to the balance sheet date, the deferred consideration was finalised and settled on 11 August 2021.

21 DIVIDENDS

The following dividends were recognised and paid during the period:

	Pence per ordinary share	**52 weeks to 27 June 2021 £m**	52 weeks to 28 June 2020 £m
Final ordinary dividend for FY19	7.5p	**–**	15.9
		–	15.9

The Directors recommend a final dividend of 7.5p in respect of the financial period ended 27 June 2021, resulting in a total proposed dividend of £19.4m. Subject to shareholder approval it is intended that this dividend will be paid on 23 December 2021. DFS Furniture plc shares will trade ex-dividend from 25 November 2021 and the record date will be 26 November 2021. This dividend has not therefore been recognised as a liability in these financial statements.

Notes to the consolidated financial statements continued *at 27 June 2021*

22 CAPITAL AND RESERVES

Share capital

	Ordinary shares of £1.50 each		Ordinary shares of £0.10 each		Deferred shares of £1.40 each		Total share capital
	'000	£m	'000	£m	'000	£m	£m
Allotted, called up and fully paid							
At the start of the financial period	255,637	383.4	–	–	–	–	383.4
Subdivision of ordinary share capital	(255,637)	(383.4)	255,637	25.6	255,637	357.8	–
Repurchase of deferred shares	–	–	–	–	(255,637)	(357.8)	(357.8)
Issued during the year	–	–	3,000	0.3	–	–	0.3
At the end of the financial period	**–**	**–**	**258,637**	**25.9**	–	–	25.9

Ordinary shares
Following a resolution at the 2020 Annual General Meeting, on Friday 13 November 2020 the ordinary shares of £1.50 each in the capital of the Company in issue were each subdivided into one ordinary share of £0.10 in the capital of the Company, having the same rights and being subject to the same restrictions in all respects as the ordinary shares of £1.50 each in the capital of the Company prior to that date (save as to nominal value) and one deferred share of £1.40 in the capital of the Company. The deferred shares were subsequently purchased for cancellation on 25 November 2020 for aggregate consideration of £0.01.

On 16 November 2020 the Company issued 3,000,000 ordinary shares of £0.10 each to the Employee Benefit Trust, as noted below.

Deferred shares
The deferred shares carry no entitlement to dividends, distributions or returns of capital save in the event of a winding-up of the Company (such entitlement being limited to the repayment of the amount paid up on the deferred shares), nor any further or other right of participation in the assets of the Company. Holders of deferred shares are not entitled to receive notice of, nor attend, speak or vote at any general meeting of the Company.

Share premium
The share premium account represents the surplus of consideration received for issued ordinary share capital over its nominal value. This arose on the issue of ordinary shares on 11 March 2015.

Merger reserve
The merger reserve arose on the issue of shares in the Company in exchange for minority interests in the issued share capital of a subsidiary company on 10 March 2015.

Capital redemption reserve
The capital redemption reserve arose on the cancellation of deferred shares of £1.40 each on 25 November 2020.

Treasury shares
Where the Company purchases the Company's equity share capital into treasury (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of.

During the period ending 27 June 2021 16,141 of the Company's own ordinary shares (2020: 990,451) were used to satisfy employee share based payment awards. At 27 June 2021 the company had 250,332 ordinary shares held in treasury (2020: 266,473).

Employee Benefit Trust shares
The Employee Benefit Trust holds ordinary shares which are issued for the purpose of satisfying future employee share based payments awards.

During the period ending 27 June 2021 the Company issued 3,000,000 ordinary shares to the Employee Benefit Trust of which 1,135,013 were subsequently used during the period. At 27 June 2021 the Employee Benefit Trust held 1,864,987 of the Company's ordinary shares.

Cash flow hedging reserve
The cash flow hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Notes to the consolidated financial statements continued *at 27 June 2021*

23 FINANCIAL INSTRUMENTS: CATEGORIES AND FAIR VALUE

	27 June 2021 £m	28 June 2020 £m
Financial assets		
Derivatives in designated hedging relationships	**0.2**	5.3
Loans and receivables	**9.5**	11.2
Cash	**24.1**	62.3
Financial liabilities		
Derivatives in designated hedging relationships	**(8.2)**	(2.0)
Senior revolving credit facility	**(23.1)**	(218.7)
Bank overdraft	**(16.7)**	–
Amortised cost	**(164.2)**	(101.0)
Fair value	**(5.0)**	(5.0)
Finance lease obligations	**(454.1)**	(517.2)

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.

Financial liabilities measured at fair value through profit and loss relate to acquisition contingent consideration and are categorised as level 3 under the requirements of IFRS 7 as they are not based on observable market data.

The Directors have reviewed for expected credit losses and consider the amount of any such losses to be immaterial.

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.

24 FINANCIAL INSTRUMENTS: RISK MANAGEMENT

The objectives, policies and processes governing the treasury activities of the Group are reviewed and approved by the Board. The Group's documented treasury policy includes details of authorised counterparties, instrument types and transaction limits and principles for the management of liquidity, interest and foreign exchange risks. As part of its strategy for the management of these risks the Group uses derivative financial instruments. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Liquidity risk

The Group manages its cash and borrowing requirements to ensure that it has sufficient liquid resources to meet its obligations as they fall due while making efficient use of the Group's financial resources.

The table below shows the maturity analysis of the undiscounted remaining contractual cash flows (including interest) of the Group's financial liabilities:

27 June 2021	**Less than 1 year £m**	**1 to 2 years £m**	**2 to 5 years £m**	**Over 5 years £m**	**Total £m**
Trade and other payables	**148.4**	**–**	**–**	**–**	**148.4**
Lease liabilities	**86.1**	**80.0**	**203.1**	**187.0**	**556.2**
Senior revolving credit facility	**0.7**	**0.7**	**25.4**	**–**	**26.8**
Other liabilities	**15.1**	**2.9**	**–**	**2.8**	**20.8**
	250.3	**83.6**	**228.5**	**189.8**	**752.2**
Derivatives: net settled	**–**	**–**	**–**	**–**	**–**
Derivatives: gross settled					
Cash in flows	**(119.5)**	**(60.7)**	**–**	**–**	**(180.2)**
Cash out flows	**144.3**	**44.9**	**–**	**–**	**189.2**
Total cash flows	**275.1**	**67.8**	**228.5**	**189.8**	**761.2**

Notes to the consolidated financial statements continued *at 27 June 2021*

24 FINANCIAL INSTRUMENTS: RISK MANAGEMENT CONTINUED

28 June 2020	Less than 1 year £m	1 to 2 years £m	2 to 5 years £m	Over 5 years £m	Total £m
Trade and other payables	90.2	–	–	–	90.2
Lease liabilities	88.0	85.9	214.5	235.3	623.7
Senior revolving credit facility	4.6	3.9	220.6	–	229.1
Other liabilities	11.9	2.5	–	1.4	15.8
	194.7	92.3	435.1	236.7	958.8
Derivatives: net settled	0.9	0.8	0.1	–	1.8
Derivatives: gross settled					
Cash in flows	(107.7)	(34.3)	–	–	(142.0)
Cash out flows	114.5	27.1	–	–	141.6
Total cash flows	202.4	85.9	435.2	236.7	960.2

Interest rate risk management

The Group's operating profit is affected by the cost of providing interest free credit to its customers. A fall in LIBOR rates would have a positive impact on operating profit and a rise in LIBOR rates would impact operating profit negatively. However, with the current low LIBOR rates any increases or decreases at present would largely be mitigated by the LIBOR 'floor' mechanisms used by the external providers of credit to the Group's customers. Excluding the effect of these floors, an increase in LIBOR of one percentage point would reduce the Group's reported revenue by 0.7%.

The Group is exposed to interest rate risk on its senior revolving credit facility, which bears interest at a floating rate of 3 month GBP LIBOR plus 2.75%. Due to the significantly reduced amount of drawn facility at 27 June 2021, the level of this risk to the Group is minimal and as such no interest rate hedging is in place. In the prior year, the Group had in place four participating interest rate swaps and caps. The effect of these instruments was to fix the interest rate payable on the senior revolving credit facility to a maximum level while allowing the Group to retain some benefit on a proportion of the facility where LIBOR remained below 1.39%. The fair values of the Group's interest rate derivatives are as follows:

	27 June 2021 £m	28 June 2020 £m
Interest rate swaps		
Derivatives in designated hedging relationships	**–**	(1.9)

Foreign exchange risk management

The Group is exposed to the risks of exchange rate fluctuations on the purchase of products denominated in foreign currencies. The Group is exposed to foreign currency risk, most significantly to the US dollar as a result of sourcing certain products which are paid for predominantly in US dollars. The Group hedges these exposures using forward foreign exchange contracts and hedge accounting is applied when the requirements of IFRS 9 are met, which include that a forecast transaction must be "highly-probable".

Currency requirements are assessed by analysis of historic purchasing patterns by month, adjusted as appropriate to take into account current trading expectations. The Group's treasury policy allows for the use of forward foreign exchange contracts to hedge the exchange rate risk arising from these anticipated future purchases up to 24 months in advance. These contracts are designated as cash flow hedges and their critical terms are aligned to the hedged transactions. The Group assesses the effectiveness of these hedging relationships prospectively via a capacity test and retrospectively using the dollar offset method.

Notes to the consolidated financial statements continued *at 27 June 2021*

24 FINANCIAL INSTRUMENTS: RISK MANAGEMENT CONTINUED

The table below summarises the forward foreign exchange contracts outstanding at the period end:

	27 June 2021		28 June 2020	
	Notional amount £m	**Fair value £m**	Notional amount £m	Fair value £m
Derivatives in designated hedging relationships				
US Dollar	**189.2**	**(8.8)**	141.7	4.1

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		**Liabilities**	
	27 June 2021 £m	28 June 2020 £m	**27 June 2021 £m**	28 June 2020 £m
US Dollar	**7.6**	7.7	**(8.6)**	(7.8)
Euro	**2.9**	4.4	**(0.3)**	(0.1)

Foreign currency sensitivity analysis

The Group's primary foreign currency exposures are to US Dollars and the Euro. The table below illustrates the hypothetical sensitivity of the Group's reported profit and closing equity to a 10% weakening of these currencies against Sterling, assuming all other variables were unchanged. The sensitivity rate of 10% represents the directors' assessment of a reasonably possible change, based on historic volatility.

The analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The analysis assumes that exchange rate fluctuations on currency derivatives that form part of an effective cash flow hedge relationship affect the cash flow hedging reserve in equity.

Positive figures represent an increase in profit or equity.

	Income statement		**Equity**	
	52 weeks to 27 June 2021 £m	52 weeks to 28 June 2020 £m	**52 weeks to 27 June 2021 £m**	52 weeks to 28 June 2020 £m
US Dollar	**–**	–	**(17.8)**	(14.7)
Euro	**(0.3)**	(0.4)	**–**	–

The net of outstanding US Dollar denominated monetary items at the year end is low, therefore the impact on the income statement would be £nil, but a change in rate would result in a change in the value of the derivatives in designated hedging relationships, resulting in a movement through equity.

A 10% strengthening of the above currencies against the Sterling at the period end would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

IFRS 9 requires the Group to ensure that hedge accounting relationships are aligned with the Group's risk management objectives and strategy and to apply a qualitative and forward-looking approach to assessing hedge effectiveness. The Group determines the existence of an economic relationship between the hedging instrument and the hedged item based on the currency, amount and timing of their respective cash flows. The Group assesses whether the derivative designated in each hedging relationship is expected to be and, has been, effective in offsetting cash flows of the hedged item using the hypothetical derivative method.

In these hedge relationships, the main sources of ineffectiveness are:

– the effect of counterparties and the Group's own credit risk on the fair value of the forward foreign exchange contracts, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in exchange rates; and

– changes in the timing of the hedged transactions.

Notes to the consolidated financial statements continued *at 27 June 2021*

24 FINANCIAL INSTRUMENTS: RISK MANAGEMENT CONTINUED

Financial risk management

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's investment securities. The Group does not offer any credit to its customers, therefore credit risk relating to exposure to customers is low.

Investments of cash, borrowings and derivative instruments are transacted only through counterparties meeting the credit rating and investment criteria specified in the Group's treasury policy. The Group's exposure and the credit ratings of its counterparties are regularly reviewed. The Group considers that expected credit losses on derivative assets arising from the default of counterparties are not material (see note 1.3). Concentrations of risk are mitigated through the use of multiple counterparties and by counterparty limits which are reviewed and approved by the Board.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group's maximum credit exposure arising from derivatives is equal to the carrying value at the reporting date.

Capital management

The capital structure of the Group consists of debt, as analysed in note 26, and equity attributable to the equity holders of the parent company, comprising issued capital, reserves and retained earnings as shown in the consolidated statement of changes in equity. The Group manages its capital with the objective that all entities within the Group continue as going concerns while maintaining an efficient structure to minimise the cost of capital. The Group is not restricted by any externally imposed capital requirements.

25 SHARE BASED PAYMENTS

The Group has three share based payment schemes in operation:

Long Term Incentive Plan (LTIP)

The LTIP is a discretionary executive reward plan that allows the Group to grant conditional share awards or nil-cost options to selected executives at the discretion of the Remuneration Committee. The scheme is focused on the senior leadership roles in the Group, including Executive Directors. The maximum value of LTIP awards granted to an individual is 150% of base salary, although the Remuneration Committee may in exceptional circumstances increase this to 300%.

LTIP awards vest after a three year performance period subject to the achievement of performance measures based on earnings per share and total shareholder return targets. Further information on LTIP performance targets and awards made to Directors during the year is given in the Directors' Remuneration Report on page 106 in the sections entitled 'LTIP Awards Vesting in Relation to Performance in FY21 – Audited' and 'Scheme Interests Awarded in FY21 (2020 Awards) – Audited'.

Restricted Share Plan (RSP)

The RSP is also a discretionary reward plan under which conditional share awards or nil-cost options may be granted to individuals in key executive roles in the Group, excluding Executive Directors and other recipients of LTIP awards. Awards may not exceed 50% of an individual's salary for a particular financial year.

RSP awards vest after a three year performance period (other than those granted shortly after Admission vested in July 2017). For awards granted on or after 1 July 2019, 50% of awards made to each individual are subject to either an earnings per share or underlying profit before tax performance target; remaining awards are not subject to other performance conditions.

Notes to the consolidated financial statements continued *at 27 June 2021*

25 SHARE BASED PAYMENTS CONTINUED

Save as You Earn (SAYE)

SAYE schemes are currently available to all employees in the UK and Republic of Ireland, with invitations to participate generally issued on an annual basis and subject to HMRC rules. The current maximum monthly savings limit for the schemes is £500. Options are granted at the prevailing market rate less a discount of 20% and vest three years from the date of grant.

The movements in outstanding awards under each of the schemes are summarised below:

	LTIP No.	RSP No.	SAYE No.
Outstanding at the beginning of the period	1,676,222	3,605,064	2,508,458
Granted	849,903	1,127,187	3,032,379
Forfeited	(87,902)	(225,875)	(88,039)
Exercised	–	(1,392,847)	(719,058)
Lapsed	(508,992)	–	(160,685)
Cancelled	–	–	(375,816)
Outstanding at the end of the period	**1,929,231**	**3,113,529**	**4,197,239**
Weighted average remaining contractual life (months)	**17.6**	**16.7**	**26.3**
Weighted average share price at exercise	**–**	**£2.28**	**£2.33**

At 27 June 2021 the weighted average exercise price of outstanding SAYE options was £1.69 (2020: £1.79) and the range of exercise prices was £1.61 to £1.88 (2020: £1.61 to £1.88).

Fair value calculations

The LTIP, RSP and SAYE awards are all accounted for as equity-settled under IFRS 2. The fair value of LTIP awards which are subject to a market based performance condition (total shareholder return) is calculated using a stochastic (Monte Carlo) option pricing model. RSP awards, SAYE awards and LTIP awards subject to a non-market based performance condition (earnings per share) are valued using a Black-Scholes option pricing model. The inputs to these models for awards granted during the financial period are detailed below:

	LTIP	RSP	SAYE
Grant date	6 October 2020	6 October 2020	27 November 2020
Valuation date[1]	9 March 2021	11 March 2021	27 November 2020
Share price at date of grant	£2.01	£2.01	£2.03
Share price at valuation date	£2.40	£2.45	£2.03
Exercise price	Nil	Nil	£1.62
Volatility	51.0-64.8%[2]	–[3]	47.2%
Expected life	3 years	3 years	3.1 years
Risk free rate	0.1-0.3%[2]	–[3]	0.0%
Dividend yield	–[4]	2.8%	2.8%
Fair value per share			
Market based performance conditions	£1.39-£1.53[2]	–	–
Non-market based performance condition	£2.19-£2.40[2]	£1.89	–
No performance condition	–	£2.28	£0.70

Expected volatility is calculated over the period of time commensurate with the relevant performance period or holding period. Expected life has been assumed to equate to the vesting period of the awards.

The total share based payment expense included in administration costs in respect of the above schemes was £3.6m (2020: £2.4m).

1. Performance conditions for the 2020 LTIP and RSP awards were determined subsequent to the initial date of grant on 9 March 2021 and 11 March 2021 respectively. The fair value calculations in respect of those awards subject to performance conditions were therefore calculated based on share price and other inputs prevailing at the valuation date.
2. The 2020 LTIP grant included a number of required holding periods, giving a range of volatility and fair values.
3. Volatility and risk free rates do not impact the fair value calculation for awards with no exercise price or market based performance condition.
4. LTIP participants are entitled to receive dividend equivalents on unvested awards therefore dividend yield does not impact the fair value calculation.

Notes to the consolidated financial statements continued *at 27 June 2021*

26 NET DEBT

	28 June 2020 £m	Cash flow £m	Other non-cash changes £m	**27 June 2021 £m**
Cash in hand, at bank	62.3	(39.6)	–	**22.7**
Bank overdraft	–	(16.7)	–	**(16.7)**
Cash and cash equivalents (including bank overdraft)	62.3	(56.3)	–	**6.0**
Senior revolving credit facility	(218.7)	195.0	0.6	**(23.1)**
Lease liabilities	(517.2)	77.1	(14.0)	**(454.1)**
Total net debt	(673.6)	215.8	(13.4)	**(471.2)**

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

Non-cash changes include the addition of leases within the period of £20.3m (2020: £7.7m), lease remeasurements of £13.5m (2020: £2.9m), disposals of leases of £13.6m (2020: £nil), impact of the disposal of Sofa Workshop on lease liabilities of £6.2m (2020: £nil) and the amortisation of capitalised debt issue costs of £0.6m (2020: £0.3m).

27 RELATED PARTIES

Key Management Personnel

At 27 June 2021, Directors of the Company held 0.3% of its issued ordinary share capital (2020: 0.3%), and a further 0.1% (2020: 0.1%) was held by other key management personnel.

The compensation of key management personnel (including the Directors) is as follows:

	52 weeks to 27 June 2021 £m	52 weeks to 28 June 2020 £m
Emoluments	**4.9**	2.9
Share based payments expense	**1.2**	0.7
Company contributions to money purchase schemes	**0.3**	0.2
	6.4	3.8

Company balance sheet *at 27 June 2021*

	Note	27 June 2021 £m	28 June 2020 £m
Non-current assets			
Investments	2	**250.1**	246.5
Amounts due from group companies	3	**355.7**	–
		605.8	246.5
Current assets			
Amounts due from group companies	3	**–**	356.7
Current liabilities			
Amounts due to group companies	4	**(112.0)**	(112.0)
Net assets		**493.8**	491.2
Capital and reserves			
Called up share capital	5	**25.9**	383.4
Share premium	5	**40.4**	40.4
Merger reserve	5	**18.6**	18.6
Capital redemption reserve	5	**357.8**	–
Treasury shares	5	**(0.7)**	(0.7)
Shares held by employee benefit trust	5	**(0.2)**	–
Retained earnings		**52.0**	49.5
Equity shareholders' funds		**493.8**	491.2

The Company's profit for the period was £nil (2020: £nil).

These financial statements were approved by the board of directors on 23 September 2021 and were signed on its behalf by:

Tim Stacey
Chief Executive Officer

Mike Schmidt
Chief Financial Officer

Company registered number: 07236769

Company statement of changes in equity *at 27 June 2021*

	Share capital £m	Share premium £m	Merger reserve £m	Capital redemption reserve £m	Treasury shares £m	Shares held by employee benefit trust £m	Retained earnings £m	Total equity £m
Balance at 30 June 2019	**319.5**	**40.4**	**18.6**	–	**(2.1)**	**–**	**65.8**	**442.2**
Profit for the period	–	–	–	–	–	–	–	–
Other comprehensive income	–	–	–	–	–	–	–	–
Total comprehensive income for the period	–	–	–	–	–	–	–	–
Dividends	–	–	–	–	–	–	(15.9)	(15.9)
Purchase of own shares	–	–	–	–	(1.1)	–	–	(1.1)
Treasury shares issued	–	–	–	–	2.5	–	(1.2)	1.3
Shares issue	63.9	–	–	–	–	–	–	63.9
Settlement of share based payments	–	–	–	–	–	–	(1.6)	(1.6)
Share based payments	–	–	–	–	–	–	2.4	2.4
Balance at 28 June 2020	**383.4**	**40.4**	**18.6**	–	**(0.7)**	**–**	**49.5**	**491.2**
Profit for the period	–	–	–	–	–	–	–	–
Other comprehensive income	–	–	–	–	–	–	–	–
Total comprehensive income for the period	–	–	–	–	–	–	–	–
Purchase of shares held by employee benefit trust	**0.3**	**–**	**–**	**–**	**–**	**(0.3)**	**–**	**–**
Repurchase and cancellation of deferred shares	**(357.8)**	**–**	**–**	**357.8**	**–**	**–**	**–**	**–**
Employee benefit trust shares issued	**–**	**–**	**–**	**–**	**–**	**0.1**	**1.0**	**1.1**
Settlement of share based payments	**–**	**–**	**–**	**–**	**–**	**–**	**(2.1)**	**(2.1)**
Share based payments	**–**	**–**	**–**	**–**	**–**	**–**	**3.6**	**3.6**
Balance at 27 June 2021	**25.9**	**40.4**	**18.6**	**357.8**	**(0.7)**	**(0.2)**	**52.0**	**493.8**

Notes to the Company financial statements *at 27 June 2021*

1 ACCOUNTING POLICIES

Basis of preparation

The financial statements are prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In these financial statements the Company has applied the exemption available under FRS101 in respect of the following disclosures:

- A cash flow statement and related notes
- Comparative period reconciliations
- Disclosures in respect of transactions with wholly owned subsidiaries
- Disclosures in respect of capital management
- The impact of new but not yet effective IFRSs

As the consolidated accounts of the Company include the equivalent disclosures, the Company has also taken the exemption available under FRS 101 in respect of IFRS 2 Share Based Payments disclosures of group settled share based payments. Under Section 408 of the Companies Act 2006, the Company is not required to present its own profit and loss account. The Company's profit for the period was £nil (2020: £nil).

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Going concern

The Company heads a group which has a £225.0m revolving credit facility maturing in December 2023, with two one-year options to extend the facility, subject to mutual agreement with the consortium of lending banks. The Directors have considered the projected trading and cash flow forecasts for the Company's group, including the inherent uncertainty in forecasting the future impacts of the Covid-19 pandemic, and are confident that the Company and its Group has adequate resources to continue to meet all liabilities as and when they fall due for the foreseeable future and at least for the period of 18 months to March 2023. Accordingly, the financial statements are prepared on a going concern basis.

Investments

Investments are stated at cost, less any accumulated impairment losses. Carrying values of investments in subsidiary companies are reviewed at each reporting date to determine whether there is any indication of impairment. If any such exists, then the investment's recoverable amount is estimated based on a value in use calculation. An impairment loss is recognised if the carrying amount of the investment exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Amounts due from and to group companies

Amounts receivable from or payable to other companies within the Company's group are recognised initially at fair value and subsequently measured at amortised cost less any provision for impairment.

Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to a business combination, or items recognised directly in equity or other comprehensive income. Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Share based payments

Awards (options or conditional shares) granted by the Company over its own shares to the employees of subsidiary companies are recognised in the Company's own financial statements as an increase in the cost of investment in subsidiaries. The amount recognised is equivalent to the equity-settled share based payment charge recognised in the consolidated financial statements. The corresponding credit is recognised directly in equity.

Treasury shares

Where the Company purchases the Company's equity share capital into treasury (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of.

Audit fees

Amounts receivable by the Company's auditor, and its associates in respect of services to the Company and its associates, other than the audit of the Company's financial statements have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements.

Directors' remuneration and staff numbers

The Company has no employees other than the Directors, who did not receive any remuneration for their services directly from the Company in either the current or preceding period. See note 27 in the consolidated financial statements for Key Management Personnel compensation.

Credit risk

The ability of subsidiary undertakings to repay outstanding balances to the Company is assessed at each reporting date and counterparty credit risk is reviewed on a regular basis using IFRS 9's expected credit loss impairment model.

Notes to the Company financial statements continued *at 27 June 2021*

2 INVESTMENTS

	Shares in subsidiary undertakings	
	52 weeks to 27 June 2021 £m	52 weeks to 28 June 2020 £m
Cost and net book value		
At the start of the financial period	**246.5**	244.1
Additions	**3.6**	2.4
At the end of the financial period	**250.1**	246.5

Details of the Company's investments are given in note 11 to the consolidated financial statements. Additions in the current and prior period relate to capital contributions made in respect of share based payments schemes for the Group's employees. No impairment indicators or impairment charges were identified in the current financial period.

3 DEBTORS

	27 June 2021 £m	28 June 2020 £m
Amounts due from subsidiary undertakings		
Current assets	**–**	356.7
Non-current assets	**355.7**	–

Amounts due from subsidiary undertakings are non-interest bearing and repayable on demand. During the year the Directors reviewed the expectation of the timing of settlement of these balances and accordingly reclassified them to non-current assets. No material impairment of the receivable was recorded at 27 June 2021 or 28 June 2020.

4 CREDITORS: AMOUNTS DUE IN LESS THAN ONE YEAR

	27 June 2021 £m	28 June 2020 £m
Amounts due to subsidiary undertakings (non-interest bearing, repayable on demand)	**112.0**	112.0

5 CAPITAL AND RESERVES

Share capital

	Ordinary shares of £1.50 each		Ordinary shares of £0.10 each		Deferred shares of £1.40 each		Total share capital
	'000	£m	'000	£m	'000	£m	£m
Allotted, called up and fully paid							
At the start of the financial period	255,637	383.4	–	–	–	–	383.4
Subdivision of ordinary share capital	(255,637)	(383.4)	255,637	25.6	255,637	357.8	–
Repurchase of deferred shares	–	–	–	–	(255,637)	(357.8)	(357.8)
Issued during the year	–	–	3,000	0.3	–	–	0.3
At the end of the financial period	**–**	**–**	**258,637**	**25.9**	–	–	**25.9**

Notes to the Company financial statements continued *at 27 June 2021*

5 CAPITAL AND RESERVES CONTINUED

Ordinary shares

Following a resolution at the 2020 Annual General Meeting, on Friday 13 November 2020 the ordinary shares of £1.50 each in the capital of the Company in issue were each subdivided into one ordinary share of £0.10 in the capital of the Company, having the same rights and being subject to the same restrictions in all respects as the ordinary shares of £1.50 each in the capital of the Company prior to that date (save as to nominal value) and one deferred share of £1.40 in the capital of the Company. The deferred shares were subsequently purchased for cancellation on 25 November 2020 for aggregate consideration of £0.01.

On 16 November 2020 the Company issued 3,000,000 ordinary shares of £0.10 each to the Employee Benefit Trust, as noted below.

Deferred shares

The deferred shares carry no entitlement to dividends, distributions or returns of capital save in the event of a winding-up of the Company (such entitlement being limited to the repayment of the amount paid up on the deferred shares), nor any further or other right of participation in the assets of the Company. Holders of deferred shares are not entitled to receive notice of, nor attend, speak or vote at any general meeting of the Company.

Share premium

The share premium account represents the surplus of consideration received for issued ordinary share capital over its nominal value. This arose on the issue of ordinary shares on 11 March 2015.

Merger reserve

The merger reserve arose on the issue of shares in the Company in exchange for minority interests in the issued share capital of a subsidiary company on 10 March 2015.

Capital redemption reserve

The capital redemption reserve arose on the cancellation of deferred shares of £1.40 each on 25 November 2020.

Treasury shares

Where the Company purchases the Company's equity share capital into treasury (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of.

During the period ending 27 June 2021 16,141 of the Company's own ordinary shares (2020: 990,451) were used to satisfy employee share based payment awards. At 27 June 2021 the company had 250,332 ordinary shares held in treasury (2020: 266,473).

Employee Benefit Trust shares

The Employee Benefit Trust holds ordinary shares which are issued for the purpose of satisfying future employee share based payments awards.

During the period ending 27 June 2021 the Company issued 3,000,000 ordinary shares to the Employee Benefit Trust of which 1,135,013 were subsequently used during the period. At 27 June 2021 the Employee Benefit Trust held 1,864,987 of the Company's ordinary shares.

Financial history

		FY21	FY20	FY19[3] 52 weeks	FY19[2] 48 weeks	FY18[1]	FY17
		IFRS 16		IAS 17			
Gross sales	£m	**1,368.7**	935.0	1,287.2	1,165.0	1,125.6	990.8
Revenue	£m	**1,067.7**	724.5	996.2	901.0	870.5	762.7
Underlying EBITDA	£m	**222.6**	61.9	90.2	65.1	76.1	82.4
Underlying (loss)/profit before tax excluding brand amortisation	£m	**105.8**	(63.1)	50.2	28.2	38.3	50.2
Profit/(loss) before tax	£m	**99.2**	(81.2)	43.6	22.4	25.8	50.1
Basic earnings per share	p	**34.5**	(31.4)	16.5	8.6	8.9	18.7
Ordinary dividends per share	p	**7.5**	–	11.2	11.2	11.2	11.2
Special dividends per share	p	**–**	–	–	–	–	9.5
Purchase of own shares	£m	**–**	1.1	–	–	–	–
Total shareholder return	%	**+71.4**	-32.5	+31.9	+31.5	+1.9%	+6.5%

1. Sofology acquired 30 November 2017.
2. Audited statutory period: 48 weeks ended 30 June 2019.
3. Unaudited proforma period: 52 weeks ended 30 June 2019.

Shareholder information

Contacts

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Mike Schmidt

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Peel Hunt Limited & Jefferies International Limited

Shareholder enquiries
The Company's registrar is Equiniti. They will be pleased to deal with any questions regarding your shareholding or dividends. Please notify them of your change of address or other personal information. Their address details are:

Equiniti
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Spencer Road
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West Sussex
BN99 6DA

Equiniti helpline: 0371 384 2030.
Overseas holders should contact
+44 (0)121 415 7047.

Lines are open 8.30am to 5.30pm, Monday to Friday (excluding public holidays).

Shareholders are able to manage their shareholding online and facilities include electronic communications, account enquiries, amendment of address and dividend mandate instructions.

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Annual General Meeting 2021
This year's AGM will be held at 3:30pm on 12 November 2021 at DFS Group Support Centre, 1 Rockingham Way, Redhouse Interchange, Adwick-le-Street, Doncaster, DN6 7NA

Financial calendar

FY21 full year results	23 September 2021
Annual General Meeting	12 November 2021

Report and Accounts
Registered number 7236769
27 June 2021
Company No. 07236769