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

Interim Results Announcement

INCREASING OUR SCALE THROUGH SUSTAINABLE DEVELOPMENT

DFS Furniture plc (the "Group"), the market leading retailer of living room and upholstered furniture in the United Kingdom, today announces its interim results for the 26 week period ended 26 December 2021 (prior year comparative periods are the 26 weeks ended 27 December 2020 and the 26 week period ended 29 December 2019).

£m	H1 FY22 (unaudited) £m	H1 FY21 (unaudited) £m	H1 FY22 vs H1 FY21 change	H1 FY20[1] (unaudited) £m	FY22 vs FY20 change
Revenue	561.1	572.6	(2.0%)	488.0	15.0%
Continuing revenues[2]	561.1	567.5	(1.1%)	477.9	17.4%
Digital % of revenues	*23.2%*	*25.7%*	*(2.5%pts)*	*18.4%*	*4.8%pts*
Underlying PBT(A)[3]	22.1	76.5	(71.1%)	16.6	33.1%
PBT	21.6	72.1	(70.0%)	15.9	35.8%
Basic underlying EPS[3]	6.9p	23.5p	(70.6%)	6.0p	15.0%
Basic EPS	7.0p	22.5p	(68.9%)	6.0p	16.7%
Net bank debt[2]	65.4	38.2	(27.2)	147.8	82.4

[1] FY20 figures provided to give pre-Covid comparator.
[2] Continuing revenues exclude revenues from the disposed Sofa Workshop business that were recognised in FY21 and FY20. Refer Financial Review for further details and reconciliation.
[3] Definitions and reconciliations of KPIs including Alternative Performance Measures ("APMs") are provided at the end of this statement in Note 14 to the condensed consolidated financial statements.

Highlights:

- New scale of business now established; more than 15% larger than pre-pandemic
  - New Sofology showrooms, refreshed DFS showroom formats and continued investment in our digital channels have driven 2%pts market share growth, translating to a last twelve months order intake of over £1.15bn in revenue equivalent terms.
  - Strength of H2 trading to date, showing double-digit volume and value order intake growth, demonstrates success in strategy to offset and pass-through inflationary pressures.
  - Delivered H1 Group revenue from continuing operations of £561.1m, up 17.4% on the pre-pandemic 2 year comparator, with significant accelerations in rate of deliveries across Q2 and into Q3.

- Overcoming operational pressure to deliver reported PBT in the half of £21.6m, up 35.8% vs. pre-pandemic 2 year comparator of £15.9m (H1 FY21: £72.1m)
  - Achieved despite Covid-related supply chain challenges impacting net margin and operating costs of c.£21m in the half.

  - Importantly, underlying cash gross profit per transaction has remained stable, despite a decrease in margin rate, as finished goods cost inflation has been offset or passed through.
  - Investment in the Sofa Delivery Company and manufacturing capacity are now enabling us to support the new revenue base with Q2 delivered revenues +24% vs. Q1 and momentum continuing into Q3.
  - Order bank remains c.£175m higher on a revenue equivalent basis than the pre-pandemic 2 year comparator giving increased resilience in the current year and through into FY23.

- Platforms set us up for profitable future growth
  - Online revenue penetration normalised to 23.2% versus the prior year comparator that contained lockdowns - 4.8%pts ahead of FY20 as the Group continues to demonstrate the importance of our leading integrated retail capabilities both online and in showrooms.
  - Progress on our new 'Integrated Retail Intelligence System' (IRIS) that looks to build upon recent online and showroom market share capture and provide cost efficiency benefits.
  - Decision made to begin consultation with colleagues on the potential closure of our Netherlands operation, thereby allowing increased focus on higher returning activities.
  - Ongoing development of our Home proposition and internal manufacturing capabilities create future profit growth opportunity.

- Robust balance sheet and outlook underpins our special capital returns plan
  - We are committed to value creation for shareholders through profitable growth in scale, and maintaining strong cash generation through capital allocation discipline.
  - Following strong cash generation over the last eighteen months, we have the intention to return approximately £80m of excess capital to shareholders (inclusive of ordinary dividend) over a twelve month period in order to remain within our targeted leverage range of 0.5x-1.0x:
    - Interim dividend of 3.7p, giving an LTM ordinary dividend of 11.2p, £28.9m in total
    - Special dividend of 10.0p, £25.5m in total
    - Share buyback of up to £25m, to be executed over the next twelve months
  - We believe that the Group's cash generative business model will continue to drive the ongoing potential for enhanced returns of capital to shareholders.

- New ambition to grow to £1.4bn of revenues through the launch of our 'Pillars and Platforms' strategy
  - Unlocks new categories of growth, by leveraging our proven and leading upholstery market make-to-order model advantages.

Further details on strategic progress and our launch of our 'Pillars and Platforms' strategy as outlined in this document will be provided at our Capital Markets Day taking place today, 15 March 2022, in Milton Keynes starting at 11.00am. A copy of the presentations and a summary video of this day will be shared in due course on our corporate website www.dfscorporate.co.uk.

Tim Stacey, Group Chief Executive Officer said:
"We delivered a strong performance in the first half of the year, with market share gains and strong revenue growth on the pre-pandemic comparators. This was in spite of significant logistics and

supply chain challenges and once again I would like to thank all of our colleagues across the Group for their hard work and resilience in achieving this result.

Trading across H2 to date has started strongly, again emphasising the increased scale of the business and demonstrating the success of our approach to mitigating the impact of inflationary pressures on our profit expectations.

Our expectations for total profits across FY22 and FY23 remain unchanged, with our confidence supported by our significant order bank and strong trading in H2. We narrow our scenario range for FY22 to recognise that manufacturing and logistics disruption may affect H2 throughput, however our resilient order bank should mean any such in-year disruption will cause profits to shift into the next FY23 reporting period.

We are therefore pleased to be able to reward shareholders with a special capital return that will deliver a total return to shareholders of approximately £80m over a twelve month period.

Looking forward, whilst the macro-economic environment remains uncertain, we believe that our scale, brand strength and integrated retail strategy will continue to drive market share gains ahead of the competition. We will continue to invest in our digital platforms, our showrooms, our delivery networks and our UK manufacturing capacity, as well as expansion into other home categories which we believe will continue to drive long term growth and profitability."

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Analysts Q&A
A video presentation of these results by Tim Stacey (CEO) and Mike Schmidt (CFO) will be available on the corporate web site from 7:00am today. The presentation slides relating to the interim statements will also be available on the Group's website: www.dfscorporate.co.uk.

DFS will be hosting an in-person analyst Q&A in Milton Keynes at 10:30am before the Group's Capital Markets Day event today. A recording will be available on our website shortly thereafter.

About DFS Furniture plc
The Group is the clear market-leading retailer of living room furniture in the United Kingdom. We design, manufacture, sell and deliver to our customers an extensive range of furniture products. The business operates an integrated physical and digital retail network of furniture showrooms and web

sites in the United Kingdom and other European countries, trading through our leading brands. The Group has been established and developed gradually over 50 years of operating history. We attract customers through our substantial and continued investment in nationwide marketing activities and our reputation for high quality products and service, breadth of product ranges and price points and favourable consumer financing options.

CHIEF EXECUTIVE'S OPERATING REVIEW

Overview

In the first half of the financial year, the Group delivered strong progress in sales and profits versus the pre-pandemic comparators. This was in spite of a challenging operational environment, with cost inflation and industry-wide Covid disruption affecting our supply chain, from extended supplier lead times, containers being held at port and reduced HGV trunking reliability. We now enter into the second half of the year with a resilient order bank as well as a robust balance sheet position which underpins our plans for a special return of capital to shareholders. Following a strong start to order intake in the second half of the financial year, but continued pressure on production and logistics throughput, our outlook for the next eighteen months is unchanged with the narrowing of the PBT scenario range for FY22 to the lower half of the previous range, with the delayed revenue recognition increasing our order bank tailwind into FY23.

We have also continued to invest in new showrooms, data platforms and our supply chain and logistics capability in order to further strengthen our market-leading position and to position ourselves for long term growth.

Results

Delivered revenues (excluding the discontinued Sofa Workshop operation) were down 1.1% YOY whilst being 17.4% ahead of the FY20 pre-pandemic comparator. The period was impacted by industry-wide Covid disruption to our supply chain which particularly affected Q1 but, encouragingly, we saw a 24% increase in delivered revenues in Q2 vs Q1.

Underlying profit before tax and brand amortisation (PBT(A))[1] was £22.1m, a £54.4m decrease vs the prior year's exceptional performance. This was partly as a result of lower volumes delivered overall, but also due to increased costs, with inflationary margin pressures in cash terms being successfully offset, but c.£21m of one-off gross margin and operating costs related to Covid disruption incurred and c.£1.5m of investment in our capability to support our achieved growth. The prior year also benefited by £12.0m from the UK Retail Business Rates Relief scheme. Compared to the FY20 pre-pandemic comparator, PBT(A) grew by £5.5m, reflecting the enlarged scale at which our Group now operates. Reported PBT for the period was £21.6m (H1 FY21: £72.1m, H1 FY20: £15.9m).

Further information on the Group's financial performance is set out in the Financial Review.

Following strong underlying cash generation over the last eighteen months and our resilient order bank, we intend to return approximately £80m of capital to shareholders over a 12 month period. Reflecting on the performance of the first half of the financial year, and the confidence in the Group's long term outlook the Board has declared an interim ordinary dividend of 3.7 pence per share (11.2 pence total dividend payments over the last twelve months). In addition the Group will pay a 10.0 pence special dividend and repurchase for cancellation up to £25m of the Group's shares, with the buyback commencing immediately. The interim dividend of 3.7 pence per share and special dividend of 10.0 pence per share will be payable on 25 May 2022 to shareholders on the register on 8 April 2022.

New ‘Pillars and Platforms’ Strategy

Our strategy model continues to be centred upon our belief that the winning approach in the upholstery sector is a seamless combination of leading capabilities in both physical and digital retailing. Our approach, which we term “Integrated Retail”, delivers the UK & ROI’s best sector showroom experience encompassing format and sales team, together with the best online presence as measured by brand strength, range, enhanced technology and platform. It also incorporates our market-leading brands leveraging data, marketing, finance, manufacturing and logistics platforms to drive future growth and optimise further efficiencies.

Over the past three years, our vision has been to lead sofa retailing in the digital age and our strategy has been to establish our new scale, following the continued significant gains in market share achieved. The strategy was centered upon three interrelated themes (Drive DFS Core, Build the Platforms, Unlock New Growth) delivering incremental annual profits of £40m. We now believe that we have established this higher scale with a base revenue of over £1.15bn anticipated this year, and a sustainable profit before tax margin of over 7%.

Our new vision is to lead furniture retailing in the digital age, and we will pursue this through our ‘Pillars and Platforms’ strategy that will unlock new categories of growth, while leveraging our proven and leading upholstery market make-to-order model advantages. Delivery of this strategy will result in our Group reaching revenues of £1.4bn by FY26, and through the scale efficiencies of our platforms we aim to deliver a growth in our PBT(A)[1] profit margin in the medium term to over 8%.

Our strategy is made up of the three pillars of our business: Our DFS brand, our Sofology brand, and our expansion into the Home market:

i) DFS: We will unlock new growth opportunities from our ongoing showroom transformation programme, investing in new ranges and exclusive brands and from our leading retail execution, our people and our marketing.
ii) Sofology: We will continue to develop our strong product roadmap and roll out more showrooms, as well as integrating and leveraging existing Group platforms.
iii) Home: We will continue to expand into the beds and mattresses market and the living room accessories markets with the aim of gaining a c.4% market share of a £4.9bn market (VAT inc) by FY26.

The growth of our three pillars will be enabled by our four platforms:

i) Sourcing and Manufacturing: By continuing to source exclusive ranges and brands whilst leveraging our scale across the market, as well as increasing our own manufacturing capacity, we will continue to enhance our customer proposition.
ii) Technology & Data: By creating one common technology infrastructure and source of data for all our brands we will further enhance our market insight, better serve customers, drive marketing efficiency, help improve our investment decisions and thereby unlock new growth.
iii) People & Culture: A single set of enabling activities that support our Brand Pillars with a modern and efficient set of central services, underpinned by a highly-engaged and inclusive culture.

iv) Logistics Platforms: Our two-person final mile logistics operation, The Sofa Delivery Company will enable us to operationally support new growth, improve customer experience and reduce both our operating costs and our carbon footprint.

Operational and Strategic Update

The first half of FY22 presented a wide range of operational challenges, with industry-wide Covid disruption, extended supplier lead times, and container/port disruption, and I would like to thank all of our colleagues for producing a strong delivery performance in spite of these headwinds.

The Group has gone through a period of significant growth and market share gains, and looking back at progress the first half we focus on three key operational themes: (i) establishing our new scale, (ii) overcoming operational pressure, and (iii) disciplined investment for future growth.

Establishing our new scale

The Group has seen significant growth over the past few years with net revenue increasing from £969m in our last pre-pandemic comparator FY19 to sustainable net revenue expected to be over £1.15bn for FY22. This growth has been achieved via a combination of new showroom openings, like for like market share gains and online sales growth.

Sofology has increased its showroom base from 42 showrooms at the end of FY19 to 54 showrooms by H1 FY22, with each new showroom typically driving over £4m of incremental annual revenue. From November 2020 onwards, the DFS brand has also been accelerating plans to refurbish DFS showrooms, focusing on its 50 largest showrooms initially. The changes made deliver a new, open plan, flexible showroom environment - maximising the number of ranges on display and utilising the latest technologies in lighting and heating to reduce our energy consumption. The investment has delivered typical revenue uplifts of over 5% in re-fitted showrooms relative to the like for like estate during the recent winter sale period and the payback period of this investment is expected to be less than two years.

This investment has underpinned the Group's market share growth in the period, and we continue to see evidence of a 2%pt+ market share gain that equates to over 5% of sustainable revenue growth for the Group.

Looking forward, the Group will continue to target revenue growth through like-for-like market share gains and showroom rollouts, as well as growing revenue in home related categories. With our evidence of sustained market share gain and average order value growth, our outlook for FY23, subject to a flat overall market volume is to sustain a base of £1.15bn net revenues (before any order bank tailwind from FY22) and achieve 7%+ PBT margins, with over 75% of PBT converted to post-tax cash flow.

Overcoming Operational Pressure

During the period, the Group and the wider retail industry as a whole has faced significant supply chain challenges, from international shipping and port delays, the impact of Covid-related absences on manufacturing and logistics, raw material shortages and reduced HGV trunking reliability. The

Sofa Delivery Company in particular saw average colleague absence levels rise to c.10% in the period, with the rise largely driven by Covid-related absences.

To mitigate the impact of this disruption, the Group substantially boosted its management focus and spending on resources in its customer service functions to support delivery of the best service possible during this time. Despite this effort, and incremental costs incurred, we did regrettably see some impacts on some customers' experience and we continue to work hard to deliver great service in line with our core value of 'Think Customer'.

We also experienced the impact of inflation in our cost of goods, with both raw material price increases and increases in our shipping costs. Our cost of goods saw inflation of approximately 6% overall in the half compared to the H1 FY21, however, through increased average transaction values we have now successfully offset this cost of goods inflation, with trading in the second half of the financial year continuing to show double-digit growth in volume and value.

Further progress has been made within our supply chain and logistics network, with the on-boarding of new manufacturing partners as well as the recent operational investment in The Sofa Delivery Company, including the creation of three new large 'hub' warehouses to consolidate our inbound deliveries and improve efficiencies. However, progress has been limited by the aforementioned supply chain disruption.

Overall we estimate that the one-off impacts of this operational environment have amounted to approximately £21m in gross profit and operating cost effects in the half that will likely not recur in future, and we will benefit from a sustainably improved cost:sales ratio that supports £1.15bn of revenues, while delivering our expected high standard of customer service.

Disciplined investment for future growth through our new Pillars and Platforms strategy

The Group will continue to invest in unlocking new growth in its three key pillars:

1. Sofology

We intend to continue the accelerated rollout of the Sofology showroom estate. Sofology now operates 54 showrooms, following the opening of six new showrooms in the first half in Glasgow, Orpington, Poole, Ipswich, New Malden and Birmingham. We also have plans to open one further new showroom in Bristol before the end of the financial year. The new showrooms are powered entirely by renewable electricity and we are investing in latest retail technologies to manage our energy consumption, reduce unnecessary waste and lessen the showroom's impact on the environment.

We continue to see the opportunity to grow the Sofology brand by in the region of four showrooms per year (each delivering c.£4m of annual revenue) to c.70 showrooms by FY26, therefore giving total annual revenues of c.£300m.

2. DFS

As already mentioned the DFS brand has invested in its showroom transformation programme with proven increases in customer conversion leading to a more than a 5% increase in order intake relative to the like-for-like estate. With a single refit costing in the region of £0.3m this leads to typical paybacks of under 24 months. This programme will continue with plans to transform a further c.25 showrooms in the next twelve months and to continue the rollout through our full showroom estate where appropriate by the end of FY24.

3. Home

We are continuing to develop our plans to increase our presence in the beds and mattresses market and the living room accessories market. With a combined relevant total available market of c.£4.9bn (VAT inc), we see the beds and non-upholstery living room markets as particularly attractive growth opportunities for the Group.

The beds and mattresses segment presents the largest addressable market size of the Homeware market at £3bn. We are able to leverage many of the Group's assets, including sourcing and manufacturing capability for upholstered furniture, web and logistics platforms, marketing expertise, differentiated brand partnerships and leading interest free credit offer to sell beds primarily online, as well as continuing to develop our showroom proposition in selected key locations.

The living room furniture market segment represents a total addressable market of £1.3bn, and is a natural attachment opportunity for the group. By utilising Dwell's infrastructure, warehousing and supplier relationships we are now offering customers the opportunity to "buy the look" or whole living room including, for example, coffee tables, side tables, rugs and mirrors.

Ultimately, by leveraging on our existing Group online, showroom, data, financing and logistics assets our aim is to achieve a 4% market share of the relevant home categories by FY26, which would represent growth from around £40m to c.£135m of revenues with incremental PBT of £16m.

The growth of the three pillars will be enabled by investment in our Group platforms:

1. Technology and Data Platforms:

We are currently investing in our 'Integrated Retail Intelligence System' (IRIS), which integrates 35+ data sources to provide a 360 degree view of the Group. This cloud-based solution incorporates AI and machine learning decisioning and process automation to gain insights across every element of the customer purchase cycle thereby driving additional performance and growth in the business, at a sustainable increased efficiency.

2. Manufacturing

We are currently investing £2.2m into our Doncaster upholstery factory to improve efficiency and automation and increase workflow and productivity. We anticipate that this investment will help to generate £400k of annualised cost saving benefits.

We are also reviewing our multi-site manufacturing network and considering future options with there being high value in having efficient, automation-enabled operations that provide us with short lead-time, high-quality locally-sourced products while maintaining our made-to-order model.

DFS Netherlands

We have carefully reviewed performance of our Netherlands operations established in 2014. While a pathway to profitability was identified from current losses of £2m per annum, the relative financial returns and execution risks of pursuing this strategy look weak compared to our identified focus on Pillars and Platforms and capital utilisation within the UK and ROI markets. We therefore intend to consult potentially affected colleagues fully in line with Netherlands employment laws on the potential closure of this operation and we will announce an update in due course once this consultation is complete. Should a decision be taken to exit the Netherlands, we expect that we would remain responsible for c.£10m of future cash liabilities that we will seek to mitigate. We do however expect there will be the potential to wind down our order book and stockholding in an orderly fashion releasing offsetting cash.

Environmental, Social and governance (ESG)

We remain guided by our Group purpose, which is to bring great design and comfort into every living room, in an affordable, responsible and sustainable manner.

Given ESG is a rapidly advancing subject, requiring increased focus, the Board has established a Responsible and Sustainable Business Committee, which met for the first time in November.

In September we converted our Revolving Credit Facility (RCF) into a Sustainability Linked Loan and this is a progressive step in further integrating sustainability into all aspects of our business.
We are also focused on tackling our carbon emissions. We are working with Planetly, a third party specialist, to capture our Scope 3 emissions and have committed to having targets sent to the Science Based Targets initiative ("SBTi") for approval by July. These targets support our BRC climate action commitment to reach net zero by 2040.

We continue to work with key contacts within and outside the business to explore innovative solutions to reduce our emissions and carbon footprint, covering all areas of the business from the materials in our products, our packaging materials and our fleet emissions.

In December we completed the independent ethical modern slavery audits within our manufacturing supply chain, these audits enable us to address areas of risk and request changes within the manufacturing supply chains. We are now moving onto our non-manufacturing suppliers and intend to have completed modern slavery audits across the top 250 suppliers by spend by December 2022. We continue to make good progress on our timber audits and to review the leather supply chain.

Following on from the success of our inaugural ESG Supplier conference in March of last year, we will host another during 2022 which will include our roadmap to net zero, a focus on packaging and governance procedures.

It is our firm view that inclusive and diverse teams working within inclusive environments are more engaged, innovative and deliver better outcomes for our customers. Across the Group we have continued to follow Covid-19 guidelines and the response plan set out in last year's annual report to prioritise the health and safety of our colleagues and customers. With our partners Henpicked and Peppy we have launched menopause support for our colleagues and male specific health issues.

Ukraine

We are deeply shocked and saddened by the recent invasion of Ukraine. To date the operational impacts on our business have been relatively limited. We have seen no discernable change in consumer buying behaviour in recent weeks. We are monitoring our exposure in relation to production capacity, with one of our new manufacturing partners in particular expecting to utilise its Ukrainian facility for some of our customer orders in future. Our other Eastern European manufacturers also employ Ukrainian skilled migrant workers, however they currently foresee no sustained impact on their capacity. We also note recent movements in energy prices and that Ukraine and surrounding countries are important sources of timber and we will seek to mitigate any increases in input prices and/or short-term availability without a sustained impact on our ongoing operating profits.

Outlook

We delivered a strong performance in the first half of the year, with market share gains and strong revenue growth on the pre-pandemic comparators. This was in spite of significant logistics and supply chain challenges and I would like to thank all of our colleagues across the Group for their hard work and resilience in achieving this result.

Trading across H2 to date has started strongly, again emphasising the increased scale of the business and demonstrating the success of our approach to mitigating the impact of inflationary pressures on our profit expectations.

Our expectations for total profits across FY22 and FY23 remain unchanged, with our confidence supported by our significant order bank and strong trading in H2. We narrow our scenario range for FY22 to recognise that manufacturing and logistics disruption may affect H2 throughput, however our resilient order bank should mean any such in-year disruption will cause profits to shift into the next FY23 reporting period.

We are therefore pleased to be able to reward shareholders with a special capital return that will deliver a total return to shareholders of approximately £80m over a twelve month period.

Looking forward, whilst the macro-economic environment remains uncertain, we believe that our scale, brand strength and integrated retail strategy will continue to drive market share gains ahead of the competition. We will continue to invest in our digital platforms, our showrooms, our delivery networks and our UK manufacturing capacity, as well as expansion into other home categories which we believe will continue to drive long term growth and profitability.

Tim Stacey
Group Chief Executive Officer

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

FINANCIAL REVIEW

The Group's financial performance over the first six months of the financial year shows positive progress on sales and profits compared to the pre-pandemic comparators, despite absorbing the impacts of one-off Covid disruption, increased levels of inflation and targeted investment in the capacity and capability of our operations.

Revenue declined slightly from the prior year's exceptional performance which had benefited from significant pent-up demand following lockdown. However, revenue was significantly ahead of the pre-pandemic comparator. We ended the period with a robust balance sheet position and a positive trading outlook for the second half which underpins our capital returns plan.

Basis of financial presentation

Following the implementation of our Group-wide supply chain platform, The Sofa Delivery Company, we have commenced separate reporting of revenue and costs of our supply chain network and manufacturing from 27 June 2021. This changed basis of preparation limits comparisons of segment performance across the financial period other than for revenues and gross sales. As previously communicated, we sold the Sofa Workshop business in September 2020. In order to aid comparison of continuing operations, the commentary excludes Sofa Workshop for the comparator period.

H1 FY22			**26 weeks ended 26 December 2021**					**26 weeks ended 27 December 2020**	**26 weeks ended 28 December 2019**
	DFS	**Sofology**	**Subtotal**	**Other Segments**	**Eliminations**	**Non underlying**	**H1 FY22 Total**	**H1 FY21 Total**	**H1 FY20 Total**
Gross Sales	**573.8**	**144.8**	**718.6**	**94.4**	**(94.2)**	**-**	**718.8**	**734.8**	**629.7**
Revenue	**446.0**	**114.9**	**560.9**	**94.4**	**(94.2)**	**-**	**561.1**	**572.6**	**488.0**
Cost of Sales	(218.5)	(59.1)	(277.6)	(29.9)	46.6	-	(260.9)	(244.3)	(206.2)
Gross Profit	**227.5**	**55.8**	**283.3**	**64.5**	**(47.6)**	**-**	**300.2**	**328.3**	**281.8**
Selling & Distribution costs (excluding property costs)	(107.0)	(32.9)	(139.9)	(67.6)	37.0	-	(170.5)	(150.5)	(152.0)
Brand Contribution[1]	**120.5**	**22.9**	**143.4**	**(3.1)**	**(10.6)**	**-**	**129.7**	**177.8**	**129.8**
Property Costs						-	(13.3)	(2.0)	(16.4)
Administrative Expenses						0.2	(36.3)	(41.2)	(34.0)
EBITDA[1]						**0.2**	**80.1**	**134.6**	**79.4**
Depreciation & amortisation excl brand amortisation						-	(43.5)	(41.8)	(44.1)
Finance expenses						-	(14.3)	(20.0)*	(18.7)
PBT pre brand amortisation[1]						**0.2**	**22.3**	**72.8**	**16.6**
Brand amortisation						-	(0.7)	(0.7)	(0.7)
PBT						**0.2**	**21.6**	**72.1**	**15.9**

**includes £2.6m non-underlying refinancing costs*

H1 FY21

26 weeks ended 26 December 2020	DFS	Sofology	Subtotal	Sofa Workshop	H1 FY21 Total
Gross Sales	**587.1**	**141.4**	**728.5**	**6.3**	**734.8**
Revenue	**454.9**	**112.6**	**567.5**	**5.1**	**572.6**
Cost of Sales	(190.0)	(53.0)	(243.0)	(1.3)	(244.3)
Gross Profit	**264.9**	**59.6**	**324.5**	**3.8**	**328.3**
Selling & Distribution costs	(121.7)	(28.3)	(150.0)	(0.5)	(150.5)
Brand Contribution[1]	**143.2**	**31.3**	**174.5**	**3.3**	**177.8**

H1 FY20

26 weeks ended 26 December 2019	DFS	Sofology	Subtotal	Sofa Workshop	H1 FY20 Total
Gross Sales	**488.1**	**129.0**	**617.1**	**12.6**	**629.7**
Revenue	**375.8**	**102.1**	**477.9**	**10.1**	**488.0**
Cost of Sales	(150.7)	(50.5)	(201.2)	(5.0)	(206.2)
Gross Profit	**225.1**	**51.6**	**276.7**	**5.1**	**281.8**
Selling & Distribution costs	(119.4)	(28.5)	(147.9)	(4.1)	(152.0)
Brand Contribution[1]	**105.7**	**23.1**	**128.8**	**1.0**	**129.8**

Sales and revenue

Group gross sales (excluding the discontinued Sofa Workshop) were 16.4% ahead of the H1 FY20 pre-pandemic comparator and 1.3% lower than the H1 FY21. Covid related absences, supplier manufacturing capacity and logistics disruption affected capacity in the furniture industry, particularly in the first quarter. Encouragingly, we saw revenues increase across the second quarter with delivered revenues up 24% in Q2 vs Q1, a result of improved delivery capacities following the significant investment in The Sofa Delivery Company. Order intake performance across the first half of the financial year as a whole demonstrated evidence of market share gain and AOV growth compared to the pre-pandemic period. Given industry-wide constraints on the rate of deliveries, the order bank has remained robust over the period, giving increased surety on revenues over the remainder of the financial year.

Significant positive growth rates in gross sales vs H1 FY20 were seen in both DFS (+17.6%) and Sofology (+12.2%), with DFS driven by strong LFL estate performance and Sofology growth primarily driven by new showroom openings.

Revenue (excluding Sofa Workshop) grew 17.4% vs the H1 FY20 comparator – this was slightly higher than the gross sales growth due to a reduction in interest free finance subsidy costs as we saw greater upfront cash payment participation in the current period. Revenue in H1 FY22 was 1.1% behind H1 FY21 driven by the same trends as gross sales.

Gross profit

Gross profit decreased by £24.3m (7.5%) year-on year to £300.2m in the period, excluding Sofa Workshop. Gross profit as a percentage of revenue decreased from 57.2% to 53.5% (excluding Sofa Workshop). The reduction in cash gross profit realised was primarily driven by a £14.3m delivered volume impact from retail and internal manufacturing operations. The optically larger reduction in gross profit percentage was additionally impacted by the almost-full pass-through of £15.9m of supplier cost increases in the half, without an additional retail mark-up being applied, meaning that while cash margin has been largely unaffected the margin rate has seen some dilution. One-off adverse impacts of £8.7m were also seen from: increased inbound freight costs and additional port-storage costs due to Covid disruption, and delayed timing of price adjustments due to our promotional campaigns structure. In the second half of the financial year, we will be impacted by an industry-wide increase in shipping costs, particularly for Far East manufactured goods, and likely further raw materials inflation in areas such as timber. However, given we now have already restructured retail prices for these costs and continue to trade strongly we do not expect to see a dilution in sustainable cash margin as a result. Furthermore, due to the Group's scale, we would typically expect the impact of any such industry-wide cost increases to be lower than for our competitors.

Operating costs and brand contribution[1]

Selling and distribution costs (excluding property costs) of £170.5m increased by £20.5m year-on-year excluding Sofa Workshop. During the half, in line with the broader market, the Group saw inflationary pressure across logistics resulting in an increase in costs of £4.6m. Following the significant gross sales growth of the Group over recent years from showroom openings and market share gains, we have also scaled our supply chain network with increased operating hours, warehouse footprints and fleet size to increase ongoing delivery capacity, leading to a further increase in costs of £1.5m. Finally, the industry-wide Covid disruption seen across the period has resulted in approximately £12.1m of inefficiency and increased one-off operating costs, with increased colleague absence levels, and reduced trunking predictability, in addition to a need to temporarily increase substantially the size of our call-centre and in-home service teams to meet the demands of serving a much larger order bank.

Looking forward, following our investment in The Sofa Delivery Company as well as increased production capacity from new manufacturing partners, we have confidence that we will continue to see delivery levels increase, continuing the momentum of the 24% increase in delivered revenues in Q2 vs Q1, with delivery values remaining high in Q3 as well. While our operating cost base will be impacted by the full-year effect of ongoing logistics and fuel inflation, we believe that these costs will be covered by a further £10 per order increase in the delivery charge introduced in DFS from February 2022.

Brand contribution[1] of £129.7m for the half year represents a decrease of £44.8m against H1 FY21 (excluding Sofa Workshop) driven by the reduced revenues and increased selling and distribution costs.

Property costs and administrative expenses

Property costs increased by £11.3m year on year primarily due to the UK retail business rates relief in the prior year of around £14m offset by a further retail rates relief in the current year of £2.0m and additional rates savings following rate reviews.

Administrative expenses of £36.3m decreased by £4.9m with the comparator period being impacted by non-recurring pandemic related operating costs.

Depreciation, amortisation and interest

Depreciation and amortisation charges (excluding brand amortisation) increased by £1.7m year-on year to £43.5m. The increase was driven by a higher level of technology investment over the past twelve months as the business has invested in its data platforms.

Underlying interest charges of £14.3m were £3.1m lower year-on-year due to a reduction in interest on lease liabilities of c.£1m and interest payable on our senior revolving credit facility reduced by £1.7m as a result of a lower average drawdown position in the current period.

Profit before tax ('PBT')

Underlying profit before tax for the 26 week period to 26 December 2021, excluding brand amortisation was £22.1m, compared to £76.5m in the prior period, reflecting the margin and cost trends described above. Compared to the H1 FY20 pre-pandemic comparator, underlying profit before tax and brand amortisation grew by £5.5m, reflecting the enlarged scale our Group now operates at.

Reported profit before tax for the period was £21.6m (H1 FY21: £72.1m, H1 FY20: £15.9m).

Tax

The tax charge recognised in the interim financial statements has been calculated using the expected effective tax rate for the full year of 18.2% (FY21: 10.7%). This is lower than the applicable UK Corporation Tax rate of 19.0% (FY21: 19.0%), primarily due to the availability of the super deduction on capital expenditure. The FY21 effective tax rate was lower than normal for the Group due to the 'super deduction' and the utilisation of tax losses which were not recognised as deferred tax assets.

EPS

Underlying basic earnings per share[1] for the Group was 6.9 pence (H1 FY21: 23.5 pence). Reported earnings per share was 7.0 pence (H1 FY21: 22.5 pence).

Capital expenditure, cash flow and balance sheet

The Group is financially strong with a historical record of good cash generation and we have generated significant operating cash inflows in the period driven by the strong trading performance, partially offset by our working capital movement as we returned to normalised trading patterns.

Our operating cash flow generation has allowed us to continue our disciplined investment in the growth of our business. In the first half of this financial year we opened six Sofology and one DFS brand showrooms, continued to refresh our existing showrooms across the business, restructured our company car fleet to hybrid and electric vehicles made good progress on completing the transformation of our final mile logistics network and continued our investment in our data platforms. Cash capital investment was £25.2m in the half and as we will set out in our investor event, we expect good returns on the expansionary elements of this investment. We plan to invest further in these areas and we expect to incur similar levels of capital expenditure in the second half of the financial year.

Net bank debt[1] increased by £46.4m to £65.4m in the period and our leverage[1] (measured as net bank debt / last twelve month operating cash flows before tax and excluding working capital movements, less lease payments) rose to 1.0x (FY21: 0.2x as measured on an IAS17 basis of net debt / last twelve month EBITDA[1]). Our net debt increase reflects our capital investment, £27.2m of cash utilised for dividend payments and employee scheme related share repurchases, and some normalisation of the order bank over the half. We continue to benefit from elevated levels of customer deposits and anticipate a c.£50m working capital outflow across the next twelve months as we convert our total order bank to delivered profits.

The Group has also signed a one-year extension to its ESG-linked senior revolving credit facility, with its existing syndicate of banks. This amended facility now has a December 2024 maturity (previously December 2023) and will reduce from its current £225m to £215m at the end of June 2022. The financial covenants remain at 3.0x maximum net debt / EBITDA and minimum 1.5x fixed charge cover, both measured on an IAS17 basis.

Ordinary dividend, special dividend and share buyback programme

Reflecting the performance in the first half of the year and the full year outlook, the Board has declared an interim dividend of 3.7 pence per share in line with the Group's ordinary dividend policy. This dividend will be paid on 25 May 2022 to shareholders on the register on 8 April 2022.

With ongoing good underlying cash generation, our significant available financial resources and increasing certainty on the impact of Covid upon consumer demand with further resilience from our order bank, we have reviewed the implementation of our Capital Allocation Policy. It is clear that without a special capital return, by the end of the financial year we would expect to report leverage outside our target range. We therefore intend to return a total of approximately £80m of capital over a twelve month period to shareholders, incorporating ordinary dividend payments.

This special return will be implemented by way of a 10.0 pence special dividend to be paid alongside and in addition to the interim dividend of 3.7 pence and also through the repurchase for cancellation of up to £25 million of the Group's shares. The buyback will commence immediately and be implemented by way of an irrevocable instruction, subject to limits on the price paid based upon regulatory rules and minimum expected rates of return.

The Board intends that the Group will continue to operate with a prudent amount of leverage so that net bank debt falls within the range 0.5x – 1.0x last twelve months' Cash EBITDA[1]. The Board also intends that the ordinary dividend payout ratio should be between 40% and 50% of annual underlying cash generation in the full year in respect of which the dividend is paid.

The Board will also therefore consider returning additional cash to shareholders if average net bank debt over a period is projected to fall in the period below the target level. Any decision to conduct a special return of capital will be subject to known and anticipated investment plans at the time, and the longer-term outlook for the Group. Currently, other than the previously disclosed manufacturing investment of up to an incremental £15m, no material additional investment plans are anticipated and as such the Board sees good prospects for future ongoing increased levels of capital returns.

The Group's full capital and distribution policy, including definition of terms, is available on our website at https://www.dfscorporate.co.uk/governance/policies.

Outturn for the full financial year

Recent order intake has been in line with our forecast expectations, we have an order bank that is £175m higher than pre-pandemic levels in revenue terms, and therefore we have an unchanged outlook for profit before tax and brand amortisation ("PBT(A)") for FY22 and FY23 combined. However compared to our previously shared trading outlook scenarios, that showed a FY22 PBT(A) range of £66m-£96m, we have narrowed our outturn range to £66m-£85m reflecting the disruption to production and logistics flows seen in the year-to-date. Having entered the second half with an accumulated delay to our overall production plans of approximately one week, we have not yet recovered that supply chain shortfall, and we reflect that situation continuing within our "mid-case". This narrowing is a timing impact, and we expect to see any reduction in profits from the High case shown below flowing through to an increase in FY23 outlook.

	Low (2 week delay in production)	**Mid (1 week delay in production)**	**High (No disruption)**
FY22 Revenue	£1,165m	£1,185m	£1,205m
FY22 PBT(A)[1]	**£66m**	**£76m**	**£85m**
FY23 PBT(A) roll-forward from FY22 order bank	**£31m**	**£19m**	**£12m**
Net bank debt[1] position June 22 (pre capital return)	(£50m)	(£44m)	(£40m)

Conclusion

Revenues over the period were significantly higher relative to the pre-pandemic comparator. Operating costs have increased due to investment to sustainably support this increased scale, cost inflation and Covid related disruptions within our supply chain. However, we have finished the period with our FY22 and FY23 combined profit expectations unchanged and a robust balance sheet position that underpins our special capital returns plan.

I believe that our scale, trusted brand and experience gives us an advantage over our competitors and will continue to allow us to maintain our market share gains. Our strategy for growth coupled with our proven record of strong cash flow generation and disciplined approach to capital allocation will continue to drive long-term financial returns for our shareholders.

Mike Schmidt
Chief Financial Officer

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

RISKS AND UNCERTAINTIES

The Group faces a number of risks and uncertainties in both the development and day-to-day operations of its business. A risk management process has been adopted to help the Group achieve its strategic objectives. The principal risks and uncertainties subject matters as published in the Group's annual report for the period ended 27 June 2021 were as follows:

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

Detailed explanations of these risks can be found on pages 38 to 44 of the 2021 Annual Report (www.dfscorporate.co.uk).

*The Board notes in particular, following the invasion of Ukraine, there is an increased risk to the resilience of its raw materials supply and also the available capacity of its Eastern European manufacturing partners. The Group continues to monitor this situation actively using its existing mitigation processes, and will continue to work to develop its internal manufacturing capabilities.

**The Board notes the recent rises in SONIA rates, and continued rises in inflation that are being seen in many areas. A significant or sustained rise in SONIA would affect the costs of the Group's key interest free credit promotions and its RCF debt arrangements. The Group will monitor this risk and may adjust its promotional approach should financing costs rise significantly. Our mitigation will be helped by recent investments in our 'Intelligent Lending Platform' that will allow us to more rapidly adjust our approach to our interest free credit proposition.

In addition, during the reporting period the Group has identified an additional principal risk, being possible labour shortages as a consequence of continued pressure in all sectors of the UK labour market and in operations and supply chain in particular. The Group is engaged in a number of mitigating activities including a focus on culture, with an emphasis on colleague wellbeing, and careful consideration of reward and retention policies.

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

• the condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted for use in the UK;

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

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

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

By order of the Board

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

15 March 2022

INDEPENDENT REVIEW REPORT TO DFS FURNITURE PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the interim financial report for the 26 weeks ended 26 December 2021 which comprises the Condensed Consolidated Income Statement, Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Balance Sheet, Condensed Consolidated Statement of Changes in Equity, Condensed Consolidated Cash Flow Statement and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the 26 weeks ended 26 December 2021 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted for use in the UK and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.
A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Directors' responsibilities

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

Our responsibility

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

The purpose of our review work and to whom we owe our responsibilities

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

Frances Simpson
for and on behalf of KPMG LLP
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA
15 March 2022

Unaudited condensed consolidated income statement

		26 weeks to 26 December 2021			26 weeks to 27 December 2020			52 weeks to 27 June 2021		
		Underlying	**Non-underlying**	**Total**	Underlying	Non-underlying	Total	Underlying	Non-underlying	Total
	Note	**£m**	**£m**	**£m**	£m	£m	£m	£m	£m	£m
Gross sales	*3*	**718.8**	-	**718.8**	734.8	-	734.8	1,368.7	-	1,368.7
Revenue	*3*	**561.1**	**-**	**561.1**	572.6	-	572.6	1,067.7	-	1,067.7
Cost of sales		**(260.9)**	**-**	**(260.9)**	(244.3)	-	(244.3)	(466.5)	-	(466.5)
Gross profit		**300.2**	**-**	**300.2**	328.3	-	328.3	601.2	-	601.2
Selling and distribution costs		**(183.8)**	**-**	**(183.8)**	(152.5)	-	(152.5)	(303.4)	-	(303.4)
Administrative expenses		**(36.5)**	**0.2**	**(36.3)**	(40.1)	(1.1)	(41.2)	(75.2)	(2.1)	(77.3)
Operating profit before depreciation and amortisation		**79.9**	**0.2**	**80.1**	135.7	(1.1)	134.6	222.6	(2.1)	220.5
Depreciation		**(39.1)**	**-**	**(39.1)**	(38.9)	-	(38.9)	(77.4)	-	(77.4)
Amortisation		**(5.1)**	**-**	**(5.1)**	(3.6)	-	(3.6)	(7.9)	-	(7.9)
Operating profit/(loss)	*4*	**35.7**	**0.2**	**35.9**	93.2	(1.1)	92.1	137.3	(2.1)	135.2
Finance expenses	*5*	**(14.3)**	**-**	**(14.3)**	(17.4)	(2.6)	(20.0)	(32.9)	(3.1)	(36.0)
Profit/(loss) before tax		**21.4**	**0.2**	**21.6**	75.8	(3.7)	72.1	104.4	(5.2)	99.2
Taxation	*6*	**(3.9)**	**-**	**(3.9)**	(15.7)	1.1	(14.6)	(11.9)	1.4	(10.5)
Profit/(loss) for the period		**17.5**	**0.2**	**17.7**	60.1	(2.6)	57.5	92.5	(3.8)	88.7
Statutory earnings per share										
Basic	*7*	**6.9p**	**0.1p**	**7.0p**	23.5p	(1.0)p	22.5p	36.0p	(1.5)p	34.5p
Diluted	*7*	**6.8p**	**0.1p**	**6.9p**	23.3p	(1.0)p	22.3p	35.6p	(1.4)p	34.2p

Unaudited condensed consolidated statement of comprehensive income

	26 weeks to 26 December 2021 £m	26 weeks to 27 December 2020 £m	52 weeks to 27 June 2021 £m
Profit for the period	**17.7**	57.5	88.7
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	**4.5**	(20.3)	(22.4)
Net change in fair value of cash flow hedges reclassified to profit or loss			
Recognised in cost of sales	**3.8**	3.8	9.2
Recognised in finance expense	**-**	1.3	1.9
Income tax on items that are or may be reclassified subsequently to profit or loss	**(2.1)**	2.9	2.6
Other comprehensive income/(expense) for the period, net of income tax	**6.2**	(12.3)	(8.7)
Total comprehensive income for the period	**23.9**	45.2	80.0

Unaudited condensed consolidated balance sheet

	Note	**26 December 2021 £m**	27 December 2020 £m	27 June 2021 £m
Non-current assets				
Property, plant and equipment	*11*	**100.2**	69.8	91.6
Right of use assets	*11*	**355.7**	367.8	345.1
Intangible assets	*11*	**535.8**	532.6	535.4
Other financial assets		**1.4**	-	0.1
Deferred tax assets		**23.1**	24.1	24.7
		1,016.2	994.3	996.9
Current assets				
Inventories		**63.5**	49.7	61.1
Other financial assets		**1.2**	-	0.1
Trade and other receivables		**13.3**	24.2	17.1
Current tax assets		**6.6**	-	6.9
Cash and cash equivalents (excluding bank overdrafts)		**19.1**	26.8	22.7
		103.7	100.7	107.9
Total assets		**1,119.9**	1,095.0	1,104.8
Current liabilities				
Bank overdraft		**(9.5)**	-	(16.7)
Trade payables and other liabilities		**(279.9)**	(262.2)	(297.4)
Lease liabilities		**(86.7)**	(86.9)	(88.1)
Provisions	*12*	**(9.1)**	(15.8)	(15.1)
Other financial liabilities		**(2.1)**	(8.3)	(6.7)
Current tax liabilities		**-**	(2.9)	-
		(387.3)	(376.1)	(424.0)
Non-current liabilities				
Interest bearing loans and borrowings		**(73.5)**	(62.8)	(23.1)
Lease liabilities		**(371.7)**	(400.8)	(366.0)
Provisions	*12*	**(6.5)**	(5.3)	(5.7)
Other financial liabilities		**(0.1)**	(3.6)	(1.5)
		(451.8)	(472.5)	(396.3)
Total liabilities		**(839.1)**	(848.6)	(820.3)
Net assets		**280.8**	246.4	284.5
Equity attributable to equity holders of the parent				
Share capital		**25.9**	383.7	25.9
Share premium		**40.4**	40.4	40.4
Merger reserve		**18.6**	18.6	18.6
Capital redemption reserve		**357.8**	-	357.8
Treasury shares		**(0.7)**	(0.7)	(0.7)
Shares held by employee benefit trust		**(7.3)**	(0.3)	(0.2)
Cash flow hedging reserve		**0.3**	(11.9)	(8.0)
Retained earnings		**(154.2)**	(183.4)	(149.3)
Total equity		**280.8**	246.4	284.5

Unaudited condensed consolidated statement of changes in equity

	Share capital £m	Share premium £m	Merger reserve £m	Capital redemption reserve £m	Treasury shares £m	Employee Benefit Trust shares £m	Cash flow hedging reserve £m	Retained earnings £m	Total equity £m
Balance at 28 June 2020	383.4	40.4	18.6	-	(0.7)	-	3.3	(243.1)	201.9
Profit for the period	-	-	-	-	-	-	-	57.5	57.5
Other comprehensive (expense)/income	-	-	-	-	-	-	(15.2)	2.9	(12.3)
Total comprehensive (expense)/income for the period	-	-	-	-	-	-	(15.2)	60.4	45.2
Issue of shares to Employee Benefit Trust	0.3	-	-	-	-	(0.3)	-	-	-
Settlement of share based payments	-	-	-	-	-	-	-	(2.2)	(2.2)
Share based payments	-	-	-	-	-	-	-	1.5	1.5
Balance at 27 December 2020	**383.7**	**40.4**	**18.6**	**-**	**(0.7)**	**(0.3)**	**(11.9)**	**(183.4)**	**246.4**
Balance at 27 June 2021	**25.9**	**40.4**	**18.6**	**357.8**	**(0.7)**	**(0.2)**	**(8.0)**	**(149.3)**	**284.5**
Profit for the period	-	-	-	-	-	-	-	17.7	17.7
Other comprehensive income/(expense)	-	-	-	-	-	-	8.3	(2.1)	6.2
Total comprehensive income for the period	-	-	-	-	-	-	8.3	15.6	23.9
Dividends	-	-	-	-	-	-	-	(19.0)	(19.0)
Purchase of shares held by Employee Benefit Trust	-	-	-	-	-	(8.2)	-	-	(8.2)
Employee benefit trust shares issued	-	-	-	-	-	1.1	-	(1.1)	-
Settlement of share based payments	-	-	-	-	-	-	-	(2.6)	(2.6)
Share based payments	-	-	-	-	-	-	-	2.2	2.2
Balance at 26 December 2021	**25.9**	**40.4**	**18.6**	**357.8**	**(0.7)**	**(7.3)**	**0.3**	**(154.2)**	**280.8**

Unaudited condensed consolidated cash flow statement

	26 weeks to 26 December 2021 £m	26 weeks to 27 December 2020 £m	52 weeks to 27 June 2021 £m
Profit for the period	**17.7**	57.5	88.7
Adjustments for:			
Income tax expense	**3.9**	14.6	10.5
Finance expenses	**14.3**	17.4	32.9
Non-underlying financing costs	**-**	2.6	3.1
Depreciation of property, plant and equipment	**10.0**	9.8	19.7
Depreciation of right of use assets	**29.1**	29.1	57.7
Amortisation of intangible assets	**5.1**	3.6	7.9
Gain on sale of property, plant and equipment	**(0.3)**	(1.3)	(1.2)
Loss/(gain) on disposal of right of use assets	**0.1**	-	(1.4)
Loss on sale of subsidiaries	**-**	1.1	0.7
Settlement of share based payments	**(2.6)**	(2.2)	(2.1)
Share based payment expense	**2.2**	1.5	3.6
Decrease/(increase) in trade and other receivables	**3.8**	(2.5)	4.6
(Increase)/decrease in inventories	**(2.4)**	9.2	(2.2)
(Decrease)/increase in trade and other payables	**(17.2)**	46.1	81.4
(Decrease)/increase in provisions	**(5.2)**	2.9	3.3
Net cash from operating activities before tax	**58.5**	189.4	307.2
Tax paid	**(4.1)**	(1.4)	(8.2)
Net cash from operating activities	**54.4**	188.0	299.0
Investing activities			
Proceeds from sale of property, plant and equipment	**1.5**	1.4	1.5
Proceeds from sale of subsidiaries	**-**	0.3	0.3
Acquisition of property, plant and equipment	**(19.5)**	(6.3)	(38.0)
Acquisition of other intangible assets	**(5.7)**	(4.1)	(11.2)
Net cash used in investing activities	**(23.7)**	(8.7)	(47.4)
Financing activities			
Interest paid	**(1.8)**	(4.0)	(6.1)
Interest paid on lease liabilities	**(12.5)**	(13.7)	(26.7)
Payment of lease liabilities	**(35.6)**	(39.0)	(77.1)
Exceptional financing costs	**-**	(3.1)	(4.1)
Drawdown/(repayment) of borrowings	**50.0**	(155.0)	(195.0)
Proceeds on issue of shares	**-**	0.3	0.3
Purchase of own shares	**(8.2)**	(0.3)	(0.3)
Proceeds from sale of own shares	**-**	-	1.1
Dividends paid	**(19.0)**	-	-
Net cash used in financing activities	**(27.1)**	(214.8)	(307.9)
Net increase/(decrease) in cash and cash equivalents	**3.6**	(35.5)	(56.3)
Cash and cash equivalents at beginning of period	**6.0**	62.3	62.3
Cash and cash equivalents (including bank overdraft) at end of period	**9.6**	26.8	6.0

Notes to the condensed consolidated financial statements

1. Basis of preparation

These unaudited condensed consolidated interim financial statements for DFS Furniture plc ("the Company") and its subsidiaries (together, "the Group") were approved for release on 15 March 2022.

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted for use in the UK, and comprise the results for the 26 weeks ended 26 December 2021, the 26 weeks ended 27 December 2020, and the 52 weeks ended 27 June 2021.

The condensed consolidated interim financial statements do not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006. As required by the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, the condensed consolidated interim financial statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the company's published consolidated financial statements for the year ended 27 June 2021 which were prepared in accordance with International Financial Reporting Standards (IFRSs) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The annual financial statements of the Group for the 52 weeks ended 26 June 2022 will be prepared in accordance with UK-adopted international accounting standards.

The statutory accounts for the 52 weeks ended 27 June 2021 have been reported on by the Company's auditor and delivered to the Registrar of Companies. The auditor's report for those accounts was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006. The auditor's review report for the 26 weeks ended 26 December 2021 is attached.

Going concern

The condensed consolidated interim 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 which has been extended to mature in December 2024 (previously December 2023), with a further one-year option to extend the facility again, subject to mutual agreement. This facility is due to be reduced to £215.0m from 26 June 2022. At 10 March 2022, £154.0m of the revolving credit facility remained undrawn, in addition to cash in hand, at bank of £14.5m.

Covenants applicable to the revolving credit facility are: 3.0x net Debt / EBITDA and 1.5x Fixed Charge Cover, and are assessed on a six-monthly basis at June and December.

The Directors have prepared cash flow forecasts for the Group covering a period of at least twelve months from the date of approval of these interim condensed consolidated 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. These forecasts indicate that the Group will be able to operate within its committed facilities and will comply with all relevant banking covenants during the forecast period.

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; impacts on gross margin from inflationary cost pressures and supply chain impacts as a result of direct and indirect consequences of the conflict in Ukraine and the broader economic environment, and a combination of these scenarios.

Notes to the condensed consolidated financial statements

1. Basis of preparation *(continued)*

As part of the Directors assessment, mitigating actions within the Group's control have also been identified. Should these severe but plausible scenarios occur, the Directors could implement these actions to help reduce the impact on the Group. These mitigating actions include reducing discretionary advertising expenditure, a pause on expansionary capital investment and other measures to protect cash balances and to ensure continued compliance with covenants. These forecast cash flows, considering the ability and intention of the Directors to implement mitigating actions where relevant, 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 current economic and political environment, and are confident that the Group has adequate resources to continue to meet all liabilities as and when they fall due for at least twelve months from the date of approval of these condensed consolidated interim financial statements. Accordingly, the condensed consolidated interim financial statements are prepared on a going concern basis.

2. Principal accounting policies

As required by the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, the accounting policies adopted in preparing the condensed consolidated interim financial statements are consistent with the policies in the Group's financial statements for the 52 weeks ended 27 June 2021, these are consistent with IFRS, as issued by the International Accounting Standards Board and adopted by the UK Endorsement Board for use in the United Kingdom. There are no new standards, amendments to existing standards or interpretations that are effective for the first time in the period ended 26 December 2021 that have a material impact on the Group's results.

The annual financial statements of the Group for the year ending 26 June 2022 will be prepared in accordance with UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006.

3. Segmental Analysis

The Group's operating segments under IFRS 8 have been determined based on management accounts reports reviewed by the Group Leadership Team. Segment performance is assessed based upon brand contribution. Brand contribution is defined as underlying EBITDA (being earnings before interest, 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 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.

In FY21, other segments comprised the retailing of upholstered furniture and related products through Sofa Workshop until its disposal on 18 September 2020. Following a significant change in the internal organisation and reporting structure of the business from the beginning of FY22, other segments comprises the manufacture of upholstered furniture and the supply of contract logistics. The nature and extent of this change means that it has not been practicable to restate prior periods on the same basis.

Notes to the condensed consolidated financial statements

3. Segmental analysis *(continued)*

Segment revenue and profit

	External sales			Internal sales			Total gross sales		
	26 weeks to 26 December 2021 £m	26 weeks to 27 December 2020 £m	52 weeks to 27 June 2021 £m	**26 weeks to 26 December 2021 £m**	26 weeks to 27 December 2020 £m	52 weeks to 27 June 2021 £m	**26 weeks to 26 December 2021 £m**	26 weeks to 27 December 2020 £m	52 weeks to 27 June 2021 £m
DFS	**573.8**	587.1	1,093.2	**-**	-	-	**573.8**	587.1	1,093.2
Sofology	**144.8**	141.4	269.2	**-**	-	-	**144.8**	141.4	269.2
Other segments	**0.2**	6.3	6.3	**94.2**	-	-	**94.4**	6.3	6.3
Eliminations	**-**	-	-	**(94.2)**	-	-	**(94.2)**	-	-
Gross sales	**718.8**	734.8	1,368.7	**-**	**-**	-	**718.8**	734.8	1,368.7

	26 weeks to 26 December 2021 £m	26 weeks to 27 December 2020 £m	52 weeks to 27 June 2021 £m
Total segments gross sales	**718.8**	734.8	1,368.7
Less: value added and other sales taxes	**(114.6)**	(116.2)	(217.4)
Less: costs of interest free credit and aftercare services	**(43.1)**	(46.0)	(83.6)
Revenue	**561.1**	572.6	1,067.7
Of which:			
Furniture sales	**535.7**	539.2	1,013.2
Sales of aftercare products[1]	**25.4**	33.4	54.5
Revenue	**561.1**	572.6	1,067.7

[1]The amount stated for the 26 weeks to 27 December 2020 has been represented in order to provide a more meaningful comparison.

26 weeks to 26 December 2021	**DFS £m**	**Sofology £m**	**Other segments £m**	**Eliminations**	**Total £m**
Revenue	**446.0**	**114.9**	**94.4**	**(94.2)**	**561.1**
Cost of sales	**(218.5)**	**(59.1)**	**(29.9)**	**46.6**	**(260.9)**
Gross profit	**227.5**	**55.8**	**64.5**	**(47.6)**	**300.2**
Selling and distribution costs (excluding property costs)	**(107.0)**	**(32.9)**	**(67.6)**	**37.0**	**(170.5)**
Brand contribution (segment profit)	**120.5**	**22.9**	**(3.1)**	**(10.6)**	**129.7**
Property costs					**(13.3)**
Underlying administrative expenses					**(36.5)**
Underlying EBITDA					**79.9**

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

Notes to the condensed consolidated financial statements

3. Segmental analysis *(continued)*

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 and 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

	26 weeks to 26 December 2021 £m	26 weeks to 27 December 2020 £m	52 weeks to 27 June 2021 £m
Underlying EBITDA	**79.9**	135.7	222.6
Non-underlying items	**0.2**	(1.1)	(2.1)
Depreciation & amortisation	**(44.2)**	(42.5)	(85.3)
Operating profit	**35.9**	92.1	135.2
Finance expense	**(14.3)**	(17.4)	(32.9)
Non-underlying financing costs	**-**	(2.6)	(3.1)
Profit before tax	**21.6**	72.1	99.2

A geographical analysis of revenue is presented below:

	26 weeks to 26 December 2021 £m	26 weeks to 27 December 2020 £m	52 weeks to 27 June 2021 £m
United Kingdom	**546.1**	557.4	1,044.6
Europe	**15.0**	15.2	23.1
Total revenue	**561.1**	572.6	1,067.7

Segment assets and liabilities

	Assets			Liabilities		
	26 December 2021 £m	27 December 2020 £m	27 June 2021 £m	**26 December 2021 £m**	27 December 2020 £m	27 June 2021 £m
DFS[1]	**957.0**	940.2	931.4	**(628.5)**	(650.6)	(647.0)
Sofology	**172.4**	155.6	174.1	**(156.5)**	(145.3)	(157.8)
Other segments	**57.2**	-	-	**(67.9)**	-	-
Total segments	**1,186.6**	1,095.8	1,105.5	**(852.9)**	(795.9)	(804.8)
Loans and financing[1]	**-**	-	-	**(83.0)**	(62.8)	(39.8)
Financial assets/(liabilities)	**2.6**	-	0.2	**(2.2)**	(11.9)	(8.2)
Current tax	**6.6**	-	6.9	**-**	(2.9)	-
Deferred tax	**23.1**	24.1	24.7	**-**	-	-
Eliminations[1]	**(99.0)**	(24.9)	(32.5)	**99.0**	24.9	32.5
Total Group	**1,119.9**	1,095.0	1,104.8	**(839.1)**	(848.6)	(820.3)

[1]The balances as at 27 June 2021 have been represented for improved understanding of the assets and liabilities.

Notes to the condensed consolidated financial statements

3. Segmental analysis *(continued)*

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 comprise trade payables and current and non-current other liabilities and provisions.

	Additions to non-current assets			**Depreciation, amortisation and impairments**		
	26 weeks to 26 December 2021 £m	26 weeks to 27 December 2020 £m	52 weeks to 27 June 2021 £m	**26 weeks to 26 December 2021 £m**	26 weeks to 27 December 2020 £m	52 weeks to 27 June 2021 £m
DFS	**45.9**	10.1	51.6	**33.0**	32.4	66.4
Sofology	**9.4**	6.4	17.9	**9.3**	9.0	17.8
Other segments	**6.4**	-	-	**1.9**	1.1	1.1
Total Group	**61.7**	16.5	69.5	**44.2**	42.5	85.3

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

4. Operating profit

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

	26 weeks to 26 December 2021 £m	26 weeks to 27 December 2020 £m	52 weeks to 27 June 2021 £m
Depreciation on tangible assets (including depreciation on right of use assets)	**39.1**	38.9	77.4
Amortisation of intangible assets	**5.1**	3.6	7.9
Net gain on disposal of property, plant and equipment	**(0.3)**	(1.3)	(1.2)
Net loss/(gain) on disposal of right of use assets	**0.1**	-	(1.4)
Cost of inventories recognised as an expense	**261.2**	246.2	465.5
Write down of inventories to net realisable value	**2.7**	1.5	5.6
Other costs of sales	**(3.0)**	(3.4)	(4.6)
Operating lease rentals	**(0.4)**	1.0	0.5
Non-underlying items:			
Restructuring costs	**0.2**	-	1.4
Acquisition costs	**(0.2)**	-	-
Release of lease guarantee provision	**(0.2)**	-	-
Loss on disposal of subsidiaries	**-**	1.1	0.7
	(0.2)	1.1	2.1

Restructuring costs arose from significant changes to the Group's operating model and the associated consolidation of central activities. Acquisition costs relate to the Group's November 2017 acquisition of Sofology. The deferred consideration was finalised and settled on 11 August 2021, with the residual of the related provision credited to profit and loss. The release of the lease guarantee provision relates to the property provisions detailed in note 12.

In the 52 weeks to 27 June 2021 the Group formally completed the disposal of The Sofa Workshop Limited for cash consideration of £0.3m. The loss on disposal included professional fees, property guarantees and other costs associated with the disposal. In addition, non-underlying redundancy costs were incurred in the year in respect of a significant operational restructuring of the DFS sales administration function.

Notes to the condensed consolidated financial statements

5. Finance expense

	26 weeks to 26 December 2021 £m	26 weeks to 27 December 2020 £m	52 weeks to 27 June 2021 £m
Interest payable on senior revolving credit facility	**0.8**	2.5	(4.2)
Bank fees	**0.9**	1.1	(2.0)
Unwind of discount on provisions	**0.1**	-	(0.1)
Interest on lease liabilities	**12.6**	13.6	(26.5)
Other interest	**(0.1)**	0.2	(0.1)
Total underlying finance expense	**14.3**	17.4	(32.9)
Non-underlying items:			
Refinancing costs	**-**	2.6	(3.1)
Total finance expense	**14.3**	20.0	(36.0)

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

6. Taxation

The tax charge recognised in the interim financial statements has been calculated on the basis of the expected effective tax rate for the 52 weeks to 26 June 2022 of 18.2% (26 weeks to 27 December 2020: 20.2% and 52 weeks to 27 June 2021: 10.7%).

7. Earnings per share

	26 weeks to 26 December 2021 pence	26 weeks to 27 December 2020 pence	52 weeks to 27 June 2021 pence
Basic earnings per share	**7.0**	22.5	34.5
Diluted earnings per share	**6.9**	22.3	34.2

	26 weeks to 26 December 2021 £m	26 weeks to 27 December 2020 £m	52 weeks to 27 June 2021 £m
Profit attributable to equity holders of the parent company	**17.7**	57.5	88.7

	26 weeks to 26 December 2022 No.	26 weeks to 27 December 2020 No.	52 weeks to 28 June 2020 No.
Weighted average number of shares for basic earnings per share	**252,617,478**	255,808,727	257,096,686
Dilutive effect of employee share based payment awards	**3,030,052**	1,844,663	2,352,481
Weighted average number of shares for diluted earnings per share	**255,647,530**	257,653,390	259,449,167

Notes to the condensed consolidated financial statements

7. Earnings per share *(continued)*

Underlying earnings per share

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

	26 weeks to 26 December 2021 £m	26 weeks to 27 December 2020 £m	52 weeks to 27 June 2021 £m
Profit attributable to equity holders of the parent company	**17.7**	57.5	88.7
Non-underlying items (profit)/loss after tax	**(0.2)**	2.6	3.8
Underlying profit attributable to equity holders of the parent company	**17.5**	60.1	92.5

	26 weeks to 26 December 2021 pence	26 weeks to 27 December 2020 pence	52 weeks to 27 June 2021 pence
Underlying basic earnings per share	**6.9**	23.5	36.0
Underlying diluted earnings per share	**6.8**	23.3	35.6

8. Dividends

	Pence per ordinary share	**26 weeks to 26 December 2021 £m**	26 weeks to 27 December 2020 £m	52 weeks to 27 June 2021 £m
Final ordinary dividend for FY21	7.5p	**19.0**	-	-

The directors have declared an interim dividend for the period ended 26 June 2022 of 3.7 pence per ordinary share and also a special dividend of 10.0 pence per share. Both dividends will be paid on 25 May 2022. DFS Furniture plc shares will trade ex-dividend from 7 April 2022 and the record date will be 8 April 2022.

9. Financial instruments

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

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

10. Seasonality of operations

The Group's business is subject to sales order peaks due to the effects of promotional periods and, historically, a significant proportion of its annual revenue has been derived from orders generated during specific promotional periods. Promotional periods are generally aligned with periods over which consumers seek to make more purchases. In recent years the timing of revenue has also been impacted by periods of Covid-related store closures and other restrictions.

10. Seasonality of operations (*continued*)

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

As a result of this seasonality of operations the results for the first half of the financial year have typically been smaller than the second half.

11. Capital expenditure

	Property, plant and equipment £m	Right of use asset £m	Intangible assets £m
Net book value as at 28 June 2021	91.6	345.1	535.4
Additions	19.5	36.5	5.7
Remeasurements	-	3.4	-
Disposals	(1.1)	(0.2)	-
Reclassifications	0.2	-	(0.2)
Depreciation, amortisation and impairment	(10.0)	(29.1)	(5.1)
Net book value as at 26 December 2021	100.2	355.7	535.8

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

12. Provisions

	Guarantee provision £m	Property provisions £m	Other provisions £m	Total £m
Balance at 28 June 2021	**9.1**	**3.7**	**8.0**	**20.8**
Provisions made during the period	**4.5**	**0.2**	**0.2**	**4.9**
Provisions used during the period	**(4.2)**	**-**	**(5.5)**	**(9.7)**
Released during the period	**-**	**(0.2)**	**(0.2)**	**(0.4)**
Balance at 26 December 2021	**9.4**	**3.7**	**2.5**	**15.6**
Current	**6.3**	**0.7**	**2.1**	**9.1**
Non-current	**3.1**	**3.0**	**0.4**	**6.5**
	9.4	**3.7**	**2.5**	**15.6**

Notes to the condensed consolidated financial statements

12. Provisions *(continued)*

	Guarantee provision £m	Property provisions £m	Other provisions £m	Total £m
Balance at 29 June 2020	8.1	1.6	6.1	15.8
Transferred from accruals	-	0.6	-	0.6
Provisions made during the period	2.3	3.0	2.9	8.2
Provisions used during the period	(2.3)	-	-	(2.3)
Released during the period	-	(1.2)	-	(1.2)
Balance at 27 December 2020	8.1	4.0	9.0	21.1
Current	5.6	1.2	9.0	15.8
Non-current	2.5	2.8	-	5.3
	8.1	4.0	9.0	21.1

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 estimates 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 included deferred consideration payable on the Group’s November 2017 acquisition of Sofology. The deferred consideration was finalised and settled on 11 August 2021.

Notes to the condensed consolidated financial statements

13. Net debt

	27 June 2021 £m	Cash flow £m	Other non-cash changes £m	26 December 2021 £m
Cash in hand, at bank	**22.7**	**(3.6)**	**-**	**19.1**
Bank overdraft	**(16.7)**	**7.2**	**-**	**(9.5)**
Cash and cash equivalents	**6.0**	**3.6**	**-**	**9.6**
Senior revolving credit facility	**(23.1)**	**(50.0)**	**(0.4)**	**(73.5)**
Lease liabilities	**(454.1)**	**35.6**	**(39.9)**	**(458.4)**
Total net debt	**(471.2)**	**(10.8)**	**(40.3)**	**(522.3)**

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

14. Alternative performance measures

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

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

In order to facilitate understanding of the APMs used by the Group, and their relationship to reported IFRS measures, definitions and numerical reconciliations are set out below.

Definitions of APMs may vary from business to business and accordingly the Group’s APMs may not be directly comparable to similar APMs reported by other entities.

Notes to the condensed consolidated financial statements

14. Alternative performance measures *(continued)*

APM glossary and definitions

APM	Definition	Rationale
Gross sales	Amounts payable by external customers for goods and services supplied by the Group, including aftercare services (for which the Group acts as an agent), delivery charges and value added and other sales taxes.	Key measure of overall sales performance which unlike IFRS revenue is not affected by the extent to which customers take up the Group's interest free credit offering.
Brand contribution	Gross profit less selling and distribution costs, excluding property and administration costs.	Measure of brand-controllable profit as it excludes shared Group costs.
EBITDA	Earnings before interest, taxation, depreciation and amortisation.	A commonly used profit measure.
Non-underlying items	Certain material, unusual or non-recurring items which the Directors believe are not indicative of the Group's underlying performance.	Clear and separate identification of such items facilitates understanding of underlying trading performance.
Underlying profit before tax and brand amortisation PBT(A)	Profit before tax adjusted for non-underlying items and amortisation associated with the acquired brands of Sofology and Dwell.	Profit measure widely used by investors and analysts.
Underlying earnings per share	Post-tax earnings per share as adjusted for non-underlying items.	Exclusion of non-underlying items facilitates year on year comparisons of the key investor measure of earnings per share.
Net bank debt	Balance drawn down on interest-bearing loans, with unamortised issue costs added back, less cash and cash equivalents (including bank overdrafts).	Measure of the Group's cash indebtedness which supports assessment of available liquidity and cash flow generation in the reporting period.
Cash EBITDA	Net cash from operating activities before tax less movements on working capital and provisions balances and payments made under lease obligations.	Measure of the operating cash generation of the business, normalised to reflect timing differences in working capital movements.
Leverage (gearing)	The ratio of period end net bank debt to Cash EBITDA for the previous twelve months.	Key measure which indicates the relative level of borrowing to operating cash generation, widely used by investors and analysts.
LTM Dec-21	Last twelve months/52 weeks ended 27 December 2021 (unaudited, pro forma period).	Certain KPIs (e.g. Leverage) are only meaningful when assessed on a full year basis.

Notes to the condensed consolidated financial statements

14. Alternative performance measures (*continued*)

Reconciliations to IFRS measures

EBITDA	H1 FY22 £m	H1 FY21 £m	FY21 £m	H1 FY20 £m
Operating profit	35.9	92.1	135.2	34.6
Depreciation	39.1	38.9	77.4	41.7
Amortisation	5.1	3.6	7.9	3.1
EBITDA	80.1	134.6	220.5	79.4

Underlying profit before tax and brand amortisation – PBT(A)	H1 FY22 £m	H1 FY21 £m	FY21 £m	H1 FY20 £m
Profit before tax	21.6	72.1	99.2	15.9
Non-underlying items	(0.2)	3.7	5.2	-
Amortisation of brand names	0.7	0.7	1.4	0.7
Underlying profit before tax and brand amortisation	22.1	76.5	105.8	16.6

Net bank debt	H1 FY22 £m	H1 FY21 £m	FY21 £m	H1 FY20 £m
Interest bearing loans and borrowings	73.5	62.8	23.1	194.1
Unamortised issue costs	1.5	2.2	1.9	0.9
Cash and cash equivalents (including bank overdraft)	(9.6)	(26.8)	(6.0)	(47.2)
Net bank debt	65.4	38.2	19.0	147.8

Leverage	LTM Dec-21 £m	FY21 £m
Net bank debt (A)	65.4	19.0
Net cash from operating activities before tax	176.3	307.2
Less:		
Movement in trade and other receivables	(10.9)	(4.6)
Movement in inventories	13.8	2.2
Movement in trade and other payables	(18.1)	(81.4)
Movement in provisions	4.8	(3.3)
Payment of lease liabilities	(73.7)	(77.1)
Payment of interest on leases	(25.5)	(26.7)
Cash EBITDA (B)	66.7	116.3
Leverage (A/B)	**1.0x**	**0.2x**

Notes to the condensed consolidated financial statements

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

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