26 March 2015 **For immediate release**

DFS Furniture plc

Half Year Results

CONTINUED STRONG MOMENTUM DELIVERS RECORD RESULT

DFS Furniture plc today announces its half year results for the 26 weeks ended 31 January 2015.*****

Financial Highlights:

- Group gross sales up 10.5% to £431.2m (2014: £390.1m)
- Group adjusted EBITDA up 16.5% to £27.6m (2014: £23.7m)
- Record last twelve months adjusted EBITDA of £86.2m
- Strong free cash flow of £35.2m (2014: £36.6m)
- Successful IPO and refinancing completed March 2015, significantly reducing debt and future interest costs

Operational Highlights:

- Proven growth strategy on track
    - Store opening programme adds four new UK stores and one new store in the Republic of Ireland during the half year – all new stores trading well
    - First Continental European store opened in The Netherlands
    - Customer Distribution Centre concept operating successfully, supporting 13 stores in three regions and releasing additional selling space
    - Continued strong growth in web sales

DFS Chairman Richard Baker said:

“I am delighted to see a strong performance in our first set of results as a new public company. Our dedication to creating and making quality sofas that every home loves and can afford, combined with maintaining the culture of a family business, continues to be at the heart of our success.”

DFS Chief Executive Officer Ian Filby said:

“Our recent IPO strengthened our financial position and provides an excellent platform from which to fulfil our vision of taking DFS from being a great British business to a world class business. Our continued momentum in the first half of the current financial year has built on the strong performance of the second half last year to deliver a record last twelve months’ result for the Group.

“Although our performance will be measured against stronger comparatives in the second half, we are confident that DFS will deliver in line with market expectations for the current year and enjoys excellent prospects for long term profitable growth as one of the UK’s best-known brands, a major British manufacturer and the country’s leading retailer of upholstered furniture.”

Performance summary

The performance measures below are those applicable to the Group for the period under review, which pre-dates the completion of the Group's IPO on 11 March 2015. Other measures typically presented by public companies such as earnings per share for this period reflect historical shareholding structures and are not representative of underlying performance, but will become more relevant for subsequent reporting periods.

	H1 FY15	H1 FY14	*YoY change*	LTM† Jan 15	LTM† Jan 14	*YoY change*
Gross sales	£431.2m	£390.1m	*+10.5%*	£894.5m	£811.5m	*+10.2%*
Revenue	£332.8m	£299.2m	*+11.2%*	£690.4m	£621.4m	*+11.1%*
Adjusted EBITDA[1]	£27.6m	£23.7m	*+16.5%*	£86.2m	£77.1m	*+11.8%*
Adjusted EBITDA margin	8.3%	7.9%	*+0.4%pt*	12.5%	12.4%	*+0.1%pt*
Operating profit	£15.6m	£14.0m	*+11.4%*	£62.5m	£61.4m	*+1.8%*
Free cash flow[2]	£35.2m	£36.6m	*-3.8%*			
No. DFS stores	105	100	*+5%*			

†Last Twelve Months

[1] Adjusted EBITDA means earnings before interest, taxation, depreciation and amortisation, as adjusted for certain material, unusual or non-recurring items which the directors believe are not indicative of the Group's prior period underlying performance, principally the exclusion of initial trading losses associated with newly acquired businesses and the re-allocation of a discretionary incentive payment to the period to which it related.

[2] Free cash flow is the sum of Adjusted EBITDA, gross capital expenditure and changes in working capital.

***DFS Furniture plc is denoted as 'DFS' or the 'Company' and together with its subsidiaries, 'the Group'.*

Analyst Presentation

DFS will be hosting an analyst presentation at 9.00am today. There will be a telephone dial-in facility available on +44 (0)1452 542303. The presentation slides will be made available on the Group's website: www.dfscorporate.co.uk. A replay facility will be available for six days after the event. To access the replay please dial +44 (0)1452 550000 and use pass code 15298998.

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About DFS Furniture plc

DFS is the clear market leading retailer of upholstered furniture in the United Kingdom. We design, manufacture, sell and deliver to our customers an extensive range of upholstered furniture products. The business operates a retail network of upholstered furniture stores in the United Kingdom and Europe, together with an online channel. These have been established and developed gradually over more than 45 years of operating history. We attract customers to our stores and website through our substantial and continued investment in nationwide marketing activities and our reputation for high quality products and service, breadth of product ranges and price points and favourable consumer financing options.

CHIEF EXECUTIVE'S OPERATING REVIEW

I am delighted to welcome our new shareholders and to present DFS's first financial report since we became a public company. Our IPO represents an important step forward in our mission to turn this great British business into one that is truly world class. I am pleased to report continued momentum in the first half of the current financial year, building on the strong performance of the second half last year to deliver a record last twelve months' result for the Group.

Results

Group gross sales for the 26 weeks ended 31 January 2015 grew by 10.5% to £431.2 million (2014: £390.1 million). This includes our acquisitions, Sofa Workshop and Dwell; the increase in gross sales for DFS alone was 9.1%. Group adjusted EBITDA increased by 16.5% to £27.6 million after adding back non-recurring exceptional expenses related to our IPO, and costs related to acquisitions and our international expansion, totalling £3.7 million (2014: £2.5 million).

Strategy

We have continued to make good progress with the implementation of our strategy. Our success to date has been firmly based on our exceptional customer proposition, offering the best and broadest product range in terms of styles, brands and price-points, which are made more affordable by our industry-leading interest free credit offer and supported by outstanding customer service.

From this strong base as the market leader in every segment where we operate, we intend to further broaden our product and brand appeal without compromising quality. To achieve this, the Group has a number of proven and developing growth levers including a measured programme of store expansion and retail space release in the UK and overseas, continued development of our omnichannel proposition and constant enhancement of our product range, particularly to build on our established success in extending our appeal to more customers.

We see significant opportunity to further increase our penetration in the UK, strengthen our established market leadership in online upholstered furniture sales and further develop the DFS brand internationally.

Stores – UK and International

Continuing our store expansion programme, we opened six new stores in the first half to give us a total of 105 DFS branded stores: 101 in the UK, three in the Republic of Ireland and one in The Netherlands. Our new UK stores opened in York, Ayr, Basingstoke and Oxford during the half year, and we also opened our third Republic of Ireland store at Carrickmines (Dublin). Having identified The Netherlands as the optimal location for our first move into Continental Europe we opened a new store at Cruquius in early November 2014 and this is now making customer deliveries.

All our new stores, including Cruquius, are trading encouragingly.

We will continue to expand our UK retail portfolio at an average rate of three to five current format DFS stores a year, with additional Dwell and Sofa Workshop stores, and we plan to further develop our international presence once concepts are proven. Since the financial period end we have also opened our first trial compact footprint DFS store in Westfield Stratford, next to a new Sofa Workshop store and close by our existing Dwell store.

Customer Distribution Centres ("CDC")

Our Customer Distribution Centre concept, already operating successfully in South East and North West England, was extended into Scotland during the first half and now covers 13 stores. The initiative enhances our customers' experience and generates additional sales by releasing more selling space in our existing stores through moving their in-store warehouse and distribution operations into lower rent and more logistically efficient offsite locations. So far we have released an additional 36,000 sq ft of retail selling space through this initiative, and we will begin to fit out the space in Scotland shortly. We have also recently signed leases on our next two CDC locations: North East England and Central Southern England. We intend to roll out the CDC concept across our estate by creating approximately three new CDCs each year.

Web

Our market-leading website is designed to ensure ease and efficiency for the growing number of customers who access our online platform through tablets and mobile phones. While one of its primary roles will continue to be to inspire and attract customers to physical stores, the Group's Web channel also appeals to convenience shoppers and those who may not be willing or able to visit a physical retail store. The Web channel has continued to maintain its sector leading online position and to make an important contribution to our strong results. For the 26 weeks ended 31 January 2015 Web represented 10.9% of Group revenue (2014: 9.7%).

We intend to build on this great asset to further strengthen our position as the market leader for online upholstered furniture sales both by adding further product ranges to the DFS branded website and strengthening the Sofa Workshop and Dwell online presence. This will allow us to capitalise on the Group's existing web traffic and efficiently utilise our vertically integrated business model, including our well-established delivery infrastructure.

Market share gain through complementary brands

We intend to continue developing our branded product offering as part of our drive to increase our appeal to more customers. The consolidation of the Sofa Workshop and Dwell brands into the Group further develops our established partnerships with these complementary, aspirational brands and builds on the success we have achieved with our exclusive ranges of high quality sofas handcrafted in the UK under brands such as Country Living, House Beautiful, French Connection and G-Plan.

To enhance the availability of our complementary brands, from October 2014 we commenced the sale of Dwell sofa-beds and other furniture and accessories on the dfs.co.uk website and since December 2014 we have introduced three exclusive Sofa Workshop upholstery ranges into selected DFS stores. Both Dwell and Sofa Workshop initiatives have performed well, delivering strong customer feedback and order volumes. These two businesses acquired in the previous financial year are trading strongly in their own right.

The Board and Our People

The Board has been strengthened by the appointment of three highly experienced Independent Non-Executive Directors since October 2014: Luke Mayhew, Gwyn Burr and Julie Southern. Their wide-ranging expertise will help us to both develop our business and enhance our corporate governance, ensuring that we have a best-in-class Board to support us in executing our strategy and fulfilling our obligations to our shareholders. The Board is supported by an experienced senior management team with significant industry knowledge and a strong record of accomplishment in recent challenging economic conditions.

We rely on the more than 3,500 people who make, sell and deliver our furniture to provide the outstanding customer service that is a key part of DFS's unique proposition and throughout the period we have been delighted to see continued outstanding levels of customer satisfaction as measured by Net Promoter Score ('NPS'). We are very grateful to all our employees for their contributions to our continuing success, and are delighted to have been able to provide them with an opportunity to participate in share ownership through our IPO, where our employees acquired over £850,000 of DFS shares. In addition, as part of the IPO, selling shareholders allocated 1% of their profits to the DFS Partnership Scheme, which enabled approximately 2,600 DFS staff to receive a share of a £2.6 million pay out from the previous shareholders and senior management.

Market Environment

Overall market demand for upholstered furniture in the UK is predominantly driven by prevailing consumer confidence, the level of housing market activity and consumer credit availability. We continue to see favourable reported trends in key indicators in all three of these market drivers, despite some recent moderation in housing transaction volumes, and the upcoming general election having the potential to create some short term volatility. We therefore have confidence that our business will continue to benefit over the long term from a growing upholstery market.

Outlook

Our first half results provide a strong base for the results for the full year although it should be noted that our first half is typically the smaller half in terms of deliveries and our performance in the second half will be measured against stronger comparatives. Our trading since the end of the reporting period is on track and we are confident that DFS will deliver in line with market expectations for the current year.

DFS remains well positioned to deliver long-term profitable growth as one of the UK's best-known brands, a major British manufacturer and the country's leading retailer of upholstered furniture. Our IPO has further strengthened our financial position and given us an excellent platform from which to fulfil our vision of taking DFS from a great British business to a world class business. We look forward to driving our various growth initiatives against the backdrop of an improving macroeconomic environment and to building on our 45 year track record of success in delivering growth in sales, outstanding total shareholder returns and sector leading return on capital employed.

Ian Filby
Chief Executive

FINANCIAL REVIEW

Sales and Revenue

Group gross sales for the first half increased by 10.5% to £431.2 million (2014: £390.1 million), reflecting a 9.1% increase in DFS sales as well as increased contributions from Dwell and Sofa Workshop. Changes in the mix of interest free credit offers selected by our customers meant that Group revenues increased by slightly more, growing by 11.2% to £332.8 million (2014: £299.2 million).

Gross margin

Gross margin on goods sold decreased slightly compared to last year, reflecting our continued investment in competitive price points as well as product sales mix effects. The continuing growth in our UK store network and online sales has spread the costs of national advertising over a wider revenue base, reducing marketing costs as a proportion of sales. We have also achieved efficiencies in store occupancy costs. As a consequence of all these factors gross profit increased at a faster rate than revenue, up 16.5% to £45.9 million (2014: £39.4 million).

Profitability

Administrative expenses increased by 7.0% primarily due to increased staff costs reflecting additional central capability to drive growth initiatives and also additional costs relating to the central functions of the Dwell and Sofa Workshop businesses acquired in the previous financial year. Coupled with the improvements in gross profit margin this resulted in an adjusted EBITDA for the first half of £27.6 million, an increase of 16.5% on the previous year. The adjusted EBITDA margin for the period increased by 0.4%pt to 8.3%. Our first half is typically seasonally the smaller half for revenue and we have historically seen an improved EBITDA margin for the full year compared to the first half.

Non-underlying and other adjusted costs incurred in the period relating to the IPO and the Group's international expansion totalled £3.7 million (2014: £2.5 million). Further exceptional costs relating to the IPO and refinancing will be incurred during the second half of the financial year, with overall transaction related costs for the IPO and refinancing expected to total approximately £20.0 million. Operating profit increased by 11.4% to £15.6 million (2014: £14.0 million).

Finance costs

Finance expenses of £30.1 million for the half year reflected the Group's capital structure under its former ownership. As a result of the IPO and related refinancing undertaken, the Group's £310.0 million senior secured notes were repaid on 12 March 2015 and a new senior bank facility of £200.0 million drawn down at a much lower interest rate (together with an undrawn revolving credit facility of £30.0 million), giving an expected ongoing cost of borrowing of less than 5% of gross debt. In addition, previous shareholder loans and accrued interest of £192.7 million were converted into ordinary share capital. The effect of these transactions was to significantly reduce the Group's net debt and its total financing charge.

Cash flow and balance sheet

Our free cash flow generation remains robust, delivering very strong conversion levels from adjusted EBITDA. Group cash balances at the end of the half year, before the IPO refinancing, were £49.7 million (2014: £36.4 million). New store openings, including our first store in the Netherlands, contributed to an increase in capital expenditure for the first half to £11.1 million (2014: £8.4 million), which has slightly reduced free cash flow year on year. Working capital movements reflected the increased volumes in the business, providing inflows with our virtually stockless, made-to-order model and hence negative working capital.

The IPO and related refinancing and changes in capital structure took place after the period under review and resulted in the Group establishing a positive net asset position and a net debt of less than £200.0 million.

Dividend

The strength of our cash flow has enabled DFS consistently to both reduce leverage and to return cash to shareholders as part of our total shareholder return. We intend to adopt a progressive dividend policy that reflects the long-term earnings and cash flow potential of the Group, with a dividend pay-out ratio of around 40-50% of profit after tax, split approximately one-third and two-thirds between interim and final dividends respectively. We expect our first dividend as a public company to be a final dividend in respect of the current financial year ending in July 2015 and paid following our Annual General Meeting.

Bill Barnes
Finance Director

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

a) The condensed set of financial statements has been prepared in accordance with IAS 34;

b) The interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of the principal risks and uncertainties for the remaining six months of the year); and

c) The interim management report includes a fair review of the information required by DT 4.2.8R (disclosure of related party transactions and changes therein).

By order of the board

Ian Filby	**Bill Barnes**
Chief Executive	*Finance Director*

Unaudited condensed consolidated income statement

Note: the unaudited condensed consolidated income statement and earnings per share presented are based on results and number of shares in issue prior to the Group's IPO on 11 March 2015 and therefore do not reflect the consequent changes in financing and capital structure

	Note	**26 weeks to 31 January 2015 £m**	26 weeks to 25 January 2014 £m	53 weeks to 2 August 2014 £m
Gross sales	*3*	**431.2**	390.1	853.4
Revenue	*3*	**332.8**	299.2	656.8
Cost of sales		**(286.9)**	(259.8)	(544.9)
Gross profit		**45.9**	39.4	111.9
Administrative expenses		**(18.3)**	(17.1)	(31.9)
Underlying operating profit before depreciation and amortisation		**27.6**	22.3	80.0
Depreciation		**(6.9)**	(6.0)	(12.3)
Amortisation		**(1.4)**	(1.2)	(2.4)
Non-underlying items	*4*	**(3.7)**	(1.1)	(4.4)
Operating profit		**15.6**	14.0	60.9
Finance income		**0.1**	0.1	0.2
Finance expenses		**(30.1)**	(28.1)	(57.5)
(Loss)/profit before tax		**(14.4)**	(14.0)	3.6
Taxation		**(0.3)**	0.5	(8.1)
Loss for the period		**(14.7)**	(13.5)	(4.5)
Attributable to:				
Owners of the Company		**(13.2)**	(12.0)	(5.0)
Non-controlling interests		**(1.5)**	(1.5)	0.5
		(14.7)	(13.5)	(4.5)

Earnings per share

	Note	**26 weeks to 31 January 2015**	26 weeks to 25 January 2014	53 weeks to 2 August 2014
Basic and diluted (pence)	*5*	**(30.8)**	(28.2)	(11.7)

Unaudited condensed consolidated statement of comprehensive income

	26 weeks to 31 January 2015 £m	26 weeks to 25 January 2014 £m	12 months to 2 August 2014 £m
Loss for the year	**(14.7)**	(13.5)	(4.5)
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Effective portion of changes in fair value of cash flow hedges	**7.4**	(6.2)	(8.1)
Net change in fair value of cash flow hedges reclassified to profit or loss	**0.3**	(0.2)	2.4
Income tax on items that are or may be reclassified subsequently to profit or loss	**(1.5)**	1.3	1.2
Other comprehensive (expense)/income for the year, net of income tax	**6.2**	(5.1)	(4.5)
Total comprehensive expense for the year	**(8.5)**	(18.6)	(9.0)
Attributable to:			
Owners of the Company	**(7.0)**	(17.1)	(9.5)
Non-controlling interests	**(1.5)**	(1.5)	0.5
	(8.5)	(18.6)	(9.0)

Unaudited condensed consolidated balance sheet

	31 January 2015 £m	25 January 2014 £m	2 August 2014 £m
Non-current assets			
Property, plant and equipment	**55.3**	50.1	50.9
Intangible assets	**489.7**	490.3	490.2
Other financial assets	**-**	-	0.1
Deferred tax assets	**9.4**	11.1	11.2
	554.4	551.5	552.4
Current assets			
Inventories	**33.9**	28.3	28.8
Other financial assets	**4.7**	-	-
Trade and other receivables	**20.5**	18.7	26.0
Cash and cash equivalents	**49.7**	36.4	53.8
	108.8	83.4	108.6
Total assets	**663.2**	634.9	661.0
Current liabilities			
Trade payables and other liabilities	**(356.9)**	(326.7)	(337.8)
Provisions	**(6.0)**	(6.0)	(5.8)
Other financial liabilities	**-**	(3.7)	(3.1)
Current tax liabilities	**(3.8)**	(3.9)	(7.3)
	(366.7)	(340.3)	(354.0)
Non-current liabilities			
Senior secured notes	**(307.0)**	(306.1)	(306.6)
Provisions	**(4.4)**	(4.5)	(4.4)
Other liabilities	**(69.2)**	(68.7)	(70.8)
	(380.6)	(379.3)	(381.8)
Total liabilities	**(747.3)**	(719.6)	(735.8)
Net liabilities	**(84.1)**	(84.7)	(74.8)
Equity attributable to equity holders of the parent			
Share capital	**42.6**	42.6	42.6
Cash flow hedging reserve	**4.7**	(3.7)	(3.0)
Retained earnings	**(129.0)**	(120.7)	(113.5)
Equity attributable to owners of the Company	**(81.7)**	(81.8)	(73.9)
Non-controlling interests	**(2.4)**	(2.9)	(0.9)
Total equity	**(84.1)**	(84.7)	(74.8)

Note: the unaudited condensed consolidated balance sheet represents the statement of affairs before the IPO on 11 March 2015 and subsequent reorganisation of borrowing and capital structure.

Unaudited condensed consolidated statement of changes in equity

	Share capital £m	Cash flow hedging reserve £m	Retained earnings £m	Non-controlling interest £m	Total equity £m
Balance at 27 July 2013	42.6	2.7	(108.7)	(1.6)	(65.0)
Loss for the period	-	-	(12.0)	(1.5)	(13.5)
Other comprehensive income/(expense)	-	(6.4)	1.3	-	(5.1)
Total comprehensive income/(expense) for the period	-	(6.4)	(10.7)	(1.5)	(18.6)
Issue of shares in subsidiary	-	-	-	0.2	0.2
Dividends	-	-	(1.3)	-	(1.3)
Balance at 25 January 2014	42.6	(3.7)	(120.7)	(2.9)	(84.7)
Balance at 2 August 2014	42.6	(3.0)	(113.5)	(0.9)	(74.8)
Loss for the period	-	-	(13.2)	(1.5)	(14.7)
Other comprehensive income/(expense)	-	7.7	(1.5)	-	6.2
Total comprehensive income/(expense) for the period	-	7.7	(14.7)	(1.5)	(8.5)
Dividends	-	-	(0.9)	-	(0.9)
Capital contribution	-	-	0.1	-	0.1
Balance at 31 January 2015	**42.6**	**4.7**	**(129.0)**	**(2.4)**	**(84.1)**

Unaudited condensed consolidated cash flow statement

	26 weeks to 31 January 2015 £m	26 weeks to 25 January 2014 £m	53 weeks to 2 August 2014 £m
Operating profit	**15.6**	14.0	60.9
Adjustments for:			
Depreciation, amortisation and impairment	**8.2**	7.1	14.7
Gain on sale of property, plant and equipment	**(0.4)**	(0.3)	(0.7)
Share based payment expense	**0.1**	-	0.3
Decrease in trade and other receivables	**5.5**	8.0	0.2
Increase in inventories	**(5.1)**	(4.5)	(5.0)
Increase in trade and other payables	**18.0**	17.8	13.2
Increase/(decrease) in provisions	**0.2**	-	(0.4)
	42.1	42.1	83.2
Tax paid	**(3.5)**	(2.6)	(8.0)
Net cash from operating activities	**38.6**	39.5	75.2
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	**0.4**	0.3	0.8
Interest received	**0.1**	0.1	0.2
Acquisition of subsidiaries	**-**	(1.4)	(1.4)
Acquisition of property, plant and equipment	**(10.3)**	(7.1)	(12.9)
Acquisition of other intangible assets	**(0.8)**	(1.3)	(2.5)
Net cash from investing activities	**(10.6)**	(9.4)	(15.8)
Cash flows from financing activities			
Interest paid	**(30.7)**	(30.5)	(42.1)
Payment of finance lease liabilities	**(0.5)**	(0.3)	(0.6)
Dividends paid	**(0.9)**	(1.3)	(1.3)
Net cash from financing activities	**(32.1)**	(32.1)	(44.0)
Net (decrease)/increase in cash and cash equivalents	**(4.1)**	(2.0)	15.4
Cash and cash equivalents at beginning of period	**53.8**	38.4	38.4
Cash and cash equivalents at end of period	**49.7**	36.4	53.8

Notes to the unaudited condensed consolidated financial statements

1 Basis of preparation

This unaudited condensed consolidated interim financial information for DFS Furniture plc (formerly Diamond Holdco 1 Limited, "the Company") and its subsidiaries (together, "the Group") was approved for release on 26 March 2015.

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* and the Disclosure and Transparency Rules of the Financial Conduct Authority, and comprise the results for the 26 weeks ended 31 January 2015, the 26 weeks ended 25 January 2014 and the 53 weeks ended 2 August 2014.

The interim financial statements have not been audited or reviewed by auditors pursuant to the Auditing Practices Board guidance on 'Review of Interim Financial Information'. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the 53 weeks ended 2 August 2014.

The financial information included in this interim statement of results does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006. The statutory accounts for the 53 weeks ended 2 August 2014 have been reported on by the Company's auditors and delivered to the Registrar of Companies. The auditor's report for those accounts was unqualified, did not included a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006.

Accounting policies

The accounting policies adopted in preparing the condensed consolidated interim financial statements are consistent with the policies applied in the Group's financial statements for the 53 weeks ended 2 August 2014, which were prepared under IFRS as adopted by the European Union. There are no new standards, amendments to existing standards or interpretations that are effective for the first time in the financial year beginning 3 August 2014 that would be expected to have a material impact on the Group's results.

Going concern

On the basis of their assessment of the Group's financial position, operating forecasts and financing arrangements the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The directors are therefore satisfied that it is appropriate to adopt the going concern basis of accounting in preparing the interim financial statements.

2 Post balance sheet event: Initial public offering ('IPO')

Following the end of the interim period to which this report relates, the Group successfully completed its IPO and the Company's ordinary shares were admitted to trading on the main market of the London Stock Exchange on 11 March 2015.

In connection with the IPO the Group's capital structure was reorganised and its borrowings refinanced. The Group's £310.0 million senior secured notes were repaid on 12 March 2015 and a new senior bank facility of £200.0 million drawn down at a significantly reduced interest rate, together with an undrawn revolving credit facility of £30.0 million . In addition, previous shareholder loans and accrued interest of £192.7 million were converted into ordinary share capital. The effect of these transactions was to significantly reduce the Group's net debt and its future finance expenses.

Since the IPO and related refinancing occurred after the end of the interim reporting period, the unaudited condensed consolidated financial statements presented in this report reflect the Group's state of affairs prior to the IPO and do not include the effect of any of the above transactions.

Notes to the unaudited condensed consolidated financial statements

3 Segmental Analysis

The Group's operating segments under IFRS 8 have been determined based on management accounts reports reviewed by the Board. Segment performance is assessed based upon earnings before interest and tax excluding depreciation charges and non-underlying items ("underlying EBITDA").

The Group has only one reportable segment, which derives its revenues from the retailing of upholstered furniture and related products. Activities included in other segments comprise the manufacture and distribution of upholstered furniture.

The Group's operations and related assets and its external revenue derive principally within the UK & Eire and accordingly no separate analysis by geographical area has been presented.

	External sales			**Internal sales**			**Total gross sales**		
	26 weeks to 31 January 2015 £m	26 weeks to 25 January 2014 £m	53 weeks to 2 August 2014 £m	**26 weeks to 31 January 2015 £m**	26 weeks to 25 January 2014 £m	53 weeks to 2 August 2014 £m	**26 weeks to 31 January 2015 £m**	26 weeks to 25 January 2014 £m	53 weeks to 2 August 2014 £m
Retail	**431.2**	390.1	853.4	**-**	-	-	**431.2**	390.1	853.4
Other segments	**-**	-	-	**45.2**	43.8	89.1	**45.2**	43.8	89.1
Eliminations	**-**	-	-	**(45.2)**	(43.8)	(89.1)	**(45.2)**	(43.8)	(89.1)
Gross sales	**431.2**	390.1	853.4	**-**	-	-	**431.2**	390.1	853.4

	26 weeks to 31 January 2015 £m	26 weeks to 25 January 2014 £m	53 weeks to 2 August 2014 £m
Total segments gross sales	**431.2**	390.1	853.4
Less: value added and other sales taxes	**(66.7)**	(61.1)	(131.8)
Less: costs of interest free credit and aftercare services	**(31.7)**	(29.8)	(64.8)
Revenue	**332.8**	299.2	656.8

	26 weeks to 31 January 2015 £m	26 weeks to 25 January 2014 £m	53 weeks to 2 August 2014 £m
Retail underlying EBITDA	**24.8**	21.3	75.2
Other segments underlying EBITDA	**2.8**	1.0	4.8
	27.6	22.3	80.0
Depreciation & amortisation	**(8.3)**	(7.2)	(14.7)
Non-underlying items (note 4)	**(3.7)**	(1.1)	(4.4)
Operating profit	**15.6**	14.0	60.9
Finance income	**0.1**	0.1	0.2
Finance expenses	**(30.1)**	(28.1)	(57.5)
(Loss)/profit before tax	**(14.4)**	(14.0)	3.6

Notes to the unaudited condensed consolidated financial statements

4 Operating profit

Group operating profit is stated after charging:

	26 weeks to 31 January 2015 £m	26 weeks to 25 January 2014 £m	53 weeks to 2 August 2014 £m
Non-underlying items			
Accelerated share based payments charge	**0.1**	-	0.3
International and acquired business set-up costs	**1.9**	0.7	1.5
Non-recurring and exceptional legal and professional costs	**1.7**	-	2.0
Acquisition costs	**-**	0.4	0.4
Restructuring costs	**-**	-	0.2
	3.7	1.1	4.4

Reconciliation of operating profit to adjusted EBITDA

	26 weeks to 31 January 2015 £m	26 weeks to 25 January 2014 £m	53 weeks to 2 August 2014 £m
Operating profit	**15.6**	14.0	60.9
Depreciation	**6.9**	6.0	12.3
Amortisation	**1.4**	1.2	2.4
Non-underlying items (above)	**3.7**	1.1	4.4
Underlying EBITDA	**27.6**	22.3	80.0
Adjusted items	**-**	1.4	2.3
Adjusted EBITDA	**27.6**	23.7	82.3

Adjusted items relate to losses in prior periods arising in the initial ownership period of new subsidiaries and enhanced staff rewards relating to prior periods.

Notes to the unaudited condensed consolidated financial statements

5 Earnings per share

	26 weeks to 31 January 2015	26 weeks to 25 January 2014	53 weeks to 2 August 2014
	£m	£m	£m
Loss attributable to owners of the Company	**(13.2)**	(12.0)	(5.0)

	No. shares (millions)	No. shares (millions)	No. shares (millions)
Weighted average shares for basic and diluted earnings per share	**42.6**	42.6	42.6

The calculation of earnings per share relates to the results and number of shares in issue prior to the Group's IPO on 11 March 2015 and therefore does not reflect the consequent changes in financing and capital structure.

At 31 January 2015 the Company had 42,615,218 ordinary shares of £1 each in issue. On 17 February 2015 a further 192,708,003 £1 ordinary shares were issued to capitalise principal and accrued interest on outstanding loans from parent companies. One further £1 ordinary share was issued on 22 February and the resulting total share capital of 235,323,222 ordinary shares of £1 each were then consolidated to 156,882,148 ordinary shares of £1.50 each.

On 5 March 2015 a further 56,148,453 ordinary shares of £1.50 each were issued conditional to the admission of the Company's shares to trading on the London Stock Exchange, bringing the total shares in issue on admission to 213,030,601 ordinary shares of £1.50 each.

6 Dividends

The following dividends were recognised during the period:

	26 weeks to 31 January 2015 £m	26 weeks to 25 January 2014 £m	53 weeks to 2 August 2014 £m
£0.03 (2013: £1.22) per qualifying ordinary share	**0.9**	1.3	51.9

7 Financial instruments

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

Except as detailed below, 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.

	31 January 2015		25 January 2014		2 August 2014	
	Carrying amount £m	**Fair value £m**	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Senior secured notes						
Fixed rates notes due August 2018	**200.0**	**207.0**	200.0	213.0	200.0	208.5
Floating rate notes due August 2018	**110.0**	**110.1**	110.0	111.2	110.0	110.6
	310.0	**317.1**	310.0	324.2	310.0	319.1

The fair values of the senior secured notes are their market values at the balance sheet date. Market values include accrued interest and changes in credit risk and interest rate risk and are therefore different to the reported carrying amounts.

Notes to the unaudited condensed consolidated financial statements

8 Risks and uncertainties

The directors have considered the principal risks and uncertainties as presented in the Group's financial statements for the 53 weeks ended 2 August 2014 and determined that these risks remain relevant for the remaining 26 weeks of the current financial year. These risks comprise: Business strategy; Economy and market conditions; Supply chain management; Consumer finance; Expansion of retail store network; Employees; IT systems; Financial risk and liquidity; Regulatory environment. Further details of these risks can be round on pages 7 to 8 of the Group's annual financial statements, a copy of which is available on the Group's website at www.dfscorporate.co.uk.

In addition, following the admission of the Company's ordinary shares to trading the London Stock Exchange on 11 March 2015 the Group will be subject to increased regulatory obligations as a result of being a public company and management will need to devote a substantial amount of time to ensure that the Group's business complies with all of these requirements. In addition, the reporting requirements, rules and regulations will increase the Group's legal and financial compliance costs and make some activities more time-consuming and costly.

9 Seasonality of operations

The Group's business is subject to sales order peaks due to the effects of promotional periods and, historically, a significant proportion of its annual revenue has been derived from orders generated during specific promotional periods. Promotional periods are generally aligned with periods over which consumers seek to make more purchases. The Group's most important trading periods in terms of order volumes have been in the promotional periods during the post-Christmas winter sale, Easter, the pre-Christmas guaranteed delivery period, and other public bank holidays. These increases in its order volumes (as opposed to its revenue, which is recognised upon completion of delivery, typically between three and 12 weeks after orders are placed) have generally been influenced, inter alia, by increases in the Group's spending on marketing and promotions in the period immediately prior to, and during, these promotional periods.

10 Capital expenditure

For the 26 weeks to 31 January 2015, acquisition of property, plant and equipment (including those acquired under finance leases) totalled £11.3 million (2014: £8.1 million). Acquisitions of intangible assets (computer software) totalled £0.8 million (2014: £1.3 million). Net proceeds on the sale of assets in the period were £0.4 million (2014: £0.3 million).

At 31 January 2015 the Group had contracted capital commitments of £1.7 million (2014: £1.3 million) for which no provision has been made in the financial statements.

11 Net debt

	2 August 2014 £m	Cash flow £m	Other non-cash changes £m	31 January 2015 £m
Cash in hand, at bank	53.8	(4.1)	-	49.7
Cash and cash equivalents	53.8	(4.1)	-	49.7
Senior secured notes	(306.6)	-	(0.4)	(307.0)
Finance lease liabilities	(3.8)	0.5	(1.0)	(4.3)
Total net debt	(256.6)	(3.6)	(1.4)	(261.6)

Net debt at 31 January 2015 is prior to the Group's IPO refinancing becoming effective on 12 March 2015 and consequently does not reflect that transaction or the associated reorganisation of the Group's capital structure.

Notes to the unaudited condensed consolidated financial statements

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

This interim report contains statements that constitute forward-looking statements relating to the business, financial performance and results of the Company and the industry in which the Company operates. These statements may be identified by words such as "may", "will", "shall", "anticipate", "believe", "intend", "project", "goal", "expectation", "belief", "estimate", "plan", "target", or "forecast" and similar expressions for the negative thereof; or by forward-looking nature of discussions of strategy, plans or intentions; or by their context. No representation is made that any of these statements or forecasts will come to pass or that any forecast results will be achieved. All statements regarding the future are subject to inherent risks and uncertainties and various factors that would cause actual future results, performance or events to differ materially from those described or implied in these statements. Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operates 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.