Financial statements

This section presents details of the Group's and the Company's financial performance and position as at 25 June 2023.

CONTENTS

CONSOLIDATED INCOME STATEMENT *FOR 52 WEEKS ENDED 25 JUNE 2023 (52 WEEKS ENDED 26 JUNE 2022)*

	Note	52 weeks to 25 June 2023 Underlying £m	Non-underlying £m	Total £m	52 weeks to 26 June 2022 Underlying £m	Non-underlying £m	Total £m
Gross sales[1]	1, 2	**1,423.6**		**1,423.6**	1,474.6	–	1,474.6
Revenue	2	**1,088.9**	**–**	**1,088.9**	1,149.8	–	1,149.8
Cost of sales		**(496.7)**	**–**	**(496.7)**	(543.9)	–	(543.9)
Gross profit		**592.2**	**–**	**592.2**	605.9	–	605.9
Selling and distribution costs		**(364.6)**	**–**	**(364.6)**	(368.0)	–	(368.0)
Administrative expenses		**(70.2)**	**0.5**	**(69.7)**	(62.0)	(0.4)	(62.4)
Operating profit/(loss) before depreciation, amortisation and impairment	3	**157.4**	**0.5**	**157.9**	175.9	(0.4)	175.5
Depreciation		**(80.5)**	**–**	**(80.5)**	(77.7)	–	(77.7)
Amortisation		**(11.6)**	**–**	**(11.6)**	(10.5)	–	(10.5)
Impairment		**(2.0)**	**–**	**(2.0)**	–	–	–
Operating profit/(loss)	2, 3	**63.3**	**0.5**	**63.8**	87.7	(0.4)	87.3
Finance income	5	**0.2**	**–**	**0.2**	–	–	–
Finance expenses	5	**(34.3)**	**–**	**(34.3)**	(28.8)	–	(28.8)
Profit/(loss) before tax		**29.2**	**0.5**	**29.7**	58.9	(0.4)	58.5
Taxation	6	**(6.6)**	**(0.1)**	**(6.7)**	(14.3)	–	(14.3)
Profit/(loss) for the period from continuing operations		**22.6**	**0.4**	**23.0**	44.6	(0.4)	44.2
Profit/(loss) for the period from discontinued operations	29	**(0.3)**	**3.5**	**3.2**	(1.5)	(11.3)	(12.8)
Profit/(loss) for the period		**22.3**	**3.9**	**26.2**	43.1	(11.7)	31.4
Earnings per share							
Basic	7						
– from continuing operations		**9.6p**	**0.2p**	**9.8p**	17.5p	(0.2)p	17.3p
– from discontinued operations		**(0.2)p**	**1.5p**	**1.3p**	(0.6)p	(4.4)p	(5.0)p
Total		**9.4p**	**1.7p**	**11.1p**	16.9p	(4.6)p	12.3p
Diluted	7						
– from continuing operations		**9.5p**	**0.2p**	**9.7p**	17.4p	(0.2)p	17.2p
– from discontinued operations		**(0.2)p**	**1.5p**	**1.3p**	(0.6)p	(4.4)p	(5.0)p
Total		**9.3p**	**1.7p**	**11.0p**	16.8p	(4.6)p	12.2p

1. Refer to pages 25 to 27 for APM definitions.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *FOR 52 WEEKS ENDED 25 JUNE 2023 (52 WEEKS ENDED 26 JUNE 2022)*

	52 weeks to 25 June 2023 £m	52 weeks to 26 June 2022 £m
Profit for the period	**26.2**	31.4
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	**(8.7)**	23.6
Net change in fair value of cash flow hedges reclassified to profit or loss		
Recognised in cost of sales	**(13.7)**	1.9
Income tax on items that are or may be reclassified subsequently to profit or loss	**5.9**	(6.4)
Other comprehensive income/(expense) for the period, net of income tax	**(16.5)**	19.1
Total comprehensive income for the period	**9.7**	50.5
Total comprehensive income for the period attributable to owners of the parent		
– from continuing operations	**6.5**	63.3
– from discontinued operations	**3.2**	(12.8)
	9.7	50.5

CONSOLIDATED BALANCE SHEET *AT 25 JUNE 2023 (26 JUNE 2022)*

	Note	25 June 2023 £m	26 June 2022 £m
Non-current assets			
Property, plant and equipment	8	**97.4**	105.9
Right of use assets	8, 9	**312.6**	338.0
Intangible assets	10	**536.7**	533.8
Other financial assets	12	**–**	4.8
Deferred tax assets	13	**15.5**	10.8
		962.2	993.3
Current assets			
Inventories	14	**55.8**	64.4
Other financial assets	12	**0.7**	12.8
Trade and other receivables	15	**11.1**	24.3
Current tax assets		**2.7**	7.8
Cash and cash equivalents (excluding bank overdrafts)		**26.7**	17.3
		97.0	126.6
Total assets		**1,059.2**	1,119.9
Current liabilities			
Bank overdraft		**–**	(12.3)
Trade payables and other liabilities	16	**(224.9)**	(280.7)
Lease liabilities	9	**(84.1)**	(89.0)
Provisions	20	**(6.2)**	(12.8)
Other financial liabilities	17	**(6.7)**	–
		(321.9)	(394.8)
Non-current liabilities			
Interest bearing loans and borrowings	18	**(165.8)**	(93.5)
Lease liabilities	9	**(327.3)**	(356.4)
Provisions	20	**(6.9)**	(6.3)
Other financial liabilities	17	**(0.2)**	–
		(500.2)	(456.2)
Total liabilities		**(822.1)**	(851.0)
Net assets		**237.1**	268.9
Equity attributable to owners of the Company			
Share capital	22	**24.1**	25.9
Share premium	22	**40.4**	40.4
Merger reserve	22	**18.6**	18.6
Capital redemption reserve	22	**359.6**	357.8
Treasury shares	22	**(10.1)**	(4.9)
Employee Benefit Trust shares	22	**(6.6)**	(6.9)
Cash flow hedging reserve	22	**(4.9)**	17.5
Retained earnings		**(184.0)**	(179.5)
Total equity		**237.1**	268.9

These financial statements were approved by the board of directors on 21 September 2023 and were signed on its behalf by:

Tim Stacey
Chief Executive Officer

John Fallon
Chief Financial Officer

Company registered number: 07236769

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 27 June 2021	**25.9**	**40.4**	**18.6**	**357.8**	**(0.7)**	**(0.2)**	**(8.0)**	**(149.3)**	**284.5**
Profit for the year	–	–	–	–	–	–	–	31.4	31.4
Other comprehensive income/(expense)	–	–	–	–	–	–	25.5	(6.4)	19.1
Total comprehensive income for the year	–	–	–	–	–	–	25.5	25.0	50.5
Dividends	–	–	–	–	–	–	–	(53.8)	(53.8)
Purchase of own shares	–	–	–	–	(4.4)	–	–	–	(4.4)
Treasury shares issued	–	–	–	–	0.2	–	–	(0.2)	–
Purchase of shares by Employee Benefit Trust	–	–	–	–	–	(8.1)	–	–	(8.1)
Employee Benefit Trust shares issued	–	–	–	–	–	1.4	–	(1.0)	0.4
Settlement of share based payments	–	–	–	–	–	–	–	(2.7)	(2.7)
Share based payments	–	–	–	–	–	–	–	2.6	2.6
Tax recognised directly in equity	–	–	–	–	–	–	–	(0.1)	(0.1)
Balance at 26 June 2022	**25.9**	**40.4**	**18.6**	**357.8**	**(4.9)**	**(6.9)**	**17.5**	**(179.5)**	**268.9**
Profit for the year	–	–	–	–	–	–	–	26.2	26.2
Other comprehensive income/(expense)	–	–	–	–	–	–	(22.4)	5.9	(16.5)
Total comprehensive income for the year	–	–	–	–	–	–	(22.4)	32.1	9.7
Dividends	–	–	–	–	–	–	–	(12.1)	(12.1)
Purchase of own shares	–	–	–	–	(30.9)	–	–	–	(30.9)
Employee Benefit Trust shares issued	–	–	–	–	–	0.3	–	(0.3)	–
Settlement of share based payments	–	–	–	–	–	–	–	(0.3)	(0.3)
Share based payments	–	–	–	–	–	–	–	1.8	1.8
Cancellation of treasury shares	(1.8)	–	–	1.8	25.7	–	–	(25.7)	–
Balance at 25 June 2023	**24.1**	**40.4**	**18.6**	**359.6**	**(10.1)**	**(6.6)**	**(4.9)**	**(184.0)**	**237.1**

CONSOLIDATED CASH FLOW STATEMENT *FOR 52 WEEKS ENDED 25 JUNE 2023 (52 WEEKS ENDED 26 JUNE 2022)*

	Note	52 weeks to 25 June 2023 £m	52 weeks to 26 June 2022 £m
Net cash from operating activities	26	**121.7**	132.9
Investing activities			
Proceeds from sale of property, plant and equipment		**1.3**	1.8
Interest received		**0.2**	–
Acquisition of property, plant and equipment	8	**(20.4)**	(36.8)
Acquisition of other intangible assets	10	**(14.5)**	(10.6)
Net cash used in investing activities		**(33.4)**	(45.6)
Financing activities			
Interest paid		**(10.5)**	(3.8)
Interest paid on lease liabilities	9	**(23.5)**	(25.0)
Payment of lease liabilities	9	**(61.6)**	(63.5)
Drawdown/(repayment) of borrowings	27	**72.0**	70.0
Purchase of own shares		**–**	(8.2)
Proceeds from sale of own shares		**–**	0.4
Purchase of treasury shares		**(30.9)**	(4.4)
Ordinary dividends paid		**(12.1)**	(28.4)
Special dividends paid		**–**	(25.4)
Net cash used in financing activities		**(66.6)**	(88.3)
Net increase/(decrease) in cash and cash equivalents	27	**21.7**	(1.0)
Cash and cash equivalents at beginning of period	27	**5.0**	6.0
Cash and cash equivalents (including bank overdraft) at end of period	27	**26.7**	5.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 25 JUNE 2023

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

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

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements. Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 1.20.

1.1 Basis of preparation
The consolidated financial statements have been prepared and approved by the directors in accordance with international accounting standards in accordance with UK-adopted international accounting standards ('UK-adopted IFRS'). The financial statements are prepared on the historical cost basis except for certain financial instruments and share based payment charges which are measured at their fair value.
The financial statements are for the 52 weeks to 25 June 2023 (last year 52 weeks to 26 June 2022).

The Company has elected to prepare its parent company financial statements in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ('FRS 101'); these are presented on pages 151 to 155.

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

The Company heads a group which at 25 June 2023 had a £215.0m revolving credit facility maturing in December 2025. On 1 September 2023 the Group refinanced its borrowing facilities, replacing the previous £215.0m facility with a combination of a new £200.0m revolving credit facility with a consortium of lending banks maturing in September 2027 and £50.0m of private placement debt, £25.0m of which matures in September 2028 and £25.0m in September 2030. At 18 September 2022, £65.2m of the revolving credit facility remained undrawn, in addition to cash in hand, at bank of £2.4m.

Covenants applicable to both the new revolving credit facility and the private placement debt are unchanged from the previous facility, being: 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 and performed a going concern assessment for the Group covering a period of at least twelve months from the date of approval of these financial statements (the 'going concern assessment period'), 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 volumes; inflationary impacts on gross margin and other costs; further increases in UK interest rates; sector-wide manufacturing and supply chain capacities; and achievement of cost savings in line with the Group's strategic plans.

The Directors have also prepared severe but plausible downside sensitivity scenarios which cover the same going concern assessment period as the base case. These scenarios included: significantly reduced customer spending; impacts on gross margin and other costs from inflationary cost pressures; increases in interest rates, and a combination of these scenarios. The Directors have also performed reverse stress testing analysis to confirm that circumstances resulting in a covenant breach were beyond those considered plausible.

As part of this analysis, mitigating actions within the Group's control should these severe but plausible scenarios occur have also been considered. 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 and other expenditure, retail price increases, a pause on expansionary capital investment, a reduction or pause in dividend payments, and other measures to protect cash balances. These forecast cash flows, considering the ability and intention of the Directors to implement mitigating actions should they need to, indicate that there remains sufficient headroom in the forecast period for the Group to operate within the committed facilities and to comply with all relevant banking covenants during the going concern assessment period.

The Directors have considered all of the factors noted above, including the inherent uncertainty in forecasting the impact of the 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 financial statements. Accordingly, the financial statements are prepared on a going concern basis.

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

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

1.3 Climate change
As noted in the Responsibility and sustainability report the Group is committed to addressing climate-related risks and is focused on reducing its environmental impact.

The potential impact of climate change has been considered in the preparation of these financial statements, including in the carrying values of goodwill and tangible assets, the measurement of financial instruments, and in relation to the Group's going concern and viability assessments. No material impact was noted on the consolidated financial statements in relation to climate change. The potential impact will continue to be assessed on an ongoing basis.

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

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

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

For the purposes of managing its business the Group focuses on gross sales, which is defined as the total amount payable by customers, inclusive of VAT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
AT 25 JUNE 2023

1 Accounting policies continued

1.4 Gross sales and revenue continued

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

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

1.5 Government grants

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

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

1.6 Expenses

Non-underlying items

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

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

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

Royalty payments

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

Finance income and expenses

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

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

1.7 Employee benefits

Defined contribution plans

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

Short-term benefits

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

Share based payments

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

1.8 Taxation

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

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

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

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

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

1.9 Foreign currency

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

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

1.10 Business combinations

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
AT 25 JUNE 2023

1 Accounting policies continued

1.11 Property, plant and equipment

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

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

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

– buildings	50 years
– plant and equipment	3 to 10 years
– motor vehicles	4 years
– leasehold improvements	the period of the lease, or useful life if shorter

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

1.12 Leases

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

Lease liability – initial recognition

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

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

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

Lease liability – subsequent measurement

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

Lease liability – remeasurement

The lease liability is remeasured if:

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

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

Right of use asset – initial recognition

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

Right of use asset – subsequent measurement

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

– less any accumulated depreciation and any accumulated impairments losses: and
– adjusted for any remeasurement of the lease liability.

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

Practical expedients and exemptions used

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

– use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
– recognising lease payments on short term (less than 12 months) leases and low value leases as an expense;

1.13 Intangible assets and goodwill

Goodwill

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

Other intangible assets

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

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

Amortisation

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

– computer software and website costs	3 years
– acquired brand names	10 to 20 years

1.14 Inventories

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

1.15 Impairment

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

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

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

1.16 Provisions

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

Details of provisions recognised are in note 20 and the related significant estimates and judgements in note 1.20.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
AT 25 JUNE 2023

1 Accounting policies continued

1.17 Non-derivative financial instruments

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

Trade and other receivables

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

Trade and other payables

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Interest-bearing borrowings

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

1.18 Derivative financial instruments and hedging

Derivative financial instruments

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

Cash flow hedges

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

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

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

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

1.19 Profit or loss from discontinued operations

A discontinued operation is a component of the Group that either has been disposed of, abandoned, or is classified as held for sale. A discontinued operation represents a separate major line of the business or geographical area of operation. Profit or loss from discontinued operations comprises the post-tax profit or loss of discontinued operations and the post-tax gain or loss recognised on the measurement to fair value less costs to sell of the disposal group(s) constituting the discontinued operation (see also note 29). When an operation is classified as a discontinued operation, the comparative Consolidated Income Statement is restated as if the operation had been discontinued from the start of the comparative period.

1.20 Significant areas of estimation and judgement

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

In the period ended 26 June 2022 the presentation of discontinued operations was considered to be an area of significant judgement requiring consideration of the criteria under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations as to whether the terminated operations represented a major separate line of business or geographical area of operations, were part of a single coordinated disposal plan or represented a subsidiary acquired exclusively with a view to resale. The Directors judged that these operations represented a major geographical area business and the closure was part of a single coordinated disposal plan and were therefore satisfied that the criteria under IFRS 5 were met and presentation as discontinued operations was appropriate. Accordingly, the results of these operations were presented as discontinued operations in the consolidated income statement in that period and in the current period.

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

Going concern

In making the assessment of going concern for the Group and the Company, the Directors consider a number of assumptions and estimates relating to the future performance of the Group, as detailed in note 1.1. The Directors are satisfied that no reasonably possible change in these estimates would result in a change in the going concern assessment of the Group or the Company and therefore it is not considered a significant estimate as at 25 June 2023.

Goodwill impairment

Goodwill is tested annually for impairment by comparing its carrying value to a calculation of the value in use of the relevant cash-generating units. This exercise requires estimates to be made of future cash flows arising from each cash-generating unit and the appropriate discount rate to apply. Further details of the key assumptions underlying the calculation are provided in note 10. The Directors are satisfied that no reasonably possible change in these estimates would result in the recognition of an impairment within the next twelve months and accordingly the carrying value of goodwill is not considered a significant estimate as at 25 June 2023.

Customer guarantees

The Group maintains a provision for its obligations under long term product guarantees offered to its customers. In determining the value of this provision estimates are made of the number of future claims that will be received and the cost of satisfying those claims. Further details are provided in note 20. The Directors are satisfied that no reasonably possible change in these estimates would result in a material difference to the value of the provision and therefore it is not considered a significant estimate as at 25 June 2023.

Net realisable value of inventories

As detailed in note 14, the Group makes estimates of applicable selling prices to determine the net realisable value of inventories. The Directors are satisfied that no reasonably possible change in these estimates would result in a material difference to the value of the provision and therefore it is not considered a significant estimate as at 25 June 2023.

1.21 New accounting standards

There are no new standards, amendments to existing standards or interpretations that are effective for the first time in the period ended 25 June 2023 that have a material impact on the Group's results.

A number of new, but not yet effective, standards, amendments to existing standards, and interpretations have been published by the IASB. None of these have been adopted early and therefore have not been applied by the Group in these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
AT 25 JUNE 2023

2 Segmental Analysis

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

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

DFS: the 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.

Other segments comprises the manufacture of upholstered furniture and the supply of contract logistics.

Segment revenue and profit – continuing operations

	External gross sales		Inter-segment sales		Total gross sales	
	52 weeks to 25 June 2023 £m	52 weeks to 26 June 2022 £m	**52 weeks to 25 June 2023 £m**	52 weeks to 26 June 2022 £m	**52 weeks to 25 June 2023 £m**	52 weeks to 26 June 2022 £m
DFS	**1,125.5**	1,169.1	**–**	–	**1,125.5**	1,169.1
Sofology	**298.1**	304.9	**–**	–	**298.1**	304.9
Other segments	**–**	0.6	**215.6**	187.9	**215.6**	188.5
Eliminations	**–**	–	**(215.6)**	(187.9)	**(215.6)**	(187.9)
Gross sales	**1,423.6**	1,474.6	**–**	–	**1,423.6**	1,474.6

	52 weeks to 25 June 2023 £m	52 weeks to 26 June 2022 £m
Total segments gross sales	**1,423.6**	1,474.6
Less: value added and other sales taxes	**(226.2)**	(233.8)
Less: costs of interest free credit and aftercare products	**(108.5)**	(91.0)
Revenue	**1,088.9**	1,149.8
Of which:		
Furniture sales	**1,033.3**	1,096.8
Sales of aftercare products	**55.6**	53.0
Revenue	**1,088.9**	1,149.8

52 weeks to 25 June 2023 – continuing operations

	DFS £m	Sofology £m	Other Segments £m	Eliminations £m	Total £m
Revenue	**858.5**	**230.4**	**215.6**	**(215.6)**	**1,088.9**
Cost of sales	**(424.8)**	**(106.8)**	**(61.6)**	**96.5**	**(496.7)**
Gross profit	**433.7**	**123.6**	**154.0**	**(119.1)**	**592.2**
Selling & distribution costs (excluding property costs)	**(229.0)**	**(64.5)**	**(129.3)**	**88.4**	**(334.4)**
Brand contribution (segment profit)	**204.7**	**59.1**	**24.7**	**(30.7)**	**257.8**
Property costs					**(30.2)**
Underlying administrative expenses					**(70.2)**
Underlying EBITDA					**157.4**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
AT 25 JUNE 2023

2 Segmental Analysis continued

52 weeks to 26 June 2022 – continuing operations

	DFS £m	Sofology £m	Other Segments £m	Eliminations £m	Total £m
Revenue	906.3	242.9	188.5	(187.9)	1,149.8
Cost of sales	(452.9)	(121.6)	(59.8)	90.4	(543.9)
Gross profit	453.4	121.3	128.7	(97.5)	605.9
Selling & distribution costs (excluding property costs)	(210.1)	(65.9)	(137.1)	74.7	(338.4)
Brand contribution (segment profit)	243.3	55.4	(8.4)	(22.8)	267.5
Property costs					(29.6)
Underlying administrative expenses					(62.0)
Underlying EBITDA					175.9

	Note	**52 weeks to 25 June 2023 £m**	52 weeks to 26 June 2022 £m
Underlying EBITDA		**157.4**	175.9
Non-underlying items	3	**0.5**	(0.4)
Depreciation, amortisation and impairments		**(94.1)**	(88.2)
Operating profit		**63.8**	87.3
Finance income		**0.2**	–
Finance expenses		**(34.3)**	(28.8)
Profit before tax		**29.7**	58.5

A geographical analysis of revenue is presented below:

	52 weeks to 25 June 2023 £m	52 weeks to 26 June 2022 £m
United Kingdom	**1,067.7**	1,129.3
Republic of Ireland	**21.2**	20.5
Total revenue	**1,088.9**	1,149.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
AT 25 JUNE 2023

2 Segmental Analysis continued

Segment assets and liabilities

	Assets		Liabilities	
	25 June 2023 £m	26 June 2022 £m	**25 June 2023 £m**	26 June 2022 £m
DFS	**942.9**	948.4	**(537.3)**	(625.0)
Sofology	**146.0**	167.6	**(135.3)**	(142.6)
Other segments	**26.4**	30.0	**(51.8)**	(52.2)
Total segments	**1,115.3**	1,146.0	**(724.4)**	(819.8)
Loans and financing	**–**	–	**(165.8)**	(93.5)
Financial assets/(liabilities)	**0.7**	17.6	**(6.9)**	–
Current tax	**2.7**	7.8	**–**	–
Deferred tax	**15.5**	10.8	**–**	–
Eliminations	**(75.0)**	(62.3)	**75.0**	62.3
Total Group	**1,059.2**	1,119.9	**822.1**	(851.0)

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 impairment	
	52 weeks to 25 June 2023 £m	52 weeks to 26 June 2022 £m	**52 weeks to 25 June 2023 £m**	52 weeks to 26 June 2022 £m
DFS	**42.7**	72.0	**70.1**	66.0
Sofology	**11.4**	14.8	**17.6**	17.3
Other segments	**6.0**	12.5	**6.4**	4.9
Total Group	**60.1**	99.3	**94.1**	88.2

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
AT 25 JUNE 2023

3 Operating profit – continuing operations

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

	52 weeks to 25 June 2023 £m	52 weeks to 26 June 2022 £m
Depreciation on tangible assets (including depreciation on right of use assets)	**80.5**	77.7
Amortisation of intangible assets	**11.6**	10.5
Impairments	**2.0**	–
Net gain on disposal of property, plant and equipment	**(0.8)**	(1.1)
Net loss/(gain) on disposal of right of use assets	**(1.2)**	0.1
Cost of inventories recognised as an expense	**509.1**	548.1
Write down of inventories to net realisable value	**2.0**	4.6
Other costs of sales	**(14.4)**	(8.8)
Release of provisions (note 20)	**(0.9)**	(2.1)
Government grants received (business rates relief)	**(0.2)**	(2.0)
Operating lease rentals	**0.2**	0.7

Non-underlying items

	52 weeks to 25 June 2023 £m	52 weeks to 26 June 2022 £m
Release of lease guarantee provision	**(0.5)**	(0.3)
Restructuring costs	**–**	0.9
Acquisition costs	**–**	(0.2)
	(0.5)	0.4

The release of the lease guarantee provision relates to the property provisions detailed in note 20.

In addition to the non-underlying items for continuing operations above, a further £3.8m of non-underlying credits were recognised in respect of discontinued operations. This amount related to the closure costs of discontinued operations. Further details are presented in note 29 to the consolidated financial statements.

Auditor's remuneration

	52 weeks to 25 June 2023 £m	52 weeks to 26 June 2022 £m
Audit of these financial statements	**0.3**	0.3
Audit of the financial statements of Group subsidiaries	**0.5**	0.4
Amounts receivable by the Company's auditor and its associates in respect of:		
All other services	**0.1**	–
	0.9	0.7

During the period, an amount of £49,500 was paid to the Company's auditor in respect of the review of the Group's interim financial statements (FY22: £49,500) and £35,000 in respect of other audit related assurance services (FY22: £nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
AT 25 JUNE 2023

4 Staff numbers and costs – continuing operations

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

	Number of employees	
	52 weeks to 25 June 2023	52 weeks to 26 June 2022
Production	**1,016**	1,009
Warehouse and transport	**1,356**	1,315
Sales and administration	**3,167**	3,182
	5,539	5,506

The aggregate payroll costs of these persons were as follows:

	52 weeks to 25 June 2023 £m	52 weeks to 26 June 2022 £m
Wages and salaries	**177.4**	180.7
Social security costs	**17.5**	17.6
Other pension costs	**5.8**	5.6
	200.7	203.9
Share based payment expense (equity settled)	**1.8**	2.6
	202.5	206.5

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

	52 weeks to 25 June 2023 £m	52 weeks to 26 June 2022 £m
Emoluments	**1.6**	1.3
Pension contributions	**–**	0.1
Gain on exercise of share options	**–**	0.9

Three directors accrued retirement benefits under pension schemes in the period (2022: two). All of the directors' pension contributions were to defined contribution schemes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
AT 25 JUNE 2023

5 Finance income and expense

	52 weeks to 25 June 2023 £m	52 weeks to 26 June 2022 £m
Finance income		
Interest income on bank deposits	**0.2**	–
Total finance income	**0.2**	–

	52 weeks to 25 June 2023 £m	52 weeks to 26 June 2022 £m
Finance expense		
Interest payable on senior revolving credit facility	**10.4**	2.5
Bank fees	**0.4**	1.5
Unwind of discount on provisions	**0.1**	–
Interest on lease liabilities	**23.4**	24.7
Other interest	**–**	0.1
Total finance expense	**34.3**	28.8

6 Taxation

Recognised in the income statement

	52 weeks to 25 June 2023 £m	52 weeks to 26 June 2022 £m
Current tax		
Current period	**5.7**	4.9
Adjustments for prior years	**0.1**	0.9
Current tax expense	**5.8**	5.8
Deferred tax		
Origination and reversal of temporary differences	**2.4**	6.8
Deferred tax rate change	**0.4**	1.6
Adjustments for prior years	**(1.5)**	(0.8)
Deferred tax expense	**1.3**	7.6
Total tax expense in income statement	**7.1**	13.4
Total tax expense in income statement		
– from continuing operations	**6.7**	14.3
– from discontinued operations	**0.4**	(0.9)
	7.1	13.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
AT 25 JUNE 2023

6 Taxation continued

Reconciliation of effective tax rate

	52 weeks to 25 June 2023 £m	52 weeks to 26 June 2022 £m
Profit before tax for the period from continuing and discontinued operations	**33.5**	44.8
Tax using the UK corporation tax rate of 20.5% (2022: 19%)	**6.9**	8.5
Non-deductible expenses	**2.3**	2.2
Tax exempt revenues	**(1.0)**	(1.1)
Effect of tax rates in foreign jurisdictions	**(0.4)**	1.4
Recognition of previously unrecognised tax losses	**–**	0.3
Adjustments in respect of share options	**0.3**	0.4
Adjustment in respect of prior years	**(1.4)**	0.1
Impact of change in tax rate on deferred tax balances	**0.4**	1.6
Total tax expense	**7.1**	13.4

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

Deferred taxation is measured at tax rates that are expected to apply in the periods in which temporary timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Accordingly, a tax rate of 25% has been applied when calculating deferred tax assets and liabilities at 25 June 2023 (25% at 26 June 2022).

Income tax recognised in other comprehensive income

	52 weeks to 25 June 2023 £m	52 weeks to 26 June 2022 £m
Effective portion of changes in fair value of cash flow hedges	**(1.8)**	4.8
Net change in fair value of cash flow hedges reclassified to profit or loss	**(3.0)**	0.4
Impact of change in tax rate on deferred tax balances	**(1.1)**	1.2
	(5.9)	6.4

7 Earnings per share

Statutory earnings per share

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

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

	52 weeks to 25 June 2023 pence	52 weeks to 26 June 2022 pence
Basic earnings/(loss) per share		
– from continuing operations	**9.8**	17.3
– from discontinued operations	**1.3**	(5.0)
Total basic earnings per share	**11.1**	12.3
Diluted earnings/(loss) per share		
– from continuing operations	**9.7**	17.2
– from discontinued operations	**1.3**	(5.0)
Total diluted earnings per share	**11.0**	12.2

	52 weeks to 25 June 2023 £m	52 weeks to 26 June 2022 £m
Profit/(loss) for the period attributable to equity holders of the parent company		
– from continuing operations	**23.0**	44.2
– from discontinued operations	**3.1**	(12.8)
	26.1	31.4

	25 June 2023 No.	26 June 2022 No.
Weighted average number of shares in issue for basic earnings per share	**235,470,857**	254,675,661
Dilutive effect of employee share based payment awards	**1,783,365**	1,220,492
Weighted average number of shares in issue for diluted earnings per share	**237,254,222**	255,896,153

Underlying earnings per share

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

	52 weeks to 25 June 2023 £m	52 weeks to 26 June 2022 £m
Continuing operations		
Profit for the period attributable to equity holders of the parent company	**23.0**	44.2
Non-underlying (profit)/loss after tax	**(0.4)**	0.4
Underlying profit for the period attributable to equity holders of the parent company from continuing operations	**22.6**	44.6

7 Earnings per share continued

	52 weeks to 25 June 2023 £m	52 weeks to 26 June 2022 £m
Discontinued operations		
Profit/(loss) for the period attributable to equity holders of the parent company	**3.1**	(12.8)
Non-underlying (profit)/loss after tax	**(3.5)**	11.3
Underlying loss for the period attributable to equity holders of the parent company from discontinued operations	**(0.4)**	(1.5)

	52 weeks to 25 June 2023 pence	52 weeks to 26 June 2022 pence
Underlying basic earnings/(loss) per share		
– from continuing operations	**9.6**	17.5
– from discontinued operations	**(0.2)**	(0.6)
Total underlying basic earnings per share	**9.4**	16.9
Underlying diluted earnings/(loss) per share		
– from continuing operations	**9.5**	17.4
– from discontinued operations	**(0.2)**	(0.6)
Total underlying diluted earnings per share	**9.3**	16.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
AT 25 JUNE 2023

8 Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Motor vehicles £m	Right of use assets £m	Total £m
Cost					
Balance at 27 June 2021	20.5	192.5	10.2	462.9	686.1
Reclassification	–	0.9	(0.1)	(0.4)	0.4
Additions	2.0	34.4	0.4	51.9	88.7
Remeasurements	–	–	–	5.4	5.4
Disposals	(0.6)	(45.3)	(1.8)	(9.6)	(57.3)
Balance at 26 June 2022	21.9	182.5	8.7	510.2	723.3
Reclassification	(8.3)	49.3	8.8	8.3	58.1
Additions	0.1	20.4	0.1	25.0	45.6
Remeasurements	–	–	–	7.0	7.0
Disposals	(0.2)	(15.7)	(5.1)	(26.1)	(47.1)
Balance at 25 June 2023	**13.5**	**236.5**	**12.5**	**524.4**	**786.9**
Depreciation and impairments					
Balance at 27 June 2021	1.7	121.4	8.5	117.8	249.4
Reclassification	–	0.5	–	(0.4)	0.1
Depreciation charge for the period	0.4	19.8	0.5	58.5	79.2
Impairments	0.1	1.2	0.1	3.1	4.5
Disposals	(0.1)	(45.2)	(1.7)	(6.8)	(53.8)
Balance at 26 June 2022	2.1	97.7	7.4	172.2	279.4
Reclassification	(1.7)	49.3	8.8	1.7	58.1
Depreciation charge for the period	0.4	20.9	0.8	58.4	80.5
Impairments	–	–	–	2.0	2.0
Disposals	(0.2)	(15.3)	(5.1)	(22.5)	(43.1)
Balance at 25 June 2023	**0.6**	**152.6**	**11.9**	**211.8**	**376.9**
Net book value					
At 27 June 2021	18.8	71.1	1.7	345.1	436.7
At 26 June 2022	19.8	84.8	1.3	338.0	443.9
At 25 June 2023	**12.9**	**83.9**	**0.6**	**312.6**	**410.0**

Reclassifications in the year between gross cost and depreciation between plant and equipment and motor vehicles relate to historic disposals made at £nil net book value. In addition, other assets previously presented within land and buildings have been reclassified to property right of use assets during the year. None of these reclassifications impacted reported profit or total non-current assets. Accordingly, the Directors do not consider the changes sufficiently material to require restatement of prior period balances.

Capital commitments

At 25 June 2023 the Group had contracted capital commitments of £9.1m (2022: £11.8m) for which no provision has been made in the financial statements. Plant and equipment includes leasehold improvements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
AT 25 JUNE 2023

9 Leases
Right of use assets

	Property £m	Vehicles £m	Equipment £m	Total £m
Cost				
At 27 June 2021	443.3	17.7	1.9	462.9
Reclassification	(0.4)	–	–	(0.4)
Additions	44.2	7.7	–	51.9
Remeasurements	5.4	–	–	5.4
Disposals	(6.8)	(2.8)	–	(9.6)
At 26 June 2022	485.7	22.6	1.9	510.2
Reclassification	8.3	–	–	8.3
Additions	16.3	8.7	–	25.0
Remeasurements	7.0	–	–	7.0
Disposals	(24.0)	(2.1)	–	(26.1)
At 25 June 2023	**493.3**	**29.2**	**1.9**	**524.4**
Depreciation and impairment				
At 27 June 2021	108.0	8.6	1.2	117.8
Reclassification	(0.4)	–	–	(0.4)
Depreciation charge for the period	54.6	3.7	0.2	58.5
Disposals	(4.1)	(2.7)	–	(6.8)
Impairments	3.1	–	–	3.1
At 26 June 2022	161.2	9.6	1.4	172.2
Reclassification	1.7	–	–	1.7
Depreciation charge for the period	53.7	4.5	0.2	58.4
Disposals	(20.5)	(2.0)	–	(22.5)
Impairments	2.0	–	–	2.0
At 25 June 2023	**198.1**	**12.1**	**1.6**	**211.8**
Net book value				
At 27 June 2021	335.3	9.1	0.7	345.1
At 26 June 2022	324.5	13.0	0.5	338.0
At 25 June 2023	**295.2**	**17.1**	**0.3**	**312.6**

Amounts recognised in the consolidated balance sheet:

	25 June 2023 £m	26 June 2022 £m
Current lease liabilities	**84.1**	89.0
Non-current lease liabilities	**327.3**	356.4

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

9 Leases continued

Amounts recognised in the consolidated income statement:

	52 weeks to 25 June 2023 £m	52 weeks to 26 June 2022 £m
Interest on lease liabilities	**(23.5)**	(25.0)
Variable lease payments not included in the measurement of lease liabilities	**(0.3)**	1.0
Income from subleasing right of use assets	**0.4**	0.1
Expenses relating to short term leases and low value leases	**(0.3)**	(1.8)

Amounts recognised in the consolidated cash flow statement:

	52 weeks to 25 June 2023 £m	52 weeks to 26 June 2022 £m
Total cash outflow for lease liabilities	**85.1**	88.5

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

	25 June 2023 £m	26 June 2022 £m
Less than one year	**0.6**	0.1
Between one and five years	**–**	–
More than five years	**–**	–
	0.6	0.1

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

At 25 June 2023, future rentals receivable under non-cancellable leases where the Group is the lessor were £2.4m (2022: £2.8m).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
AT 25 JUNE 2023

10 Intangible assets

	Computer software £m	Brand names £m	Goodwill £m	Total £m
Cost				
Balance at 27 June 2021	44.9	14.8	509.3	569.0
Reclassification	(0.2)	–	–	(0.2)
Additions	10.6	–	–	10.6
Disposals	–	–	–	–
Balance at 26 June 2022	55.3	14.8	509.3	579.4
Reclassification	0.9	–	–	0.9
Additions	14.5	–	–	14.5
Disposals	(0.1)	–	–	(0.1)
Balance at 25 June 2023	**70.6**	**14.8**	**509.3**	**594.7**
Amortisation and impairments				
Balance at 27 June 2021	28.5	5.1	–	33.6
Amortisation charge for the period	9.1	1.4	–	10.5
Impairments	–	0.5	1.0	1.5
Balance at 26 June 2022	37.6	7.0	1.0	45.6
Reclassification	0.9	–	–	0.9
Amortisation charge for the period	10.2	1.4	–	11.6
Disposals	(0.1)	–	–	(0.1)
Balance at 25 June 2023	**48.6**	**8.4**	**1.0**	**58.0**
Net book value				
At 27 June 2021	16.4	9.7	509.3	535.4
At 26 June 2022	17.7	7.8	508.3	533.8
At 25 June 2023	**22.0**	**6.4**	**508.3**	**536.7**

Goodwill

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

	Goodwill	
	25 June 2023 £m	26 June 2022 £m
DFS Trading Limited	**479.9**	479.9
Sofology Limited	**28.4**	28.4
	508.3	508.3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
AT 25 JUNE 2023

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

Cash flow forecasts are prepared from the latest financial results and internal budgets for the next four years, which take into account external macroeconomic indicators as well as internal growth expectations for each cash generating unit. Selling prices and related costs are based on past practice and expected future changes in the market. The base case forecast assumes a further underlying contraction in the Group's market of 5% in FY24, followed by a slow recovery (mid single digit annual growth) in subsequent years. The base case also reflects a cautious assessment of the anticipated growth in the Group's market share driven by delivery of our strategic initiatives. Revenue is assumed in line with order intake, keeping order bank levels relatively consistent across the assessment period.

Gross margin percentage for FY24 is expected to be ahead of FY23 through more effective sourcing and the annualised impact of price increases and freight rate reductions already implemented. Other costs reflect anticipated inflationary increases and benefits from specific cost saving initiatives. Capital expenditure is assumed to remain in line with planned investments and strategic initiatives.

A terminal value was then calculated on the basis of the four year plan and an estimated long-term growth rate for the UK upholstery furniture sector of 2.0% (2022: 2.0%). These cash flow forecasts were then discounted at pre-tax discount rates of 13.3% to 14.6% (2022: 10.3% – 11.1%). The discount rates are estimated based on the Group's weighted average cost of capital (derived from market indices of risk-free rates, market risk premia, peer group analysis and the Group's own borrowing costs), risk adjusted for an individual unit's circumstances.

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

11 Investments in subsidiaries
The following companies are incorporated in England & Wales, with the exception of Coin Retail Limited (Jersey) which is incorporated in Jersey. They are all wholly owned by the Group and have been consolidated in these financial statements.

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

Registered offices:
1. Rockingham Way, Redhouse Interchange, Adwick-le-Street, Doncaster DN6 7NA
2. 26 New Street, St Helier, Jersey, JE2 3RA
3. Ashton Road, Golborne, Warrington, WA3 3UL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
AT 25 JUNE 2023

12 Other financial assets

	25 June 2023 £m	26 June 2022 £m
Non-current		
Foreign exchange contracts	–	4.8
Current		
Foreign exchange contracts	0.7	12.8

Foreign exchange contracts comprise forward contracts which are used to hedge exchange risk arising from the Group's overseas purchases (note 24).

13 Deferred tax

Deferred tax assets and liabilities are attributable to the following:

	25 June 2023 £m	26 June 2022 £m
Fixed asset timing differences	4.4	3.6
IFRS 16	7.8	10.6
Remeasurement of derivatives to fair value	3.0	(4.4)
Tax losses carried forward	–	0.4
Brand names	(1.5)	(1.9)
Share based payments	0.7	0.7
Other temporary differences	1.1	1.8
Net tax assets	15.5	10.8

The deferred tax movement in the period is as follows:

	52 weeks to 25 June 2023 £m	52 weeks to 26 June 2022 £m
At start of period	10.8	24.7
(Charged)/credited to the income statement:		
Fixed asset timing differences	0.8	(3.7)
Unwind of IFRS 16 transition impact	(2.8)	(1.2)
Tax losses carried forward	(0.4)	(2.2)
Brand names	0.4	0.3
Share based payments	–	(0.5)
Derivatives	1.5	–
Other temporary differences	(0.7)	(0.1)
Recognised in the statement of comprehensive income	5.9	(6.5)
At end of period	15.5	10.8

Deferred tax assets on losses of £4.7m (2022: £5.3m) have not been recognised as there is uncertainty over the utilisation of these losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
AT 25 JUNE 2023

14 Inventories

	25 June 2023 £m	26 June 2022 £m
Raw materials and consumables	**8.9**	7.3
Finished goods and goods for resale	**62.8**	76.0
	71.7	83.3
Write-down to net realisable value	**(15.9)**	(18.9)
	55.8	64.4

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

15 Trade and other receivables

	25 June 2023 £m	26 June 2022 £m
Trade receivables	**7.7**	12.6
Prepayments	**3.0**	11.4
Accrued income	**0.1**	0.3
Other receivables	**0.3**	–
	11.1	24.3

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

16 Trade payables and other liabilities

	25 June 2023 £m	26 June 2022 £m
Current		
Payments received on account	**39.1**	72.2
Trade payables	**97.6**	122.5
Other creditors including other tax and social security	**34.7**	32.5
Accruals	**53.5**	53.5
	224.9	280.7

Payments on account represent contract liabilities under IFRS 15, which will be realised through revenue in the subsequent financial year. Trade payables do not bear interest and are paid within agreed credit terms. For more information on lease liabilities, see note 1.12.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
AT 25 JUNE 2023

17 Other financial liabilities

	25 June 2023 £m	26 June 2022 £m
Non-current		
Foreign exchange contracts	**0.2**	–
Current		
Foreign exchange contracts	**6.7**	–

Foreign exchange contracts comprise forward contracts which are used to hedge exchange risk arising from the Group's overseas purchases (note 24).

18 Other interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate and foreign currency risk, see note 24.

	25 June 2023 £m	26 June 2022 £m
Senior revolving credit facility	**167.0**	95.0
Unamortised issue costs	**(1.2)**	(1.5)
	165.8	93.5

The revolving credit facility in place at the year end bore interest at a rate of credit spread adjusted SONIA plus 2.955% and was repayable on 21 December 2025. The revolving credit facility was secured on a first priority basis with fixed and floating charges over substantially all of the assets of the Group. Subsequent to the year end, the Group undertook a refinancing of its debt, replacing the previous £215.0m revolving credit facility with a £200.0m facility maturing in September 2027 and £50.0m of private debt. Refer to note 30 for further details.

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

19 Employee benefits

Defined contribution pension plans

The Group operates a number of defined contribution pension plans under which contributions by the employees and the Group are administered by trustees in funds separate from the Group's assets. The costs of these schemes are charged to the income statement as they become payable under the rules of the scheme. The total pension cost of the Group for the period was £5.8m (2022: £5.6m).

20 Provisions

	Guarantee provision £m	Property provisions £m	Other provisions £m	Total £m
Balance at 26 June 2022	8.7	4.0	6.4	19.1
Provisions made during the period	3.8	1.7	–	5.5
Provisions used during the period	(5.0)	(0.6)	(1.2)	(6.8)
Provisions released during the period	–	(0.5)	(4.2)	(4.7)
Balance at 25 June 2023	7.5	4.6	1.0	13.1
Current	5.2	0.3	0.7	6.2
Non-current	2.3	4.3	0.3	6.9
	7.5	4.6	1.0	13.1

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 £0.8m. The directors have therefore concluded that reasonably possible variations in estimate would not result in a material difference.

Property provisions relate to potential obligations under lease guarantees offered to former subsidiary companies, the majority of which expire in 2025, and wear and tear 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. Other provisions also include costs associated with the exit from the Netherlands and Spain, see note 29 for details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
AT 25 JUNE 2023

21 Dividends
The following dividends were recognised and paid during the period:

	Pence per ordinary share	**52 weeks to 25 June 2023 £m**	52 weeks to 26 June 2022 £m
Final ordinary dividend for FY21	7.5p	**–**	19.0
Interim ordinary dividend for FY22	3.7p	**–**	9.4
Special dividend	10.0p	**–**	25.4
Final dividend for FY22	3.7p	**8.6**	–
Interim ordinary dividend for FY23	1.5p	**3.5**	–
		12.1	53.8

The Directors recommend a final dividend of 3.0p in respect of the financial period ended 25 June 2023, resulting in a total proposed dividend of £6.9m. Subject to shareholder approval it is intended that this dividend will be paid on 29 December 2023. DFS Furniture plc shares will trade ex-dividend from 30 November 2023 and the record date will be 1 December 2023. This dividend has not therefore been recognised as a liability in these financial statements.

22 Capital and reserves
Share capital
The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Ordinary shares of £0.10 each	**Number of shares '000**	**Ordinary shares £m**
Allotted, called up and fully paid		
At the start of the financial period	258,637	25.9
Cancelled during the financial period	(17,959)	(1.8)
At the end of the financial period	**240,678**	**24.1**

On 9 November 2022 17,958,600 ordinary shares which had been held in treasury were cancelled.

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

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

Capital redemption reserve
The capital redemption reserve represents the par value of cancelled treasury shares.

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

During the period ended 25 June 2023 21,694,437 shares (2022: 2,585,666) were acquired at a total cost of £30.9m (2022: £4.4m). 17,958,600 treasury shares (2022: nil) were cancelled on 9 November 2022. None of the Company's own ordinary shares (2022: 63,444) were used to satisfy employee share based payment awards during the year. At 25 June 2023 the company had 6,533,700 ordinary shares held in treasury (2022: 2,797,863).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
AT 25 JUNE 2023

22 Capital and reserves continued

Employee Benefit Trust shares

The Employee Benefit Trust holds ordinary shares which are issued for the purpose of satisfying future employee share based payments awards and is consolidated into the Group financial statements.

During the period ended 25 June 2023 the Company acquired and issued no ordinary shares to the Employee Benefit Trust (2022: 3,000,000). 172,800 shares were used during the period (2022: 824,009). At 25 June 2023 the Employee Benefit Trust held 3,686,178 of the Company's ordinary shares (2022: 4,040,978).

23 Financial instruments: categories and fair value

	25 June 2023 £m	26 June 2022 £m
Financial assets		
Derivatives in designated hedging relationships	**0.7**	17.6
Loans and receivables	**8.0**	12.6
Cash	**26.7**	17.3
Financial liabilities		
Derivatives in designated hedging relationships	**(6.9)**	–
Senior revolving credit facility	**(165.8)**	(93.5)
Bank overdraft	**–**	(12.3)
Amortised cost	**(164.2)**	(195.1)
Finance lease obligations	**(412.2)**	(445.4)

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

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

24 Financial instruments: risk management

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

Liquidity risk

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

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

25 June 2023	**Less than 1 year £m**	**1 to 2 years £m**	**2 to 5 years £m**	**Over 5 years £m**	**Total £m**
Trade and other payables	**151.1**	**–**	**–**	**–**	**151.1**
Lease liabilities	**77.2**	**74.2**	**179.1**	**156.0**	**486.5**
Senior revolving credit facility	**13.0**	**13.0**	**173.2**	**–**	**199.2**
Other liabilities	**6.2**	**2.7**	**1.6**	**2.6**	**13.1**
	247.5	**89.9**	**353.9**	**158.6**	**849.9**
Derivatives: net settled	**–**	**–**	**–**	**–**	**–**
Derivatives: gross settled	**–**	**–**	**–**	**–**	**–**
Cash in flows	**(119.1)**	**(12.0)**	**–**	**–**	**(131.1)**
Cash out flows	**128.2**	**9.8**	**–**	**–**	**138.0**
Total cash flows	**256.6**	**87.7**	**353.9**	**158.6**	**856.8**

26 June 2022	Less than 1 year £m	1 to 2 years £m	2 to 5 years £m	Over 5 years £m	Total £m
Trade and other payables	176.0	–	–	–	176.0
Lease liabilities	84.3	79.0	200.8	179.0	543.1
Senior revolving credit facility	3.5	3.5	96.6	–	103.6
Other liabilities	12.8	3.0	1.3	2.0	19.1
	276.6	85.5	298.7	181.0	841.8
Derivatives: net settled	–	–	–	–	–
Derivatives: gross settled					
Cash in flows	(143.7)	(68.3)	–	–	(212.0)
Cash out flows	143.0	51.6	–	–	194.6
Total cash flows	275.9	68.8	298.7	181.0	824.4

24 Financial instruments: risk management continued

Interest rate risk management

The Group's operating profit is affected by the cost of providing interest free credit to its customers. This cost is in turn impacted by interbank lending rates, including SONIA. While the relationship is not wholly direct, an increase in SONIA of one percentage point would reduce the Group's reported revenue by 0.6%.

The Group is also exposed to interest rate risk on its senior revolving credit facility, which bears interest at a floating rate of credit spread adjusted SONIA plus a margin (2.955% at 25 June 2023); no related interest rate hedging was in place as at 25 June 2023. Based on drawn amounts under the facility at that date, an increase of one percentage point in SONIA would increase the Group's annual interest cost by £1.7m.

Foreign exchange risk management

The Group is exposed to the risks of exchange rate fluctuations on the purchase of products denominated in foreign currencies. Currency requirements are assessed by analysis of historic purchasing patterns by month, adjusted as appropriate to take into account current trading expectations. The Group's treasury policy allows for the use of forward foreign exchange contracts to hedge the exchange rate risk arising from these anticipated future purchases up to 16 months in advance. These contracts are designated as cash flow hedges.

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

	Notional amount		Fair value	
	25 June 2023 £m	26 June 2022 £m	**25 June 2023 £m**	26 June 2022 £m
Derivatives in designated hedging relationships				
US Dollar	**137.9**	194.6	**(6.2)**	17.6

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

	Assets		Liabilities	
	25 June 2023 £m	26 June 2022 £m	**25 June 2023 £m**	26 June 2022 £m
US Dollar	**12.9**	1.5	**(18.8)**	(10.3)
Euro	**3.0**	4.2	**(0.2)**	(0.2)

Foreign currency sensitivity analysis

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

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

Positive figures represent an increase in profit or equity.

	Income statement		Equity	
	52 weeks to 25 June 2023 £m	52 weeks to 26 June 2022 £m	**52 weeks to 25 June 2023 £m**	52 weeks to 26 June 2022 £m
US Dollar	**0.6**	0.9	**(13.2)**	(20.8)
Euro	**(0.3)**	(0.4)	**–**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
AT 25 JUNE 2023

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

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

In these hedge relationships, the main sources of ineffectiveness are:
- the effect of counterparties and the Group's own credit risk on the fair value of the forward foreign exchange contracts, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in exchange rates; and
- changes in the timing of the hedged transactions.

Financial risk management
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's investment securities.

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

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

Capital management
The capital structure of the Group consists of debt, as analysed in note 27, and equity attributable to the equity holders of the parent company, comprising issued capital, reserves and retained earnings as shown in the consolidated statement of changes in equity. The Group manages its capital with the objective that all entities within the Group continue as going concerns while maintaining an efficient structure to minimise the cost of capital. The Group is not restricted by any externally imposed capital requirements.

25 Share based payments
The Group has four share based payment schemes in operation:

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

LTIP awards vest after a three year performance period subject to the achievement of performance measures based on earnings per share and total shareholder return targets. Further information on LTIP performance targets and awards made to Directors is given in the Directors' Remuneration Report on pages 78 to 99.

Based on the scheme rules,the Group may settle the vested shares in cash sum equivalent to the market value of the shares and this decision is driven solely at the discretion of the Board. During the year, no LTIP shares vested, so no cash payments were made to participating employees (2022: £1.5m). As there is no present obligation that the Group will settle future awards in cash, the Group will continue to recognise the LTIP as an equity settled scheme.

Deferred bonus scheme (DBS)
25% of any bonus earned by the Executive Directors is granted as a deferred award under the Deferred Bonus Plan. The deferred award ordinarily has a vesting period of three years, and its vesting is conditional on the participant's continued employment with the Group at the end of the vesting period unless they are a 'good leaver'.

25 Share based payments continued

Restricted Share Plan (RSP)

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

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

Based on the scheme rules,the Group may settle the vested shares in cash sum equivalent to the market value of the shares and this decision is driven solely at the discretion of the Board. During the year, the Group settled part of the vested RSP shares by offering cash payments (£0.3m, FY22: £1.2m) to participating employees. As there is no present obligation that the Group will settle future awards in cash,the Group will continue to recognise the RSP as an equity settled scheme.

Save as You Earn (SAYE)

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

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

	52 weeks to 25 June 2023				52 weeks to 26 June 2022			
	LTIP No.	**DBS No.**	**RSP No.**	**SAYE No.**	LTIP No.	DBS No.	RSP No.	SAYE No.
Outstanding at the beginning of the period	**1,982,263**	**93,938**	**2,692,875**	**4,116,029**	1,929,231	-	3,113,529	4,197,239
Granted	**1,547,809**	**–**	**2,422,628**	**10,102,311**	675,766	93,938	955,496	1,094,094
Forfeited	**(526,237)**	**(33,727)**	**(535,072)**	**(283,551)**	(77,435)	–	(347,775)	(151,159)
Exercised	**–**	**–**	**(399,060)**	**–**	(545,299)	–	(1,028,375)	(252,598)
Lapsed	**(436,289)**	**–**	**(415,394)**	**(30,622)**	–	–	–	(35,689)
Cancelled	**–**	**–**	**–**	**(2,978,743)**	–	–	–	(735,858)
Outstanding at the end of the period	**2,567,546**	**60,211**	**3,765,977**	**10,925,424**	1,982,263	93,938	2,692,875	4,116,029
Weighted average remaining contractual life (months)	**18.8**	**15.9**	**20.4**	**28.1**	15.9	27.6	16.0	19.4
Weighted average share price at exercise	**–**	**–**	**£1.15**	**–**	£2.45	–	£1.64	£2.28

At 25 June 2023 the weighted average exercise price of outstanding SAYE options was £1.01 (2022: £1.81) and the range of exercise prices was £0.88 to £2.18 (2022: £1.62 to £2.18). At 25 June 2023 there were 408,057 (2022: 148,051) exercisable SAYE options, with a weighted average exercise price of £1.88 (2022: £1.80). There were no exercisable LTIP, DBP or RSP options at 25 June 2023 (2022: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
AT 25 JUNE 2023

25 Share based payments continued

Fair value calculations

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

	LTIP	RSP	SAYE
Grant date	12 October 2022 and 14 December 2022	12 October 2022	21 November 2022
Share price at date of grant	£1.05 and £1.51	£1.05	£1.43
Exercise price	Nil	Nil	£0.89
Volatility	36.5% to 42.7%[1]	–[2]	47.8%
Expected life	3 years	3 years	3.3 years
Risk free rate	3.3% to 4.5%[1]	–[2]	3.2%
Dividend yield	–[3]	7.1%	5.2%
Fair value per share			
Market based performance conditions	£0.39 to £0.69[1]	–	–
Non-market based performance condition	£0.91 to £1.40[1]	£0.85	–
No performance condition	–	£0.85	£0.88

1. The 2022 LTIP grant included a number of required holding periods, giving a range of volatility and fair values.
2. Volatility and risk free rates do not impact the fair value calculation for awards with no exercise price or market based performance condition.
3. LTIP participants are entitled to receive dividend equivalents on unvested awards therefore dividend yield does not impact the fair value calculation.

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

The total share based payment expense included in administration costs in respect of the above schemes was £1.8m (2022: £2.6m).

26 Net cash from operating activities

	Note	52 weeks to 25 June 2023 £m	52 weeks to 26 June 2022 £m
Profit for the period		**26.2**	31.4
Adjustments for:			
Income tax expense	6	**7.1**	13.4
Finance income	5	**(0.2)**	–
Finance expenses	5	**34.3**	29.1
Depreciation of property, plant and equipment	8	**22.1**	20.7
Depreciation of right of use assets	9	**58.4**	58.5
Amortisation of intangible assets	10	**11.6**	10.5
Impairment of assets	8	**2.0**	6.0
Gain on sale of property, plant and equipment	3	**(0.8)**	(1.1)
(Gain)/loss on disposal of right of use assets	3	**(1.2)**	0.1
Settlement of share based payments		**(0.3)**	(2.7)
Share based payment expense	25	**1.8**	2.6
Foreign exchange impact on cash flow hedges		**1.4**	–
Decrease/(increase) in trade and other receivables		**13.2**	(7.2)
Decrease/(increase) in inventories		**8.6**	(3.3)
Decrease in trade and other payables		**(55.8)**	(16.6)
Decrease in provisions		**(6.0)**	(1.7)
Net cash from operating activities before tax		**122.4**	139.7
Tax paid		**(0.7)**	(6.8)
Net cash from operating activities		**121.7**	132.9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
AT 25 JUNE 2023

27 Net debt

	26 June 2022 £m	Cash flow £m	Other non-cash changes £m	**25 June 2023 £m**
Cash in hand, at bank	17.3	9.4	–	**26.7**
Bank overdraft	(12.3)	12.3	–	**–**
Cash and cash equivalents (including bank overdraft)	5.0	21.7	–	**26.7**
Senior revolving credit facility	(93.5)	(72.0)	(0.3)	**(165.8)**
Lease liabilities	(445.4)	61.6	(27.6)	**(411.4)**
Total net debt	(533.9)	11.3	(27.9)	**(550.5)**

	27 June 2021 £m	Cash flow £m	Other non-cash changes £m	26 June 2022 £m
Cash in hand, at bank	22.7	(5.4)	–	17.3
Bank overdraft	(16.7)	4.4	–	(12.3)
Cash and cash equivalents (including bank overdraft)	6.0	(1.0)	–	5.0
Senior revolving credit facility	(23.1)	(70.0)	(0.4)	(93.5)
Lease liabilities	(454.1)	63.5	(54.8)	(445.4)
Total net debt	(471.2)	(7.5)	(55.2)	(533.9)

Non-cash changes include the addition of leases within the period of £25.0m (2022: £51.9m), lease remeasurements of £7.0m (2022: £5.4m), disposals of leases of £4.7m (2022: £2.5m) and the amortisation of capitalised debt issue costs of £0.3m (2022: £0.4m).

28 Related parties

Key Management Personnel

At 25 June 2023, Directors of the Company held 0.4% of its issued ordinary share capital (2022: 0.4%), and a further 0.1% (2022: 0.1%) was held by other key management personnel. The compensation of key management personnel (including the Directors) is as follows:

	52 weeks to 25 June 2023 £m	52 weeks to 26 June 2022 £m
Emoluments	**3.5**	4.0
Share based payments expense	**0.1**	0.8
Company contributions to money purchase schemes	**0.1**	0.3
	3.7	5.1

A number of key management personnel hold positions in other companies that result in them having control or significant influence over these companies. One such relationship was formed during the period, with an entity which the Group already transacted. The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions with other companies with no relationship with members of key management, and were conducted on an arm's length basis.

The aggregate value of transactions related to key management personnel and entities over which they have control or significant influence was £4.3m, and the outstanding balance at the year end was £0.6m.

From time to time key management personnel or tier related parties may buy goods from the Group. These purchases are on the same terms and conditions as those entered into by other Group employees or customers.

29 Discontinued operations

During the period to 26 June 2022 the Group took the decision to exit its operations in the Netherlands and Spain. The cessation of these operations was completed in the year ended 25 June 2023, with the order book at the point of closure being delivered during this year. The revenues and expenses of the discontinued operations have therefore been eliminated from the consolidated income statement for the Group's continuing operations and are shown as a separate single post-tax line item, consistent with the presentation adopted for the year ended 26 June 2022. Prior to being classified as discontinued operations, these operations were included within the DFS segment of the Group's segmental analysis.

Results from discontinued operations:

	52 weeks to 25 June 2023 Underlying £m	52 weeks to 25 June 2023 Non-underlying £m	52 weeks to 25 June 2023 Total £m	52 weeks to 26 June 2022 Total £m
Revenue	**2.0**	**–**	**2.0**	9.0
Cost of sales	**(1.1)**	**–**	**(1.1)**	(4.6)
Gross profit	**0.9**	**–**	**0.9**	4.4
Selling and distribution costs	**(1.1)**	**–**	**(1.1)**	(5.0)
Administrative expenses	**–**	**3.8**	**3.8**	(5.3)
Operating (loss)/profit before depreciation, amortisation and impairment	**(0.2)**	**3.8**	**3.6**	(5.9)
Depreciation	**–**	**–**	**–**	(1.5)
Impairment	**–**	**–**	**–**	(6.0)
Operating (loss)/profit	**(0.2)**	**3.8**	**3.6**	(13.4)
Finance expenses	**–**	**–**	**–**	(0.3)
(Loss)/profit before tax	**(0.2)**	**3.8**	**3.6**	(13.7)
Taxation	**(0.1)**	**(0.3)**	**(0.4)**	0.9
(Loss)/profit for the period from discontinued operations	**(0.3)**	**3.5**	**3.2**	(12.8)

Non-underlying items from discontinued operations:

	52 weeks to 25 June 2023 £m	52 weeks to 26 June 2022 £m
Impairment of right of use assets	**–**	3.1
Impairment of other assets	**–**	1.4
Impairment of goodwill and intangible assets	**–**	1.5
Other closure (credits)/costs	**(3.8)**	5.3
	(3.8)	11.3

The closure credits in the year relate to the release of provisions made in FY22 for costs associated with the closure of these operations where the actual costs incurred were lower than had been expected when the provision was made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
AT 25 JUNE 2023

29 Discontinued operations continued

Cash flows from discontinued operations:

	52 weeks to 25 June 2023 £m	52 weeks to 26 June 2022 £m
Net cash from operating activities	**(0.6)**	1.1
Net cash used in investing activities	**–**	–
Net cash used in financing activities	**(0.4)**	(1.4)
Net decrease in cash and cash equivalents	**(1.0)**	(0.3)
Cash and cash equivalents at beginning of period	**1.3**	1.6
Net cash and cash equivalents (including bank overdraft) at end of period	**0.3**	1.3

30 Subsequent events

Refinancing

On 1 September, the Group successfully completed a refinancing of its £215.0m revolving credit facility, replacing it with a new £200.0m revolving credit facility and £50.0m of senior secured notes. The £200.0m revolving credit facility is held with a syndicate of banks and matures in September 2027, with the option of a one year extension, and attracts variable rate interest (credit spread adjusted SONIA plus a margin). The senior secured notes attract fixed rate interest and comprise two tranches: £25.0m maturing September 2028 and £25.0m maturing September 2030.

Both of the new debt facilities are subject to the same financial covenants as the previous facility, being: 3.0x Net Debt / EBITDA and 1.5x Fixed Charge Cover, and are assessed on a six-monthly basis at June and December.

As a consequence of the refinancing, non-underlying finance costs of £1.9m will be recognised in the income statement in FY24 comprising £0.8 m in associated professional fees and the write-off of £1.1m of unamortised issue costs on the previous £215.0m loan.

Restructuring

On 11 September, a consultation process was commenced on the potential closure of the smallest of the Group's UK factories. If the closure goes ahead, it is expected to result in non-underlying restructuring costs of approximately £5.5m, including redundancy costs and asset impairment.

COMPANY BALANCE SHEET
AT 25 JUNE 2023

	Note	25 June 2023 £m	26 June 2022 £m
Non-current assets			
Investments	2	**254.5**	252.7
Amounts due from group companies	3	**275.0**	205.1
		529.5	457.8
Current liabilities			
Amounts due to group companies	4	**(63.3)**	(20.1)
Net assets		**466.2**	437.7
Capital and reserves			
Called up share capital	5	**24.1**	25.9
Share premium	5	**40.4**	40.4
Merger reserve	5	**18.6**	18.6
Capital redemption reserve	5	**359.6**	357.8
Treasury shares	5	**(10.1)**	(4.9)
Shares held by employee benefit trust	5	**(6.6)**	(6.9)
Retained earnings		**40.2**	6.8
Equity shareholders' funds		**466.2**	437.7

The Company's profit for the period was £70.0m (2022: £10.0m).

These financial statements were approved by the board of directors on 21 September 2023 and were signed on its behalf by:

Tim Stacey
Chief Executive Officer

John Fallon
Chief Financial Officer

Company registered number: 07236769

COMPANY STATEMENT OF CHANGES IN EQUITY
AT 25 JUNE 2023

	Share capital £m	Share premium £m	Merger reserve £m	Capital redemption reserve £m	Treasury shares £m	Shares held by employee benefit trust £m	Retained earnings £m	Total equity £m
Balance at 27 June 2021	**25.9**	**40.4**	**18.6**	**357.8**	**(0.7)**	**(0.2)**	**52.0**	**493.8**
Profit for the period	–	–	–	–	–	–	10.0	10.0
Other comprehensive income	–	–	–	–	–	–	–	–
Total comprehensive income for the period	–	–	–	–	–	–	10.0	10.0
Dividends paid	–	–	–	–	–	–	(53.8)	(53.8)
Purchase of own shares	–	–	–	–	(4.4)	–	–	(4.4)
Treasury shares issued	–	–	–	–	0.2	–	(0.2)	–
Purchase of shares by Employee Benefit Trust	–	–	–	–	–	(8.1)	–	(8.1)
Employee Benefit Trust shares issued	–	–	–	–	–	1.4	(1.0)	0.4
Settlement of share based payments	–	–	–	–	–	–	(2.7)	(2.7)
Share based payments	–	–	–	–	–	–	2.6	2.6
Tax recognised directly in equity	–	–	–	–	–	–	(0.1)	(0.1)
Balance at 26 June 2022	**25.9**	**40.4**	**18.6**	**357.8**	**(4.9)**	**(6.9)**	**6.8**	**437.7**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**70.0**	**70.0**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**70.0**	**70.0**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**–**	**(12.1)**	**(12.1)**
Purchase of own shares	**–**	**–**	**–**	**–**	**(30.9)**	**–**	**–**	**(30.9)**
Cancellation of treasury shares	**(1.8)**	**–**	**–**	**1.8**	**25.7**	**–**	**(25.7)**	**–**
Employee Benefit Trust shares issued	**–**	**–**	**–**	**–**	**–**	**0.3**	**(0.3)**	**–**
Settlement of share based payments	**–**	**–**	**–**	**–**	**–**	**–**	**(0.3)**	**(0.3)**
Share based payments	**–**	**–**	**–**	**–**	**–**	**–**	**1.8**	**1.8**
Balance at 25 June 2023	**24.1**	**40.4**	**18.6**	**359.6**	**(10.1)**	**(6.6)**	**40.2**	**466.2**

NOTES TO THE COMPANY FINANCIAL STATEMENTS
AT 25 JUNE 2023

1 Accounting policies

Basis of preparation

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

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 ('UK-adopted IFRSs'), but makes amendments where necessary in order to comply with Companies Act 2006. The Company has applied the exemption available under FRS 101 in respect of the following disclosures:

- a cash flow statement and related notes
- comparative period reconciliations
- disclosures in respect of transactions with wholly owned subsidiaries
- disclosures in respect of capital management
- the impact of new but not yet effective IFRSs

As the consolidated accounts of the Company include the equivalent disclosures, the Company has also taken the exemption available under FRS 101 in respect of IFRS 2 Share Based Payments disclosures of group settled share based payments. Under Section 408 of the Companies Act 2006, the Company is not required to present its own profit and loss account. The Company's profit for the period was £70.0m (2022: £10.0m).

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

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

Going concern

The Company heads a group which at 25 June 2023 had a £215.0m revolving credit facility maturing in December 2025. On 1 September 2023 the Group refinanced its borrowing facilities, replacing the previous £215.0m facility with a combination of a new £200.0m revolving credit facility with a consortium of lending banks maturing in September 2027 and £50.0m of private placement debt, £25.0m of which matures in September 2028 and £25.0m in September 2030.

At 18 September 2022, £65.2m of the revolving credit facility remained undrawn, in addition to cash in hand, at bank of £2.4 m. The Directors have considered the projected trading and cash flow forecasts for the Company, including the inherent uncertainty in forecasting the impact of the current economic and political environment, and are confident that the Company 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 financial statements. Accordingly, the financial statements are prepared on a going concern basis.

Investments

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

Amounts due from and to group companies

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

Taxation

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

Share based payments

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

Treasury shares

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

Audit fees

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

Directors' remuneration and staff numbers

The Company has no employees other than the Directors, who did not receive any remuneration for their services directly from the Company in either the current or preceding period. See note 28 of the consolidated financial statements for Key Management Personnel compensation.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED
AT 25 JUNE 2023

2 Investments

Shares in subsidiary undertakings	52 weeks to 25 June 2023 £m	52 weeks to 26 June 2022 £m
Cost and net book value		
At the start of the financial period	**252.7**	250.1
Additions	**1.8**	2.6
At the end of the financial period	**254.5**	252.7

Details of the Company's investments are given in note 11 to the consolidated financial statements. Additions in the current and prior period relate to capital contributions made in respect of share based payments schemes for the Group's employees. As a consequence of the Company's share price at 25 June 2023, a value in use calculation was performed to test the carrying value of the investments for impairment. The key assumptions used were in line with those set out in note 10 to the consolidated financial statements. The value in use calculations showed a significant headroom between the calculated value in use and the carrying value of the investments in the Company financial statements. A number of sensitivities were then applied to the base case model to assess whether any reasonably possible changes in assumptions could cause an impairment that would be material to these consolidated financial statements. On the basis of this analysis the Directors concluded that a reasonably possible change in assumptions would not lead to an impairment being recognised.

Coin Furniture Limited and DFS Spain Limited are exempt from the requirement of the Companies Act relating to the audit of individual financial statements by virtue of s479A of the Companies Act 2006. DFS Furniture plc will guarantee the debts and liabilities of these entities in accordance with Section 479C of the Companies Act 2006.

3 Debtors

	25 June 2023 £m	26 June 2022 £m
Amounts due from subsidiary undertakings (non-interest bearing, repayable on demand)	**275.0**	205.1

Amounts due from subsidiary undertakings have been classified as non-current assets as they are not expected to be settled within the next 12 months.

4 Creditors: amounts due in less than one year

	25 June 2023 £m	26 June 2022 £m
Amounts due to subsidiary undertakings (non-interest bearing, repayable on demand)	**63.3**	20.1

5 Capital and reserves

Share capital

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

	Number of shares '000	Ordinary shares £m
Ordinary shares of £0.10 each		
Allotted, called up and fully paid		
At the start of the financial period	258,637	25.9
Cancelled during the financial period	(17,959)	(1.8)
At the end of the financial period	**240,678**	**24.1**

On 9 November 2022 17,958,600 ordinary shares which had been held in treasury were cancelled.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
AT 25 JUNE 2023

5 Capital and reserves continued

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

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

Capital redemption reserve
The capital redemption reserve represents the par value of cancelled treasury shares.

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

During the period ended 25 June 2023 21,694,437 shares (2022: 2,585,666) were acquired at a total cost of £30.9m (2022: £4.4m). 17,958,600 treasury shares (2022: nil) were cancelled on 9 November 2022. None of the Company's own ordinary shares (2022: 63,444) were used to satisfy employee share based payment awards. At 25 June 2023 the company had 6,533,700 ordinary shares held in treasury (2022: 2,797,863).

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

During the period ended 25 June 2023 the Company acquired and issued no ordinary shares to the Employee Benefit Trust (2022: 3,000,000). 172,800 shares were used during the period (2022: 824,009). At 25 June 2023 the Employee Benefit Trust held 3,686,178 of the Company's ordinary shares (2022: 4,040,978).

FINANCIAL HISTORY

		FY23	FY22	FY21 Restated[3]	FY20	FY19[2] 52 weeks	FY19[1] 48 weeks
		IFRS 16				IAS 17	
Gross sales	£m	**1,423.6**	1,474.6	1,359.4	935.0	1,287.2	1,165.0
Revenue	£m	**1,088.9**	1,149.8	1,060.2	724.5	996.2	901.0
Underlying EBITDA	£m	**157.4**	175.9	224.0	61.9	90.2	65.1
Underlying profit/(loss) before tax excluding brand amortisation	£m	**30.6**	60.3	109.2	(63.1)	50.2	28.2
Profit/(loss) before tax from continuing operations	£m		58.5	102.6	(81.2)	43.6	22.4
Basic earnings per share from continuing operations	p	**9.8**	17.3	35.8	(31.4)	16.5	8.6
Ordinary dividends per share	p	**4.5**	7.4	7.5	–	11.2	11.2
Special dividends per share	p	**–**	10.0	–	–	–	–
Purchase of own shares	£m	**30.9**	4.4	–	1.1	–	–
Total shareholder return	%	**-28.3**	-37.9	+71.4	-32.5	+31.9	+31.5

1. Audited statutory period: 48 weeks ended 30 June 2019.
2. Unaudited pro-forma period: 52 weeks ended 30 June 2019.
3. Restated to exclude operations becoming discontinued in FY22.

SHAREHOLDER INFORMATION

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

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

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

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Annual General Meeting 2023
This year's AGM will be held at 2:30pm on 10 November 2023 at DFS Group Support Centre, 1 Rockingham Way, Redhouse Interchange, Adwick-le-Street, Doncaster, DN6 7NA

Financial calendar

FY23 full year results	21 September 2023
Annual General Meeting	10 November 2023

Report and Accounts
Registered number 7236769
25 June 2023
Company No. 07236769