30 March 2017 **For immediate release**

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

Half Year Results

RECORD RESULTS AND SPECIAL DIVIDEND DECLARED

DFS Furniture plc today announces its half year results for the 26 weeks ended 28 January 2017 (comparative period: 26 weeks ended 30 January 2016).

Financial Highlights:

- Group revenue up 6.8% to £379.9 million (2016: £355.8 million)
- Gross sales for 12 month period exceed £1 billion for the first time
- EBITDA up 4.5% to £32.4 million (2016: £31.0 million)
- Profit before tax up 3.1% to £16.7 million (2016: £16.2 million).
- Underlying basic earnings per share up 3.3% to 6.2 pence (2016: 6.0 pence)
- Continued strong cash generation: gearing ratio reduced to 1.42x (2016: 1.71x)
- Interim dividend increased 5.7% to 3.7 pence (2016: 3.5 pence)
- Special dividend of 9.5 pence per share declared

Operational Highlights:

- Proven growth strategy on track:
    - Broadening our appeal
        - Continued, award-winning innovation in advertising
        - Exclusive Brands and Sofa Workshop ranges delivering further growth
    - UK and ROI store roll-out
        - Two new 10-15,000 sq ft DFS stores opened in UK with one further opening planned for early April
        - DFS small store trial extended: new Crawley store trading profitably
    - International
        - The Netherlands: two new stores added
        - Spain: one new store opened, positive profit contribution expected
    - Retail space optimisation
        - 14 Customer Distribution Centres now operational
        - 17 new co-located stores opened: 15 Dwell, 2 Sofa Workshop
    - Omnichannel
        - Continued double digit growth in online traffic and transactions
- Record Net Promoter Scores achieved

DFS Chief Executive Officer Ian Filby said:

"I am pleased to report continued good sales growth and strong cash generation reflecting the successful implementation of our proven growth strategy. This strong performance underpins our announcement today of our first special dividend for shareholders.

The scale of our business, which is larger than our next four UK competitors combined, gives us significant advantages that allow us consistently to offer outstanding value to our customers. We are confident that our size, combined with the flexibility of our cost base and vertically integrated business model means that DFS is particularly well positioned to respond to economic headwinds and cost pressures while continuing to grow our share of the UK retail furniture market.

Our expectations for profit before tax over the full year accordingly remain unchanged, and we believe that DFS continues to enjoy excellent prospects to deliver long-term profitable growth."

Key Performance Indicators

	H1 FY17	H1 FY16	YoY change	LTM[1] Jan 17	LTM[1] Jan 16	YoY change
Financial KPIs						
Gross sales[2]	£493.7m	£461.3m	+7.0%	£1,012.8m	£943.2m	+7.4%
Revenue	£379.9m	£355.8m	+6.8%	£780.1m	£729.1m	+7.0%
Underlying EBITDA[3]	£32.4m	£31.0m	+4.5%	£95.8m	£92.6m	+3.5%
Underlying profit before tax	£16.7m	£16.2m	+3.1%	£65.0m	£60.2m	+8.0%
Underlying earnings per share	6.2p	6.0p	+3.3%	23.9p	22.8p	+4.8%
Free cash flow[4]	£27.2m	£37.7m	-27.9%	£65.1m	£73.2m	-11.1%
Cash conversion[5]	84.0%	121.6%		68.0%	79.0%	
Non-financial KPIs						
Number of UK & ROI DFS stores	112	107	+4.7%			
Post purchase Net Promoter Score	85.1%	83.2%				
Online revenue growth rate	+13.9%	+17.7%				
Growth in Exclusive Brand sales	+2%	+54%				
Stores with converted warehouse space[6]	34	15	+126%			

Notes:

[1] Last Twelve Months – the 52 weeks ended 28 January 2017 are measured relative to the 52 weeks ended 30 January 2016.

[2] Gross sales represents amounts payable by external customers for goods and services supplied by the Group, including aftercare services (for which the Group acts as an agent), delivery charges and value added and other sales taxes.

[3] Underlying EBITDA means earnings before interest, taxation, depreciation and amortisation, as adjusted for certain material, unusual or non-recurring items which the directors believe are not indicative of the Group's prior period underlying performance.

[4] Free cash flow is the sum of Underlying EBITDA, less gross capital expenditure and changes in working capital.

[5] Cash conversion is free cash flow expressed as a percentage of Underlying EBITDA

[6] Weighted average number of DFS stores during the financial period where former warehouse space has been converted into retail space.

Analyst Presentation

DFS will be hosting an analyst presentation at 9.30am today. There will be a telephone dial-in facility available on +44 (01452) 542303, with conference ID 88732165. The presentation slides will be made available on the Group's website: www.dfscorporate.co.uk. A replay facility will be available for six days after the event. To access the replay please dial +44 (0)1452 550000 and use passcode 88732165.

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About DFS Furniture plc

DFS is the clear market leading retailer of upholstered furniture in the United Kingdom. We design, manufacture, sell and deliver to our customers an extensive range of upholstered furniture products. The business operates a retail network of upholstered furniture stores in the United Kingdom and Europe, together with an online channel. These have been established and developed gradually over more than 47 years of operating history. We attract customers to our stores and website through our substantial and continued investment in nationwide marketing activities and our reputation for high quality products and service, breadth of product ranges and price points and favourable consumer financing options.

CHIEF EXECUTIVE’S OPERATING REVIEW

Continued good sales growth and strong cash generation during the first half of our financial year reflect the successful implementation of our proven growth strategy, which is delivering clear benefits. This has enabled us to increase profits and earnings per share, and to reduce our gearing and interest costs, allowing us to pursue a progressive dividend policy and to make a special cash return to our shareholders.

Results

Group gross sales for the 26 weeks ended 28 January 2017 (2016: 26 weeks ended 30 January 2016) grew by 7.0% to £493.7 million (2016: £461.3 million). This included a 5.4% increase in DFS gross sales, reflecting like-for-like growth through established stores, the benefit of new store openings, and a further double-digit percentage increase in online sales. We also enjoyed increased contributions from Dwell and Sofa Workshop as we continued to grow these brands through the conversion of former DFS warehouse areas into new retail space. Group gross sales for the 52 week period ended 28 January 2017 were £1,012.8 million, taking us past the £1 billion sales milestone for the first time in our 47 year history.

Group EBITDA increased by 4.5% to £32.4 million (2016: £31.0 million), despite the anticipated pressure on margins from adverse foreign exchange movements, while profit before tax was 3.1% higher at £16.7 million (2016: £16.2 million). Underlying basic earnings per share, which are comparable year on year for the first time since our IPO, increased by 3.3% to 6.2 pence (2016: 6.0 pence).

Dividends

The Board has declared an interim dividend of 3.7 pence per share (2016: 3.5 pence), an increase of 5.7%, payable on 21 June 2017 to shareholders on the register at 2 June 2017. The continued strength of our cash flow generation has also enabled us to fulfil our previously communicated intention to make an additional capital return to shareholders. Therefore in addition to the ordinary interim dividend, the Board proposes to pay on the same date a special dividend of 9.5 pence per share.

Growth strategy update

We have continued to make strong operational progress in implementing all parts of our growth strategy, which builds upon our well-established fundamental strengths of market-leading scale, the flexibility of our cost base, and vertically integrated manufacturing and retail operations.

Broadening our appeal to customers

We have maintained our successful focus on extending our appeal to an even broader range of customers so as to consolidate our position as the UK market leader in upholstered furniture across all customer segments. Awareness and appreciation of the DFS brand has benefited from successive innovative advertising campaigns, which we took into new territory at Christmas 2016 with a multichannel campaign created in partnership with Aardman Animations to highlight the work of the skilled craftsmen and women in our UK factories. Earlier this month our Team GB Olympics campaign was named Retail Advertising Campaign of the Year at the annual Retail Week Awards.

Our Exclusive Brands collections have continued to deliver growth, benefiting from continued product innovation including the launch of new Country Living *Keswick* and French Connection *Clay* ranges. We have also successfully introduced two Sofa Workshop ranges throughout the DFS estate.

UK and Republic of Ireland DFS store roll-out

Our well-established programme of opening new 10-15,000 sq ft DFS stores in the UK and Republic of Ireland at the rate of three to five per year remains well on plan, with two new stores opened during the first half at Salisbury in August and Truro in September, and a third opening next month in Ashford. We have a clearly defined new store pipeline to maintain our planned store expansion for the next two years, subject to final negotiation.

In addition to our new store openings during the last six months we have undertaken major refits and relaunches of our Banbury, Nottingham and King's Lynn stores, where, as is usual, we have received the benefit of substantial lease extension incentive packages from our landlords.

We also opened a smaller 5,200 sq ft DFS store at Crawley in November, the third store in this trial format and our first outside the M25. The store is operating profitably and work is now underway to refine our small store operating model based on our learnings to date.

International expansion

Our measured strategy for the Group's international development continues to progress. We opened two new stores in The Netherlands this year, at Heerlen (December) and Den Haag (March), giving us a total of five stores in the country. This brings us closer to a scale where we can begin to test national marketing, based on our proven model in the UK. Our operating profit investment in The Netherlands remains in line with our expectations and as previously indicated is likely to be in the range of £2-3 million over the current year as a whole.

In Spain we opened a second store near Malaga earlier this month to make DFS even more accessible to the substantial British expatriate community there. We have also made our interest free credit proposition available to both British and Spanish residents. Notwithstanding the uncertainities surrounding Brexit for UK citizens resident overseas, we expect DFS Spain to make a positive contribution to operating profit.

Retail space optimisation

As we outlined in the annual report, the proven success of converting store warehousing space for retail use has led us to accelerate our Customer Distribution Centre (CDC) conversion programme which consolidates our warehouse operations into larger, more efficient offsite facilities. Three additional CDCs opened during the first half, contributing to the current total of 14 CDCs serving 61 stores, of which 39 had been converted to release additional retail space by the end of January.

We opened 15 new co-located Dwell stores in former DFS warehouse space during the first half, and two new co-located Sofa Workshop stores. All are trading successfully and also helping to drive footfall and bookings in their associated DFS stores. To support the growth of the Dwell brand, we also successfully opened a new dedicated distribution warehouse at Milton Keynes in January.

We will complete our CDC conversion programme with the opening of the final five CDCs over the next six months, reaching nineteen in total, while our retail space conversion programme will continue towards completion during FY18. As previously indicated, by the conclusion of the programme we expect to achieve nationwide coverage with Dwell, giving us a chain of more than 40 stores, together with more than five new Sofa Workship stores. We will use the expanded space released elsewhere in the DFS estate to offer additional ranges of beds and dining furniture.

The financial results of the programme are in line with our plans, with pre-opening costs offsetting the higher sales generated by additional retail space in the current year. As previously guided, we remain confident that the programme will deliver incremental EBITDA of £650k-£700k per CDC cluster converted.

Omnichannel

The web is now the natural starting point for most consumers considering a furniture purchase, and we know that today around 80% of DFS customers begin their research online. The DFS website retains strong market leadership, continuing to attract over 40% of all UK upholstery web traffic, and we have seen significant increases in website visitor numbers during the current year. DFS already has the leading presence in natural web searches, through effective search engine optimisation, and we have an ongoing innovation programme designed to increase the efficiency and impact of paid searches.

Although the majority of our customers progress to visit a physical store before completing their purchase, transactions completed online have continued to show double-digit percentage growth and are making a valuable contribution to overall Group sales growth. The increasing proportion of transactions made on mobile devices underlines the importance of our constant investment to ensure that our range can be viewed and appreciated on whichever device a customer prefers to use, from desktop computers to tablets and mobiles or our “Swoosh” screens in-store.

The online channel is also proving to be of steadily increasing importance for order progress tracking and the completion of payments. Our investments in this area are providing customers with better visibility and control, while creating savings in customer service costs.

During the first half we completed the roll-out of our “Swoosh” furniture visualisation technology across the whole DFS estate, allowing us to project our range of models, colours and materials on a video wall in stores. This helps our customers to appreciate exactly how their chosen product will look in their homes, and assists our people in selling the full breadth of the DFS range from all store sizes.

People

Our key point of difference at DFS is the quality of the more than 4,000 people who make, sell and deliver our furniture, and provide our after-sales service. We were pleased that their feedback enabled us to feature among the Sunday Times’ Top 30 Best Big Companies To Work For in the UK for the first time in February 2017, complementing our established Top Employer certification by the Top Employers Institute. We have further extended our apprenticeship and training programmes, and continue to align incentives for our people with Net Promoter Score (NPS) performance, which I am pleased to report reached a new record of 85.1% post purchase and 33.6% on an established customer (six months post purchase) basis during the first half.

Outlook

Consumer confidence to date has held up well, but we recognise that furniture retailing in the UK faces an increased risk of a market slowdown in 2017 because of the uncertain political and economic outlook. We saw in the first half some impact on our margins from adverse currency movements, principally the weakening of the pound against the US dollar. We are taking actions to mitigate these pressures through range management and supplier negotiations, and expect to see further benefits from these initiatives during the second half.

The scale of our business gives us significant advantages that allow us consistently to offer outstanding value to our customers. The flexibility of our cost base, our investments in infrastructure and our vertically integrated business model add to our confidence that we are very well positioned to respond to economic headwinds and cost pressures while continuing to grow our share of the UK retail furniture market.

Our expectations for revenues and profit before tax over the full year accordingly remain unchanged, recognising as expected a softer market environment in the second half of the financial year. We further believe that DFS continues to enjoy excellent prospects to deliver long-term profitable growth, strong cash generation and a progressive dividend policy as one of the UK’s best-known brands, a major British manufacturer and the country’s leading retailer of upholstered furniture.

Ian Filby
Chief Executive

FINANCIAL REVIEW

Our continued good sales growth has enabled us to increase profits and earnings per share despite the anticipated pressure on margins from adverse foreign exchange movements, which we are working hard to mitigate. The continued strength of our free cash flow is reflected in reduced gearing and lower interest costs, and permits us to make a special return of cash to shareholders in addition to an increased interim dividend.

Sales and revenue

Group gross sales for the half year increased by 7.0% to £493.7 million (2016: £461.3 million), including a 5.4% increase in DFS gross sales as well as increased contributions from Dwell and Sofa Workshop.

Group revenue grew by 6.8% to £379.9 million (2016: £355.8 million). The slightly different growth rate to gross sales reflects increased uptake of interest free credit by Dwell and Sofa Workshop customers, and a change in the rate of insurance premium tax increasing the cost of certain aftercare services.

Gross margin

Gross profit for the half year grew by 3.9% to £53.5 million (2016: £51.5 million). As we anticipated in our full year results announcement in October, gross margin has been affected by the weakening of sterling, particularly against the US dollar. Against this background, we have continued to give priority to the maintenance of our value for money proposition and competitive price points. We have been pursuing clearly identified action plans on our sourcing, cost base and range mix intended to mitigate the currency impact, and these are beginning to bear fruit, although more work remains to be done. We continue to benefit from increasing operating leverage, particularly in the spreading of marketing costs over a wider revenue base, as the business continues to grow.

The actions we are taking together with the scale of our operations, geographical mix of our sourcing and our significant UK own-manufacturing capability provide us with significant advantages compared to many other retailers in our sector.

Central costs

Underlying administrative expenses rose by £0.6 million to £21.1 million for the half year (2016: £20.5 million). This increase derives from our continued investment in an accelerated retail space optimisation programme, and anticipated increases in share based payment charges as outlined in the annual report. We continue to anticipate an increase in central costs of some £2 million over the year as a whole, in line with our previous guidance.

Operating profit and EBITDA

The net impact of the sales and margin effects noted above was a 4.5% increase in underlying EBITDA for the half year to £32.4 million (2016: £31.0 million).

The significant investment in strategic growth initiatives over the last two years, including our CDC development and retail space optimisation programme, and the further development of our omnichannel proposition, has resulted in an increased depreciation charge of £9.2 million for the half year (2016: £7.8 million). As a consequence, despite the increase in EBITDA, underlying operating profit was unchanged on the previous half year at £22.0 million.

Finance costs

Interest payable of £5.4 million (2016: £5.9 million) primarily relates to the Group's senior bank facility of £200.0 million (together with an undrawn revolving credit facility of £30.0 million). The £0.5 million reduction in costs compared with the prior half year reflects our improved gearing ratios, which have resulted in a modest reduction in the rate of interest charged.

Tax

The tax charge recognised in the interim financial statements has been calculated on the basis of the expected effective tax rate for the full year of 21.0% (2016: 21.2%), slightly higher than the applicable UK Corporation Tax rate of 19.7% (2016: 20.0%). During the prior year interim period a tax credit of £9.9 million resulted from a settlement in the Group's favour of certain outstanding items relating to prior years with HM Revenue and Customs for which no benefit had previously been recognised.

Earnings per share

Now that we are in our second full year since our IPO, statutory earnings per share figures are comparable year on year. Underlying basic earnings per share ("EPS") for the half year were 6.2 pence (2016: 6.0 pence), an increase of 3.3%.

Capital expenditure

Cash capital expenditure for the half year was £17.4 million (2016: £11.0 million), in line with our expectations. This significant increase in expenditure compared with the first half last year reflected the acceleration of our CDC and retail space conversion programme, as previously highlighted, together with our continued new store opening programme and investment in other growth initiatives. This expenditure, together with phasing of working capital has impacted cash conversion for the first half (2017: 84.0%, 2016: 121.6%). As we have previously guided cash capital expenditure for the full year is expected to be between £28 – 30 million, and is thereafter likely to be lower than FY17.

Cash flow and balance sheet

The Group continues to maintain a robust balance sheet to support future growth. We closed the half year with cash of £69.4 million (2016: £45.0 million), giving a net debt position of £135.6 million (2016: £158.1 million) and achieving a gearing ratio of 1.42 times underlying EBITDA (2016: 1.71 times). As a result of the Group's continued cash generating ability and negative working capital model this strong improvement was achieved despite the increased capital expenditure noted above and the payment during the half year of last year's final dividend at a cost of £15.9 million.

Dividend

The continued strength of our cash flow allows DFS to consistently both reduce leverage and to return cash to shareholders as part of our total shareholder return. In line with our previously stated dividend policy of a pay-out ratio of 45-50% of profit after tax the Board has therefore declared an interim dividend of 3.7 pence per share (2016: 3.5 pence), an increase of 5.7%.

At the time of our full year results we noted our intention to make a special capital return during FY17, subject to the capital needs of the business and continuing to target a net debt to EBITDA ratio of approximately 1.5 times. The Board therefore also proposes a special dividend of 9.5 pence per share, which will be paid at the same time as the interim dividend.

Subject to the capital requirements of the business and there being no significant change in the trading environment, the Board's intention is for this return to form a sustainable and recurring increment to the Group's Total Shareholder Return..

Nicola Bancroft
Chief Financial Officer

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

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

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

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

By order of the Board

Ian Filby	**Nicola Bancroft**
Chief Executive	*Chief Financial Officer*

30 March 2017

Unaudited condensed consolidated income statement

		26 weeks to 28 January 2017			26 weeks to 30 January 2016			52 weeks to 30 July 2016		
		Underlying	**Non-underlying**	**Total**	Underlying	Non-underlying	Total	Underlying	Non-underlying	Total
	Note	**£m**	**£m**	**£m**	£m	£m	£m	£m	£m	£m
Gross sales	*2*	**493.7**	-	**493.7**	461.3	-	461.3	980.4	-	980.4
Revenue	*2*	**379.9**	-	**379.9**	355.8	-	355.8	756.0	-	756.0
Cost of sales		**(326.4)**	-	**(326.4)**	(304.3)	-	(304.3)	(621.7)	-	(621.7)
Gross profit		**53.5**	-	**53.5**	51.5	-	51.5	134.3	-	134.3
Administrative expenses		**(21.1)**	-	**(21.1)**	(20.5)	-	(20.5)	(39.9)	-	(39.9)
Operating profit before depreciation and amortisation		**32.4**	-	**32.4**	31.0	-	31.0	94.4	-	94.4
Depreciation		**(9.2)**	-	**(9.2)**	(7.8)	-	(7.8)	(16.4)	-	(16.4)
Amortisation		**(1.2)**	-	**(1.2)**	(1.2)	-	(1.2)	(2.2)	-	(2.2)
Operating profit	*3*	**22.0**	-	**22.0**	22.0	-	22.0	75.8	-	75.8
Finance income		**0.1**	-	**0.1**	0.1	-	0.1	0.3	-	0.3
Finance expenses	*4*	**(5.4)**	-	**(5.4)**	(5.9)	-	(5.9)	(11.6)	-	(11.6)
Profit before tax		**16.7**	-	**16.7**	16.2	-	16.2	64.5	-	64.5
Taxation	*5*	**(3.6)**	-	**(3.6)**	(3.5)	9.9	6.4	(14.1)	9.9	(4.2)
Profit for the period		**13.1**	-	**13.1**	12.7	9.9	22.6	50.4	9.9	60.3
Statutory earnings per share										
Basic	*6*	**6.2p**	-	**6.2p**	6.0p	4.6p	10.6p	23.7p	4.6p	28.3p
Diluted	*6*	**6.1p**	-	**6.1p**	5.9p	4.6p	10.5p	23.5p	4.6p	28.1p

Unaudited condensed consolidated statement of comprehensive income

	26 weeks to 28 January 2017 £m	26 weeks to 30 January 2016 £m	52 weeks to 30 July 2016 £m
Profit for the period	**13.1**	22.6	60.3
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	**5.4**	0.7	(0.6)
Net change in fair value of cash flow hedges reclassified to profit or loss	**(5.5)**	(1.7)	(4.1)
Income tax on items that are/may be reclassified subsequently to profit or loss	**-**	0.2	0.9
Other comprehensive income/(expense) for the period, net of income tax	**(0.1)**	(0.8)	(3.8)
Total comprehensive income for the period	**13.0**	21.8	56.5

Unaudited condensed consolidated balance sheet

	28 January 2017 £m	30 January 2016 £m	30 July 2016 £m
Non-current assets			
Property, plant and equipment	**73.2**	60.6	65.1
Intangible assets	**491.9**	490.4	491.2
Other financial assets	**-**	-	-
Deferred tax assets	**9.2**	12.7	9.1
	574.3	563.7	565.4
Current assets			
Inventories	**39.9**	33.9	34.9
Other financial assets	**1.2**	3.6	3.1
Trade and other receivables	**25.7**	23.9	26.4
Cash and cash equivalents	**69.4**	45.0	66.7
	136.2	106.4	131.1
Total assets	**710.5**	670.1	696.5
Current liabilities			
Trade payables and other liabilities	**(176.9)**	(164.1)	(159.3)
Provisions	**(6.6)**	(6.1)	(6.6)
Other financial liabilities	**(0.8)**	-	(0.1)
Current tax liabilities	**(2.6)**	-	(3.0)
	(186.9)	(170.2)	(169.0)
Non-current liabilities			
Interest bearing loans and borrowings	**(198.6)**	(198.1)	(198.3)
Provisions	**(5.1)**	(4.8)	(5.1)
Other financial liabilities	**(3.5)**	(2.9)	(6.1)
Other liabilities	**(67.4)**	(67.4)	(67.4)
	(274.6)	(273.2)	(276.9)
Total liabilities	**(461.5)**	(443.4)	(445.9)
Net assets	**249.0**	226.7	250.6
Equity attributable to equity holders of the parent			
Share capital	**319.5**	319.5	319.5
Share premium	**40.4**	40.4	40.4
Merger reserve	**18.6**	18.6	18.6
Treasury shares	**(3.7)**	-	(3.7)
Cash flow hedging reserve	**(3.1)**	0.7	(3.0)
Retained earnings	**(122.7)**	(152.5)	(121.2)
Total equity	**249.0**	226.7	250.6

Unaudited condensed consolidated statement of changes in equity

	Share capital £m	**Share premium £m**	**Merger reserve £m**	**Treasury shares £m**	**Cash flow hedging reserve £m**	**Retained earnings £m**	**Total equity £m**
Balance at 1 August 2015	319.5	40.4	18.6	-	1.7	(156.3)	223.9
Profit for the period	-	-	-	-	-	22.6	22.6
Other comprehensive income/(expense)	-	-	-	-	(1.0)	0.2	(0.8)
Total comprehensive income/(expense) for the period	-	-	-	-	(1.0)	22.8	21.8
Dividends	-	-	-	-	-	(19.8)	(19.8)
Share based payments	-	-	-	-	-	0.8	0.8
Balance at 30 January 2016	**319.5**	**40.4**	**18.6**	**-**	**0.7**	**(152.5)**	**226.7**
Balance at 30 July 2016	319.5	40.4	18.6	(3.7)	(3.0)	(121.2)	250.6
Profit for the period	-	-	-	-	-	13.1	13.1
Other comprehensive income/(expense)	-	-	-	-	(0.1)	-	(0.1)
Total comprehensive income/(expense) for the period	-	-	-	-	(0.1)	13.1	13.0
Dividends	-	-	-	-	-	(15.9)	(15.9)
Share based payments	-	-	-	-	-	1.3	1.3
Balance at 28 January 2017	**319.5**	**40.4**	**18.6**	**(3.7)**	**(3.1)**	**(122.7)**	**249.0**

Unaudited condensed consolidated cash flow statement

	26 weeks to 28 January 2017 £m	26 weeks to 30 January 2016 £m	52 weeks to 30 July 2016 £m
Operating profit	**22.0**	22.0	75.8
Adjustments for:			
Depreciation, amortisation and impairment	**10.4**	9.0	18.6
Gain on sale of property, plant and equipment	**(0.4)**	(0.2)	(0.6)
Share based payment expense	**1.3**	0.8	1.2
Decrease/(increase) in trade and other receivables	**0.7**	3.8	(1.1)
Increase in inventories	**(5.0)**	(5.6)	(6.6)
Increase in trade and other payables	**15.3**	18.3	11.6
(Decrease)/increase in provisions	**(0.1)**	0.4	1.2
	44.2	48.5	100.1
Tax paid	**(4.1)**	(4.6)	(11.4)
Non-underlying prior year tax credit received	**-**	-	5.9
Net cash from operating activities	**40.1**	43.9	94.6
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	**0.5**	0.2	0.8
Interest received	**0.1**	0.1	0.3
Acquisition of business	**-**	(1.5)	(1.5)
Acquisition of property, plant and equipment	**(15.5)**	(10.3)	(21.9)
Acquisition of other intangible assets	**(1.9)**	(0.7)	(2.6)
Net cash from investing activities	**(16.8)**	(12.2)	(24.9)
Cash flows from financing activities			
Interest paid	**(3.7)**	(4.7)	(8.7)
Payment of deferred consideration on acquisition	**-**	(2.3)	(2.3)
Payment of finance lease liabilities	**(1.0)**	(0.6)	(1.7)
Purchase of own shares	**-**	-	(3.7)
Dividends paid	**(15.9)**	(19.8)	(27.3)
Net cash from financing activities	**(20.6)**	(27.4)	(43.7)
Net increase in cash and cash equivalents	**2.7**	4.3	26.0
Cash and cash equivalents at beginning of period	**66.7**	40.7	40.7
Cash and cash equivalents at end of period	**69.4**	45.0	66.7

Notes to the unaudited condensed consolidated financial statements

1. Basis of preparation

This unaudited condensed consolidated interim financial information for DFS Furniture plc ("the Company") and its subsidiaries (together, "the Group") was approved for release on 30 March 2017.

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* and the Disclosure and Transparency Rules of the Financial Conduct Authority, and comprise the results for the 26 weeks ended 28 January 2017, the 26 weeks ended 30 January 2016, and the 52 weeks ended 30 July 2016.

The interim financial statements have not been audited or reviewed by auditors pursuant to the Auditing Practices Board guidance on 'Review of Interim Financial Information'. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the 52 weeks ended 30 July 2016.

The financial information included in this interim statement of results does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006. The statutory accounts for the 52 weeks ended 30 July 2016 have been reported on by the Company's auditor and delivered to the Registrar of Companies. The auditor's report for those accounts was unqualified, did not included a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006.

Accounting policies

The accounting policies adopted in preparing the condensed consolidated interim financial statements are consistent with the policies applied in the Group's financial statements for the 52 weeks ended 30 July 2016, which were prepared under IFRS as adopted by the European Union. There are no new standards, amendments to existing standards or interpretations that are effective for the first time in the financial year beginning 31 July 2016 that would be expected to have a material impact on the Group's results.

Going concern

The Group remains highly cash generative and currently has sufficient medium and long term facilities in place, including a £200.0 million senior loan facility maturing in 2020 and an as yet undrawn revolving credit facility of £30.0 million in place until March 2020.

On the basis of their assessment of the Group's financial position, forecasts and projections the Company's directors have a reasonable expectation that the Company and the Group will be able to continue in operational existence for the foreseeable future. The directors are therefore satisfied that it is appropriate to adopt the going concern basis of accounting in preparing the interim financial statements.

Notes to the unaudited condensed consolidated financial statements

2. Segmental Analysis

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

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

	External sales			**Internal sales**			**Total gross sales**		
	26 weeks to 28 January 2017 £m	26 weeks to 30 January 2016 £m	52 weeks to 30 July 2016 £m	**26 weeks to 28 January 2017 £m**	26 weeks to 30 January 2016 £m	52 weeks to 30 July 2016 £m	**26 weeks to 28 January 2017 £m**	26 weeks to 30 January 2016 £m	52 weeks to 30 July 2016 £m
Retail	**493.7**	461.3	980.4	**0.3**	0.6	1.2	**494.0**	461.9	981.6
Other segments	**-**	-	-	**44.7**	44.5	91.0	**44.7**	44.5	91.0
Eliminations	**-**	-	-	**(45.0)**	(45.1)	(92.2)	**(45.0)**	(45.1)	(92.2)
Gross sales	**493.7**	461.3	980.4	**-**	-	-	**493.7**	461.3	980.4

	26 weeks to 28 January 2017 £m	26 weeks to 30 January 2016 £m	52 weeks to 30 July 2016 £m
Total segments gross sales	**493.7**	461.3	980.4
Less: value added and other sales taxes	**(76.6)**	(71.6)	(152.0)
Less: costs of interest free credit and aftercare services	**(37.2)**	(33.9)	(72.4)
Revenue	**379.9**	355.8	756.0

	26 weeks to 28 January 2017 £m	26 weeks to 30 January 2016 £m	52 weeks to 30 July 2016 £m
Retail EBITDA	**29.2**	28.5	87.4
Other segments EBITDA	**3.2**	2.5	7.0
	32.4	31.0	94.4
Depreciation & amortisation	**(10.4)**	(9.0)	(18.6)
Operating profit	**22.0**	22.0	75.8
Finance income	**0.1**	0.1	0.3
Finance expenses	**(5.4)**	(5.9)	(11.6)
Profit before tax	**16.7**	16.2	64.5

A geographical analysis of revenue is presented below:

	26 weeks to 28 January 2017 £m	26 weeks to 30 January 2016 £m	52 weeks to 30 July 2016 £m
United Kingdom	**367.6**	346.6	734.2
Europe	**12.3**	9.2	21.8
Total revenue	**379.9**	355.8	756.0

Notes to the unaudited condensed consolidated financial statements

3. Operating profit

Group operating profit is stated after charging:

	26 weeks to 28 January 2017 £m	26 weeks to 30 January 2016 £m	52 weeks to 30 July 2016 £m
Depreciation on tangible assets	**9.2**	7.8	16.4
Net gain on disposal of property, plant and equipment	**(0.4)**	(0.2)	(0.6)
Amortisation of intangible assets	**1.2**	1.2	2.2
Cost of inventories recognised as an expense	**164.0**	148.2	315.2
Write down of inventories to net realisable value	**0.2**	0.1	0.4
Operating lease rentals	**30.5**	29.2	58.9

4. Finance expense

	26 weeks to 28 January 2017 £m	26 weeks to 30 January 2016 £m	52 weeks to 30 July 2016 £m
Interest payable on senior loan facility	**(3.6)**	(4.1)	(7.9)
Bank fees	**(0.1)**	(0.1)	(0.3)
Fair value lease adjustment unwind	**(1.4)**	(1.5)	(3.0)
Unwind of discount on provisions	**(0.1)**	-	(0.1)
Finance lease interest	**(0.2)**	(0.2)	(0.3)
Total finance expense	**(5.4)**	(5.9)	(11.6)

5. Taxation

The tax charge recognised in the interim financial statements has been calculated on the basis of the expected effective tax rate for the full year of 21.0% (26 weeks to 30 January 2016: 21.2%). During the prior year interim period a tax credit of £9.9 million resulted from a settlement in the Group's favour of certain outstanding items relating to prior years with HM Revenue and Customs for which no benefit had previously been recognised.

6. Earnings per share

	26 weeks to 28 January 2017 Pence	26 weeks to 30 January 2016 Pence	52 weeks to 30 July 2016 pence
Basic earnings per share	**6.2**	10.6	28.3
Diluted earnings per share	**6.1**	10.5	28.1

	26 weeks to 28 January 2017 £m	26 weeks to 30 January 2016 £m	52 weeks to 30 July 2016 £m
Profit attributable to equity holders of the parent company	**13.1**	22.6	60.3

	26 weeks to 28 January 2017 £m	26 weeks to 30 January 2016 £m	52 weeks to 30 July 2016 £m
Weighted average number of shares for basic earnings per share	**211,530,721**	213,030,601	212,896,904
Dilutive effect of employee share based payment awards	**1,400,508**	2,253,139	1,222,417
Weighted average number of shares for diluted earnings per share	**212,931,229**	215,283,740	214,119,321

Notes to the unaudited condensed consolidated financial statements

7. Dividends

			26 weeks to 28 January 2017 £m	26 weeks to 30 January 2016 £m	52 weeks to 30 July 2016 £m
Interim for the period ended 1 August 2015	3.1p	paid	**-**	6.6	6.6
Final for the period ended 1 August 2015	6.2p	paid	**-**	13.2	13.2
Interim for the period ended 30 July 2016	3.5p	paid	**-**	-	7.5
Final for the period ended 30 July 2016	7.5p	paid	**15.9**	-	-
			15.9	19.8	27.3

The directors have declared an interim dividend for the period ended 29 July 2017 of 3.7p per ordinary share to be paid on 21 June 2017. The directors have also declared a special dividend of 9.5p per ordinary share to be paid on the same date, giving a total of £27.9 million to be paid on 21 June 2017. DFS Furniture plc shares will trade ex-dividend from 1 June 2017 and the record date will be 2 June 2017.

8. Financial instruments

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

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

9. Risks and uncertainties

The directors have considered the principal risks and uncertainties as presented in the Group's annual report for the 52 weeks ended 30 July 2016 and determined that these risks remain relevant for the remaining 26 weeks of the current financial year. These risks comprise: Business strategy; Economy and consumer market conditions; Expansion of retail store network; Website and IT systems; Consumer finance; Supply chain; Employees; Financial risk and liquidity; and Regulatory environment. Further details of these risks can be round on pages 16 to 19 of the Group's annual report and accounts, a copy of which is available on the Group's website at www.dfscorporate.co.uk.

10. Seasonality of operations

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

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

As a result of this seasonality of operations the results for the first half of the financial year are normally smaller than the second half.

11. Capital expenditure

For the 26 weeks to 28 January 2017, acquisition of property, plant and equipment (including those acquired under finance leases) totalled £17.4 million (2016: £10.9 million). Acquisitions of intangible assets (computer software) totalled £1.9 million (2016: £0.7 million). Net proceeds on the sale of assets in the period were £0.5 million (2016: £0.2 million).

At 28 January 2017 the Group had contracted capital commitments of £1.7 million (2016: £2.8 million) for which no provision has been made in the financial statements.

Notes to the unaudited condensed consolidated financial statements

12. Net debt

	30 July 2016 £m	Cash flow £m	Other non-cash changes £m	28 January 2017 £m
Cash in hand, at bank	66.7	2.7	-	**69.4**
Cash and cash equivalents	66.7	2.7	-	**69.4**
Senior loan facility	(198.3)	-	(0.3)	**(198.6)**
Finance lease liabilities	(5.5)	1.0	(1.9)	**(6.4)**
Total net debt	(137.1)	3.7	(2.2)	**(135.6)**

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

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