21 September 2023 **Immediate release**

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

Preliminary Results

Record market share c38% and FY23 PBT within previously guided range

Solid start to FY24, in line with expectations

DFS Furniture plc (the "Group"), the market leading retailer of living room and upholstered furniture in the United Kingdom, today announces its preliminary results for the 52 weeks ended 25 June 2023 (prior year comparative period is the 52 weeks ended 26 June 2022).

£m	FY23	FY22	Change
Revenue from continuing operations[1]	1,088.9	1,149.8	(5.3%)
Gross margin[1]	54.4%	52.7%	1.7%pt
Underlying PBTa from continuing operations[1,2]	30.6	60.3	(49.3%)
Reported PBT	29.7	58.5	(49.2%)
Basic underlying EPS from continuing operations[1,2]	9.6p	17.5p	(45.1%)
Reported EPS	11.1p	12.3p	(9.8%)
Free cash flow excluding working capital normalisation[1,2]	29.4	37.2	(21.0%)
Free cash flow[2]	(7.0)	(5.0)	(40.0%)
Cash returned to shareholders[3]	43.0	58.2	(26.1%)
Net bank debt[2]	140.3	90.0	55.9%
Leverage[2]	1.9x	1.0x	(0.9x)

[1] *Excludes the discontinued Netherlands and Spain businesses*
[2] *Definitions and reconciliations of KPIs including Alternative Performance Measures ("APMs") are provided at the end of this statement in Note 14 to the condensed consolidated financial statements.*
[3] *Ordinary dividends, special dividends and share buy backs paid in the period*

Strategic and operational highlights:

- Continuing to win share in a very tough market, extending our market leadership with 2%pts share gain to a record 38% of the UK upholstery market.
- Operationally in the strongest position since the pandemic, reflected in customer experience scores, with supply chains, order banks and customer lead times all back to normal.
- Brands continue to evolve: DFS range continues to broaden appeal and extend into higher price points; three further Sofology showrooms opened taking the total to 58 (38 at acquisition) and closer to our nationwide target of 65-70.
- In the Home category, we continue to strengthen the foundations for growth in this £5bn market opportunity, with a drop-ship delivery solution launched and exclusive brand partnerships extended to bed ranges, driving online beds & mattress sales up 69% year on year.
- Carbon reduction plan now developed to reach our ambition of Net Zero by 2040, on track to submit targets to SBTI by June 2024.

Financial highlights

- Group revenue from continuing operations was £1,088.9m, a decrease of 5.3% from prior year however 13.8% ahead of the pre-pandemic FY19 pro-forma period*
- Group gross margin continues to recover in line with expectations, up 170 bps year on year to 54.4%, with an FY24 entry rate of 56.5%.
- Underlying PBTa from continuing operations[3] of £30.6m in line with guidance at our interims, down year on year as anticipated given strong post-pandemic sales in prior year and very weak market demand in FY23, combined with inflationary pressures.
- Cost efficiencies programme established across our product, property and operating cost models targeting c£50m annualised savings by FY26.
- Free cash flow[1], excluding working capital normalisation, of £29.4m.
- Increase in net bank debt[1] from £90.0m to £140.3m with working capital now normalised after inflows across the high demand pandemic years, and special shareholder returns associated with cash generated in those prior periods.
- Successful refinancing of debt facilities in September 2023 is a strong positive endorsement of the Group, securing additional liquidity for an extended period and flexibility to execute our future growth plans.

Outlook

- FY24 underlying PBTa guidance is for a low single digit year on year improvement (range £30m-£35m), supported by continued market share gains and margin improvements. Guidance based on the assumption market volumes decline -5% year on year.
- Profit will be weighted to the second half of the period reflecting weak market demand at the end of FY23 and timing of cost saving initiatives.
- We are confident the market will recover, however we can't predict how quickly that will happen. We have a clear route to a 5% PBT margin without market recovery, supported by further margin improvement, new cost efficiencies and continued growth in Home.
- When market volumes recover to pre pandemic levels, additional operational leverage supports 8% PBT margins, in line with previous guidance.

** unaudited pro-forma period 52 weeks ended 30 June 2019, excluding disposed and discontinued operations.*

Tim Stacey, Group Chief Executive Officer said:
"I want to sincerely thank our colleagues for their truly outstanding and consistently high level of determination and dedication to deliver at their best for the Group, and for their help in getting us to the strongest position we have ever been in terms of market share.

The Group is operating in one of the toughest economic climates we have experienced. Whilst we are confident the upholstery market will recover, forecasting the specific timing and pace of the recovery is challenging.

We do, however, expect to generate a modest year on year increase in profit before tax in FY24 despite a relatively weak market in which we expect volumes will continue to decline across the next 12 months. Looking to the future as market volumes recover, we remain confident in achieving the financial performance set out at our Capital Markets Day in 2022 of £1.4bn of revenues at an 8% PBT margin."

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About DFS Furniture plc
The Group is the clear market-leading retailer of living room furniture in the United Kingdom. Our Group purpose is to bring great design and comfort into every living room, in an affordable, responsible and sustainable manner. We operate an integrated physical and digital retail network of living room furniture showrooms and web sites in the United Kingdom, Republic of Ireland, trading through our leading brands, DFS and Sofology. We attract customers through our targeted and national marketing activities and our reputation for high quality products and service, breadth of product offer and favourable consumer financing options. We fulfil orders for our exclusive product ranges through our own UK finished goods factories, and through manufacturing partners located in the UK, Europe and Far East, and delivered with care through our expert final-mile delivery service "The Sofa Delivery Company Limited".

CHAIR'S STATEMENT

The year to June 2023 has been marked by an uncertain and disrupted external environment, with the continuing impact of the conflict in Ukraine, global inflationary pressures, and the move away from the extremely low level of interest rates seen over the last ten years all weighing on UK consumers.

This external backdrop has meant another incredibly challenging year for the Group, with the business constantly balancing the need to invest in the assets and resources to support future growth with caution given current market volatility. I am delighted to be able to report that, as always, no matter how big the challenge, our colleagues across the Group have responded with skill and enthusiasm to ensure that the business continues to deliver a positive experience for all our customers. The success of the Group in growing its market share to record levels is testament to the operational excellence within the business along with the strong affinity our brands have developed with our customers.

Financial results

FY23 was a year of significant challenge due to the weak economic backdrop. Despite consumer demand being impacted by the macroeconomic environment, the business has extended its long history of growing market share which increased to 38%. This growth in market share has been underpinned by the Group's leading brands, scale and well invested integrated retail proposition and the Group expects to continue to outperform a declining market in FY24. Despite the challenging market environment we are confident that the Group's long-term value generation ambition remains unchanged. Further growth in market share and carefully managing the cost base will deliver a return to growth in profit and the potential for significant value creation through share price appreciation and capital returns.

Board & Governance

This has been a year of significant change at Board level, but we believe that both the external Board appointments and the internal promotions have further enhanced and reinvigorated the Group's capability and talent.

Ian Durant had indicated to the Board a wish to retire at the AGM in November 2022 and after a robust, externally led search I was delighted to accept the opportunity to Chair the Board. On behalf of the Board I would like to thank Ian for his invaluable contribution to the business over the last six years. Under his leadership the DFS Group achieved substantial growth and successfully navigated the challenges the business faced during the last few years, first with the pandemic and then the cost of living crisis. We all wish Ian well for the future.

In November 2022 we were pleased to announce the appointment of John Fallon as Chief Financial Officer (CFO). John is an accomplished finance leader who brings a wealth of retail experience to the Group, all of which will be hugely beneficial as we work to achieve our strategic aims and drive profit, through growing market share and closely managing our cost base.

In March 2023 we announced the appointment of Gill Barr to the Board as a Non-Executive Director and Chair of the Remuneration Committee. Gill has wide experience in retail, consumer, and logistics, both as an executive and Non-Executive Director, including as a seasoned Remuneration Chair, and I am looking forward to working closely with her.

Jane Bednall decided to step down from the Board at the end of the financial year. My thanks go to Jane for her contribution during her time with the business and I wish her the best for her future ventures. I am delighted that Loraine Martins has agreed to take over Jane's responsibilities as the Designated Non-Executive director representing the views of the wider workforce.

I would like to thank my Board colleagues and the Group Leadership Team for their commitment and support over the last year.

One of my key responsibilities as the Chair is to set the tone for our Group and ensure good governance. As a Board we continue to work closely with the Group Leadership Team to maintain oversight of the strategic, operational and compliance risks across the Group, to help to shape our strategy and uphold the standards expected of us. The Corporate Governance report that will be included in our FY23 Annual Report sets out our approach to ensuring good governance and provides details of this year's activities.

People
Our people live our values, they are dedicated and loyal and put our customers and each other at the heart of everything they do. They are committed to delivering the highest level of customer service and to collaborating closely with our suppliers and the local communities we operate in, wherever they are. We rely on their skills, experience, competence, agility, and drive to take our business forward. For all this we thank our colleagues. We will continue to support their efforts, to help them develop and grow their careers in ways that benefit both them and the business.

Strategy
As previously announced, the Group decided in 2022 to simplify its structure and close its operations in Spain and the Netherlands. This work was completed in the Autumn of 2022. Since then, the Group has made good progress in refocusing the business on our DFS and Sofology brands and The Sofa Delivery Company. Continuing to improve productivity across our operations is key to better supporting our customers and to carefully managing our cost base in light of ongoing inflationary pressures. To this end, a full review of the Group's operating cost base has been undertaken, led by the new CFO, with support from the Group Leadership team and external advisers. As a result of this review and given the significant cost increases facing UK manufacturing, we are currently working to consolidate our UK manufacturing base and are consulting with our colleagues on the proposed closure of our smallest factory and the wood mill that supplies it. As part of that process we are working with those colleagues who are impacted to identify alternative opportunities for them at our other manufacturing sites and within the wider Group.

As the market leader, we have always believed that long term sustainable growth can only be achieved by being aware of the impact our activities can have on the wider society and understanding what is important to colleagues and customers both now and in the future. Work continues on developing the Group's ESG strategy with the focus on building our relationships with our existing supplier base to develop sustainable and ethical products and to drive a more circular product lifecycle. During the year Sofology launched, the Gaia, our first fully circular range. As a Board we are keen to continue to show leadership in this area and to be judged by our performance, including through our approach to executive pay. In FY23 we included ESG measures in our annual bonus and, from FY24, ESG targets will be included in our Long-Term Incentive Plan performance measures.

Capital structure and returns
Having reviewed our approach to dividends and having published an updated Capital and Distribution policy in March 2023, the Board is recommending a final dividend of 3.0 pence per share (2022: 3.7p), giving a total ordinary dividend for the year of 4.5p (2022: 7.4p).

I am pleased to announce that since the year end the Group has successfully completed a £250m refinancing. The facility is a combination of a £200m Revolving Credit Facility, provided by members of the previous banking syndicate and £50m of US private placement notes.

Looking Forward
The Board remains mindful of the impact on consumers of the uncertain macroeconomic environment that resulted in the upholstered furniture market being 15% below pre-pandemic levels, and we expect a mid-single digit year on year market decline in FY24. Despite this, the Group's financial and operational position is robust. Our market share continues to grow driven by our operational excellence and the Group Leadership Team is focused on robustly managing our margins and cost base, supporting our customers, and collaborating with our suppliers to bring the best possible products to

the market, whilst remaining alert and agile to deal with the unexpected. The Board is confident that this approach will allow the Group to create a solid base for long-term cash generation and attractive returns to shareholders once the market returns to a more stable trading environment.

STEVE JOHNSON
Chair of the Board
21 September 2023

CHIEF EXECUTIVE'S REVIEW

Overview

The Group has made good progress strategically and operationally throughout the year as we focused on executing our growth strategy and continuously improving our operating platforms. We have continued our long term track record of growing our market share in the UK upholstery sector with a significant 2%pts step up in the period, taking the Group's value share of the upholstery market to a record high of 38%. This has been achieved whilst rebuilding our gross margin rate back towards historical levels. We have also seen a step change in our customer experience scores through improved operational grip and the easing of the external supply chain crisis.

This progress has been made against a backdrop of a very challenging market environment with high levels of cost inflation and significant increases in interest rates. The combined impact of these macroeconomic factors reduced consumer confidence levels, which have remained at or close to record lows and reduced consumer real disposable income levels. Consequently the UK upholstery market has been under significant pressure and we estimate that market order volumes were down 15% or more relative to pre-pandemic levels. In addition, like most other businesses, we have had to tackle high levels of input cost inflation. As expected, we have seen improved efficiency in our operating platforms following historical investments and these, alongside careful management of our operating costs and selective retail price increases have helped to mitigate these cost headwinds.

Despite the weaker than anticipated market environment the Group's underlying profit before tax and brand amortisation[1] performance of £30.6m was within the range we had guided to when we reported our interim results. In what we expect to be a challenging trading environment for at least the next financial year we are continuing to focus on executing our strategy, developing our customer propositions and adapting our cost base to bolster profitability in this period of subdued demand whilst ensuring we are well placed for the long term.

Market update

Proprietary data that we have access to indicates the upholstery market has been in significant decline in FY23 with market order volumes down 15% or more relative to the pre-pandemic period. Demand across the period was also volatile with weaker demand more pronounced in the first and final quarters of the year. As a result of the low demand in the final quarter, profits were constrained to the lower end of the range we had guided to.

Over the period as a whole the Group outperformed the market, growing its share by 2%pts across the year to a record level of 38% as tracked by GlobalData and our proprietary Barclaycard data. Market share was picked up predominantly from the independent and pure play competitors which now represents 26% of the market. We anticipate that this competitor set will continue to decline, providing opportunity for further market share growth for the Group.

With the cost of living crisis lingering on and consumers now also being impacted by higher property costs, we anticipate that market demand will drop further in FY24 before we start to see a recovery to pre-pandemic levels. We do however expect to continue our track record of growing market share underpinned by the Group's leading brands, scale and well invested integrated retail proposition.

Reflections on FY23 financial performance

Stepping back, when I consider FY23 as a whole, the fact that profits were delivered within our guided range despite the tougher than expected trading conditions our market faced is testament to the relative strength of our brands and our operational agility.

The reported profit before tax of £29.7m and underlying profit before tax and brand amortisation[1] of £30.6m however is a low point for the Group (outside the Covid lockdown impacted FY20 period) and reflective of a very weak market and high levels of input cost inflation. These headwinds were mitigated, to an extent, by the market share gains we achieved, gross margin rate improvement, effective operating cost management and the benefit of a high opening order bank that unwound in the period.

Our plan to recover gross margin rates to pre-pandemic levels of c 58% is making progress. Since H2 FY22, where a margin rate of 51.9% was recorded, we have seen steady improvement to 53.8% in H1 FY23 and 55.0% in H2 FY23, with the exit rate for the year being higher.

We anticipate that the margin rate will improve further through FY24 as we target an exit rate approaching 58% supported by the full year benefit of reduced Far East shipping rates (which have now returned to pre-pandemic levels), retail price increases implemented in March 2023, raw material input costs that are now reducing and improved sourcing strategies which I elaborate on further below. These will more than offset a headwind from Bank of England base rate increases that result in higher costs for providing our interest free credit (IFC) proposition. We took the decision to alter our IFC proposition in March to mitigate the cost increase by reducing the maximum credit term from 48 months to 36 months and our proposition still remains industry leading.

Led by our new CFO, John Fallon, and supported by external advisors, we have carried out a full review of the operating cost base. A number of quick win opportunities have been enacted to date and the Group Leadership Team are each taking ownership to deliver projects which will drive multi-year cost improvements, starting in FY24, through operating more efficiently and effectively. More detail can be found in John's CFO report.

Strategic update

Our vision is to lead furniture retailing in the digital age. To achieve this vision our strategy is to profitably and sustainably grow our core upholstery brands across both our physical and online propositions and also our share of the £5bn non upholstery Home market. This growth is based on utilising and enhancing our enabling platforms; technology and data, logistics, sourcing and manufacturing, and people and culture.

<u>Our brands</u>

Our two retail brands, DFS and Sofology, have both performed relatively well in the period, each growing their market share.

During the year the DFS brand performed well, extending its leadership position as the largest UK upholstery retailer through focusing on the customer experience and expanding its proposition to appeal to a wider audience. Utilising our customer and marketing segmentation data the brand developed and launched ranges to appeal more to customer segments where we were under indexing. We've seen the benefits coming through via increased conversion rates and increases in our average order values.

Our new store format initiative has progressed well in the year with 11 DFS showroom refurbishments taking place. We have now refurbished our 58 top priority showrooms over the last four years and payback periods for the more recent investments remain strong at under two years.

During the year we opened three new Sofology showrooms, bringing the total to 58 (from 38 showrooms at acquisition). The new showrooms are performing well and the average return on investment of recent stores trading over 12 months is over 65%. We continue to see opportunities for a total of 65-70 showrooms across the UK and Ireland for the brand. The new leadership team at Sofology has also refined and developed a new three-year growth plan called 'Drive to 25' that has been approved by the Board and launched internally and which builds on the recent progress on performance and customer satisfaction. The ambition is for Sofology to become the UK's number 2 sofa retailer, behind DFS.

NPS performances across DFS and Sofology have improved through FY23 following a decline across the pandemic. This decline was driven by lead time delays due to factory lockdowns, global logistics challenges, raw material shortages and a drop in customer service levels driven by high levels of demand. We have since invested to improve our customer service levels which have contributed to DFS's established customer satisfaction NPS improving from 12 in FY22 to 19 in FY23 and in Sofology, which was materially impacted by COVID disruption, from -49 to -6 and we expect the improving trend to continue through FY24.

Both brands continue to build and strengthen their integrated retail business models, enabling our customers to shop seamlessly across all channels, online, in store and at every stage of their journey: from early-stage researching, to advice and support across their purchase decisions through to delivery, installation and after-sales support.

The home market opportunity

We have made good progress in laying the foundations to support the Group's growth in the £5bn Home market and are seeing early signs of success through increased sales levels.

We are targeting the £3bn beds and mattresses market first and have expanded our exclusive brand partnerships in the upholstery market with high quality brands such as French Connection, Grand Designs and Joules to cover bed frames. We have targeted sales of our ranges through our online channels and through dedicated spaces in a select number of showrooms. To fulfil these orders we have developed a drop-ship solution for beds and mattresses with Wincanton which went live in January of this year. Our beds and mattresses online sales have been in line with our expectations, up 69% year on year.

Our supporting platforms

Sourcing & Manufacturing: To support the gross margin improvements discussed above we have reviewed the relative end to end cost of sourcing products across our supplier base, including from potential new suppliers in alternative geographies. This review covered the cost of producing and shipping products along with risk and quality considerations and ESG matters such as suppliers' ability to align with our raw material sourcing requirements and ethical working practices.

Following investment in our larger UK sites in recent years, we have determined that the Group will benefit from consolidating its UK manufacturing operations. As a result, in early September 2023 we commenced a consultation with our colleagues employed at our smallest manufacturing site and one of our wood mills. As part of that process we are working with colleagues to identify opportunities at our other manufacturing sites and within the wider Group if that becomes necessary.

We are continuing to build good relationships with partners internationally and there are opportunities to optimise our global supplier mix.

Data and technology: Data-backed decision making and utilisation of technology to support efficient operations across the business remains a critical enabler in supporting the Group's continued market share growth and driving bottom line profitability.

We are making good progress in developing our customer data platform that brings together data from a myriad of systems across the Group to provide a detailed customer view. Examples of where we are utilising this include multiple touchpoints from the initial purchase through to the delivery experience, where we are able to support and guide each customer, with timely communications that are personalised to their unique journey. We are also developing our Intelligent Lending Platform used by DFS to be used by our Sofology brand. This increases the likelihood of customers obtaining the interest free credit that meets their requirements and speeds up the process of completing orders, enabling increased conversion rates at times of high demand.

To help ensure our colleagues utilise the data that is available, we have launched a data apprenticeship programme. Starting with the Sofa Delivery Company we have 40 people enrolled on the course which is run in conjunction with a third party. Over the 13 month course our colleagues are developing their skills to utilise and transform data into insights to drive appropriate action.

Logistics: Following the formation of the Sofa Delivery Company in June 2021 that brought together the logistics functions of our two brands we now deliver all the Group's sofa sales through the same systems and physical infrastructure. Scale benefits are now being realised as a result of improved fleet utilisation, van fill and labour productivity. As part of this process, through the year we have also rationalised the number of distribution centres we operate from which will drive further savings over the short to medium term as a result of lower property costs.

People: Our colleagues are fundamental to the success of the Group. Looking after their wellbeing as well as their personal development has been a key focus in FY23. In what is a challenging time for many, given the cost of living crisis, our 'winter wise' support scheme was designed to support colleagues in a number of ways, for example through thank you vouchers at Christmas that could be used at a number of retail stores and access to a discounted health care scheme available to all employees. We have also seen 140 colleagues attend our leadership academies - these are targeted at middle management to provide the skills to develop into future leaders. Our sustainability report has further details on how we are supporting and developing our colleagues.

<u>Sustainability</u>
We have a dedicated section in our annual report that covers sustainability in detail. The key elements I want to highlight here are in relation to: culture and governance; where we are on our net zero journey; and employee development.

The Group is guided by our purpose to bring great design and comfort into every home in an affordable, responsible and sustainable manner and has pledged to achieve net zero by 2040.

In the previous financial year we completed the model to capture our full carbon footprint. Like many other businesses, the majority of our carbon footprint sits within our scope 3 emissions (c90%). Throughout this year a significant amount of progress has been made in developing our carbon reduction roadmap and we are on track to submit science based targets to the SBTI for approval by June 2024. We have developed a number of policies and targets to help reduce our impact on the environment covering key elements of the materials that make up the sofas we sell, for example leather, textiles and timber.

A sustainability mindset is now fully embedded across the business and our sustainability and responsibility champions have proved to be a real driving force in developing ideas and initiatives, cultivating a diverse and open environment for all our colleagues from the ground up. We have a well-developed and effective governance structure. This helps ensure we have a clear strategy, act with integrity and with transparency and hear a wide range of views with committee members representing all areas of our business.

Colleague wellbeing and development is very important to the Group to nurture and retain talent. One specific example that I am very proud of is the Sofa Delivery Company Driver School. This was launched late in the previous financial year and to date we have had nearly 70 colleagues graduate. The driver school provides career progression and improved pay for our colleagues, principally warehouse operatives and 3.5T drivers by funding their training to become 7.5T HGV drivers whilst addressing a business issue of recruiting this role given the competitive labour market.

Outlook
As mentioned above, upholstery market volumes are down 15% relative to pre-pandemic levels. We expect a further decline in the upholstery market order volumes in FY24 before they start to recover given the ongoing pressures on the consumer.

Based on all the data points we can see, our baseline assumption is that the market will decline by a further 5% in volume terms in FY24 with the Group continuing to outperform the market leveraging the strength of our brands, operating platforms and scale. Despite the continued pressure on revenues, we are targeting a modest year-on-year increase in underlying profit before tax and brand amortisation[1] supported by the continued delivery of our gross margin improvement plan and operating cost savings.

Following a mid-single digit year on year decline in the final quarter of FY23 in part linked to the hot weather, across the FY24 period to date order intake has strengthened back into positive growth in line with our expectations and helped by the expected opportunity from weaker prior year comparatives

Conclusion
I want to sincerely thank our colleagues for their truly outstanding and consistently high level of determination and dedication to deliver at their best for the Group, and for their help in getting us to the strongest position we have ever been in terms of market share.

The Group is operating in one of the toughest economic climates we have experienced. Whilst we are confident the upholstery market will recover, forecasting the specific timing and pace of the recovery is challenging.

We do, however, expect to generate a modest year on year increase in profit before tax in FY24 despite a relatively weak market in which we expect volumes will continue to decline across the next 12 months. Looking to the future as market volumes recover, we remain confident in achieving the financial performance set out at our Capital Markets Day in 2022 of £1.4bn of revenues at an 8% PBT margin.

Tim Stacey
Chief Executive Officer
21 September 2023

FINANCIAL REVIEW

Overview

The Group has operated through a challenging trading environment in FY23, influenced by reductions in consumer disposable income and increased market volatility. Against this backdrop, we delivered strong market share gains despite Group revenue being towards the lower end of our expectations coming into the year. There was good progress on gross margin rate and this together with disciplined cost control helped to underpin profit conversion and ensured that full year profits were delivered within the guidance range we shared at our interim results.

Looking to the future, the Group remains financially secure and we continue to strengthen our foundations for future growth. We recently completed the successful refinancing of our debt facilities, which has resulted in increased funding for an extended period, supported by a more diversified lending group. After a comprehensive review of the Group's cost base, we have also established a cost efficiencies programme across our product, property and operating cost models.

Basis of preparation

As detailed in the FY22 annual report, following the decision to close the Group's operations in the Netherlands and Spain, the results from these businesses have been presented as discontinued operations. During the first half of the period, the residual order book of these discontinued operations has been delivered and the operations wound down. Unless otherwise indicated the commentary below relates to continuing operations.

Revenue and gross sales

Group gross sales[1], which are recognised on delivery of orders to customers, decreased by 3.5% for the period to £1,423.6m (FY22: £1,474.6m) with both retail brands reporting a reduction on prior year.

The decrease is partly reflective of the challenging market environment in FY23, compared with more favourable market conditions in FY22 when the market benefited from higher volumes linked to the pandemic. The Group partially mitigated this by both brands growing their market share*.

**Market share sources: GlobalData July 2023, Barclaycard proprietary data*

Relative to the pre-pandemic FY19 period, Group gross sales[1] increased by 15.0% supported by higher average order values.

Continuing operations	52 weeks ended 25 June 2023	
£m	**FY23**	**YoY**
Gross Sales	**1,423.6**	**(3.5%)**
DFS (inc Dwell)	1,125.5	(3.7%)
Sofology	298.1	(2.2%)
*Digital % Sales^*	*24.0%*	*+0.7%pts*
Revenue	**1,088.9**	**(5.3%)**

^ *Digital % Sales represents the Gross Sales for orders completed online and via telephone sales as a percentage of total Gross Sales*

The Group has invested ahead of its competitors in both digital and showroom sales channels and we remain the clear market leader in both. In FY23, 24.0% of sales were completed digitally, lower than the peaks of the pandemic, but up from 17% in FY19. We continue to be channel agnostic, supported by our market research which consistently reinforces that a significant majority of customers prefer to utilise both channels in their shopping journey as part of a seamless experience and transaction.

Sales of our beds & mattresses ranges continued to grow, with online gross sales up 69% in the period. Across our upholstery ranges, those sofas with added features such as recliners with memory settings, charge points and hidden storage performed relatively better.

Group revenue of £1,088.9m was 5.3% lower than prior year (£1,149.8m). This included an increase in the subsidy costs of our interest free credit (IFC) offering as a result of the steadily increasing Bank of England base rates and credit participation levels moving back to historical averages after slightly reducing during the pandemic period. We partially mitigated this impact through the change in our IFC proposition that Tim mentioned in his CEO report, which will also go some way to mitigating the increased IFC costs we are expecting to incur through FY24. Following the change to our IFC maximum term, every 1% increase in Bank of England rate would result in a c£6m increase in costs for the Group, if unmitigated.

Gross profit
Gross profit of £592.2m decreased by £13.7m, (2.3%), driven by the lower revenues.

We have made good progress improving our gross margin rate across the period. As a percentage of revenue, gross margin in the period was 54.4% (FY22: 52.7%), an increase of 170 bps year on year.

Prior to the pandemic, the Group consistently achieved a gross margin rate in the region of 58%, but this reduced through the pandemic period as a result of i) higher levels of goodwill gestures; ii) an increased level of cancelled orders sold at discounted levels; iii) a shortage in supply of raw materials resulting in higher costs, and iv) a large increase in container shipping rates.

Gross margin rate reached a low of 51.9% in H2 FY22 and since then we have seen steady improvement. The rate improved to 53.8% in H1 FY23 and 55.0% in H2 due to the majority of the pandemic disruption impacts falling away, the impact of selective retail price increases being realised on orders delivered from May 2023 and a reduction in freight rates which started to return close to pre-pandemic levels in our final quarter. These improvements more than offset the dilutive effect on gross margin of the increased IFC costs mentioned above.

Whilst the macroeconomic outlook remains uncertain, we expect gross margin to continue to improve. The FY24 gross margin rate is expected to be above 57% as a result of freight rates now contracted at pre-pandemic levels, the full year effect of FY23 retail price increases, and cost price benefits from our product sourcing strategy mentioned in Tim's CEO statement. These benefits will more than offset the higher IFC costs and a hedged USD FX rate that is 10 cents adverse to the FY23 average rate paid (c£13m in cash terms).

Selling, distribution and administration and property costs
Selling, distribution and administration costs totalled £434.8m (FY22: £430.0m), representing a cost % of revenue of 39.9% (FY22: 37.4%).

The increase year on year was a result of inflationary increases across the operating cost base and investments in marketing to support growth in our beds & mattresses ranges. These increases were mostly mitigated by a reduction in prior year costs associated with inbound logistics disruption and Covid related absence, together with ongoing efficiency improvements from the Sofa Delivery Company and retail workforce optimisation tools. In addition, variable costs associated with delivery volumes and commission levels reduced.

Property costs, which include business rates and a small amount of rental costs that fall outside the scope of IFRS 16 remained broadly flat year on year at £30.2m (FY22: £29.6m). The end of business rates relief which benefitted FY22 has been partially offset by business rate revaluations effective April 2023 and empty property rates relief (see below), netting to a £2.2m cost increase. This increase was partially offset by a lower amount of rental costs that fall outside the scope of IFRS16.

Depreciation, amortisation and interest
Depreciation, amortisation and interest charges have increased by £11.2m to £128.2m (FY22: £117.0m). The increase is driven by three components.

Firstly, £6.6m from higher interest costs on our RCF facility due to higher SONIA rates and a higher average drawn balance, compared to limited utilisation of the facility through FY22.

Secondly, a £1.8m increase in depreciation and amortisation charges as a result of our higher tangible and intangible asset base.

Thirdly, a £2.0m right of use asset impairment charge. This charge is associated with the rationalisation of operational distribution centres following completion of the integration of the DFS and Sofology logistics functions and from closing temporary storage sites opened in the pandemic period.

We have seen continued success in securing lower rents on retail leases that were approaching expiry (average of over 30% annualised saving per lease) and these savings have almost fully offset the full year impact from opening two large distribution centres mid way through FY22.

Profits and earnings per share
Reported profit before tax for the 52 week period to 25 June 2023 was £29.7m (FY22: 58.5m). Underlying profit before tax and brand amortisation[1] (PBTa) was £30.6m, compared to £60.3m in FY22, mainly reflecting lower revenues, inflationary cost increases and costs linked to interest rate increases.

The tax charge recognised in the financial statements has been calculated using an effective tax rate for the year of 21.3%, broadly in line with the average applicable UK Corporate tax rate of 21.5% across the period. This effective rate of 21.3% is below the rate for FY22 (29.9%) which was high due to the differential in rates between current and deferred taxes along with the effect of overseas branch exemptions.

Reported profit after tax for the period of £26.2m is inclusive of £1.4m brand amortisation charge, a £7.1m tax charge, a £3.6m credit in relation to profit before tax on discontinued operations that arose due to a release of a provision booked in FY22 in relation to closing our operations in the Netherlands and Spain and a £0.5m non-underlying credit on continuing operations. Reported profit after tax in FY22 was £31.4m which included a £12.8m loss associated with the closure of those international operations.

Basic underlying earnings per share from continuing operations was 9.6 pence (FY22 17.5 pence).

Cash flow, net debt and dividends
Net bank debt increased from £90.0m to £140.3m. This included special returns paid to shareholders in respect of cash generated in prior periods (£30.9m) and net working capital outflows of £40.0m as creditor balances and customer deposit levels reduced to more normal levels.

Working capital has now normalised following a significant inflow in FY21 through the pandemic period as a result of increased sales demand leading to higher trade creditors and accruals and extended supply chain lead times leading to a higher level of customer deposits being held. Excluding the working capital outflow, free cash flow of £29.4m was generated in FY23.

Cash capital expenditure for the period was £33.6m (FY22: £45.6). This included spend on three new Sofology showrooms taking the total to 58 as we continue our national roll-out programme, 11 DFS showroom refurbishments (58 showrooms completed over the last four years) and technology investments to enhance the customer experience and support operational performance as Tim explained in his CEO statement. The year on year reduction in spend is due to a lower number of Sofology showroom openings (FY22: 7) and the opening of two large distribution centres in the prior year. In addition, £8.7m was incurred on leased motor vehicle additions (FY22: £7.7m), which includes company cars and commercial vehicles.

The Group's return on capital employed for the period was 13.5%, lower than that achieved in FY22 of 18.7% due to the reduced profit in the period and to a lesser extent from higher capital employed as a result of working capital normalisation. We expect returns to grow over time given i) our anticipated improved profitability as our product, property and operating cost reductions are delivered and market volumes recover and ii) our negative working capital model.

Leverage increased to 1.9x at the end of FY23, compared to 1.0x at FY22, reflecting our higher net debt levels and lower profit. Over the medium term we remain committed to managing leverage within our target range of 0.5-1.0x.

Post year end, in September we completed the refinancing of our debt facilities, increasing the total amount of funds available to £250m from £215m. The new facilities were secured at competitive rates and consist of £200m from existing banking partners which runs to September 2027 (with a 16 month extension option) and £50m from the addition of U.S. private placement notes with redemption dates split equally between September 2028 and September 2030. The covenants and other facility terms remain unchanged from the previous facility: 3.0x maximum leverage and 1.5x minimum fixed charge cover. The increased facility is an endorsement of the continued confidence and support the Group maintains with our lending partners and provides liquidity headroom and flexibility to continue investing in our strategy.

Aligned to our capital distribution policy we are proposing a final FY23 dividend of 3.0p per share, bringing the total dividend to 4.5p per share (an underlying EPS cover of 2.3x based on share count post completion of the share buy back program). This is in line with guidance at the interim results in March.

Looking forward

FY24 Guidance

Forecasting sales performance accurately over the next year is difficult. In particular, we cannot accurately predict how the forecasts for inflation and higher borrowing costs will affect consumer behaviours. In that context, we currently forecast that the upholstery market will see further declines over the next 12 months of c5%, but this assumption remains a key sensitivity.

FY24 PBTa is budgeted to increase slightly year on year, supported by progress on gross margin rate and operating cost efficiencies, mitigating cost inflation and interest rate headwinds.

FY24 Guidance	
Group Revenue	£1,060m - £1,080m
PBTa[1]	£30m - £35m
Cash Capex	£25m - £30m

Cash capex will reduce slightly to £25-30m with the range dependent on whether potential new Sofology showrooms are opened towards the end of FY24 or fall into FY25.

FY24 will be a 53 week period. Whilst underlying working capital has normalised and is expected to be stable year on year, significant rent and tax payments are scheduled to fall due in the 53rd week, resulting in a working capital outflow of c£15m for the FY24 period.

In a year when we expect limited opportunities for growth, we are increasing our focus on the actions we can take to strengthen the foundations of the business, both to support short term share gains and to ensure we are strongly positioned for profitable growth in future years. This includes the ‘Cost to Operate’ efficiencies programme described below as well as capital investments being prioritised into areas with proven returns.

Cost to Operate Efficiencies programme

Following a full review of our cost base completed earlier this year, supported by external benchmarks and insight, we have established a Cost to Operate efficiencies programme that is targeting annualised savings of c£50m by FY26.

Whilst we expect to start to see savings from this year, some projects will require longer periods of planning, or investment in new systems and processes. Approximately half of the targeted benefits are expected to come from our product related strategies, which will underpin delivery of our 58% gross margin target. The other benefits will lower our operating costs, helping to offset future inflationary headwinds and overall supporting the growth we are targeting in our profit margins. The three main programmes are summarised below.

1. Product costs (manufacturing and sourcing): Cost of goods (COGs) £20-£25m annualised saving
   Better leveraging of our scale to lower COGs and develop a best in class sustainable supplier portfolio. COGs opportunity will support our target Gross Margin of 58%

2. Operating cost models: £20-£25m annualised saving opportunity
   Improving productivity and lowering our cost to operate through a combination of projects:
   - Group operating models that are more efficient. Initial opportunities are in customer services & repairs and marketing, in addition to realising the remaining logistics benefits via The Sofa Delivery Company.
   - Goods not for resale procurement savings from consolidating the supplier base, retendering contracts across key spend areas, supported by better systems & controls.
   - ‘Operate for less’ programme focused on simplifying, centralising and automating other key processes (utilising technology) to unlock fixed and variable cost savings across showrooms, logistics and central support centres

3. Property costs: £6-£8m annualised saving opportunity
   Continuing to optimise our store estate, taking full advantage of our covenant strength to maximise lease re-gear savings.

We have also introduced a robust project governance structure to support planning, decision-making and implementation of the programme, led by the Group Leadership Team.

We expect to deliver around a quarter of these savings in FY24 with the remainder split evenly over the following two years and estimate c£4-5m per year in non-underlying cash charges in FY24 and FY25 to access the benefits for the first two years (P&L charge likely to be c.£2m per year higher due to asset write-downs).

Profit margin growth

Although we are preparing for the macro outlook and consumer demand to be weak over the short term, we are confident the Group is well placed to achieve our 8% PBT margin target in the medium term.

We expect market volumes will recover back to pre-pandemic levels (volumes expected to be down by c20% by end of FY24 versus FY19), but it is difficult to predict how quickly and over what period that recovery will take place. In that context, we see a route to a PBT margin of 5% without market recovery, increasing further to our 8% CMD target as and when market volumes recover, supported by benefits from our gross margin and cost to operate programmes, together with incremental PBT contribution from growth in our Home business.

John Fallon
Chief Financial Officer
21 September 2023

Consolidated income statement

		52 weeks to 25 June 2023			52 weeks to 26 June 2022		
		Underlying	**Non-underlying**	**Total**	Underlying	Non-underlying	Total
	Note	**£m**	**£m**	**£m**	£m	£m	£m
Gross sales[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	*3*	**(70.2)**	**0.5**	**(69.7)**	(62.0)	(0.4)	(62.4)
Operating profit before depreciation and amortisation		**157.4**	**0.5**	**157.9**	175.9	(0.4)	175.5
Depreciation	*3*	**(80.5)**	**-**	**(80.5)**	(77.7)	-	(77.7)
Amortisation	*3*	**(11.6)**	**-**	**(11.6)**	(10.5)	-	(10.5)
Impairment	*3*	**(2.0)**	**-**	**(2.0)**	-	-	-
Operating profit/(loss)	*2, 3*	**63.3**	**0.5**	**63.8**	87.7	(0.4)	87.3
Finance income	*4*	**0.2**	**-**	**0.2**	-	-	-
Finance expenses	*4*	**(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)**	**(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	*11*	**(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	*5*						
- 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	*5*						
- 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 note 14 to the condensed consolidated financial statements for definitions and reconciliations of alternative performance measures

Consolidated statement of comprehensive income

	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/may be reclassified subsequently to profit or loss	**5.9**	(6.4)
Other comprehensive 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

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

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 period	-	-	-	-	-	-	-	31.4	31.4
Other comprehensive income/(expense)	-	-	-	-	-	-	25.5	(6.4)	19.1
Total comprehensive income for the period	-	-	-	-	-	-	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 held 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 period	-	-	-	-	-	-	-	26.2	26.2
Other comprehensive income/(expense)	-	-	-	-	-	-	(22.4)	5.9	(16.5)
Total comprehensive income for the period	-	-	-	-	-	-	(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
Shares purchased for cancellation	(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

	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	**7.1**	13.4
Finance expenses	**34.3**	29.1
Finance income	**(0.2)**	-
Depreciation of property, plant and equipment	**22.1**	20.7
Depreciation of right of use assets	**58.4**	58.5
Amortisation of intangible assets	**11.6**	10.5
Impairment of assets	**2.0**	6.0
Gain on sale of property, plant and equipment	**(0.8)**	(1.1)
Loss/(gain) on disposal of right of use assets	**(1.2)**	0.1
Settlement of share based payments	**(0.3)**	(2.7)
Share based payment expense	**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
Investing activities		
Proceeds from sale of property, plant and equipment	**1.3**	1.8
Interest received	**0.2**	-
Acquisition of property, plant and equipment	**(20.4)**	(36.8)
Acquisition of other intangible assets	**(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	**(23.5)**	(25.0)
Payment of lease liabilities	**(61.6)**	(63.5)
Drawdown/(repayment) of borrowings	**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	**21.7**	(1.0)
Cash and cash equivalents at beginning of period	**5.0**	6.0
Cash and cash equivalents (including bank overdrafts) at end of period	**26.7**	5.0

Notes to the condensed consolidated financial statements

1 Basis of preparation

The condensed consolidated financial statements have been prepared and approved by the Directors in accordance with UK adopted international accounting standards and applicable law. The financial information is derived from the Group's consolidated financial statements for the period ended 25 June 2023. 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) and were approved by the Directors on 21 September 2023.

The financial information set out above does not constitute the Company's statutory accounts for the periods ended 25 June 2023 or 26 June 2022 but is derived from those accounts. Statutory accounts for the period ended 26 June 2022 have been delivered to the registrar of companies, and those for the period ended 25 June 2023 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

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.

1 Basis of preparation (continued)

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.

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, impairments 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.

2 Segmental Analysis *(continued)*

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 £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**

Segment revenue and profit - continuing operations *(continued)*

52 weeks to 26 June 2022 - continuing operations

	DFS £m	**Sofology £m**	**Other £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

	52 weeks to 25 June 2023 £m	52 weeks to 26 June 2022 £m
Underlying EBITDA	**157.4**	175.9
Non-underlying items	**0.5**	(0.4)
Depreciation & amortisation	**(94.1)**	(88.2)
Operating profit	**63.8**	87.3
Finance expenses	**(34.1)**	(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
Europe	**21.2**	20.5
Total revenue	**1,088.9**	1,149.8

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.

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 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 cost of sales	**(14.4)**	(8.8)
Release of provisions (note 9)	**(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 9.

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 11.

4 Finance income and expense - continuing operations

	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**	-
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)

5 Earnings per share

	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 basic earnings per share	**11.0**	12.2

	52 weeks to 25 June 2023 £m	52 weeks to 26 June 2022 £m
Profit/(loss) 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 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 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.

Continuing operations	**52 weeks to 25 June 2023 £m**	52 weeks to 26 June 2022 £m
Profit for the year 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

Discontinued operations	**52 weeks to 25 June 2023 £m**	52 weeks to 26 June 2022 £m
Profit/(loss) for the year attributable to equity holders of the parent company	**3.1**	(12.8)
Non-underlying 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)

6 Dividends

	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.

7 Financial instruments

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

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.

8 Capital expenditure

For the 52 weeks to 25 June 2023, additions of property, plant and equipment (including those acquired under finance leases) totalled £45.6m (2022: £88.7m). Additions of intangible assets (computer software) totalled £14.5m (2022: £10.6m).

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.

9 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 dilapidation costs for Group properties based on anticipated lease expiries and renewals, which will predominantly be utilised more than five years from the reporting date.

Other provisions relate to payment of refunds to customers for payment protection insurance policies and other regulatory costs, and also costs associated with the exit from Spain and the Netherlands, see note 11 for details.

10 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	5.0	21.7	-	**26.7**
Senior revolving credit facility	(93.5)	(72.0)	(0.3)	**(165.8)**
Finance 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	6.0	(1.0)	-	5.0
Senior revolving credit facility	(23.1)	(70.0)	(0.4)	(93.5)
Finance 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 £25.3m (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).

11 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			52 weeks to 26 June 2022
	Underlying £m	**Non-underlying £m**	**Total £m**	**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 Total £m**	52 weeks to 26 June 2022 Total £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.

11 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

12 Annual General Meeting

The Annual General Meeting will be held on 10 November 2023 at 1 Rockingham Way, Redhouse Interchange, Adwick-le-Street, Doncaster, DN6 7NA. The Annual Report and Accounts and Notice of Meeting will be sent to shareholders and copies will be available from the Company's registered office: 1 Rockingham Way, Redhouse Interchange, Adwick-le-Street, Doncaster, DN6 7NA and on the Company's website at www.dfscorporate.co.uk.

13 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 £0.8m 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.

14 Alternative Performance Measures

In reporting the Group's financial performance, the Directors make use of a number of alternative performance measures ("APMs") in addition to those defined or specified under EU-adopted International Financial Reporting Standards ("IFRS"). APMs are not IFRS measures, nor are they intended to be a substitute for IFRS measures.

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

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

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

APM	Definition	Rationale
Gross sales	Amounts payable by external customers for goods and services supplied by the Group, including aftercare services (for which the Group acts as an agent), delivery charges and value added and other sales taxes.	Key measure of overall sales performance which unlike IFRS revenue is not affected by the cost of or the extent to which customers take up the Group's interest free credit offering.
Brand contribution	Gross profit less selling and distribution costs, excluding property and administration costs.	Measure of brand-controllable profit as it excludes shared Group costs.
Adjusted EBITDA	Earnings before interest, taxation, depreciation and amortisation adjusted to exclude impairments.	A commonly used profit measure.
Non-underlying items	Items that are material in size, unusual or non-recurring in nature which the Directors believe are not indicative of the Group's underlying performance.	Clear and separate identification of such items facilitates understanding of underlying trading performance.
Underlying EBITDA	Earnings before interest, taxation, depreciation and amortisation from continuing operations, as adjusted for non-underlying items.	Profit measure reflecting underlying trading performance.
Underlying profit before tax and brand amortisation PBT(A)	Profit before tax from continuing operations adjusted for non-underlying items and amortisation associated with the acquired brands of Sofology and Dwell.	Profit measure widely used by investors and analysts.
Underlying earnings per share	Post-tax earnings per share from continuing operations as adjusted for non-underlying items.	Exclusion of non-underlying items facilitates year on year comparisons of the key investor measure of earnings per share.
Net bank debt	Balance drawn down on interest bearing loans, with unamortised issue costs added back, less cash and cash equivalents (including bank overdrafts).	Measure of the Group's cash indebtedness which supports assessment of available liquidity and cash flow generation in the reporting period.
Cash EBITDA	Net cash from operating activities before tax less movements on working capital and provisions balances and	Measure of the non-underlying operating cash generation of the business, normalised to reflect timing

	payments made under lease obligations, adding back non-underlying items before tax.	differences in working capital movements.
Leverage (or gearing)	The ratio of period end net bank debt to cash EBITDA for the previous twelve months.	Key measure which indicates the relative level of borrowing to operating cash generation, widely used by investors and analysts.
Underlying return on capital employed (underlying ROCE)	Underlying post-tax operating profit, from continuing operations expressed as a percentage of the sum of: property, plant & equipment, computer software, right of use assets and working capital.	Represents the post-tax return the Group achieves on the investment it has made in its business.

Reconciliations to IFRS measures

Adjusted EBITDA	**Note**	**FY23 £m**	**FY22 £m**
Operating profit from continuing operations	2	63.8	87.3
Depreciation	3	80.5	77.7
Amortisation	3	11.6	10.5
Impairments	3	2.0	-
Adjusted EBITDA from continuing operations		157.9	175.5

Underlying EBITDA	**Note**	**FY23 £m**	**FY22 £m**
Adjusted EBITDA from continuing operations		157.9	175.5
Non-underlying operating items	3	(0.5)	0.4
Underlying EBITDA from continuing operations		157.4	175.9

Underlying profit before tax and brand amortisation - PBTa	**Note**	**FY23 £m**	**FY22 £m**
Profit before tax from continuing operations	2	29.7	58.5
Non-underlying items	3	(0.5)	0.4
Amortisation of brand names		1.4	1.4
Underlying profit before tax and brand amortisation		30.6	60.3

14 Alternative Performance Measures (*continued*)

Net bank debt	FY23 £m	FY22 £m
Interest bearing loans and borrowings	165.8	93.5
Unamortised issue costs	1.2	1.5
Cash and cash equivalents (including bank overdraft)	(26.7)	(5.0)
Net bank debt	140.3	90.0

Closing net bank debt	(140.3)	(90.0)
Less: Opening net bank debt	90.0	19.0
Movement in net bank debt	(50.3)	(71.0)

Underlying free cash flow to equity holders	Note	FY23 £m	FY22 £m
Movement in net bank debt		(50.3)	(71.0)
Dividends	5	12.1	53.8
Purchase of shares by Employee Benefit Trust		-	8.2
Proceeds from sale of own shares		-	(0.4)
Purchase of own shares		30.9	4.4
Non-underlying cash items included in cash flow statement		0.3	-
Underlying free cash flow (from)/to equity holders		**(7.0)**	**(5.0)**
less:			
Working capital outflow		40.0	28.8
Operating result from discontinued operations	10	(3.6)	13.4
Underlying free cash flow to equity holders excluding operating result from discontinued operations and working capital outflow		**29.4**	**37.2**

14 Alternative Performance Measures (*continued*)

Leverage	FY23 £m	FY22 £m
Net bank debt (A)	140.3	90.0
Net cash from operating activities before tax	121.7	139.7
add back:		
Pre-tax non-underlying items	(4.3)	11.7
less:		
Movement in trade and other receivables	(13.2)	7.2
Movement in inventories	(8.6)	3.3
Movement in trade and other payables	55.8	16.6
Movement in provisions	6.0	1.7
Payment of interest on lease liabilities	(23.5)	(25.0)
Payment of lease liabilities	(61.6)	(63.5)
Cash EBITDA (B)	72.3	91.7
Leverage (A/B)	**1.9x**	**1.0x**

Underlying return on capital employed from continuing operations	FY23 £m	FY22 £m
Operating profit from continuing operations	63.8	87.3
Non-underlying items	(0.5)	0.4
Pre-tax return	63.3	87.7
Effective tax rate for continuing operations	*22.6%*	*24.3%*
Tax adjusted return (A)	**49.0**	**66.4**
Property, plant and equipment	97.4	105.9
ROU assets	312.6	338.0
Computer software	22.0	17.7
	432.0	461.6
Inventories	55.8	64.4
Trade receivables	7.7	12.6
Prepayments	3.0	11.4
Accrued income	0.1	0.3
Other receivables	0.3	-
Payments received on account	(39.1)	(72.2)
Trade payables	(97.6)	(122.5)
Working capital	(69.8)	(106.0)
Total capital employed (B)	**362.2**	**355.6**
Underlying ROCE (A/B)	**13.5%**	**18.7%**

This preliminary results statement, 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 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.