

## Consolidated statement of comprehensive income

### For the year ended 29 July 2023

|   | Note | 52 weeks<br>ended<br>29 July 2023<br>£'000 | 52 weeks<br>ended<br>30 July 2022<br>£'000 |
|---|------|--|--|
| <b>Gross sales</b>  | 3    | <b>343,457</b>                             | 344,710                                    |
| <b>Revenue</b>  | 3    | <b>325,865</b>                             | 331,569                                    |
| Cost of sales   |      | <b>(173,467)</b>                           | (175,305)                                  |
| <b>Gross profit</b>                                       |      | <b>152,398</b>                             | 156,264                                    |
| Distribution costs  |      | <b>(21,828)</b>                            | (21,304)                                   |
| Administrative expenses                                   |      | <b>(122,224)</b>                           | (114,761)                                  |
| <b>Operating profit</b>                                   | 4    | <b>8,346</b>                               | 20,199                                     |
| Analysed as:  |      |  |  |
| Underlying operating profit (non-GAAP measure)            |      | <b>9,593</b>                               | 17,629                                     |
| Adjusting items included within administrative expenses   | 5    | <b>(1,247)</b>                             | 2,570                                      |
| Operating profit  |      | <b>8,346</b>                               | 20,199                                     |
| Finance costs   | 7    | <b>(4,322)</b>                             | (3,856)                                    |
| Finance income  | 8    | <b>1,961</b>                               | 15   |
| Net finance costs   |      | <b>(2,361)</b>                             | (3,841)                                    |
| <b>Profit before taxation</b>                             |      | <b>5,985</b>                               | 16,358                                     |
| Income tax charge   | 9    | <b>(1,535)</b>                             | (2,774)                                    |
| <b>Profit and total comprehensive income for the year</b> |      | <b>4,450</b>                               | 13,584                                     |
| <b>Attributable to:</b>                                   |      |  |  |
| Owners of the parent                                      |      |  |  |
| <b>Profit and total comprehensive income for the year</b> |      | <b>4,450</b>                               | 13,584                                     |
| <b>Earnings per share (expressed in pence per share):</b> |      |  |  |
| Basic earnings per share (pence)                          | 10   | <b>12.8p</b>                               | 36.2p                                      |
| Diluted earnings per share (pence)                        | 10   | <b>12.1p</b>                               | 35.0p                                      |

There are no other sources of comprehensive income/(expense).

## Financial statements continued

### Consolidated statement of financial position

As at 29 July 2023

|  | Note   | As at<br>29 July 2023<br>£'000 | As at<br>30 July 2022<br>£'000 |
|--|--------|--------------------------------|--------------------------------|
| <b>Non-current assets</b>  |        |                                |                                |
| Goodwill and other intangible assets                                 | 11, 19 | 3,753                          | 2,494                          |
| Property, plant and equipment  | 12     | 21,303                         | 18,076                         |
| Right-of-use assets  | 13     | 88,960                         | 96,996                         |
| Deferred tax asset   | 17     | 1,873                          | 1,845                          |
| <b>Total non-current assets</b>                                      |        | <b>115,889</b>                 | 119,411                        |
| <b>Current assets</b>  |        |                                |                                |
| Inventories  | 14     | 24,633                         | 19,791                         |
| Trade and other receivables  | 15     | 6,336                          | 6,011                          |
| Cash and cash equivalents  |        | 69,538                         | 70,819                         |
| <b>Total current assets</b>  |        | <b>100,507</b>                 | 96,621                         |
| <b>Total assets</b>  |        | <b>216,396</b>                 | 216,032                        |
| <b>Current liabilities</b>   |        |                                |                                |
| Current income tax liabilities                                       |        | 159                            | 309                            |
| Trade and other payables   | 16     | 68,047                         | 57,328                         |
| Provisions   | 18     | 231                            | 303                            |
| Lease liabilities  | 13     | 20,246                         | 19,721                         |
| <b>Total current liabilities</b>                                     |        | <b>88,683</b>                  | 77,661                         |
| <b>Non-current liabilities</b>                                       |        |                                |                                |
| Provisions   | 18     | 1,048                          | 1,192                          |
| Lease liabilities  | 13     | 81,098                         | 87,012                         |
| <b>Total non-current liabilities</b>                                 |        | <b>82,146</b>                  | 88,204                         |
| <b>Total liabilities</b>   |        | <b>170,829</b>                 | 165,865                        |
| <b>Capital and reserves attributable to the owners of the parent</b> |        |                                |                                |
| Share capital  | 20     | 34                             | 37                             |
| Share premium  | 20     | 16                             | 16                             |
| Capital redemption reserve   | 20     | 19                             | 16                             |
| Treasury reserve   | 28     | (203)                          | (681)                          |
| Merger reserve   |        | 25,511                         | 25,511                         |
| Retained earnings  |        | 20,190                         | 25,268                         |
| <b>Equity attributable to the owners of the parent</b>               |        | <b>45,567</b>                  | 50,167                         |
| <b>Total equity</b>  |        | <b>45,567</b>                  | 50,167                         |
| <b>Total equity and liabilities</b>                                  |        | <b>216,396</b>                 | 216,032                        |

The notes on pages 137 to 155 are an integral part of these consolidated financial statements.

The financial statements on pages 133 to 155 were approved by the Board and authorised for issue on 24 October 2023 and signed on its behalf by:

**Steve Carson**

**Chief Executive Officer**

ScS Group plc: Registered number 03263435

## Consolidated statement of changes in equity

### For the year ended 29 July 2023

|  | Share capital<br>£'000 | Share premium<br>£'000 | Capital redemption reserve<br>£'000 | Merger reserve<br>£'000 | Treasury reserve<br>£'000 | Retained earnings<br>£'000 | Total equity<br>£'000 |
|--|------------------------|------------------------|-------------------------------------|-------------------------|---------------------------|----------------------------|-----------------------|
| <b>At 1 August 2021</b>                          | <b>38</b>              | <b>16</b>              | <b>15</b>                           | <b>25,511</b>           | <b>(549)</b>              | <b>19,479</b>              | <b>44,510</b>         |
| Profit and total comprehensive income            | -                      | -                      | -                                   | -                       | -                         | 13,584                     | 13,584                |
| Total comprehensive income                       | -                      | -                      | -                                   | -                       | -                         | 13,584                     | 13,584                |
| Share-based payment charge (note 22)             | -                      | -                      | -                                   | -                       | -                         | 153                        | 153                   |
| Repurchase of own shares (note 20)               | -                      | -                      | -                                   | -                       | -                         | (2,201)                    | (2,201)               |
| Cancellation of repurchased shares (note 20)     | (1)                    | -                      | 1                                   | -                       | -                         | -                          | -                     |
| Purchase of treasury shares (note 28)            | -                      | -                      | -                                   | -                       | (1,476)                   | -                          | (1,476)               |
| Issue of treasury shares to employees (note 28)  | -                      | -                      | -                                   | -                       | 1,344                     | (1,304)                    | 40                    |
| Dividend paid (note 21)                          | -                      | -                      | -                                   | -                       | -                         | (4,443)                    | (4,443)               |
| Total transactions with shareholders             | (1)                    | -                      | 1                                   | -                       | (132)                     | (7,795)                    | (7,927)               |
| <b>At 30 July 2022</b>                           | <b>37</b>              | <b>16</b>              | <b>16</b>                           | <b>25,511</b>           | <b>(681)</b>              | <b>25,268</b>              | <b>50,167</b>         |
| <b>At 31 July 2022</b>                           | <b>37</b>              | <b>16</b>              | <b>16</b>                           | <b>25,511</b>           | <b>(681)</b>              | <b>25,268</b>              | <b>50,167</b>         |
| Profit and total comprehensive income            | -                      | -                      | -                                   | -                       | -                         | 4,450                      | 4,450                 |
| Total comprehensive income                       | -                      | -                      | -                                   | -                       | -                         | 4,450                      | 4,450                 |
| Share-based payment charge (note 22)             | -                      | -                      | -                                   | -                       | -                         | 598                        | 598                   |
| Repurchase of own shares (note 20)               | -                      | -                      | -                                   | -                       | -                         | (4,776)                    | (4,776)               |
| Cancellation of repurchased shares (note 20, 28) | (3)                    | -                      | 3                                   | -                       | 116                       | (116)                      | -                     |
| Purchase of treasury shares (note 28)            | -                      | -                      | -                                   | -                       | (148)                     | -                          | (148)                 |
| Issue of treasury shares to employees (note 28)  | -                      | -                      | -                                   | -                       | 510                       | (510)                      | -                     |
| Dividend paid (note 21)                          | -                      | -                      | -                                   | -                       | -                         | (4,724)                    | (4,724)               |
| Total transactions with shareholders             | (3)                    | -                      | 3                                   | -                       | 478                       | (9,528)                    | 9,050                 |
| <b>At 29 July 2023</b>                           | <b>34</b>              | <b>16</b>              | <b>19</b>                           | <b>25,511</b>           | <b>(203)</b>              | <b>20,190</b>              | <b>45,567</b>         |

## Financial statements continued

### Consolidated statement of cash flows For the year ended 29 July 2023

|  | Note   | 52 weeks<br>ended<br>29 July 2023<br>£'000 | 52 weeks<br>ended<br>30 July 2022<br>£'000 |
|--|--------|--|--|
| <b>Cash flows from operating activities</b>              |        |  |  |
| Profit before taxation                                   |        | 5,985                                      | 16,358                                     |
| Adjustments for:   |        |  |  |
| Depreciation of property, plant and equipment            | 12     | 4,179                                      | 4,162                                      |
| Depreciation of right-of-use assets                      | 13     | 20,269                                     | 21,523                                     |
| Amortisation of intangible assets                        | 11     | 1,185                                      | 882  |
| Impairment of non-current assets                         | 5      | 2,438                                      | -  |
| Loss on disposal of tangible and intangible assets       |        | 270  | -  |
| Profit on termination of lease of right-of-use assets    |        | (346)                                      | -  |
| Share-based payment charge                               | 22     | 598  | 153  |
| Finance costs  | 7      | 4,322                                      | 3,856                                      |
| Finance income   | 8      | (1,961)                                    | (15)                                       |
|  |        | <b>36,939</b>                              | 46,919                                     |
| Changes in working capital:                              |        |  |  |
| Increase in inventories                                  | 14     | (4,715)                                    | (2,463)                                    |
| Increase in trade and other receivables                  | 15     | (325)                                      | (1,064)                                    |
| Increase/(decrease) in trade and other payables          |        | 9,881                                      | (14,908)                                   |
| Cash generated from operating activities                 |        | <b>41,780</b>                              | 28,484                                     |
| Income taxes paid  |        | <b>(1,713)</b>                             | (3,457)                                    |
| <b>Net cash flow generated from operating activities</b> |        | <b>40,067</b>                              | 25,027                                     |
| <b>Cash flows used in investing activities</b>           |        |  |  |
| Acquisition of business combination                      | 19     | (875)                                      | -  |
| Purchase of property, plant and equipment                |        | (7,550)                                    | (3,741)                                    |
| Payments to acquire intangible assets                    |        | (1,708)                                    | (1,004)                                    |
| Interest received  | 8      | 1,961                                      | 15   |
| <b>Net cash flow used in investing activities</b>        |        | <b>(8,172)</b>                             | (4,730)                                    |
| <b>Cash flows used in financing activities</b>           |        |  |  |
| Dividends paid   | 21     | (4,724)                                    | (4,443)                                    |
| Purchase of own shares                                   | 20, 28 | (4,924)                                    | (3,677)                                    |
| Sale of treasury shares                                  | 20, 28 | -  | 40   |
| Interest paid  | 7      | (265)                                      | (418)                                      |
| Interest paid on lease liabilities                       | 7      | (4,057)                                    | (3,438)                                    |
| Payment of capital element of leases                     |        | (19,206)                                   | (25,192)                                   |
| <b>Net cash flow used in financing activities</b>        |        | <b>(33,176)</b>                            | (37,128)                                   |
| Net decrease in cash and cash equivalents                |        | <b>(1,281)</b>                             | (16,831)                                   |
| Cash and cash equivalents at beginning of year           |        | <b>70,819</b>                              | 87,650                                     |
| <b>Cash and cash equivalents at end of year</b>          |        | <b>69,538</b>                              | 70,819                                     |

## Notes to the consolidated financial statements

### 1. General information

ScS Group plc (the 'Company') is a public limited company, limited by shares, which is listed on the London Stock Exchange, incorporated and domiciled in England, within the UK (Company registration number 03263435). The address of the registered office is 45-49 Villiers Street, Sunderland, SR1 1HA.

The Company's principal activity is to act as a holding company for its subsidiaries. The Company and its subsidiaries' (the 'Group's') principal activity is the provision of furniture and flooring, trading under the name ScS and Snug.

### 2. Accounting policies

#### Basis of preparation

The financial statements are prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. The Group's financial statements are presented in sterling and all values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated. They are prepared on the historical cost basis, except for share-based payments that have been measured at fair value. The financial statements for the year have been prepared for the 52 weeks ended 29 July 2023 (2022: 52 weeks ended 30 July 2022). The accounting policies which follow have been applied in preparing the financial statements for the year ended 29 July 2023. These policies have been consistently applied to all of the years presented, unless otherwise stated.

#### Going concern

At the time of approving the financial statements, the Board is required to formally assess that the business has adequate resources to continue in operational existence for the foreseeable future and as such can continue to adopt the 'going concern' basis of accounting.

#### Liquidity

The most significant factor in considering whether current resources are adequate is to consider the Group's liquidity. At 29 July 2023, the Group's cash balance totalled £69.5m and £33.3m was owed as trade payables for goods delivered. The Group has no drawn down debt, and further liquidity is available through the £12.0m revolving credit facility (RCF) granted on 6 October 2022. This facility is committed for a term of 36 months and would be renegotiated well in advance of this maturity date. The RCF is subject to certain covenants in respect of fixed charge cover, liquidity and leverage.

### Cash flows

As part of the Group's ongoing review of going concern, the Directors have reviewed the results for the 12 months to 29 July 2023 and have modelled cash flow forecasts under the following scenarios:

- A 'base case' scenario to July 2026 which reflects the challenging economic environment whilst also recognising the impact of our strategic progress on the Group's results. We assume no further lockdown periods or direct impact on our store and distribution operation.
- A minor sensitivity which sees a reduction in revenue due to a downturn in consumer confidence whilst being able to maintain our assumed gross margin as per the 'base case' scenario.
- A moderate sensitivity which sees a reduction in gross margin versus 'base case' representing an increasingly challenging economic environment.
- A 'severe but plausible' downside sensitivity which models much more significant reductions in sales and margin, together with the assumption that our suppliers have the credit insurance they use to support their payment terms with the Group withdrawn, seeing our suppliers request earlier payment dates to alleviate their working capital challenges.

Under each sensitivity, the Group has modelled associated reductions in marketing and distribution costs, bonus costs and sales-related commission payments in response to the downturn in the Group's performance brought on by the challenging economic environment, and the Group maintains suitable liquidity headroom. Under the 'severe but plausible downside' scenario more severe cash preservation methods are implemented, such as reducing capital expenditure, suspending shareholder returns and reducing headcount.

Throughout the 'severe but plausible downside' scenario, the Group would have significant cash headroom. Including the withdrawal of supplier credit insurance, the cash low point at the end of July 2024 remains substantial at £21.2m. Forecasts show there is no requirement for any additional sources of financing throughout the extended viability period.

Following the year end, on 24 October 2023 a wholly-owned subsidiary of Poltroneseofà S.p.A. announced a recommended cash offer for the Company of 270p per share. It is intended that the acquisition will be implemented by way of a Court-sanctioned scheme of arrangement under Part 26 of the Companies Act and is expected to complete in the first quarter of 2024.

## Notes to the consolidated financial statements continued

### 2. Accounting policies continued

#### Going concern continued

The Group's existing committed debt facilities contain a standard change of control clause that will be triggered once the acquisition completes. This could result in the existing committed debt facilities being withdrawn. The Group does not have visibility of the post completion funding for the Group at this time. Therefore, this could create some uncertainty as to the Group's going concern.

The Directors note the Poltronesofà S.p.A. intention statements included within the announcement on 24 October 2023, which state that following completion of the acquisition, Poltronesofà S.p.A. intends to support the Group by leveraging its significant, pan-European industry expertise and providing the capital necessary to accelerate the Group's strategy. Poltronesofà S.p.A. is highly supportive of the management's vision for the business and the long-term ambitions of being the UK's best value-for-money home retailer and recognises and values the strong strategic, operational and product positioning and setup of the Group, as well as the expertise of its management team and employees. Poltronesofà S.p.A. therefore intends to work closely with the Group's senior management to undertake a strategic review of the Group in order to determine how its short and long-term objectives can best be delivered or exceeded.

Notwithstanding Poltronesofà S.p.A.'s stated intentions, the current Directors will not have full control over the acquired Group and therefore they do not currently have full knowledge of the new ultimate parent undertaking's future intentions and funding plans in relation to the Group. Therefore the change of control position indicates a material uncertainty which may cast significant doubt upon the Group and the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and the Company were unable to continue as a going concern.

Having considered all of the above, the Board is of the opinion that the going concern basis adopted in the preparation of the consolidated statements is appropriate.

#### New standards, amendments and interpretations

At the date of authorisation of these financial statements, new standards, amendments and interpretations which had been issued but were not yet mandatory are not expected to have a material impact on the consolidated financial statements.

#### Basis of consolidation

The Group financial statements consolidate the financial statements of ScS Group plc and the entities it controls (its subsidiaries) drawn up to within seven days of 31 July each year.

The financial year represents the 52 weeks ended 29 July 2023 (prior financial year 52 weeks ended 30 July 2022).

#### Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

#### Transactions eliminated on consolidation

Intra-Group balances, and any gains and losses or income and expenses arising from intra-Group transactions, are eliminated in preparing the consolidated financial information. Gains arising from transactions with jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Losses are eliminated in the same way as gains, but only to the extent that there is no evidence of impairment.

#### Adjusting items

Adjusting items are defined as items of income and expenditure which are material and unusual in nature and which are considered to be of such significance that they require separate disclosure on the face of the income statement. Any future movements on items previously classified as adjusting will also be classified as adjusting for consistency.

#### Gross sales and revenue

For the purposes of managing its business the Group focuses on gross sales, which is defined as the total amount payable by customers excluding discounts, returns, value added taxes and amounts payable to third parties relating to warranty products for which the Group acts as an agent. Gross sales is also stated prior to any accounting adjustments for interest-free credit fees. The Board believes gross sales is a more transparent measure of the activity levels and performance of its showrooms and online channels as it is not affected by customer preferences on payment options. Accordingly, gross sales is presented in this Annual Report, in addition to statutory revenue, as an alternative performance measure, with a reconciliation between the two measures provided in note 3.

## 2. Accounting policies continued

### Gross sales and revenue continued

Revenue is measured as the total amount payable by the customer net of discounts, returns and value added taxes. Revenue is measured net of the charges associated with interest-free credit sales and amounts payable to third parties relating to warranty products for which the Group acts as an agent.

Both gross sales and revenue are recognised at a point in time when the Group has satisfied its performance obligations by transferring control of the goods or service to the customer. This is deemed to be when the goods have been delivered to the customer before which payment is received. Warranty services, once sold, are subsequently provided by third parties. The Group does not control warranty products before they are transferred to the customer and therefore acts as an agent in these transactions. Amounts recognised in gross sales and revenue where the Group acts as an agent represent the net income receivable by the Group.

The Group operates a negative working capital model whereby customers pay a deposit at the point of order and, unless the order is to be financed using consumer credit, settle outstanding balances before delivery. Payment of part of the consideration is often, therefore, taken before the Group has fulfilled its performance obligation. These deposits taken from customers are referred to as contract liabilities under IFRS 15, and are presented as payments received on account within current liabilities, until the goods or services are delivered. A very small number of deposits are refunded without delivery of product, and therefore, materially, the value of customer deposits will be realised within 12 months. Where the outstanding balance is settled subsequent to the delivery of goods via consumer credit, the full financed balance is received within two working days of delivery from our third-party finance providers, who are then responsible for collecting subsequent payments from the customer.

The Group holds a sales return provision in the consolidated statement of financial position to provide for expected levels of returns on sales made before the year end but returned after the year end. The Group recognises the expected value of revenue relating to returns within sales provisions and the expected value of cost of sales relating to the returned items is included within inventories.

### Segmental reporting

In accordance with IFRS 8 'Operating Segments' the results of Snug have been aggregated with the rest of the Group into one reportable segment (see note 3 – Segment analysis).

### Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred for the acquisition of a subsidiary comprises the:

- Fair values of the assets transferred;
- Liabilities incurred to the former owners of the acquired business;
- Equity interests issued by the Group;
- Fair value of any asset or liability resulting from a contingent consideration arrangement; and
- Fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- Consideration transferred;
- Amount of any non-controlling interest in the acquired entity; and
- Acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill.

### Intangible assets

#### Goodwill

Goodwill represents the excess of the consideration paid over the fair value of the identifiable assets (including intangible assets) of the acquired entity at the date of the acquisition. Goodwill is recognised as an asset and assessed for impairment annually or as triggering events occur. Any impairment in value is recognised within the income statement.

#### Acquired intangible assets

Acquired intangible assets are capitalised at cost and amortised on a straight-line basis over their useful economic life. The useful economic lives used are as follows:

|                       |                             |
|-----------------------|-----------------------------|
| Intellectual Property | 10% straight-line per annum |
| Commercial records    | 33% straight-line per annum |

## Notes to the consolidated financial statements continued

### 2. Accounting policies continued

#### Intangible assets continued

##### Intangible assets

Intangible assets purchased separately are capitalised at cost and amortised on a straight-line basis over their useful economic life. The useful economic lives used are as follows:

Computer software      20-33% straight-line per annum

Assets in the course of construction are not amortised until they are brought into use.

The carrying value of intangible assets is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

#### Property, plant and equipment

Property, plant and equipment are stated at historic purchase cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of the tangible fixed assets over their anticipated useful lives at the rates shown below:

|                        |  |
|------------------------|--|
| Fixtures and fittings  | 10-20% straight-line per annum                                     |
| Computer equipment     | 20-33% straight-line per annum                                     |
| Leasehold improvements | The shorter of the term of the lease or 2% straight-line per annum |
| Freehold buildings     | 2% straight-line per annum   |

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

#### Leases

The Group assesses whether a contract is, or contains, a lease at inception of the contract. Typically, lease contracts relate to properties such as showrooms and distribution centres, and vehicles leases. For leases in which the Group is a lessee, the Group recognises a right-of-use asset and a lease liability at commencement of the lease.

#### Lease liabilities

The lease liability is measured at the present value of the lease payments, discounted at the lessee's incremental borrowing rate specific to the term and start date of the lease, unless the interest rate implicit in the lease can be readily determined. Lease payments include:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Group under residual value guarantees;
- The exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. It is remeasured, with a corresponding adjustment to the right-of-use asset, if there is a modification, a change in the lease term or a change in the fixed lease payments. Interest charges are included in finance costs in the consolidated income statement.

#### Right-of-use assets

The right-of-use asset is initially measured at cost, comprising:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

The right-of-use asset is subsequently depreciated using the straight-line method over the shorter of the asset's useful life or the lease term. Depreciation on right-of-use assets is included in administrative and distribution costs in the consolidated income statement. The right-of-use asset is tested for impairment if there are any indicators of impairment.

Leases of low value assets and short-term leases of 12 months or less are expensed to the Group income statement.

#### Inventories

Inventories are stated at the lower of cost and net realisable value and consist of finished goods held for resale. Where necessary, provision is made for obsolete, slow-moving and defective stocks.



## 2. Accounting policies continued

### Inventories continued

Cost comprises the purchase price of goods and other directly attributable costs incurred in bringing the product to its present location and condition. Net realisable value is the estimated selling price less any further costs to be incurred to disposal.

### Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. As a requirement of applying IFRS 9, the Group has applied an expected credit loss (ECL) model when calculating impairment losses on its trade and other receivables.

The majority of the trade receivables are due from finance houses with which there is a very low likelihood, and no previous history, of default, and therefore, there has been no material impact of the ECL model.

### Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### Borrowings

Borrowings, if applicable, would be recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

### Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand.

### Treasury shares

Treasury shares are those shares bought back by the Company. Shares in the Company held in treasury are included in the balance sheet at cost including any directly attributable incremental costs.

Subsequent consideration received for the sale of such shares is also recognised in equity, with any difference between the sale proceeds and the original cost being taken to retained earnings. No gain or loss is recognised in the financial statements on transactions in treasury shares.

The Employee Benefit Trust (EBT) provides for the issue of shares to Group employees, principally under share option schemes. Shares in the Company held by the EBT are also included in the balance sheet as treasury shares.

### Share capital and reserves

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

The Group accounts for share buybacks using the cost method. Under this method, the consideration paid for the repurchased shares, including transaction costs directly attributable to the buyback, is recorded as a reduction in shareholders' equity in the Group's consolidated statement of financial position.

The merger reserve was created following a Group capital reorganisation exercise as part of the preparation for the IPO of ScS Group plc in January 2015.

The Group can redeem shares by repaying the market value to the shareholder, whereupon the shares are cancelled. The capital redemption reserve represents the nominal value of shares redeemed.

### Store pre-opening and launch costs

Pre-opening and launch costs are charged to the income statement in the year they are incurred.

### Advertising expenditure

All routine and general advertising costs are expensed as incurred. Advertising costs paid to media companies are recognised as a prepayment until the advertising is placed in the media and communicated to the public, at which point the expenditure is expensed to the income statement.

## Notes to the consolidated financial statements continued

### 2. Accounting policies continued

#### Supplier contributions

Contributions received from suppliers towards the cost of displaying and promoting their product are recognised as a reduction in the advertising and marketing costs to which they relate.

#### Supplier rebates

Rebates receivable from suppliers are based upon the volume of business with each supplier and are recognised in the income statement in cost of sales or credited to stock as appropriate on an earned basis, by reference to the supplier revenue. The balance receivable at year end is included within other receivables within the consolidated statement of financial position.

#### Pension costs

Contributions to the defined contribution scheme are charged to the income statement in the year in which they become payable. The assets of the scheme are held separately from those of the Group in an independently administered fund.

#### Taxation

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

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

Deferred tax is recognised using the liability method, on temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes, to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the average tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

#### Foreign currency

Transactions in foreign currencies are translated at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All exchange differences are taken to the income statement in the period in which they arise.

#### Share-based payments

The Company operates an equity-settled, share-based payment plan for Directors of the trading subsidiary undertaking, A. Share & Sons Limited, which includes the Executive Directors of the Group. The fair value of the Directors' services received by the Group in exchange for the issue of shares in the Company is recognised as an expense in the financial statements of the subsidiary company to which services have been supplied. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares issued, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of shares that are expected to vest. At each balance sheet date, the Group revises its estimates of the number of shares that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

#### Dividends

Interim and final dividends are recognised when they are paid to the Group's shareholders.

#### Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

#### Critical accounting judgements and estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions in applying the Group's accounting policies to determine the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis, with revisions to accounting estimates applied prospectively.

## 2. Accounting policies continued

### Critical accounting estimates and assumptions

Management considers that accounting estimates and assumptions made in relation to the following items have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities.

#### Stock provisions

The Group holds £24.6m of inventory at the year end, and the majority of this stock is held for display in our showrooms. Due to the nature of this stock, it will often be subject to the wear and tear associated with use in a showroom environment, and some items may have also been in our showroom for an extended period of time. As such, this stock is often unable to achieve the same margin as the 'special order' stock purchased and delivered directly to our customers, and may occasionally be sold at a level lower than cost following a business decision to refresh the range or better utilise the space. The Group's policy in relation to stock provisioning is, therefore, to provide for obsolete, slow-moving and defective stock, and therefore, ensure that stock is held at the most appropriate estimate of net realisable value.

In estimating this value, management has made judgements in respect of the quality of the Group's products and saleability, and applied a provision based on historic sales levels. Whilst management considers that the methodologies and assumptions adopted in the valuation are supportable, reasonable and robust, because of the inherent uncertainty of the sale price of stock currently held, those estimated values may differ from the final sale and the total differences could potentially be significant.

#### Impairment of property, plant and equipment and right-of-use assets

Management considers each store to be a cash-generating unit (CGU). At each balance sheet date, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets to determine whether there is any indication of impairment at a store following poor performance. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amounts for CGUs are the higher of fair value less costs of disposal, and value in use. Value in use is calculated from discounted cash flow projections based on the Group's internal budgets extrapolated over the remaining showroom lease length, and management's expectations of estimated growth rates.

The key estimates for the value in use calculations are those regarding the discount rate used and expected changes to future cash flows. Management considers the potential impact of changes in these key estimates in performing

sensitivity analysis. Management sets the budgets based on past experiences and expectations of future changes in the market and estimates discount rate using pre-tax rates that reflect the current market assessment of the time value of money and the risks specific to the CGUs, deriving from the Group's post-tax weighted average cost of capital. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or CGU in prior years. A reversal of an impairment loss is recognised as income immediately.

As a consequence of the current view of future projections for the business an impairment charge of £2,438,000 has been recognised on the assets associated with a number of our stores. This has been split between the right-of-use asset, £1,930,000, and tangible assets, £508,000, apportioned based on net book value.

If the discount rate of 11.75% applied in management's calculations at 29 July 2023 were to increase or decrease by 1%, this would have led to the recognition of an additional impairment charge of £217,000 or reversal of £210,000 in these financial statements. At 30 July 2022, an equivalent increase/decrease would not have resulted in an impairment charge being recognised in the prior year.

## Notes to the consolidated financial statements continued

### 3. Segment analysis

The Board has determined the operating segments based on the operating reports reviewed by the Executive Board (the Executive Directors and the other Directors of the trading subsidiaries, A. Share & Sons Limited and Snug Furniture Limited), that are used to assess both performance and strategic decisions. The Board has identified that the Executive Board are the chief operating decision makers in accordance with the requirements of IFRS 8 'Operating Segments'.

The Board determined that although Snug is identifiable as an operating segment, it meets all of the aggregation criteria under IFRS 8 and as such, has been aggregated into one reportable operating segment with the rest of the Group. The Board considers that the Group, including Snug, operates one type of business generating gross sales and revenue from the retail of furniture and flooring. All gross sales and revenue profit before taxation, assets and liabilities are attributable to the principal activity of the Group and other related services. All gross sales and revenues are generated in the United Kingdom.

An analysis of gross sales and revenue is as follows:

|                                     | 52 weeks<br>ended<br>29 July 2023<br>£'000 | 52 weeks<br>ended<br>30 July 2022<br>£'000 |
|-------------------------------------|--|--|
| Sale of goods                       | 340,998                                    | 340,580                                    |
| Associated sale of warranties       | 2,459                                      | 4,130                                      |
| <b>Gross sales</b>                  | <b>343,457</b>                             | 344,710                                    |
| Less: costs of interest-free credit | (17,592)                                   | (13,141)                                   |
| <b>Revenue</b>                      | <b>325,865</b>                             | 331,569                                    |

|                    | 52 weeks<br>ended<br>29 July 2023<br>£'000 | 52 weeks<br>ended<br>30 July 2022<br>£'000 |
|--------------------|--|--|
| Of which:          |  |  |
| In-store furniture | 263,541                                    | 269,781                                    |
| In-store flooring  | 28,940                                     | 31,704                                     |
| Online             | 33,384                                     | 30,084                                     |
| <b>Revenue</b>     | <b>325,865</b>                             | 331,569                                    |

### 4. Operating profit

Operating profit is stated after charging/(crediting):

|   | 52 weeks<br>ended<br>29 July 2023<br>£'000 | 52 weeks<br>ended<br>30 July 2022<br>£'000 |
|---|--|--|
| Fees payable to the Company auditors for the audit of Company and consolidated financial statements | 40   | 30   |
| Fees payable to the Company's auditors and their associates for other services to the Group         |  |  |
| • audit of the Company's subsidiaries pursuant to legislation                                       | 200  | 171  |
| • other services (see Audit Committee report on page 95 for further information)                    | 30   | 25   |
| Loss on disposal of tangible and intangible assets  | 270  | -  |
| Profit on termination of lease of right-of-use assets   | (346)                                      | -  |
| Depreciation of property, plant and equipment - owned   | 4,179                                      | 4,162                                      |
| Depreciation of right-of-use assets   | 20,269                                     | 21,523                                     |
| Amortisation of intangible assets   | 1,185                                      | 882  |
| Impairment of property, plant and equipment and right-of-use assets                                 | 2,438                                      | -  |

During the year, the Group received retail business rates relief from the UK government of £nil (2022: £2,570,000) in response to the COVID-19 outbreak.

### 5. Operating adjusting items included within administrative expenses

In order to provide a clearer understanding of underlying profitability, underlying operating profit excludes adjusting items, this non-statutory measure relates to costs that, either by their size or nature, require separate disclosure in order to give a fuller understanding of the Group's financial performance. Adjusting items, booked to operating costs, comprised the following:

|  | 52 weeks<br>ended<br>29 July 2023<br>£'000 | 52 weeks<br>ended<br>30 July 2022<br>£'000 |
|--|--|--|
| Impairment charge associated with stores | (2,438)                                    | -  |
| Snug acquisition and pre-trading costs   | (849)                                      | -  |
| Business interruption insurance claim    | 1,250                                      | -  |
| Exit of the Cambridge store              | 790  | -  |
| Business rates relief                    | -  | 2,570                                      |
| <b>Total adjusting items</b>             | <b>(1,247)</b>                             | 2,570                                      |

## 5. Operating adjusting items included within administrative expenses continued

### Impairment charge associated with stores

As a consequence of the current view of future projections for the business an impairment charge of £2,438,000 has been recognised on the assets associated with a number of our stores. This has been split between the right-of-use asset, £1,930,000, and tangible assets, £508,000, apportioned based on net book value.

### Snug acquisition and pre-trading costs

Adjusting items include £849,000 of costs relating to the acquisition costs (including legal and professional fees) and pre-trading expenses.

### Business interruption insurance claim

The Group received a business interruption insurance payment of £1,250,000 in relation to loss of profit as a result of the initial lockdown period during the COVID-19 pandemic.

### Exit of the Cambridge store

The Group exited its Cambridge store in July 2023, ahead of the lease expiry date. As part of the exit agreement, a termination payment of £650,000 was received from the landlord. The Group also realised an IFRS 16 gain on disposal of the lease of £341,000 offset partly by disposal of assets with a remaining net book value of £201,000. Given the one-off nature of the transaction, the profit from the exit has been disclosed as an adjusting item.

### Business rates relief

During the prior period, the Group benefitted from £2,570,000 of retail business rates relief provided in response to the COVID-19 outbreak. No further benefit was received in the year ended 29 July 2023.

## 6. Employees and Directors

### 6.1 Staff costs

The aggregate remuneration of all employees including Directors comprises:

|                                      | 52 weeks<br>ended<br>29 July 2023<br>£'000 | 52 weeks<br>ended<br>30 July 2022<br>£'000 |
|--------------------------------------|--|--|
| Wages and salaries                   | 59,687                                     | 58,062                                     |
| Social security costs                | 6,081                                      | 5,901                                      |
| Other pension costs                  | 1,409                                      | 1,304                                      |
| Share-based payment charge (note 22) | 598  | 153  |
|                                      | <b>67,775</b>                              | 65,420                                     |

The average monthly number of employees (including Executive Directors) during the year was as follows:

|                          | 52 weeks<br>ended<br>29 July 2023 | 52 weeks<br>ended<br>30 July 2022 |
|--------------------------|-----------------------------------|-----------------------------------|
| Sales                    | 721                               | 722                               |
| Office and managerial    | 527                               | 500                               |
| Services and warehousing | 518                               | 546                               |
| Cleaning                 | 35                                | 34                                |
| <b>Total</b>             | <b>1,801</b>                      | 1,802                             |

Details of Directors' remuneration, share options, long-term incentive schemes and pension entitlements are disclosed in the Directors' remuneration report on pages 97 to 119.

### 6.2 Key management compensation

Key management comprises the Directors of the trading subsidiary, A. Share & Sons Limited, and the Group Directors and excludes the Non-Executive Directors.

The key management compensation is as follows:

|                                   | 52 weeks<br>ended<br>29 July 2023<br>£'000 | 52 weeks<br>ended<br>30 July 2022<br>£'000 |
|-----------------------------------|--|--|
| Short-term employee benefits      | 2,333                                      | 2,648                                      |
| Defined contribution pension cost | 167  | 112  |
| Share-based payment charge        | 598  | 153  |

Further detail on the above can be found in the Directors' remuneration report along with details of shares exercised by the highest paid Director.

The share-based payment charge of £598,000 (2022: £153,000) relates to the Group's trading performance against the EPS targets under the Group's Long-Term Incentive Plan as set out in note 22.

## Notes to the consolidated financial statements continued

### 7. Finance costs

|                                    | 52 weeks<br>ended<br>29 July 2023<br>£'000 | 52 weeks<br>ended<br>30 July 2022<br>£'000 |
|------------------------------------|--|--|
| Bank facility renewal fee          | 49   | –  |
| Bank facility non-utilisation fees | 194  | 413  |
| Other finance costs                | 22   | 5  |
| Interest on lease liability        | 4,057                                      | 3,438                                      |
|                                    | <b>4,322</b>                               | <b>3,856</b>                               |

### 8. Finance income

|                        | 52 weeks<br>ended<br>29 July 2023<br>£'000 | 52 weeks<br>ended<br>30 July 2022<br>£'000 |
|------------------------|--|--|
| Bank interest received | 1,961                                      | 15   |

### 9. Income tax charge

#### (a) Analysis of tax charge in the year

|  | 52 weeks<br>ended<br>29 July 2023<br>£'000 | 52 weeks<br>ended<br>30 July 2022<br>£'000 |
|--|--|--|
| <b>Current tax:</b>  |  |  |
| UK corporation tax on profits for the year                                     | 1,435                                      | 2,571                                      |
| Adjustments in respect of prior years  | 128  | 24   |
| Total current tax charge   | <b>1,563</b>                               | <b>2,595</b>                               |
| <b>Deferred tax:</b>   |  |  |
| Origination and reversal of temporary differences                              | 190  | 243  |
| Adjustments in respect of prior years  | (218)                                      | (64)                                       |
| Total deferred tax (credit)/charge (note 17)                                   | <b>(28)</b>                                | <b>179</b>                                 |
| <b>Income tax charge in the consolidated statement of comprehensive income</b> | <b>1,535</b>                               | <b>2,774</b>                               |

#### (b) Factors affecting tax charge for the year

The tax charge (2022: charge) assessed on the profit (2022: profit) for the year is higher (2022: lower) than the standard rate of corporation tax in the UK of 21.00% (2022: 19.00%). The differences are explained below:

|  | 52 weeks<br>ended<br>29 July 2023<br>£'000 | 52 weeks<br>ended<br>30 July 2022<br>£'000 |
|--|--|--|
| Profit before taxation   | 5,985                                      | 16,358                                     |
| Profit before tax at 21.00% (2022: 19.00%)                                     | 1,257                                      | 3,108                                      |
| Effects of:  |  |  |
| Other expenses not deductible  | 187  | 39   |
| Amounts not deductible/(deductible) in relation to depreciation and impairment | 251  | (232)                                      |
| Amounts (deductible)/not deductible in relation to share options               | (102)                                      | 56   |
| Adjustments in respect of prior years  | (90)                                       | (40)                                       |
| Impact of changes in tax rates   | 32   | (157)                                      |
| <b>Income tax charge in the consolidated statement of comprehensive income</b> | <b>1,535</b>                               | <b>2,774</b>                               |

The total tax charge for the financial year results in an effective rate of 25.6%, which is higher (2022: 17.0% – lower) than if the standard rate of corporation tax had been applied, mainly due to the impact of non-qualifying depreciation on assets, and non-deductible expenses. The prior year benefitted from the capital allowances super deduction on qualifying additions and the increase in the rate used to measure the Group's deferred tax asset.

#### (c) Factors that may affect future tax charges

The Finance Act 2021 maintained the main rate of UK corporation tax at 19% until 31 March 2023, before increasing it to 25% from 1 April 2023. These changes were substantively enacted at the balance sheet date, 29 July 2023, and hence have been reflected in the measurement of deferred tax balances, resulting in deferred tax being calculated using an effective rate of 25% as at 29 July 2023.

## 10. Earnings per share

|  | 52 weeks<br>ended<br>29 July 2023           | 52 weeks<br>ended<br>30 July 2022           |
|--|---|---|
| <b>a) Basic earnings per share attributable to the ordinary equity holders of the Company</b>    |   |   |
| Basic earnings per share from underlying operations  | 15.9p                                       | 30.7p                                       |
| From adjusting items   | (3.0p)                                      | 5.5p  |
| <b>Total basic earnings per share</b>  | <b>12.8p</b>                                | <b>36.2p</b>                                |
| <b>b) Diluted earnings per share attributable to the ordinary equity holders of the Company</b>  |   |   |
| Diluted earnings per share from underlying operations  | 15.0p                                       | 29.6p                                       |
| From adjusting items   | (2.9p)                                      | 5.4p  |
| <b>Total diluted earnings per share</b>  | <b>12.1p</b>                                | <b>35.0p</b>                                |
|  | 52 weeks<br>ended<br>29 July 2023<br>£'000  | 52 weeks<br>ended<br>30 July 2022<br>£'000  |
| <b>c) Reconciliations of earnings used in calculating earnings per share</b>                     |   |   |
| Profit from operations   | 4,450                                       | 13,584                                      |
| Adjusting items net of tax   | 1,055                                       | (2,082)                                     |
| <b>Total profits from underlying operations</b>  | <b>5,505</b>                                | <b>11,502</b>                               |
|  | 52 weeks<br>ended<br>29 July 2023<br>number | 52 weeks<br>ended<br>30 July 2022<br>number |
| <b>d) Weighted average number of shares used as the denominator</b>                              |   |   |
| Weighted average number of shares in issue for the purposes of basic earnings per share          | 34,690,701                                  | 37,498,925                                  |
| Effect of dilutive potential ordinary shares:  |   |   |
| Share options (note 22)  | 2,031,118                                   | 1,354,896                                   |
| <b>Weighted average number of ordinary shares for the purposes of diluted earnings per share</b> | <b>36,721,819</b>                           | <b>38,853,821</b>                           |

## 11. Goodwill and other intangible assets

|                                 | Goodwill<br>acquired<br>from<br>business<br>combination<br>£'000 | Other intangible<br>acquired<br>from business<br>combination<br>£'000 | Computer<br>Software<br>£'000 | Total<br>£'000 |
|---------------------------------|--|---|-------------------------------|----------------|
| <b>Cost</b>                     |  |   |                               |                |
| At 31 July 2022                 | -  | -   | 8,817                         | 8,817          |
| Additions                       | 500  | 250   | 1,725                         | 2,475          |
| Disposals                       | -  | -   | (1,512)                       | (1,512)        |
| <b>As at 29 July 2023</b>       | <b>500</b>   | <b>250</b>  | <b>9,030</b>                  | <b>9,780</b>   |
| <b>Accumulated amortisation</b> |  |   |                               |                |
| At 31 July 2022                 | -  | -   | 6,323                         | 6,323          |
| Charge for the year             | -  | 21  | 1,164                         | 1,185          |
| Disposals                       | -  | -   | (1,481)                       | (1,481)        |
| <b>At 29 July 2023</b>          | <b>-</b>   | <b>21</b>   | <b>6,006</b>                  | <b>6,027</b>   |
| <b>Net book amount</b>          |  |   |                               |                |
| <b>At 29 July 2023</b>          | <b>500</b>   | <b>229</b>  | <b>3,024</b>                  | <b>3,753</b>   |
| At 30 July 2022                 | -  | -   | 2,494                         | 2,494          |
|                                 |  |   | Compute<br>Software<br>£'000  | Total<br>£'000 |
| <b>Cost</b>                     |  |   |                               |                |
| At 1 August 2021                |  |   | 8,645                         | 8,645          |
| Additions                       |  |   | 1,133                         | 1,133          |
| Disposals                       |  |   | (961)                         | (961)          |
| <b>At 30 July 2022</b>          |  |   | <b>8,817</b>                  | <b>8,817</b>   |
| <b>Accumulated amortisation</b> |  |   |                               |                |
| At 1 August 2021                |  |   | 6,402                         | 6,402          |
| Charge for the year             |  |   | 882                           | 882            |
| Depreciation on disposals       |  |   | (961)                         | (961)          |
| <b>At 30 July 2022</b>          |  |   | <b>6,323</b>                  | <b>6,323</b>   |
| <b>Net book amount</b>          |  |   |                               |                |
| <b>At 30 July 2022</b>          |  |   | 2,494                         | 2,494          |
| At 31 July 2021                 |  |   | 2,243                         | 2,243          |

Amortisation is charged through the administration expense line. Included in the note are assets under construction with a carrying value of £767,000 at 29 July 2023 (30 July 2022: nil). These assets relate to systems development and related software.

## Notes to the consolidated financial statements continued

### 11. Goodwill and other intangible assets continued

Other intangibles acquired from business combinations relate to the intellectual property rights and commercial records from the purchase of Snug. Goodwill also relates the business combination of Snug. See note 19 for further details.

### 12. Property, plant and equipment

|  | Freehold<br>land and<br>buildings<br>£'000 | Leasehold<br>improvements<br>£'000 | Computer<br>equipment<br>£'000 | Fixtures<br>and<br>fittings<br>£'000 | Total<br>£'000 |
|--|--|------------------------------------|--------------------------------|--------------------------------------|----------------|
| <b>Cost</b>  |  |                                    |                                |                                      |                |
| At 31 July 2022                                    | 159  | 54,593                             | 3,651                          | 34,816                               | 93,219         |
| Additions  | –  | 5,321                              | 1,048                          | 1,784                                | 8,153          |
| Disposals  | –  | (3,604)                            | (1,083)                        | (4,026)                              | (8,713)        |
| <b>At 29 July 2023</b>                             | <b>159</b>                                 | <b>56,310</b>                      | <b>3,616</b>                   | <b>32,574</b>                        | <b>92,659</b>  |
| <b>Accumulated depreciation<br/>and impairment</b> |  |                                    |                                |                                      |                |
| At 31 July 2022                                    | 103  | 43,861                             | 3,069                          | 28,110                               | 75,143         |
| Charge for the year                                | 3  | 2,233                              | 319                            | 1,624                                | 4,179          |
| Depreciation on disposals                          | –  | (3,416)                            | (1,083)                        | (3,975)                              | (8,474)        |
| Impairment charge                                  | –  | 28                                 | –                              | 480                                  | 508            |
| <b>At 29 July 2023</b>                             | <b>106</b>                                 | <b>42,706</b>                      | <b>2,305</b>                   | <b>26,239</b>                        | <b>71,356</b>  |
| <b>Net book amount</b>                             |  |                                    |                                |                                      |                |
| <b>At 29 July 2023</b>                             | <b>53</b>                                  | <b>13,604</b>                      | <b>1,311</b>                   | <b>6,335</b>                         | <b>21,303</b>  |
| At 30 July 2022                                    | 56   | 10,732                             | 582                            | 6,706                                | 18,076         |
| <b>Cost</b>  |  |                                    |                                |                                      |                |
| At 1 August 2021                                   | 159  | 55,172                             | 5,003                          | 34,675                               | 95,009         |
| Additions  | –  | 1,323                              | 395                            | 2,139                                | 3,857          |
| Disposals  | –  | (1,902)                            | (1,747)                        | (1,998)                              | (5,647)        |
| <b>At 30 July 2022</b>                             | <b>159</b>                                 | <b>54,593</b>                      | <b>3,651</b>                   | <b>34,816</b>                        | <b>93,219</b>  |
| <b>Accumulated depreciation<br/>and impairment</b> |  |                                    |                                |                                      |                |
| At 1 August 2021                                   | 100  | 43,546                             | 4,295                          | 28,687                               | 76,628         |
| Charge for the year                                | 3  | 2,217                              | 521                            | 1,421                                | 4,162          |
| Depreciation on disposals                          | –  | (1,902)                            | (1,747)                        | (1,998)                              | (5,647)        |
| <b>At 30 July 2022</b>                             | <b>103</b>                                 | <b>43,861</b>                      | <b>3,069</b>                   | <b>28,110</b>                        | <b>75,143</b>  |
| <b>Net book amount</b>                             |  |                                    |                                |                                      |                |
| <b>At 30 July 2022</b>                             | <b>56</b>                                  | <b>10,732</b>                      | <b>582</b>                     | <b>6,706</b>                         | <b>18,076</b>  |
| At 31 July 2021                                    | 59   | 11,626                             | 708                            | 5,988                                | 18,381         |

The net book value of leasehold improvements is as follows:

|   | As at<br>29 July 2023<br>£'000 | As at<br>30 July 2022<br>£'000 |
|---|--------------------------------|--------------------------------|
| Short leaseholds (up to 25 years)       | 13,553                         | 10,681                         |
| Long leaseholds (greater than 25 years) | 51                             | 51                             |
|   | <b>13,604</b>                  | <b>10,732</b>                  |

### Impairment of property, plant and equipment

During year the impairment review which compared the value in use of each CGU based on the Group's budget and forecast cash flows to the carrying values as at 29 July 2023 resulted in an impairment of £508,000 (2022: Nil) against property, plant and equipment and was recognised as an adjusting item (see note 5).

As disclosed in the accounting policies (note 2), the cash flows used within the impairment model are based on assumptions which are sources of estimation uncertainty and small movements in these assumptions could lead to a further impairment charge or reversal.

### 13. Leases

This note provides information for leases where the Group is a lessee. The Group leases retail, distribution and office properties and motor vehicles. The leases have varying terms which are negotiated on an individual basis and contain a range of different terms and conditions.

### Consolidated statement of financial position

The consolidated statement of financial position as at 29 July 2023 shows the following amounts relating to leases.



**13. Leases** continued**Consolidated statement of financial position** continued**Right-of-use assets**

|                                 | Leasehold<br>property<br>£'000 | Motor<br>vehicles<br>£'000 | Total<br>£'000 |
|---------------------------------|--------------------------------|----------------------------|----------------|
| <b>Cost</b>                     |                                |                            |                |
| At 31 July 2022                 | 152,467                        | 6,783                      | 159,250        |
| Additions <sup>1</sup>          | 13,057                         | 2,837                      | 15,894         |
| Disposals                       | (2,594)                        | (1,889)                    | (4,483)        |
| <b>At 29 July 2023</b>          | <b>162,930</b>                 | <b>7,731</b>               | <b>170,661</b> |
| <b>Accumulated depreciation</b> |                                |                            |                |
| At 31 July 2022                 | 57,929                         | 4,325                      | 62,254         |
| Charge for the year             | 18,470                         | 1,799                      | 20,269         |
| Depreciation on disposals       | (1,000)                        | (1,752)                    | (2,752)        |
| Impairment                      | 1,930                          | -                          | 1,930          |
| <b>At 29 July 2023</b>          | <b>77,329</b>                  | <b>4,372</b>               | <b>81,701</b>  |
| <b>Net book amount</b>          |                                |                            |                |
| <b>At 29 July 2023</b>          | <b>85,601</b>                  | <b>3,359</b>               | <b>88,960</b>  |
| At 30 July 2022                 | 94,538                         | 2,458                      | 96,996         |
| <b>Cost</b>                     |                                |                            |                |
| At 1 August 2021                | 138,802                        | 6,602                      | 145,404        |
| Additions <sup>1</sup>          | 15,179                         | 710                        | 15,889         |
| Disposals                       | (1,514)                        | (529)                      | (2,043)        |
| <b>At 30 July 2022</b>          | <b>152,467</b>                 | <b>6,783</b>               | <b>159,250</b> |
| <b>Accumulated depreciation</b> |                                |                            |                |
| At 1 August 2021                | 39,766                         | 3,008                      | 42,774         |
| Charge for the year             | 19,677                         | 1,846                      | 21,523         |
| Depreciation on disposals       | (1,514)                        | (529)                      | (2,043)        |
| <b>At 30 July 2022</b>          | <b>57,929</b>                  | <b>4,325</b>               | <b>62,254</b>  |
| <b>Net book amount</b>          |                                |                            |                |
| <b>At 30 July 2022</b>          | <b>94,538</b>                  | <b>2,458</b>               | <b>96,996</b>  |
| At 31 July 2021                 | 99,036                         | 3,594                      | 102,630        |

1. Right-of-use asset additions include new leases, lease renewals and increases in term and/or scope for existing leases.

**Impairment of right-of-use assets**

During the year the impairment review which compared the value in use of each CGU based on the Group's latest budget and forecast cash flows to the carrying

values as at 29 July 2023 resulted in an impairment of £1,930,000 (2022: Nil) against right-of-use assets and was recognised as an adjusting item (see note 5).

As disclosed in the accounting policies (note 2), the cash flows used within the impairment model are based on assumptions which are sources of estimation uncertainty and small movements in these assumptions could lead to a further impairment.

**Lease liabilities**

The following tables show the discounted lease liabilities included in the Group consolidated statement of financial position and a maturity analysis of the contractual undiscounted lease payments:

|             | As at<br>29 July 2023<br>£'000 | As at<br>30 July 2022<br>£'000 |
|-------------|--------------------------------|--------------------------------|
| Current     | <b>20,246</b>                  | 19,721                         |
| Non-current | <b>81,098</b>                  | 87,012                         |
|             | <b>101,344</b>                 | 106,733                        |

**Maturity analysis - contractual undiscounted lease payments:**

|                                   | As at<br>29 July 2023<br>£'000 | As at<br>30 July 2022<br>£'000 |
|-----------------------------------|--------------------------------|--------------------------------|
| <b>Group</b>                      |                                |                                |
| Within one year                   | <b>24,201</b>                  | 22,971                         |
| Within two to five years          | <b>66,787</b>                  | 68,414                         |
| After five years                  | <b>25,278</b>                  | 27,922                         |
| Total undiscounted lease payments | <b>116,266</b>                 | 119,307                        |

The Group presents lease liabilities separately in the consolidated balance sheet.

**Consolidated statement of comprehensive income**

The Group has recognised depreciation and interest costs in respect of leases, rather than rental charges of £24,138,000 (2022: £24,403,000). During the year, the Group recognised £20,269,000 (2022: £21,523,000) of depreciation charges and £4,057,000 (2022: £3,438,000) of interest costs in respect of these leases. Leases of low value assets and short-term leases of 12 months or less are expensed to the Group income statement.

## Notes to the consolidated financial statements continued

### 14. Inventories

|                | As at<br>29 July 2023<br>£'000 | As at<br>30 July 2022<br>£'000 |
|----------------|--------------------------------|--------------------------------|
| Finished goods | <b>24,633</b>                  | 19,791                         |

The cost of inventories before cash discounts and volume rebates, as an expense and included in cost of sales relating to continued operations amounted to £177,144,000 (2022: £180,827,000).

Inventories include a provision of £2,864,000 (2022: £2,945,000). Write-downs of inventories to net realisable value amounted to £789,475 (2022: £931,000). These were recognised as an expense during the period and were included in cost of sales in the consolidated statement of comprehensive income.

### 15. Trade and other receivables

|                   | As at<br>29 July 2023<br>£'000 | As at<br>30 July 2022<br>£'000 |
|-------------------|--------------------------------|--------------------------------|
| Trade receivables | <b>234</b>                     | 314                            |
| Other receivables | <b>3,732</b>                   | 3,092                          |
| Prepayments       | <b>2,370</b>                   | 2,605                          |
|                   | <b>6,336</b>                   | 6,011                          |

The fair value of trade and other receivables is approximate to their carrying value. Trade and other receivables are considered due once they have passed the contracted due date.

The carrying amounts of trade and other receivables are all denominated in Sterling.

The majority of the trade receivables are due from third-party finance providers with which there is a very low likelihood, and no previous history, of default, and therefore, there has been no material impact of the Group's expected credit loss model.

The bad debt provision is not considered material for disclosure.

### 16. Trade and other payables – current

|  | As at<br>29 July 2023<br>£'000 | As at<br>30 July 2022<br>£'000 |
|--|--------------------------------|--------------------------------|
| Trade payables                             | <b>33,267</b>                  | 18,374                         |
| Payments received on account               | <b>18,906</b>                  | 25,540                         |
| Other taxation and social security payable | <b>4,729</b>                   | 2,236                          |
| Accruals                                   | <b>11,145</b>                  | 11,178                         |
|  | <b>68,047</b>                  | 57,328                         |

The fair value of financial liabilities approximates their carrying value due to short maturities. Financial liabilities are denominated in Sterling.

Payments received on account represent deposits taken from customers at the point of order and in advance of the Group fulfilling its performance obligations to provide goods and services for customer orders. They will be realised in the next 12 months. The brought forward balance of payments received on account was recognised as revenue during the year.

### 17. Deferred tax asset

The Group's movements in deferred taxation during the current financial year and previous year are as follows:

|  | As at<br>29 July 2023<br>£'000 | As at<br>30 July 2022<br>£'000 |
|--|--------------------------------|--------------------------------|
| Opening deferred tax asset   | <b>1,845</b>                   | 2,024                          |
| Adjustments in respect of prior years  | <b>218</b>                     | 64                             |
| Adjustment to profit and loss account arising from the origination and reversal of temporary differences | <b>(190)</b>                   | (243)                          |
| <b>Closing deferred tax asset</b>  | <b>1,873</b>                   | 1,845                          |

Deferred taxation has been fully recognised in respect of:

|  | As at<br>29 July 2023<br>£'000 | As at<br>30 July 2022<br>£'000 |
|--|--------------------------------|--------------------------------|
| Accelerated capital allowances               | <b>(1,484)</b>                 | (675)                          |
| Losses                                       | <b>2,430</b>                   | 1,463                          |
| Other timing differences                     | <b>215</b>                     | 167                            |
| Capital gains held over                      | <b>(30)</b>                    | (30)                           |
| Adjustment on initial application of IFRS 16 | <b>742</b>                     | 920                            |
| <b>Closing deferred tax asset</b>            | <b>1,873</b>                   | 1,845                          |

## 17. Deferred tax asset continued

The deferred tax assets include an amount of £2,430,000 (2022: £1,463,000) which relates to carried-forward tax losses. The Group has concluded that the deferred assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets. The Group expects to continue generating taxable income. The losses can be carried forward indefinitely and have no expiry date. There is £99,000 (2022: £99,000) of historic unused losses in the Group's non-trading subsidiaries which have not been recognised due to uncertainty that there will be eligible taxable income to offset the losses against. Deferred tax assets are expected to be utilised in more than 12 months from 29 July 2023.

## 18. Provisions

|                                 | Property obligations<br>£'000 | Total<br>£'000 |
|---------------------------------|-------------------------------|----------------|
| <b>At 31 July 2022</b>          | <b>1,495</b>                  | <b>1,495</b>   |
| Provisions made during the year | 68                            | 68             |
| Provisions used during the year | (305)                         | (305)          |
| Unwinding of discount           | 21                            | 21             |
| <b>At 29 July 2023</b>          | <b>1,279</b>                  | <b>1,279</b>   |

Property provisions relate to an estimate of dilapidation and decommissioning costs based on anticipated lease expiries and renewals. These provisions are expected to be utilised at the end of each specific lease.

|             | As at<br>29 July 2023<br>£'000 | As at<br>30 July 2022<br>£'000 |
|-------------|--------------------------------|--------------------------------|
| Current     | 231                            | 303                            |
| Non-current | 1,048                          | 1,192                          |
|             | <b>1,279</b>                   | <b>1,495</b>                   |

## 19. Business combination

On 10 January 2023, the Group announced it had acquired the brand, domain names, website, intellectual property and stock of Snugsofa.com ('Snug') from the administrators of Snug Shack Limited for consideration of £875,000.

The acquisition of Snug represents further progression in Group's strategy. Snug's strong brand and differentiated digital-first offering will complement the Group's existing proposition, further diversifying its customer base and increase market share.

The purchase has been accounted for as a business combination. Details of the purchase consideration, the net assets acquired and goodwill are as follows:

|                                     | £'000      |
|-------------------------------------|------------|
| Purchase consideration              |            |
| Cash paid                           | <b>875</b> |
| <b>Total purchase consideration</b> | <b>875</b> |

The assets recognised as a result of the acquisition are as follows:

|                                  | Fair Value<br>£'000 |
|----------------------------------|---------------------|
| Intangible asset                 | <b>250</b>          |
| Inventories                      | <b>125</b>          |
| <b>Total identifiable assets</b> | <b>375</b>          |
| Goodwill                         | <b>500</b>          |
| <b>Total asset value</b>         | <b>875</b>          |

The goodwill is attributable to Snug's strong brand, innovative digital capabilities, and synergies expected to arise after the Group's acquisition of the new subsidiary. It has been allocated to the furniture retail segment.

During the year, the goodwill was assessed for impairment, comparing Snug's (the CGU) value in use based on the latest budget and forecast cash flows to the carrying value as at 29 July 2023, resulting in no impairment charge. The discount rate used is consistent with the rate used in the Group's assessment of asset impairment. If the discount rate used increased by 1%, then this would not lead to the recognition of an impairment charge. Likewise, if future estimated cash flows decreased by 10% each year into perpetuity, this would not lead to an impairment charge.

## Notes to the consolidated financial statements continued

### 19. Business combination continued

Snug's first year-end date is 31 December 2023, which is 12 months from the date of incorporation. We intend to align Snug's year end with the rest of the Group going forward. Snug contributed revenues of £4,121,000 and a net losses of £2,787,000 from the period from 10 January 2023 to 29 July 2023.

### Pre-trading and acquisition-related costs

Pre-trading and acquisition-related costs of £849,000 are included in administrative expenses in profit or loss.

### 20. Share capital and share premium

|                                    | Number of shares  | Ordinary shares £'000 | Share premium £'000 | Capital redemption reserve £'000 |
|------------------------------------|-------------------|-----------------------|---------------------|----------------------------------|
| <b>At 1 August 2021</b>            | <b>38,012,655</b> | <b>38</b>             | <b>16</b>           | <b>15</b>                        |
| Cancellation of repurchased shares | (1,242,208)       | (1)                   | -                   | 1                                |
| <b>At 30 July 2022</b>             | <b>36,770,447</b> | <b>37</b>             | <b>16</b>           | <b>16</b>                        |
| Cancellation of repurchased shares | (2,815,773)       | (3)                   | -                   | 3                                |
| <b>At 29 July 2023</b>             | <b>33,954,674</b> | <b>34</b>             | <b>16</b>           | <b>19</b>                        |

Authorised, allotted and fully paid share capital is 33,954,674 of £0.001 each (2022: 36,770,447 of £0.001 each).

At the beginning of the year, the Group held 74,932 shares in treasury that were subsequently cancelled as part of the share buyback scheme (note 28). During the year the Group acquired 2,740,841 ordinary shares at an average share price of 171.6 pence per ordinary share for a total consideration (including associated fees) of £4,776,000. Following this purchase, the ordinary shares purchased by the Group were cancelled and the Group's issued share capital subsequently consists of 33,954,674 ordinary shares, each with one voting right.

### 21. Dividends

A final dividend for the year ended 30 July 2022 of 9.0 pence resulted in a payment of £3,198,000 which was made on 9 December 2022. It has been recognised in shareholders' equity in the year to 29 July 2023.

An interim dividend of 4.5 pence (2022: 4.5 pence) per ordinary share was declared by the Board on 21 March 2023 and resulted in a payment of £1,522,000 which was made on 11 May 2023. It has been recognised in shareholders' equity in the year to 29 July 2023.

During the year dividend equivalents were paid on the vesting of LTIPs totalling £4,000.

Given the strength of the Group's balance sheet coupled with the resilient result for the year a final dividend of 10.0p has been proposed and, if approved, will be recorded within the financial statements for the year ending 27 July 2024. Approval of the proposed dividend of 10.0p would result in a payment of £3,395,000.

### 22. Share-based payments

The Group operates equity-settled share schemes for certain employees that are intended to act as a long-term incentive to help retain key employees and Directors who are considered important to the success of the business.

### Post-admission incentive arrangements

The ScS Group plc Long-Term Incentive Plan (LTIP) was adopted on 21 January 2015. The LTIP allows for various types of The ScS Group plc Long-Term Incentive Plan (LTIP) was adopted on 21 January 2015. The LTIP allows for various types of awards and the following grants over shares in ScS Group plc have been made:

- (i) Market value options under an HMRC approved Company Share Option Plan (CSOP) conditional on the IPO taking place (approved on 21 January 2015).
- (ii) Performance-based £nil cost options granted on 14 October 2019. The performance condition is based on EPS of the Group for the financial year ended 30 July 2022.
- (iii) Performance-based £nil cost options granted on 12 October 2020. The performance condition is based on EPS of the Group for the financial year ended 29 July 2023.
- (iv) Performance-based £nil cost options granted on 18 October 2021. The performance condition is based on EPS of the Group for the financial year ended 27 July 2024.
- (v) Performance-based £nil cost options granted on 21 April 2023. The performance condition is based on EPS of the Group for the financial year ended 26 July 2025.

### Fair value of awards

The awards granted have been valued using the Black-Scholes model. No performance conditions were included in the fair value calculations.

The expected life is the estimated time period to exercise. The expected volatility is calculated by reference to the historic volatility of the Group from

## 22. Share-based payments continued

### Fair value of awards continued

the period between admission and the date of grant and historic volatilities of comparator companies measured over a period commensurate with the expected life. The dividend yield is based on the target dividend yield set at IPO (with the exception of awards that give an entitlement to receive dividend equivalents). The risk-free interest rate is the yield on UK government bonds of a term consistent with the expected life. The level of vesting is estimated at the balance sheet date and will be trued up until the vesting date.

|  | LTIP (CSOP market value options) |                        | 2021, 2022 and 2023 LTIP (Directors' awards) |                        | LTIP (all awards) |                        |
|--|----------------------------------|------------------------|--|------------------------|-------------------|------------------------|
|  | Share awards                     | Average exercise price | Share awards                                 | Average exercise price | Share awards      | Average exercise price |
| Outstanding as at 31 July 2021                       | 27,652                           | £1.75                  | 1,407,414                                    | £0.000001              | 1,435,066         | £0.033                 |
| Granted  | -                                | -                      | 584,670                                      | £0.000001              | 584,670           | £0.000001              |
| Lapsed   | -                                | -                      | (59,998)                                     | £0.000001              | (59,998)          | £0.000001              |
| Forfeited  | -                                | -                      | (81,342)                                     | £0.000001              | (81,342)          | £0.000001              |
| Exercised  | (22,772)                         | £1.75                  | (500,728)                                    | £0.000001              | (523,500)         | £0.08                  |
| <b>Outstanding as at 30 July 2022</b>                | <b>4,880</b>                     | <b>£1.75</b>           | <b>1,350,016</b>                             | <b>£0.000001</b>       | <b>1,354,896</b>  | <b>£0.006</b>          |
| Granted  | -                                | -                      | 1,106,789                                    | £0.000001              | 1,106,789         | £0.000001              |
| Lapsed   | -                                | -                      | (223,034)                                    | £0.000001              | (223,034)         | £0.000001              |
| Forfeited  | -                                | -                      | -  | £0.000001              | -                 | £0.000001              |
| Exercised  | -                                | -                      | (207,533)                                    | £0.000001              | (207,533)         | £0.000001              |
| <b>Outstanding as at 29 July 2023</b>                | <b>4,880</b>                     | <b>£1.75</b>           | <b>2,026,238</b>                             | <b>£0.000001</b>       | <b>2,031,118</b>  | <b>£0.004</b>          |
| <b>Exercisable at 29 July 2023</b>                   | <b>4,880</b>                     | <b>£1.75</b>           | <b>-</b>                                     | <b>-</b>               | <b>4,880</b>      | <b>£1.75</b>           |
| Exercisable at 30 July 2022                          | 4,880                            | £1.75                  | -  | -                      | 4,880             | £1.75                  |
| Weighted average remaining contractual life (months) | -                                | -                      | 21   | -                      | 21                | -                      |
| Weighted average share price at exercise             | -                                | £1.75                  | -  | -                      | -                 | £1.75                  |

As at 29 July 2023, 377,518 of the outstanding LTIP share options relate to the 2021 LTIP, which vested as at the year-end date. Due to the Group's EPS being higher

than the minimum target set, a proportion of these options will be awarded. Further information on the LTIP is available in the Directors' remuneration report on pages 101 to 102.

The fair value of share options issued and the assumptions used in the calculation are as follows:

|                           | 2015        | 2020           | 2021           | 2022           | 2023                 |
|---------------------------|-------------|----------------|----------------|----------------|----------------------|
| Grant date                | 21 Jan 2015 | 14 Oct 2019    | 12 Oct 2020    | 18 Oct 2021    | <b>21 Apr 2023</b>   |
| Share price at grant date | £1.75       | £2.36          | £2.00          | £2.63          | <b>£1.77</b>         |
| Exercise price            | £1.75       | £nil           | £nil           | £nil           | <b>£nil</b>          |
| Number of employees       | 6           | 7              | 6              | 6              | <b>8</b>             |
| Shares granted            | 68,659      | 562,340        | 627,163        | 584,670        | <b>1,106,789</b>     |
| Expected volatility       | 36.2%       | - <sup>1</sup> | - <sup>1</sup> | - <sup>1</sup> | <b>-<sup>1</sup></b> |
| Expected life (years)     | 5           | 3              | 3              | 3              | <b>3</b>             |
| Risk-free interest rate   | 1.06%       | - <sup>1</sup> | - <sup>1</sup> | - <sup>1</sup> | <b>-<sup>1</sup></b> |
| Expected dividend yield   | 8%          | - <sup>1</sup> | - <sup>1</sup> | - <sup>1</sup> | <b>-<sup>1</sup></b> |
| Fair value per share      | £0.24       | £2.36          | £2.00          | £2.63          | <b>£1.77</b>         |
| Actual/estimated vesting  | 100%        | 48%            | 33%            | 0%             | <b>53%</b>           |

1. LTIP participants are entitled to receive dividend equivalents on unvested awards, and therefore, dividend yield does not impact the fair value calculation. Furthermore, volatility and risk-free rates do not impact the fair value calculation for awards with no exercise price or market-based performance conditions.

The total charge for the year relating to employee share-based payment plans was £598,000 (2021: £153,000) which is in relation to equity-settled share-based payment transactions. There are no liabilities arising from share-based payment transactions.

## 23. Capital commitments

Capital commitments contracted for but not provided amounted to £1,455,000 in relation to property plant and equipment and £371,000 in relation to intangible assets, totalling £1,826,000 (2022: £643,000).

## 24. Pension commitments

The Group operates several defined contribution pension schemes for the benefit of its staff. The assets of the schemes are held separately from those of the Group in independently administered funds. The pension charges represent contributions payable by the Group to these funds and are shown in note 6. Amounts outstanding at the year end were £349,000 (2022: £353,000) and are held in accruals.

## Notes to the consolidated financial statements continued

### 25. Financial instruments – risk management

#### Financial risk management policy

The Group's principal financial instruments comprise cash and cash equivalents. The main purpose of these financial instruments is to provide funds for the Group's operations. The Group has other financial instruments being trade receivables and trade payables that arise directly from its operations.

It is the Group's policy that no trading in financial instruments shall be undertaken. The Group has not entered into derivative transactions during the years under review. The Group does not undertake any speculative transactions and continues to pursue prudent treasury policies by investing surplus funds only with reputable UK financial institutions.

#### Credit risk

The finance for all the Group's credit sales is provided from external financing companies who bear the whole risk of customer defaults on repayment. The Group's financial assets which are past due and not impaired are deemed not material for disclosure. The remaining balance is deemed fully recoverable due to the use of finance houses to mitigate the risk of recoverability. There have been no gains/losses on financial liabilities.

Cash and deposits are invested with Lloyds Bank plc.

#### Liquidity risk

The Group's exposure to liquidity risk is low as historically working capital requirements have been funded entirely by self-generated cash flow.

At 29 July 2023, the Group's cash balance totalled £69.5m, and £33.3m was owed as trade payables for goods delivered. The Group has no drawn down debt, and further liquidity is available through the £12.0m RCF granted on 6 October 2022. This facility is committed for a term of 36 months and would be renegotiated well in advance of this maturity date. The RCF is subject to certain covenants in respect of fixed charge cover, liquidity, leverage and capital spending.

#### Financial instruments by category

Financial assets and liabilities are classified in accordance with IFRS 9. No financial instruments have been reclassified or derecognised in the year. There are no financial assets which are pledged or held as collateral. The Group does not hold any financial assets or liabilities held as fair value through the income statement, defined as being in a hedging relationship or any available for sale financial assets. The Group's main financial assets comprise cash and cash equivalents and trade receivables (note 15) arising from the Group's activities.

These financial assets all meet the conditions to be recognised at amortised cost under IFRS 9.

Other than trade and other payables (note 16) and provisions (note 18), the Group had no financial liabilities within the scope of IFRS 9 as at 29 July 2023 (2022: £nil). Balances within trade and other payables will mature within one year and lease liabilities are measured at amortised cost.

The fair value of the Group's financial assets and liabilities is not materially different from their carrying values. Financial assets and liabilities comprise principally of trade receivables and trade payables and the only interest-bearing balances are the bank deposits and borrowings which attract interest at variable rates.

#### Capital management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern and retain financial flexibility to provide returns for shareholders and benefits for other stakeholders. The Group considers capital to be equity and cash. Equity and cash are disclosed in the consolidated statement of financial position.

The Group manages its capital through continued focus on free cash flow generation and setting the level of capital expenditure and dividend in the context of the current period and forecast free cash flow.

### 26. Related parties

Holdings in subsidiaries and any relevant related party transactions are disclosed in the Company financial statements in note 5. Only ScS Furnishings Limited and the ScS Group plc Employee Benefit Trust are not included in the consolidation on the grounds of materiality.

### 27. Contingent liabilities

The subsidiary undertakings of the Group are party to a debenture with Lloyds Bank plc which grants fixed and floating charges over the assets of each subsidiary undertaking.

## 28. Treasury reserve

|                                 | £'000      |
|---------------------------------|------------|
| <b>As at 1 August 2021</b>      | <b>549</b> |
| Purchase of own shares          | 1,476      |
| Sale of treasury shares         | (51)       |
| Issue of shares to employees    | (1,293)    |
| <b>As at 30 July 2022</b>       | <b>681</b> |
| Purchase of own shares          | 148        |
| Cancellation of treasury shares | (116)      |
| Issue of shares to employees    | (510)      |
| <b>As at 29 July 2023</b>       | <b>203</b> |

During the period, the Group's Employee Benefit Trust purchased a further 106,637 ordinary shares of 0.1 pence each in the Group at an average price of 139.00 pence per ordinary share, and 228,008 ordinary shares were used to satisfy management incentive awards.

74,932 shares which were purchased into treasury in the prior year have subsequently been transferred to retained earnings in the period, at an average price of 154.56 pence per ordinary share, and cancelled as part of the share buyback programme.

As at 29 July 2023 the Group holds 131,360 of its own ordinary shares of 0.1 pence each in the Group at an average purchase price of 154.9 pence.

During the prior year, the Group's Employee Benefit Trust purchased 624,453 ordinary shares of 0.1 pence each in the Group at an average price of 236.4 pence per ordinary share, and 554,204 shares were used to satisfy management incentive awards. As at 30 July 2022 the Group held 327,663 of its own ordinary shares of 0.1 pence each in the Group at an average purchase price of 207.7 pence.

## 29. Net debt

|                           | As at<br>29 July 2023<br>£'000 | As at<br>30 July 2022<br>£'000 |
|---------------------------|--------------------------------|--------------------------------|
| Cash and cash equivalents | <b>69,538</b>                  | 70,819                         |
| Lease liabilities         | <b>(101,344)</b>               | (106,733)                      |
| Net debt                  | <b>(31,806)</b>                | (35,914)                       |

As a result of IFRS 16, the Group is in a net debt position due to the recognition of a lease liability.

The change in lease liabilities from £106,733,000 to £101,344,000 was a result of £4,057,000 (2022: £3,438,000) interest charged, £23,263,000 (2022: £28,630,000) principal and interest repayments and lease modifications of £13,817,000 (2022: £15,864,000).

## 30. Post balance sheet events

Subsequent to the 29 July 2023, a further £1,250,000 business interruption insurance payment was received relating to loss of profit as a result of the COVID-19 pandemic. As at the year end the Group did not have a high level of certainty that this payment would be received, or the timeframe on which it may do so, and therefore did not disclose it is a receivable. As such, in line with the treatment of the £1,250,000 received during the year to 29 July 2023, we expect to recognise and disclose this item as an adjusting item to consolidated income in the year to 27 July 2024.

On 24 October 2023, a wholly-owned subsidiary of Poltronosofà S.p.A. announced a recommended offer for the entire issued and to be issued share capital of the Company of 270p per share in cash. In addition, shareholders who are on the register at the close of business on 17 November 2023 will be entitled to receive the final dividend of 10.0p (in respect of the year ended 29 July 2023).

It is intended that the acquisition will be implemented by way of a Court-sanctioned scheme of arrangement under Part 26 of the Companies Act. Cerezzola Limited (a wholly-owned subsidiary of Poltronosofà S.p.A.) has indicated its intention (subject to the requisite acceptance thresholds being achieved referred to in the announcement of 24 October 2023) to delist the Company from the London Stock Exchange as soon as practicable following the cancellation of listing and trading of the Company's shares. This process will take place following the release of the Annual Report and is targeted to complete in the first quarter of 2024.

## Company financial statements

### Company statement of financial position As at 29 July 2023

|                                     | Note | As at<br>29 July 2023<br>£'000 | As at<br>30 July 2022<br>£'000 |
|-------------------------------------|------|--------------------------------|--------------------------------|
| <b>Non-current assets</b>           |      |                                |                                |
| Investments                         | 5    | 70,000                         | 70,000                         |
| <b>Total non-current assets</b>     |      | <b>70,000</b>                  | 70,000                         |
| <b>Current assets</b>               |      |                                |                                |
| Trade and other receivables         | 6    | 27                             | 32                             |
| Deferred tax asset                  | 7    | 1,111                          | 813                            |
| Cash at bank and in hand            |      | -                              | -                              |
| <b>Total current assets</b>         |      | <b>1,138</b>                   | 845                            |
| <b>Total assets</b>                 |      | <b>71,138</b>                  | 70,845                         |
| <b>Current liabilities</b>          |      |                                |                                |
| Trade and other payables            | 8    | 25,319                         | 19,193                         |
| <b>Total current liabilities</b>    |      | <b>25,319</b>                  | 19,193                         |
| <b>Total liabilities</b>            |      | <b>25,319</b>                  | 19,193                         |
| <b>Capital and reserves</b>         |      |                                |                                |
| Called-up share capital             | 9    | 34                             | 37                             |
| Share premium account               | 9    | 16                             | 16                             |
| Capital redemption reserve          | 9    | 19                             | 16                             |
| Treasury share reserve              | 12   | (203)                          | (681)                          |
| Retained earnings                   |      | 45,953                         | 52,264                         |
| <b>Total shareholders' funds</b>    |      | <b>45,819</b>                  | 51,652                         |
| <b>Total equity</b>                 |      | <b>45,819</b>                  | 51,652                         |
| <b>Total equity and liabilities</b> |      | <b>71,138</b>                  | 70,845                         |

The notes on pages 158 to 161 form an integral part of these financial statements.

The total comprehensive income for the year included within the financial statements of the Company is £3,815,000 (2022: £3,451,000).

The financial statements on pages 156 to 161 were approved by the Board and authorised for issue on 24 October 2023 and signed on its behalf by:

**Steve Carson**  
Chief Executive Officer



## Company statement of changes in equity

### For the year ended 29 July 2023

|   | Called-up<br>share<br>capital<br>£'000 | Share<br>premium<br>account<br>£'000 | Capital<br>redemption<br>reserve<br>£'000 | Treasury<br>reserve<br>£'000 | Retained<br>earnings<br>£'000 | Total<br>equity<br>£'000 |
|---|--|--------------------------------------|---|------------------------------|-------------------------------|--------------------------|
| <b>At 1 August 2021</b>                         | <b>38</b>                              | <b>16</b>                            | <b>15</b>                                 | <b>(549)</b>                 | <b>56,761</b>                 | <b>56,281</b>            |
| Profit and total comprehensive income           | -                                      | -                                    | -   | -                            | 3,451                         | 3,451                    |
| Repurchase of own shares (note 9)               | -                                      | -                                    | -   | -                            | (2,201)                       | (2,201)                  |
| Cancellation of repurchased shares (note 9)     | (1)                                    | -                                    | 1   | -                            | -                             | -                        |
| Purchase of treasury shares (note 12)           | -                                      | -                                    | -   | (1,476)                      | -                             | (1,476)                  |
| Issue of treasury shares to employees (note 12) | -                                      | -                                    | -   | 1,344                        | (1,304)                       | 40                       |
| Dividend paid (note 10)                         | -                                      | -                                    | -   | -                            | (4,443)                       | (4,443)                  |
| <b>At 30 July 2022</b>                          | <b>37</b>                              | <b>16</b>                            | <b>16</b>                                 | <b>(681)</b>                 | <b>52,264</b>                 | <b>51,652</b>            |
| <b>At 31 July 2022</b>                          | <b>37</b>                              | <b>16</b>                            | <b>16</b>                                 | <b>(681)</b>                 | <b>52,264</b>                 | <b>51,652</b>            |
| Profit and total comprehensive income           | -                                      | -                                    | -   | -                            | 3,815                         | 3,815                    |
| Repurchase of own shares (note 9)               | -                                      | -                                    | -   | -                            | (4,776)                       | (4,776)                  |
| Cancellation of repurchased shares (note 9)     | (3)                                    | -                                    | 3   | 116                          | (116)                         | -                        |
| Purchase of treasury shares (note 12)           | -                                      | -                                    | -   | (148)                        | -                             | (148)                    |
| Issue of treasury shares to employees (note 12) | -                                      | -                                    | -   | 510                          | (510)                         | -                        |
| Dividend paid (note 10)                         | -                                      | -                                    | -   | -                            | (4,724)                       | (4,724)                  |
| <b>At 29 July 2023</b>                          | <b>34</b>                              | <b>16</b>                            | <b>19</b>                                 | <b>(203)</b>                 | <b>45,953</b>                 | <b>45,819</b>            |

## Notes to the Company financial statements

### 1. General information

ScS Group plc (the 'Company') is a company limited by shares incorporated and domiciled in England, within the UK (Company registration number 03263435). The address of the registered office is 45-49 Villiers Street, Sunderland, SR1 1HA. The Company's principal activity is to act as a holding company for its subsidiaries, and its shares are listed on the London Stock Exchange (LSE).

### 2. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### Statement of compliance with FRS 101

These financial statements were prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The Company meets the definition of a qualifying entity under FRS 100, 'Application of Financial Reporting Requirements' as issued by the Financial Reporting Council.

#### Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 as applicable to companies using FRS 101.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, financial instruments, capital management, presentation of comparative information in respect of certain assets, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the consolidated financial statements of ScS Group plc.

#### Going concern

The Company is the ultimate holding company to a group which is highly cash generative, and which holds sufficient medium and long-term facilities in place to enable it to meet its obligations as they fall due. The Directors are, therefore, satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future.

Further information on the Group's going concern and ongoing viability is provided in note 2 of the Group financial statements.

Following the year end, on 24 October 2023 the Board announced a recommended offer for the Company of 270p per share in cash, from a wholly-

owned subsidiary of Poltronosofà S.p.A. It is intended that the acquisition will be implemented by way of a Court-sanctioned scheme of arrangement under Part 26 of the Companies Act and is forecast to complete in the first quarter of 2024. The Group's existing committed debt facilities contain a standard change of control clause that will be triggered once the acquisition completes. This could result in the existing committed debt facilities being withdrawn. The Group does not have visibility of the post completion funding for the Group at this time. Therefore, this could create some uncertainty as to the Group's going concern.

The Directors note the detailed intentions statement included within the announcement on 24 October 2023, which state that following completion of the acquisition, Poltronosofà S.p.A. intends to support the Group by leveraging its significant, pan-European industry expertise and providing the capital necessary to accelerate the Group's strategy. Poltronosofà S.p.A. is highly supportive of management's vision for the business and the long-term ambitions of being the UK's best value-for-money home retailer and recognises and values the strong strategic, operational and product positioning and setup of the Group, as well as the expertise of its management team and employees. Poltronosofà S.p.A. therefore intends to work closely with the Group's senior management to undertake a strategic review of the Group in order to determine how its short and long-term objectives can best be delivered or exceeded.

Notwithstanding Poltronosofà S.p.A.'s stated intentions, the current Directors will not have full control over the acquired Group and therefore they do not currently have full knowledge of the new ultimate parent undertaking's future intentions and funding plans in relation to the Group. Therefore the change of control position indicates a material uncertainty which may cast significant doubt upon the Group and the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and the Company were unable to continue as a going concern.

Having considered all of the above, the Board is of the opinion that the going concern basis adopted in the preparation of the consolidated statements is appropriate.

#### Critical accounting estimates and judgements

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. However, due to the nature of the Company, we do not consider there to be any critical accounting estimates or judgements made in the preparation of these financial statements.

## 2. Accounting policies continued

### Carrying value of the investment

Management has considered the carrying value of the investment and calculated a value in use from cash flow projections based on the Group's internal budgets, which are then extrapolated into perpetuity and discounted using the Group's cost of capital. The key estimates for the value in use calculations are those regarding the discount rate used and expected future cash flows. Management utilised the budget and discount rate consistent with those used in the Group's assessment of asset impairment. Management's value in use calculation provided significant headroom over the carrying investment value and if the discount rate increased or decreased by 1%, this would not have led to the recognition of an impairment charge or reversal in these financial statements. Similarly, if future estimated cash flows decreased by 10% each year into perpetuity, this would not lead to an impairment charge.

### Capital management

The Company follows the same capital management as the Group – see page 154 in the Group financial statements.

### New standards, amendments and interpretations

For the latest amendments and interpretations, please refer to page 138 in the Group financial statements.

### Fixed asset investments

Fixed asset investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment.

### Trade receivables

Trade receivables for the Company refer to prepayments made for services performed in the ordinary course of business. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

### Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### Treasury shares

Treasury shares are those shares bought back by the Company. Shares in the

Company held in treasury are included in the balance sheet at cost including any directly attributable incremental costs.

Subsequent consideration received for the sale of such shares is also recognised in equity, with any difference between the sale proceeds and the original cost being taken to retained earnings. No gain or loss is recognised in the financial statements on transactions in treasury shares.

The Employee Benefit Trust (EBT) provides for the issue of shares to Group employees, principally under share option schemes. Shares in the Company held by the EBT are also included in the balance sheet as treasury shares.

### Taxation

The tax charge for the financial year is based on the profit for the financial year.

### Related parties

In these financial statements, the Company has taken advantage of the following disclosure exemptions available under FRS 101:

- The requirement of paragraph 17 of IAS 24 'Related Party Transactions'; and
- The requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is party to the transaction is a wholly-owned by such a member.

### 3. Income statement and statement of cash flow exemption

The Company has elected to take the exemption under section 408 of the Companies Act 2006 from presenting the Income Statement or a Statement of Comprehensive Income for the Company. Total comprehensive income for the Company for the year was £3,815,000 (2022: £3,451,000).

The Company has taken advantage of the disclosure exemptions under FRS 101 in relation to the requirements of IAS 7 'Statement of Cash Flows'.

### 4. Directors' emoluments

No Executive Directors received any remuneration for their services to the Company (2022: £nil). All Executive Directors' remuneration was borne by another Group company, A. Share & Sons Limited. These costs have been consolidated into the Group's financial statements and are disclosed, along with the Non-Executive Directors' fees, within the Directors' remuneration report on page 108.

The Company does not employ any staff other than the Non-Executive Directors noted above.

## Notes to the Company financial statements continued

### 4. Directors' emoluments continued

The aggregate remuneration of the Non-Executive Directors comprises:

|                       | 52 weeks<br>ended<br>29 July 2023<br>£'000 | 52 weeks<br>ended<br>30 July 2022<br>£'000 |
|-----------------------|--|--|
| Wages and salaries    | 351  | 262  |
| Social security costs | 43   | 33   |
| Other pension costs   | -  | -  |
| <b>Total</b>          | <b>394</b>                                 | <b>295</b>                                 |

### 5. Investments

|   | Subsidiary<br>undertaking<br>£'000 |
|---|------------------------------------|
| <b>Cost and net book value<br/>At 30 July 2022 and 29 July 2023</b> | <b>70,000</b>                      |

The subsidiaries, which were owned and incorporated in the United Kingdom are as follows:

| Name                                   | Principal activity                              | Class of<br>shares held | % of<br>holdings |
|--|---|-------------------------|------------------|
| Parlour Product Topco Limited          | Holding company                                 | Ordinary                | 100%             |
| <b>Held by subsidiary undertakings</b> |   |                         |                  |
| Parlour Product Holding Limited        | Holding company                                 | Ordinary                | 100%             |
| A. Share & Sons Limited                | Specialist retailer of<br>upholstered furniture | Ordinary                | 100%             |
| ScS Furnishings Limited                | Dormant company                                 | Ordinary                | 100%             |
| Snug Furniture Limited                 | Specialist retailer of<br>upholstered furniture | Ordinary                | 100%             |

The registered office address for all of the subsidiaries is 45-49 Villiers Street, Sunderland, SR1 1HA.

All shares carry equal voting rights and are deemed to be controlled by ScS Group plc. The Directors believe that the carrying value of the investments is supported by management's value in use model (see note 2).

ScS Furnishings Limited is exempt from audit as it is dormant. Its aggregate amount of capital and reserves is £1.

### Parent company guarantee

For the year ended 29 July 2023, Snug Furnishings Limited is exempt from the requirement of the Companies Act 2006 relating to the audit of individual accounts by virtue of Section 479A of that act relating to subsidiary companies.

### 6. Trade and other receivables

|             | As at<br>29 July 2023<br>£'000 | As at<br>30 July 2022<br>£'000 |
|-------------|--------------------------------|--------------------------------|
| Prepayments | 27                             | 32                             |

### 7. Deferred tax asset

The Company's movements in deferred taxation during the current financial year and previous year are as follows:

|   | As at<br>29 July 2023<br>£'000 | As at<br>30 July 2022<br>£'000 |
|---|--------------------------------|--------------------------------|
| Opening deferred tax asset  | 813                            | 442                            |
| Credited to profit and loss account arising from the<br>origination and reversal of temporary differences | 298                            | 371                            |
| <b>Closing deferred tax asset</b>   | <b>1,111</b>                   | <b>813</b>                     |

Deferred taxation has been fully recognised in respect of:

|                                   | As at<br>29 July 2023<br>£'000 | As at<br>30 July 2022<br>£'000 |
|-----------------------------------|--------------------------------|--------------------------------|
| Losses                            | 1,111                          | 813                            |
| <b>Closing deferred tax asset</b> | <b>1,111</b>                   | <b>813</b>                     |

### 8. Trade and other payables

|                                    | As at<br>29 July 2023<br>£'000 | As at<br>30 July 2022<br>£'000 |
|------------------------------------|--------------------------------|--------------------------------|
| Amounts owed to Group undertakings | 24,942                         | 18,785                         |
| Accruals and deferred income       | 377                            | 408                            |
|                                    | <b>25,319</b>                  | <b>19,193</b>                  |

Amounts owed to Group undertakings are unsecured, interest-free and repayable on demand.

## 9. Share capital and share premium

|                                    | Number of shares  | Ordinary shares £'000 | Share premium £'000 | Capital redemption reserve £'000 |
|------------------------------------|-------------------|-----------------------|---------------------|----------------------------------|
| At 31 July 2022                    | 36,770,447        | 37                    | 16                  | 16                               |
| Cancellation of repurchased shares | (2,815,773)       | (3)                   | -                   | 3                                |
| <b>At 29 July 2023</b>             | <b>33,954,674</b> | <b>34</b>             | <b>16</b>           | <b>19</b>                        |

Authorised, allotted and fully paid share capital is 33,954,674 of £0.001 each (2022: 36,770,447 of £0.001 each).

At the beginning of the year, the Group held 74,932 shares in treasury that were subsequently cancelled as part of the share buyback scheme. During the year the Group acquired 2,740,841 ordinary shares at an average share price of 171.6 pence per ordinary share for a total consideration including associated fees of £4,776,000. Following this purchase, the ordinary shares purchased by the Group were cancelled and the Group's issued share capital subsequently consists of 33,954,674 ordinary shares, each with one voting right.

## 10. Dividends

A final dividend for the year ended 30 July 2022 of 9.0 pence resulted in a payment of £3,198,000 which was made on 9 December 2022. It has been recognised in shareholders' equity in the year to 29 July 2023.

An interim dividend of 4.5 pence (2022: 4.5p) per ordinary share was declared by the Board on 21 March 2023 and resulted in a payment of £1,522,000 which was made on 11 May 2023. It has been recognised in shareholders' equity in the year to 30 July 2023.

During the year dividend equivalents were paid on the vesting of LTIPs totalling £4,000.

Given the strength of the Group's balance sheet coupled with the resilient result for the year a final dividend of 10.0p has been proposed and, if approved, will be recorded within the financial statements for the year ending 27 July 2024. Approval of the proposed 10.0p dividend would result in a payment of £3,390,000.

## 11. Financial instruments

The Company has financial instruments, being trade receivables and trade payables that arise directly from its operations. The financial instruments – risk management policy has been included in note 25 of the Group financial statements.

## 12. Treasury share reserve

Details of the Company's share capital and share buybacks are given in note 28 of the Group financial statements.

## 13. Post balance sheet events

Details of the Company's post balance sheet events are given in note 30 of the Group financial statements.