Consolidated statement of comprehensive income
For the year ended 30 July 2022

	Note	52 weeks ended 30 July 2022 £'000	53 weeks ended 31 July 2021 (restated*) £'000
Gross sales	3	**344,710**	319,184
Revenue	3	**331,569**	305,231
Cost of sales		**(175,305)**	(158,244)
Gross profit		**156,264**	146,987
Distribution costs		**(21,304)**	(18,680)
Administrative expenses		**(114,761)**	(101,534)
Operating profit	4	**20,199**	26,773
Analysed as:			
Underlying operating profit		**20,199**	22,531
Operating exceptional items included within administrative expenses	5	**–**	4,242
Operating profit		**20,199**	26,773
Finance costs	7	**(3,856)**	(4,180)
Finance income	8	**15**	81
Net finance costs		**(3,841)**	(4,099)
Profit before taxation		**16,358**	22,674
Income tax charge	9	**(2,774)**	(3,610)
Profit for the year		**13,584**	19,064
Attributable to:			
Owners of the parent			
Profit and total comprehensive income for the year		**13,584**	19,064
Earnings per share (expressed in pence per share):			
Basic earnings per share (pence)	10	**36.2p**	50.4p
Diluted earnings per share (pence)	10	**35.0p**	48.6p

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

* The prior year gross sales, revenue and cost of sales figures have been restated to account for warranty sales as an agent rather than principal under IFRS 15 (note 29). There are no changes to gross profit, or any subsequent financial statement line items.

Consolidated statement of financial position
As at 30 July 2022

	Note	As at 30 July 2022 £'000	As at 31 July 2021 £'000
Non-current assets			
Intangible assets	11	**2,494**	2,243
Property, plant and equipment	12	**18,076**	18,381
Right-of-use assets	13	**96,996**	102,630
Deferred tax asset	17	**1,845**	2,024
Total non-current assets		**119,411**	125,278
Current assets			
Inventories	14	**19,791**	17,328
Trade and other receivables	15	**6,011**	4,947
Cash and cash equivalents		**70,819**	87,650
Total current assets		**96,621**	109,925
Total assets		**216,032**	235,203
Current liabilities			
Current income tax liabilities		**309**	1,171
Trade and other payables	16	**57,328**	71,818
Provisions	18	**303**	488
Lease liabilities	13	**19,721**	22,693
Total current liabilities		**77,661**	96,170
Non-current liabilities			
Provisions	18	**1,192**	1,155
Lease liabilities	13	**87,012**	93,368
Total non-current liabilities		**88,204**	94,523
Total liabilities		**165,865**	190,693
Capital and reserves attributable to the owners of the parent			
Share capital	19	**37**	38
Share premium	19	**16**	16
Capital redemption reserve	19	**16**	15
Treasury reserve	27	**(681)**	(549)
Merger reserve		**25,511**	25,511
Retained earnings		**25,268**	19,479
Equity attributable to the owners of the parent		**50,167**	44,510
Total equity		**50,167**	44,510
Total equity and liabilities		**216,032**	235,203

The notes on pages 113 to 130 are an integral part of these consolidated financial statements.

The financial statements on pages 109 to 130 were approved by the Board and authorised for issue on 10 October 2022 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 30 July 2022

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Merger reserve £'000	Treasury reserve £'000	Retained earnings £'000	Total equity £'000
At 26 July 2020	**38**	**16**	**15**	**25,511**	**(182)**	**106**	**25,504**
Profit and total comprehensive income	–	–	–	–	–	19,064	19,064
Share-based payment charge (note 21)	–	–	–	–	–	1,450	1,450
Purchase of treasury shares (note 27)	–	–	–	–	(410)	–	(410)
Sale of treasury shares (note 27)	–	–	–	–	43	(8)	35
Dividend paid (note 20)	–	–	–	–	–	(1,133)	(1,133)
At 31 July 2021	**38**	**16**	**15**	**25,511**	**(549)**	**19,479**	**44,510**
At 1 August 2021	**38**	**16**	**15**	**25,511**	**(549)**	**19,479**	**44,510**
Profit and total comprehensive income	–	–	–	–	–	13,584	13,584
Share-based payment charge (note 21)	–	–	–	–	–	153	153
Repurchase of own shares (note 19)	–	–	–	–	–	(2,201)	(2,201)
Cancellation of repurchased shares (note 19)	(1)	–	1	–	–	–	–
Purchase of treasury shares (note 27)	–	–	–	–	(1,476)	–	(1,476)
Issue of treasury shares to employees (note 27)	–	–	–	–	1,344	(1,304)	40
Dividend paid (note 20)	–	–	–	–	–	(4,443)	(4,443)
At 30 July 2022	**37**	**16**	**16**	**25,511**	**(681)**	**25,268**	**50,167**

Consolidated statement of cash flows
For the year ended 30 July 2022

	Note	52 weeks ended 30 July 2022 £'000	53 weeks ended 31 July 2021 (restated*) £'000
Cash flows from operating activities			
Profit before taxation		**16,358**	22,674
Adjustments for:			
Depreciation of property, plant and equipment	12	**4,162**	3,980
Depreciation of right-of-use assets	13	**21,523**	21,149
Amortisation of intangible assets	11	**882**	865
Impairment reversal on non-current assets	5	**–**	(4,242)
Share-based payment charge	21	**153**	1,450
Finance costs	7	**3,856**	4,180
Finance income	8	**(15)**	(81)
		46,919	49,975
Changes in working capital:			
(Increase)/decrease in inventories	14	**(2,463)**	879
Increase in trade and other receivables	15	**(1,064)**	(143)
Decrease in trade and other payables		**(14,908)**	(9,141)
Cash generated from operating activities		**28,484**	41,570
Income taxes paid		**(3,457)**	(3,381)
Net cash flow generated from operating activities		**25,027**	38,189
Cash flows used in investing activities			
Purchase of property, plant and equipment		**(3,741)**	(3,654)
Payments to acquire intangible assets		**(1,004)**	(855)
Interest received	8	**15**	81
Net cash flow used in investing activities		**(4,730)**	(4,428)
Cash flows used in financing activities			
Dividends paid	20	**(4,443)**	(1,133)
Purchase of own shares	19, 27	**(3,677)**	(410)
Sale of treasury shares	19, 27	**40**	35
Interest paid	7	**(418)**	(439)
Interest paid on lease liabilities		**(3,438)**	(3,741)
Payment of capital element of leases		**(25,192)**	(22,705)
Net cash flow used in financing activities		**(37,128)**	(28,393)
Net (decrease)/increase in cash and cash equivalents		**(16,831)**	5,368
Cash and cash equivalents at beginning of year		**87,650**	82,282
Cash and cash equivalents at end of year		**70,819**	87,650

* The prior year cash flow has been restated to reclassify interest paid from operating activities to financing activities (note 29).

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.

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 30 July 2022 (2021: 53 weeks ended 30 July 2021). The accounting policies which follow have been applied in preparing the financial statements for the year ended 31 July 2021. These policies have been consistently applied to all of the years presented, unless otherwise stated.

Change in accounting policy

Gross sales and revenue

The Group has reconsidered the judgement it previously applied in respect of the accounting policy in relation to the sale of warranties. The Group now considers that it is acting as an agent in the sale of warranties as opposed to the principal. Further details can be found in our 'Gross sales and revenue' accounting policy below.

As detailed in note 29, the change in policy requires restatement of gross sales, revenue and cost of sales in the year ending 31 July 2021 but has no impact on reported profit, cash flows or the consolidated statement of financial position.

Consolidated statement of cash flows

In the prior year the consolidated statement of cash flows presented interest paid within operating activities. This has been reclassified to within financing activities consistent with the classification of interest paid on lease liabilities.

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 30 July 2022, the Group's cash balance totalled £70.8m and £18.4m 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 30 July 2022 and have modelled cash flow forecasts under the following scenarios:

- A 'base case' scenario to July 2025 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' with a compounding annual increase in fuel and utility costs 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.

2. Accounting policies continued

Going concern continued

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 2023 remains substantial at £34.5m. Forecasts show there is no requirement for any additional sources of financing throughout the extended viability period.

For the reasons set out in detail above, the Board believe it remains appropriate to prepare the Group financial statements on a going concern basis.

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 30 July 2022 (prior financial year 53 weeks ended 31 July 2021).

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.

Exceptional items

Exceptional 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 exceptional will also be classified as exceptional.

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 believe 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.

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. There has been no significant changes to the methodology in recognising contract liabilities in the current year.

2. Accounting policies continued

Gross sales and revenue continued

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

As noted in the gross sales and revenue note above, segments are reported in a manner consistent with the internal reporting to the Board (see note 3 – Segment information on page 118).

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

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.

2. Accounting policies continued

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. 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 are 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

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 included in the balance sheet as treasury shares 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 number of such shares is also deducted from the number of shares in issue when calculating the earnings per share.

Share capital

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.

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.

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.

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.

2. Accounting policies continued

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 dividends are recognised when they are paid to the Group's shareholders. Final dividends are recognised when they are approved by 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.

Critical accounting estimates and assumptions

Management consider 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 £19.8m 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.

2. Accounting policies continued

Critical accounting estimates and assumptions continued

In determining an estimate of 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 consider 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.

3. Segment analysis

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

The Board consider that the Group 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 ended 30 July 2022 £'000	53 weeks ended 31 July 2021 (restated) £'000
Sale of goods	**340,580**	299,200
Associated sale of warranties	**4,130**	19,984
Gross sales	**344,710**	319,184
Less: costs of interest-free credit	**(13,141)**	(13,953)
Revenue	**331,569**	305,231

Of which:	**52 weeks ended 30 July 2022 £'000**	53 weeks ended 31 July 2021 (restated) £'000
In-store furniture	**269,781**	233,865
In-store flooring	**31,704**	27,883
Online	**30,084**	43,483
Revenue	**331,569**	305,231

4. Operating profit

Operating profit is stated after charging/(crediting):

	52 weeks ended 30 July 2022 £'000	53 weeks ended 31 July 2021 £'000
Fees payable to the Company auditors for the audit of Company and consolidated financial statements	**30**	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	**171**	177
• other services (see Audit Committee report on page 82 for further information)	**25**	20
Depreciation of property, plant and equipment – owned	**4,162**	3,980
Depreciation of right-of-use assets	**21,523**	21,149
Amortisation of intangible assets	**882**	865
Impairment reversal of property, plant and equipment and right-of-use assets	**–**	(4,242)

During the year, the Group received retail business rates relief from the UK government of £2,570,000 (2021: £10,236,000) in response to the COVID-19 outbreak.

In the prior year the Group also received £2,964,000 under the UK government's Coronavirus Job Retention Scheme (CJRS) which was received in respect of employees on furlough and recognised as grant income. However, the Group took the decision to repay the £2,964,000 CJRS payment in full.

5. Operating exceptional items included within administrative expenses

In order to provide a clearer understanding of underlying profitability, underlying operating profit excludes exceptional items, which relate 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. Exceptional items, booked to operating costs, comprised the following:

	52 weeks ended 30 July 2022 £'000	53 weeks ended 31 July 2021 £'000
Impairment reversal	**–**	4,242

Impairment reversal

In the prior year exceptional items include a credit of £4,242,000 which relates to the reversal of previous impairment to the Group's stores. This was split between the right-of-use asset (£2,932,000) and tangible assets (£1,310,000), apportioned based on net book value.

Impairment reversal

If the discount rate of 9.8% applied in management's calculations at 30 July 2022 were to increase or decrease by 1%, this would not have led to the recognition of an impairment charge or reversal in these financial statements. At 31 July 2021, an equivalent increase/decrease would have resulted in a £320,000 increase/£322,000 decrease to the impairment reversal that was recognised in the prior year.

6. Employees and Directors

6.1 Staff costs

The aggregate remuneration of all employees including Directors comprises:

	52 weeks ended 30 July 2022 £'000	53 weeks ended 31 July 2021 £'000
Wages and salaries	**58,062**	57,150
Social security costs	**5,901**	5,696
Other pension costs	**1,304**	1,306
Share-based payment charge (note 21)	**153**	1,450
	65,420	65,602

The Group received £nil (2021: £2,964,000) under the UK government's Coronavirus Job Retention Scheme to offset against the gross wages and salaries costs disclosed above. The amounts received in relation to the prior year were subsequently repaid in full in the prior year.

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

	52 weeks ended 30 July 2022	53 weeks ended 31 July 2021
Sales	**722**	750
Office and managerial	**500**	572
Services and warehousing	**546**	499
Cleaning	**34**	34
Total	**1,802**	1,855

Details of Directors' remuneration, share options, long-term incentive schemes and pension entitlements are disclosed in the Directors' remuneration report on pages 84 to 97.

6. Employees and Directors continued

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 ended 30 July 2022 £'000	53 weeks ended 31 July 2021 £'000
Short-term employee benefits	**2,648**	3,465
Defined contribution pension cost	**112**	200
Share-based payment charge	**153**	1,450

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 £153,000 (2021: £1,450,000) relates to the Group's trading performance against the EPS targets under the Group's Long-Term Incentive Plan as set out in note 21.

7. Finance costs

	52 weeks ended 30 July 2022 £'000	53 weeks ended 31 July 2021 £'000
Bank facility renewal fees	**–**	19
Bank facility non-utilisation fees	**413**	396
Other finance costs	**5**	24
Interest on lease liability	**3,438**	3,741
	3,856	4,180

8. Finance income

	52 weeks ended 30 July 2022 £'000	53 weeks ended 31 July 2021 £'000
Bank interest received	**15**	81

9. Income tax charge

(a) Analysis of tax charge in the year

	52 weeks ended 30 July 2022 £'000	53 weeks ended 31 July 2021 £'000
Current tax:		
UK corporation tax on profits for the year	**2,571**	4,385
Adjustments in respect of prior years	**24**	527
Total current tax charge	**2,595**	4,912
Deferred tax:		
Origination and reversal of temporary differences	**243**	(608)
Adjustments in respect of prior years	**(64)**	(694)
Total deferred tax charge/(credit) (note 17)	**179**	(1,302)
Income tax charge in the consolidated statement of comprehensive income	**2,774**	3,610

(b) Factors affecting tax charge for the year

The tax charge (2021: charge) assessed on the profit (2021: profit) for the year is lower (2021: lower) than the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%). The differences are explained below:

	52 weeks ended 30 July 2022 £'000	53 weeks ended 31 July 2021 £'000
Profit before taxation	**16,358**	22,674
Profit before tax at 19.00% (2021: 19.00%)	**3,108**	4,308
Effects of:		
Other expenses deductible	**39**	281
Amounts deductible in relation to depreciation and impairment	**(232)**	(167)
Amounts not deductible/(deductible) in relation to share options	**56**	(373)
Adjustments in respect of prior years	**(40)**	(167)
Impact of changes in tax rates	**(157)**	(272)
Income tax charge in the consolidated statement of comprehensive income	**2,774**	3,610

(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, 30 July 2022, 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 30 July 2022.

9. Income tax charge continued

(c) Factors that may affect future tax charges continued

On 23 September 2022 it was announced that the corporation tax rate change from 19% to 25%, with effect from 1 April 2023, was to be cancelled. This was not substantively enacted at the balance sheet date and therefore the impact of this change is not reflected in the measurement of deferred tax. If the rate change had been substantively enacted prior to 30 July 2022, the impact would have been to reduce the deferred tax asset by £442,000, with a corresponding debit to the income statement.

10. Earnings per share

	52 weeks ended 30 July 2022 pence	53 weeks ended 31 July 2021 pence
a) Basic earnings per share attributable to the ordinary equity holders of the Company		
Basic earnings per share from underlying operations	**36.2p**	41.3p
From exceptional items	**–**	9.1p
Total basic earnings per share	**36.2p**	50.4p
b) Diluted earnings per share attributable to the ordinary equity holders of the Company		
Diluted earnings per share from underlying operations	**35.0p**	39.8p
From exceptional items	**–**	8.8p
Total diluted earnings per share	**35.0p**	48.6p

	52 weeks ended 30 July 2022 £'000	53 weeks ended 31 July 2021 £'000
c) Reconciliations of earnings used in calculating earnings per share		
Profit from operations	**13,584**	19,064
Deduct exceptional items net of tax	**–**	(3,436)
Total profits from underlying operations	**13,584**	15,628

	52 weeks ended 30 July 2022 number	53 weeks ended 31 July 2021 number
d) Weighted average number of shares used as the denominator		
Weighted average number of shares in issue for the purposes of basic earnings per share	**37,498,925**	37,828,902
Effect of dilutive potential ordinary shares:		
Share options (note 21)	**1,354,896**	1,435,066
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**38,853,821**	39,263,968

11. Intangible assets

	Computer software £'000
Cost	
At 1 August 2021	**8,645**
Additions	**1,133**
Disposals	**(961)**
At 30 July 2022	**8,817**
Accumulated amortisation	
At 1 August 2021	**6,402**
Charge for the year	**882**
Depreciation on disposals	**(961)**
At 30 July 2022	**6,323**
Net book amount	
At 30 July 2022	**2,494**
At 31 July 2021	**2,243**

Cost	
At 26 July 2020	8,256
Additions	750
Disposals	(361)
At 31 July 2021	8,645
Accumulated amortisation	
At 26 July 2020	5,898
Charge for the year	865
Depreciation on disposals	(361)
At 31 July 2021	6,402
Net book amount	
At 31 July 2021	2,243
At 25 July 2020	2,358

Amortisation is charged through the administration expenses line.

12. Property, plant and equipment

	Freehold land and buildings £'000	Leasehold improvements £'000	Computer equipment £'000	Fixtures and fittings £'000	Total £'000
Cost					
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)
At 30 July 2022	**159**	**54,593**	**3,651**	**34,816**	**93,219**
Accumulated depreciation and impairment					
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)
At 30 July 2022	**103**	**43,861**	**3,069**	**28,110**	**75,143**
Net book amount					
At 30 July 2022	**56**	**10,732**	**582**	**6,706**	**18,076**
At 31 July 2021	59	11,626	708	5,988	18,381

	Freehold land and buildings £'000	Leasehold improvements £'000	Computer equipment £'000	Fixtures and fittings £'000	Total £'000
Cost					
At 26 July 2020	159	54,073	4,664	32,637	91,533
Additions	–	1,170	495	2,177	3,842
Disposals	–	(71)	(156)	(139)	(366)
At 31 July 2021	**159**	**55,172**	**5,003**	**34,675**	**95,009**
Accumulated depreciation and impairment					
At 26 July 2020	99	41,871	3,975	28,379	74,324
Charge for the year	3	2,505	547	925	3,980
Depreciation on disposals	–	(71)	(156)	(139)	(366)
Impairment reversal	(2)	(759)	(71)	(478)	(1,310)
At 31 July 2021	**100**	**43,546**	**4,295**	**28,687**	**76,628**
Net book amount					
At 31 July 2021	**59**	**11,626**	**708**	**5,988**	**18,381**
At 25 July 2020	60	12,202	689	4,258	17,209

12. Property, plant and equipment continued

The net book value of leasehold improvements is as follows:

	As at 30 July 2022 £'000	As at 31 July 2021 £'000
Short leaseholds (up to 25 years)	**10,681**	11,571
Long leaseholds (greater than 25 years)	**51**	55
	10,732	11,626

Impairment of property, plant and equipment

In the prior 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 31 July 2021 resulted in a reversal of £1,310,000 against property, plant and equipment and was recognised as an exceptional 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 30 July 2022 shows the following amounts relating to leases.

Right-of-use assets

	Leasehold property £'000	Motor vehicles £'000	Total £'000
Cost			
At 1 August 2021	138,802	6,602	145,404
Additions[1]	15,179	710	15,889
Disposals	(1,514)	(529)	(2,043)
At 30 July 2022	**152,467**	**6,783**	**159,250**
Accumulated depreciation			
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)
At 30 July 2022	**57,929**	**4,325**	**62,254**
Net book amount			
At 30 July 2022	**94,538**	**2,458**	**96,996**
At 31 July 2021	99,036	3,594	102,630
Cost			
At 26 July 2020	137,675	5,808	143,483
Additions[1]	1,127	1,221	2,348
Disposals	–	(427)	(427)
At 31 July 2021	**138,802**	**6,602**	**145,404**
Accumulated depreciation			
At 26 July 2020	23,478	1,506	24,984
Charge for the year	19,220	1,929	21,149
Depreciation on disposals	–	(427)	(427)
Impairment reversal (note 5)	(2,932)	–	(2,932)
At 31 July 2021	**39,766**	**3,008**	**42,774**
Net book amount			
At 31 July 2021	**99,036**	**3,594**	**102,630**
At 25 July 2020	114,197	4,302	118,499

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

13. Leases continued

Impairment of right-of-use assets

In the prior 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 31 July 2021 resulted in a reversal of £2,932,000 against right-of-use assets and was recognised as an exceptional 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 30 July 2022 £'000	As at 31 July 2021 £'000
Current	**19,721**	22,693
Non-current	**87,012**	93,368
	106,733	116,061

Maturity analysis – contractual undiscounted lease payments:

	As at 30 July 2022 £'000	As at 31 July 2021 £'000
Group		
Within one year	**22,971**	25,784
Within two to five years	**68,414**	72,591
After five years	**27,922**	29,101
Total undiscounted lease payments	**119,307**	127,476

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 £24,403,000 (2021: £25,609,000). During the year, the Group recognised £21,523,000 (2021: £21,149,000) of depreciation charges and £3,438,000 (2021: £3,741,000) 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.

14. Inventories

	As at 30 July 2022 £'000	As at 31 July 2021 £'000
Finished goods	**19,791**	17,328

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 £180,827,000 (2021: £164,795,000).

Inventories include a provision of £2,945,000 (2021: £3,213,000). Write-downs of inventories to net realisable value amounted to £931,000 (2021: £874,000). 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 30 July 2022 £'000	As at 31 July 2021 £'000
Trade receivables	**314**	808
Other receivables	**3,092**	1,859
Prepayments	**2,605**	2,280
	6,011	4,947

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 30 July 2022 £'000	As at 31 July 2021 £'000
Trade payables	**18,374**	15,369
Payments received on account	**25,540**	36,955
Other taxation and social security payable	**2,236**	6,175
Accruals	**11,178**	13,319
	57,328	71,818

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 30 July 2022 £'000	As at 31 July 2021 £'000
Opening deferred tax asset	**2,024**	722
Adjustments in respect of prior years	**64**	694
Adjustment to profit and loss account arising from the origination and reversal of temporary differences	**(243)**	608
Closing deferred tax asset	**1,845**	2,024

Deferred taxation has been fully recognised in respect of:

	As at 30 July 2022 £'000	As at 31 July 2021 £'000
Accelerated capital allowances	**(675)**	(407)
Losses	**1,463**	1,145
Other timing differences	**167**	477
Capital gains held over	**(30)**	(157)
Adjustment on initial application of IFRS 16	**920**	966
Closing deferred tax asset	**1,845**	2,024

The deferred tax assets include an amount of £1,464,000 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 of historic unused losses in the Group's none 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 30 July 2022.

18. Provisions

	Property obligations £'000	Total £'000
At 1 August 2021	1,643	1,643
Provisions made during the year	83	83
Provisions used during the year	(236)	(236)
Unwinding of discount	5	5
At 30 July 2022	**1,495**	**1,495**

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 30 July 2022 £'000	As at 31 July 2021 £'000
Current	**303**	488
Non-current	**1,192**	1,155
	1,495	1,643

19. Share capital and share premium

	Number of shares	Ordinary shares £'000	Share premium £'000	Capital redemption reserve £000
As at 1 August 2021	38,012,655	38	16	15
Cancellation of repurchased shares	(1,242,208)	(1)	–	1
At 30 July 2022	**36,770,447**	**37**	**16**	**16**

Authorised, allotted and fully paid share capital is 36,770,447 of £0.001 each (2021: 38,012,655 of £0.001 each).

During the year the Group acquired 1,242,208 ordinary shares at an average share price of 174.4p per ordinary share for a total consideration including associated fees of £2,201,000. Following this purchase, the ordinary shares purchased by the Group were cancelled, and the Group's issued share capital subsequently consists of 36,770,447 ordinary shares, each with one voting right.

20. Dividends

A final dividend for the year ended 31 July 2021 of 7.0p resulted in a payment of £2,659,000 which was made on 10 December 2021. It has been recognised in shareholders' equity in the year to 30 July 2022.

An interim dividend of 4.5p (2021: 3.0p) per ordinary share was declared by the Board on 22 March 2022 and resulted in a payment of £1,684,000 which was made on 12 May 2022. It has been recognised in shareholders' equity in the year to 30 July 2022.

During the year dividend equivalents were paid on the vesting of the 2020 LTIP totalling £100,000.

Given the strength of the Group's balance sheet coupled with the strong result for the year a final dividend of 9.0p has been proposed and, if approved, will be recorded within the financial statements for the year ended 29 July 2023.

21. 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 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) Unapproved market value options conditional on the IPO taking place (approved on 21 January 2015).

(iii) Performance-based £nil cost options granted on 17 October 2016. The performance condition was based on EPS as set out in the consolidated audited financial statements of the Group for the financial year ended 27 July 2019. As the EPS for the Group was higher than the minimum performance condition set, a proportion of these options were awarded as at 25 July 2020.

(iv) Performance-based £nil cost options granted on 16 October 2017. The performance condition was based on EPS as set out in the consolidated audited financial statements of the Group for the financial year ended 25 July 2020. As the EPS for the Group was lower than the minimum performance condition set, these options lapsed as at 31 July 2021.

(v) Performance-based £nil cost options granted on 15 October 2018. The performance condition was based on EPS as set out in the consolidated audited financial statements of the Group for the financial year ended 31 July 2021. As the EPS for the Group was higher than the minimum performance condition set, a proportion of these options were exercised as at 31 July 2021.

(vi) Performance-based £nil cost options granted on 14 October 2019. The performance condition is based on EPS as set out in the consolidated audited financial statements of the Group for the financial year ended 30 July 2022.

(vii) Performance-based £nil cost options granted on 12 October 2020. The performance condition is based on EPS as set out in the consolidated audited financial statements of the Group for the financial year ended 29 July 2023.

(viii) Performance-based £nil cost options granted on 18 October 2021. The performance condition is based on EPS as set out in the consolidated audited financial statements of the Group for the financial year ended 27 July 2024.

21. Share-based payments continued

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 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)		2020, 2021 and 2022 LTIP (Directors' awards)		LTIP (all awards)	
	Share awards	Average exercise price	Share awards	Average exercise price	Share awards	Average exercise price
Outstanding as at 26 July 2020	47,513	£1.75	1,551,302	£0.000001	1,598,815	£0.05
Granted	–	–	627,163	£0.000001	627,163	£0.000001
Lapsed	–	–	(452,004)	£0.000001	(452,004)	£0.000001
Forfeited	–	–	(319,047)	£0.000001	(319,047)	£0.000001
Exercised	(19,861)	£1.75	–	£0.000001	(19,861)	£1.75
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
Outstanding as at 30 July 2022	**4,880**	**£1.75**	**1,350,016**	**£0.000001**	**1,354,896**	**£0.006**
Exercisable at 30 July 2022	**4,880**	**£1.75**	**–**	**–**	**4,880**	**£1.75**
Exercisable at 31 July 2021	27,652	£1.75	–	–	27,652	£1.75
Weighted average remaining contractual life (months)	–	–	16	–	16	–
Weighted average share price at exercise	–	£1.75	–	–	–	£1.75

As at 30 July 2022, 430,567 of the outstanding LTIP share options relate to the 2020 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 86 to 87.

21. Share-based payments continued

Fair value of awards continued

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

	2015	2017	2018	2019	2020	2021	**2022**
Grant date	21 Jan 2015	17 Oct 2016	16 Oct 2017	15 Oct 2018	14 Oct 2019	12 Oct 2020	**18 Oct 2021**
Share price at grant date	£1.75	£1.83	£1.75	£2.23	£2.36	£2.00	**£2.63**
Exercise price	£1.75	£nil	£nil	£nil	£nil	£nil	**£nil**
Number of employees	6	6	8	8	7	6	**6**
Shares granted	68,659	474,125	554,141	672,848	562,340	627,163	**584,670**
Expected volatility	36.2%	–[1]	–[1]	–[1]	–[1]	–[1]	**–[1]**
Expected life (years)	5	3	3	3	3	3	**3**
Risk-free interest rate	1.06%	–[1]	–[1]	–[1]	–[1]	–[1]	**–[1]**
Expected dividend yield	8%	–[1]	–[1]	–[1]	–[1]	–[1]	**–[1]**
Fair value per share	£0.24	£1.83	£1.75	£2.23	£2.36	£2.00	**£2.63**
Actual/estimated vesting	100%	56%	0%	89%	48%	0%	**0%**

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 £153,000 (2021: £1,450,000) which is in relation to equity-settled share-based payment transactions. There are no liabilities arising from share-based payment transactions.

22. Capital commitments

Capital commitments contracted for but not provided amounted to £643,000 (2021: £nil).

23. 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 £353,000 (2021: £211,000) and are held in accruals.

24. 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, trade payables and lease liabilities 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 30 July 2022, the Group's cash balance totalled £70.8m, and £18.4m 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.

24. Financial instruments – risk management continued

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 lease liabilities (note 13), the Group had no financial liabilities within the scope of IFRS 9 as at 30 July 2022 (2021: £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.

25. 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.

26. 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.

27. Treasury reserve

	£'000
As at 26 July 2020	182
Purchase of own shares	410
Sale of treasury shares	(43)
As at 31 July 2021	**549**
Purchase of own shares	1,476
Sale of treasury shares	(51)
Issue of shares to employees	(1,293)
As at 30 July 2022	**681**

During the year, the Group's Employee Benefit Trust purchased a further 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 ordinary shares were used to satisfy management incentive awards.

As at 30 July 2022 the Group holds 327,663 of its own ordinary shares of 0.1 pence each in the Group at an average purchase price of 207.7 pence.

During the prior year, the Group's Employee Benefit Trust purchased 200,000 ordinary shares of 0.1 pence each in the Group at an average price of 204.4 pence per ordinary share, and 19,861 of these shares were used to satisfy management incentive awards. As at 31 July 2021 the Group held 257,414 of its own ordinary shares of 0.1 pence each in the Group at an average purchase price of 213.4 pence.

28. Net debt

	As at 30 July 2022 £'000	As at 31 July 2021 £'000
Cash and cash equivalents	**70,819**	87,650
Lease liabilities	**(106,733)**	(116,061)
Net debt	**(35,914)**	(28,411)

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 £116,061,000 to £106,733,000 was a result of £3,438,000 (2021: £3,741,000) interest charged, £28,630,000 (2021: £26,448,000) principal and interest repayments and lease modifications of £15,864,000 (2021: £2,348,000).

29. Prior year restatement

Accounting for the sale of warranty products

The Group adopted IFRS 15 in the year ending 27 July 2019 and at that time applied a judgement that the Group acted as the principal in transactions involving the sale of warranties. A key judgement was that ScS controls the warranty before it is provided to the customer given that ScS takes responsibly for the majority of the customers' purchasing process, including marketing the product and administering refunds, and has discretion to establish prices.

Following communication with the FRC (refer to the Audit Committee Report on page 80), the Directors have concluded that as the Group has no inventory risk associated with the warranty, and that the right to the warranty is created only when the warranty product is obtained by the customer (i.e. upon delivery of the furniture to which the warranty relates), it is appropriate for the Group to revise its judgement and conclude that it is acting as an agent in the sale of warranties. This change in accounting policy choice will allow for more relevant comparability with others in our industry.

The change in accounting policy has resulted in a prior year restatement, with gross sales, revenue and costs of sales being reduced by £5,335,000 in the consolidated statement of comprehensive income for the year ended 31 July 2021. This change results in revenue representing the net income receivable by the Group on the sale of warranties product.
The restatement did not result in any change to reported profit, earnings per share, cash flows or in the consolidated statement of financial position.

Classification of interest paid

In the prior year the Consolidated statement of cash flows presented interest paid of £439,000 within operating activities. This has been reclassified to within financing activities, consistent with the classification of interest paid on lease liabilities.

Company statement of financial position
As at 30 July 2022

	Note	As at 30 July 2022 £'000	As at 31 July 2021 £'000
Non-current assets			
Investments	5	**70,000**	70,000
Total non-current assets		**70,000**	70,000
Current assets			
Trade and other receivables	6	**32**	35
Deferred tax asset	7	**813**	442
Cash at bank and in hand		**–**	–
Total current assets		**845**	477
Total assets		**70,845**	70,477
Current liabilities			
Trade and other payables	8	**19,193**	14,196
Total current liabilities		**19,193**	14,196
Total liabilities		**19,193**	14,196
Capital and reserves			
Called-up share capital	9	**37**	38
Share premium account	9	**16**	16
Capital redemption reserve	9	**16**	15
Treasury share reserve	12	**(681)**	(549)
Retained earnings		**52,264**	56,761
Total shareholders' funds		**51,652**	56,281
Total equity		**51,652**	56,281
Total equity and liabilities		**70,845**	70,477

The notes on pages 134 to 136 form an integral part of these financial statements.

The total comprehensive income for the year included within the financial statements of the Company is £3,451,000 (2021: £176,000).

The financial statements on pages 131 to 136 were approved by the Board and authorised for issue on 10 October 2022 and signed on its behalf by:

Steve Carson
Chief Executive Officer

Company statement of changes in equity
For the year ended 30 July 2022

	Called-up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Treasury reserve £'000	Retained earnings £'000	Total equity £'000
At 26 July 2020	**38**	**16**	**15**	**(182)**	**57,726**	**57,613**
Profit and total comprehensive income	–	–	–	–	176	176
Purchase of treasury shares (note 12)	–	–	–	(410)	–	(410)
Sale of treasury shares (note 12)	–	–	–	43	(8)	35
Dividend paid (note 10)	–	–	–	–	(1,133)	(1,133)
At 31 July 2021	**38**	**16**	**15**	**(549)**	**56,761**	**56,281**
At 1 August 2021	**38**	**16**	**15**	**(549)**	**56,761**	**56,281**
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)
At 30 July 2022	**37**	**16**	**16**	**(681)**	**52,264**	**51,652**

Company statement of cash flows
For the year ended 30 July 2022

	Note	**52 weeks ended 30 July 2022 £'000**	53 weeks ended 31 July 2021 £'000
Cash flows from operating activities			
Profit/(loss) before taxation		**3,080**	(117)
Changes in working capital:			
Decrease/(increase) in trade and other receivables	6	**3**	(8)
Increase in trade and other payables	8	**4,997**	1,633
Cash generated from operations		**8,080**	1,508
Net cash flow generated from operating activities		**8,080**	1,508
Net cash flow used in investing activities		**–**	–
Cash flows used in financing activities			
Dividends paid	10	**(4,443)**	(1,133)
Purchase of own shares		**(3,677)**	(410)
Sales of own shares		**40**	35
Net cash flow used in financing activities		**(8,080)**	(1,508)
Net increase in cash and cash equivalents		**–**	–
Cash and cash equivalents at beginning of year		**–**	–
Cash and cash equivalents at end of year		**–**	–

Notes to the company financial statements For the year ended 30 July 2022

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 statement 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.

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.

Carrying value of the investment
Management have 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 use 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.

Capital management
The Company follows the same capital management as the Group – see page 129 in the Group financial statements.

New standards, amendments and interpretations
For the latest amendments and interpretations, please refer to page 114 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.

2. Accounting policies continued

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 included in the balance sheet as treasury shares 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.

Taxation

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

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 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 £3,451,000 (2021: £176,000).

4. Directors' emoluments

No Executive Directors received any remuneration for their services to the Company (2021: £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 pages 84 to 97.

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

5. Investments

	Subsidiary undertaking £'000
Cost and net book value	
At 31 July 2021 and 30 July 2022	70,000

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

Name	Principal activity	Class of shares held	% of holdings
Parlour Product Topco Limited	Holding company	Ordinary	100%
Held by subsidiary undertakings			
Parlour Product Holding Limited	Holding company	Ordinary	100%
A. Share & Sons Limited	Specialist retailer of upholstered furniture	Ordinary	100%
ScS Furnishings Limited	Dormant company	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.

6. Trade and other receivables

	As at 30 July 2022 £'000	As at 31 July 2021 £'000
Prepayments	**32**	35

Notes to the company financial statements continued

7. Deferred tax asset

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

	As at 30 July 2022 £'000	As at 31 July 2021 £'000
Opening deferred tax asset	**442**	149
Credited to profit and loss account arising from the origination and reversal of temporary differences	**371**	293
Closing deferred tax asset	**813**	442

Deferred taxation has been fully recognised in respect of:

	As at 30 July 2022 £'000	As at 31 July 2021 £'000
Losses	**813**	442
Closing deferred tax asset	**813**	442

8. Trade and other payables

	As at 30 July 2022 £'000	As at 31 July 2021 £'000
Amounts owed to Group undertakings	**18,785**	13,906
Accruals and deferred income	**408**	290
	19,193	14,196

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
As at 1 August 2021	38,012,655	38	16	15
Cancellation of repurchased shares	(1,242,208)	(1)	–	1
At 30 July 2022	**36,770,447**	**37**	**16**	**16**

Authorised, allotted and fully paid share capital is 36,770,447 of £0.001 each (2021: 38,012,655 of £0.001 each).

During the year the Group acquired 1,242,208 ordinary shares at an average share price of 174.4p per ordinary share for a total consideration including associated fees of £2,201,000. Following this purchase, the ordinary shares purchased by the Group were cancelled, and the Group's issued share capital subsequently consists of 36,770,447 ordinary shares, each with one voting right.

10. Dividends

A final dividend for the year ended 31 July 2021 of 7.0p resulted in a payment of £2,659,000 which was made on 10 December 2021. It has been recognised in shareholders' equity in the year to 30 July 2022.

An interim dividend of 4.5p (2021: 3.0p) per ordinary share was declared by the Board on 22 March 2022 and resulted in a payment of £1,684,000 which was made on 12 May 2022. It has been recognised in shareholders' equity in the year to 30 July 2022.

During the year dividend equivalents were paid on the vesting of the 2020 LTIP totalling £100,000.

Given the strength of the Group's balance sheet coupled with the strong result for the year a final dividend of 9.0p has been proposed and, if approved, will be recorded within the financial statements for the year ended 29 July 2023.

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 24 of the Group financial statements.

12. Treasury share reserve

Details of the Company's share capital and share buybacks are given in note 27 of the Group financial statements.