For Immediate Release **19 March 2019**

ScS Group plc
("ScS" or the "Group")

Interim results for the 26 weeks ended 26 January 2019

CONTINUED PROFITABLE GROWTH IN AN UNCERTAIN RETAIL ENVIRONMENT

ScS, one of the UK's largest retailers of upholstered furniture and floorings, is pleased to announce its interim results for the 26 weeks ended 26 January 2019.

Financial Highlights:

- Gross sales up 1.2% to £159.2m (2018: £157.4m)
- Revenue up 1.1% to £151.4m (2018: £149.9m)
- Gross profit increased 1.5% to £71.5m (2018: £70.4m)
- Gross margin improved to 44.9% (2018: 44.7%)
- Underlying EBITDA from continuing operations improved by £0.3m to £3.4m (2018: £3.1m)
- Underlying operating profit improved by £0.3m to £0.8m (2018: £0.5m)
- Operating profit from continuing operations of £0.4m (2018: £0.5m)
- Underlying earnings per share of 2.2p (2018: 0.1p)
- Statutory earnings per share of 0.4p (2018: 0.1p)
- Strong cash inflow from operating activities of £20.7m (2018: £18.2m)
- Strong balance sheet with cash of £62.5m (2018: £51.8m)
- Interim dividend increased 3.8% to 5.50p per share (2018: 5.30p per share)

Operational Highlights:

- Like-for-like order intake up 1.5%
- Two year like-for-like order intake up 4.5%
- Continued investment in our e-commerce offering has seen online sales increase 30.0% to £7.8m (2018: £6.0m)
- 5 star "Excellent" rating maintained on Trustpilot with over 135,000 reviews
- Completed successful refurbishments of flooring department in every store
- Implementation of technology for delivery and upholstery teams, further enhancing our customer experience
- Orderly exit from House of Fraser concessions completed in January 2019

Current trading and outlook:

- Order intake up 2.9% on a like-for-like basis for the 33 weeks to 16 March 2019
- Year to date trading in line with the Board's expectations

David Knight, Chief Executive Officer of ScS, commented:

"The Group continues to deliver profitable growth whilst increasing its resilience. The Board is pleased with the Group's year to date trading, which is in line with its expectations. For the 33 weeks ended 16 March 2019, the Group achieved like-for-like order intake growth of 2.9% and two-year like-for-like order intake growth of 4.6%. Our focus on providing excellent choice, value and quality for our customers, coupled with our commitment to delivering against our strategic priorities, continues to prove successful.

The retail market continues to suffer in the midst of the uncertain economic and political environment. We therefore expect the trading environment to continue to remain challenging in the short to medium term, although the Board is confident that the Group is well positioned to maximise opportunities as they arise."

Enquiries:

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Investor and Analyst Meeting

A meeting for analysts will be held at the office of Buchanan, 107 Cheapside, London, EC2V 6DN on 19 March 2019 commencing at 9am. ScS Group plc's Interim Results 2019 are available at www.scsplc.co.uk

A live audio webcast will be available for streaming at 9am via the following link:
http://webcasting.buchanan.uk.com/broadcast/5c6bc16be6e1d92d38f4ed0f
Following the presentation a replay will be available from midday via the same link.

Notes to Editors

ScS is one of the UK's largest retailers of upholstered furniture and floorings, promoting itself as the "Sofa Carpet Specialist", seeking to offer value and choice through a wide range of upholstered furniture and flooring products. The Group's product range is designed to appeal to a broad customer base with a mid-market priced offering and is currently traded from 100 stores.

The Group's upholstered furniture business specialises primarily in fabric and leather sofas and chairs. ScS sells a range of branded products which are not sold under registered trademarks and a range of branded products which are sold under registered trademarks owned by ScS (such as Endurance and SiSi Italia). The Group also offers a range of third party brands (which include La-Z-Boy and G Plan). The Group's flooring business includes carpets, as well as laminate and vinyl flooring.

BUSINESS REVIEW

The Group continues to deliver against its strategy for growth, with further progress seen in the 26 weeks ended 26 January 2019, resulting in the Group trading in line with the Board's expectations.

Performance

The Group achieved like-for-like order intake growth from continuing operations of 1.5% for the first half of the financial year, with two year like-for-like order intake growth of 4.5%. Trading over the key winter sales period, whilst impacted, as expected, by the loss of one trading day in the week of Boxing Day, was also in line with the Board's expectations.

Together with order intake growth, the business continues to deliver increases in revenue, gross profit and profit margins. Total gross sales grew from £157.4m to £159.2m, an increase of 1.2%, and gross profit improved from £70.4m to £71.5m, an increase of 1.5%. Gross margin increased from 44.7% to 44.9%.

Further efficiencies and cost management resulted in a reduction in operating costs as a percentage of revenue. Total administrative expenses before exceptionals increased 0.6% from £61.8m to £62.1m.

Financial and strategic objectives

The Company continues to pursue the same key objectives:

- Deliver profitable and sustainable growth;
- Improve the quality of earnings;
- Improve business resilience through the economic cycle, and
- Increase shareholder returns.

These objectives are underpinned by the Group's strategic priorities, as published in its 2018 Annual Report.

Building and inspiring an outstanding team

The first half of the financial year has seen continued progress in our efforts to ensure our people remain our key strength. The Group has already started to benefit from the fresh insight and experience brought to the Board by the new HR and Commercial Directors appointed in the first half of the year. Our primary focus is on how we improve the recruitment, retention, reward and development of our people. Our new 'mobile first' recruitment website and supporting applicant tracking systems are now fully operational, and already proving successful, helping strengthen our ability to attract and manage candidates throughout the recruitment process.

As noted at the year end, the Group saw good progress in the results from its 2018 employee culture survey results. The survey provided further valuable insight and generated deliverable actions, which will improve day-to-day performance and wellbeing.

The Group continues to see an increase in staff retention rates, up 4.7% in the period when compared to the position at the end of January 2018.

Delivering an exceptional customer experience

The Group's key measure of success in delivering customer experience is its Trustpilot rating. We are very proud of our 5-star 'Excellent' score and we actively share this feedback in-store, on TV advertising, in newspapers and online. It gives new and returning customers assurance that they can expect to receive an excellent experience when shopping with us.

Our Trustpilot rating is a testament to the continued work and efforts of our in-store staff, customer services advisors and our delivery teams. A highlight of the first half of the 2019 financial year has been the significant increase in the number of reviews. Despite only recently celebrating being one of a handful of businesses in the UK to have achieved over 100,000 reviews, we have since had over 35,000 more reviews in the first half of 2019. This highlights our ongoing focus and drive to gather further customer insight on the sale and delivery process so we can continue to improve our offering.

The start of 2019 has also seen the roll-out of mobile technology to ensure that the customer receives an excellent experience dealing with our delivery and aftercare teams, whilst also improving the Group’s efficiency. The benefits include instantaneous smart route optimization, shorter service wait times, delivery tracking notifications for our customers and the electronic capture of key information such as photographs and e-signatures to improve the quality and transfer of information.

Optimising our product strategy

More than ever before, we are working with our suppliers to improve our ability to give our customers outstanding value, quality and choice. We have improved the quality of information tracked on a per-supplier basis, and we share this as part of our ongoing supplier meetings. Progress has been seen in this area with a reduction in customer queries received post-delivery of 1.7% in the period (when compared to the same period last year), and a 13% improvement in the scheduling of inbound deliveries.

Driving sales densities in our ScS network

The big-ticket and tactile nature of our product offering, and therefore the customers desire to come in-store and try before they buy, means in-store sales remain the most significant element of the Group’s business, making up 95.1% (2018: 96.2%) of the Group’s gross sales. We also know that a proportion of our online sales are completed after the customer has visited a store and conversely, where the customer has started their journey online and visited a store to complete their order.

In-store gross furniture sales fell 0.2% to £129.8m against the same period in the prior year, although our continued progress with flooring meant in-store sales increased 1.4% to £21.6m. Sales density per square foot at our ScS stores for the period grew slightly to £109 (2018: £108).

Average furniture order values fell 4.2% in the year to £1,543 (2018: £1,610), driven by our change in product mix, where we continue to focus on the value end of the market and achieve a lower promotional price point. The strategy has proved successful, as despite a lower average order value, we have increased our gross margin.

The Group continues to review a number of potential new store locations across the UK, where we feel there are opportunities for expansion with the right level of return on investment. We have also identified a small number of our current stores where we would consider a relocation or exit should the opportunity arise.

Creating a market leading website and digital awareness

Our online sales channel continues to be the fastest growing area of the business, with gross sales in the period increasing 30.0% to £7.8m (2018: £6.0m). We continue to invest in this area, strengthening our e-commerce team, online marketing and website development, and the Group is pleased to see the positive impact it has had on its performance. Website visitor traffic has continued to rise, and whilst we’ve identified that this is largely due to customers researching products prior to visiting a store, our strong performance demonstrates an ever increasing number of customers are confident to make purchases online. Although average online order value is still below that achieved in-store, this has also increased compared to the same period last year.

As we outlined in our 2018 Annual Report, we have committed to the re-platforming of our website, and work on this project has commenced. We continue to work closely with our partners to improve the customer’s online experience through increased speed, functionality, look and feel, particularly on mobile devices.

Accelerating our flooring growth

2018 was a very successful period for the business in flooring, and we are proud to have been awarded the coveted “Best Flooring Retailer 2018” from Interiors Monthly, a leading industry magazine. The current period has shown further growth, with in-store sales rising 1.4% to £21.6m (2018: £21.3m). Flooring order values have risen 3.1% to £697 (2018: £676).

We have completed a total refurbishment of the flooring departments in every store, modernising the look and feel and improving point of sale. We have also reviewed and refined the flooring products we sell. To further enhance the customer experience, work has commenced on improving the quality of the teams our customers interact with. We are confident our offering and market share can continue to grow in the medium and longer term.

Improving our profitability

Increasing the Group's profits, margins and resilience, whilst maintaining a flexible cost base, is a key focus. The Group again improved on its key profitability measures, which saw the gross profit margin increase to 44.9% (2018: 44.7%) and the underlying EBITDA margin increase to 2.2% (2018: 1.9%). The increases in profit margins were achieved despite a reduction in our overall average order value, which was mainly driven by an increased offering at the lower end of our price points.

Whilst the Group is pleased that its long established relationships with suppliers, successful procurement procedures and proactive tender programmes continue to ensure costs are minimised, we remain conscious of the potential headwinds to this. Current pressures on interest rates have recently increased the cost of providing our customers with interest-free finance. This is a key part of our offering, with approximately half of our customers taking up this option, and this will therefore impact orders delivered and gross margins in the second half of the year. As a result, the Group expects that margins in the second half of the year will be similar to those achieved in the first half of the prior year.

We are mindful of the risk from the elevated political and economic uncertainty that currently exists, and we continue to build our resilience, to put our business in a strong position and manage any impact on both our customers and suppliers.

House of Fraser concessions

As announced on 25 October 2018, the Group ceased trading from its 27 concessions within House of Fraser at the end of January 2019 following House of Fraser entering into administration on 10 August 2018, and the subsequent purchase of its trade and assets by Sports Direct International plc.

The Group successfully managed to retain and fulfil many of the orders in the pre-administration order book. This, combined with strong stock management, ensured a limited impact on the Group's overall result.

We would like to take this opportunity to thank all of our colleagues who have worked in our House of Fraser concessions for their dedication and hard work.

Current trading and outlook

The Group continues to deliver profitable growth whilst increasing its resilience. The Board is pleased with the Group's year to date trading, which is in line with its expectations. For the 33 weeks ended 16 March 2019, the Group achieved like-for-like order intake growth of 2.9% and two-year like-for-like order intake growth of 4.6%. Our focus on providing excellent choice, value and quality for our customers, coupled with our commitment to delivering against our strategic priorities, continues to prove successful.

The retail market continues to suffer in the midst of the uncertain economic and political environment. We therefore expect the trading environment to continue to remain challenging in the short to medium term, although the Board is confident that the Group is well positioned to maximise opportunities as they arise.

FINANCIAL REVIEW

	26 weeks ended 26 January 2019 £m	*Restated 26 weeks ended 27 January 2018 £m	*Restated 52 weeks ended 28 July 2018 £m
Gross sales	159.2	157.4	327.5
Revenue	151.4	149.9	312.8
Gross profit	**71.5**	**70.4**	**147.2**
Distribution costs	(8.6)	(8.1)	(16.8)
Administration expenses before exceptionals	(62.1)	(61.8)	(116.7)
Total operating expenses	(70.7)	(69.9)	(133.5)
Underlying operating profit	**0.8**	**0.5**	**13.7**
Net finance income/(expense)	0.1	(0.1)	-
Exceptional items	(0.4)	-	-
Profit before tax from continuing operations	**0.5**	**0.4**	**13.7**
Tax	(0.2)	(0.2)	(2.7)
Profit after tax from continuing operations	**0.3**	**0.2**	**11.0**
Loss from discontinued operation	(0.1)	(0.2)	(0.3)
Profit after tax for the period	**0.2**	**-**	**10.7**
Underlying EBITDA from continuing operations	**3.4**	**3.1**	**19.1**

*****Results above have been restated to show continuing operations, following the presentation of the House of Fraser concession business as discontinued.

Gross sales and revenue

Gross sales increased by £1.8m (1.2%) to £159.2m (2018: £157.4m) and is attributable to:

- A decrease in upholstered furniture sales in ScS stores of 0.2% to £129.8m (2018: £130.1m);
- An increase in flooring sales in ScS stores of 1.4% to £21.6m (2018: £21.3m), and
- An increase in online sales of 30.0% to £7.8m (2018: £6.0m).

Revenue, which represents gross sales less charges relating to interest free credit sales (see note 5 – Segmental Information), increased by 1.1% to £151.4m (2018: £149.9m).

House of Fraser gross sales of £7.3m (2018: £11.0m) form part of the result from the discontinued operations (see note 15).

Gross profit

The gross profit increase of £1.0m, or 1.5%, has been driven both by the increases in the volume noted above, and by an increase in gross margin.

Gross margin (gross profit as a percentage of gross sales) increased to 44.9% (2018: 44.7%). This increase of 13 basis points has benefitted from an improvement in the quality of selling in our stores and an increased margin on stock sales.

Movements in LIBOR mean that the cost of providing our customers with interest-free finance will increase and negatively impact margin in the second half of the year. Consequently, the Group expects that margins in the second half of the year will be similar to those achieved in the first half of the prior year.

Distribution costs

Distribution costs comprise the total cost of the in-house distribution function and includes employment costs, the cost of leasing vehicles and related running costs and property costs (principally rent, rates and utilities) for the nine distribution centres, as well as costs of third party delivery services contracted to support peak delivery periods.

Distribution costs increased 5.5% to £8.6m in the period (2018: £8.1m). Whilst we have seen some property and staffing cost pressure, the main reason for the increase in the period was the volume of orders delivered. As a percentage of revenue for the period, distribution costs were 5.7%, an increase of 0.3% over the same period in the prior year.

Administrative expenses before exceptionals

Administrative expenses comprise:

- Store operating costs, principally employment costs, property related costs (rent and rates, utilities, store repairs and depreciation);
- Marketing expenditure; and
- General administrative expenditure, which includes the employment costs for the directors, senior management and all head office-based support functions and other central costs.

Administration expenses for the period totalled £62.1m, compared to £61.8m in the prior period. Administration expenses as a percentage of revenue were 41.0%, compared to 41.2% in the prior period.

The increase in expenses of £0.3m was driven by the following:

- A £0.4m increase in payroll costs, reflecting an increase in basic pay levels (including the impact of the increased minimum wage), a reduction in our vacancy rate, and the increased cost of pension contributions due to auto-enrollment, offset by reduced performance related pay;
- A £0.2m increase in marketing spend, and
- A reduction in property and other costs of £0.3m.

The control of costs remains a key focus area as does increasing the level of flexibility in our cost base.

Flexible costs

The nature of the Group's business model, where almost all sales are made to order, results in the majority of costs being proportional to sales. This provides the Group with the ability to flex its cost base as revenue changes, protecting the business should there be wider economic pressures. As shown below, the proportion of cost variability remained consistent year-on-year.

Total costs before interest, tax, depreciation and amortisation for the year were £155.8m (2018: £154.3m).

Of this total, 75% (2018: 75%), or £117.6m (2018: £116.5m), are variable or discretionary, and are made up of:

- £87.8m cost of goods sold, including finance and warranty costs (2018: £87.0m);
- £8.6m distribution costs (2018: £8.1m);
- £14.3m marketing costs (2018: £14.1m), and
- £6.9m performance related payroll costs (2018: £7.3m).

Semi-variable costs totalled £20.0m, or 13% of total costs, for the year (2018: £19.4m; 13%) and are predominantly other non-performance related payroll costs and store costs. Rent, rates, heating, and lighting make up the remaining £18.2m (12%) of total costs (2018: £18.4m; 12%).

The Group has continued to reduce the average remaining lease tenure of its store portfolio. This has been achieved by targeting lower tenures on existing lease renewals and on new stores, and provides the Group with increased flexibility to exit or relocate stores where required. The majority of recent leases entered into are 10 years in length. Average remaining tenure length for the Group has dropped from 8.4 years at the end of FY16 to 6.3 years at the end of HY19 (FY18: 6.8 years; FY17: 7.6 years).

Underlying operating profit

The operating profit before exceptional costs was £0.8m for the first half of the financial year, compared to an operating profit of £0.5m for the same period last year, driven by the increased gross margin, partially offset by the increased distribution and administrative expenses.

Underlying EBITDA from continuing operations

An analysis of underlying EBITDA is as follows:

	26 weeks ended 26 January 2019	Restated 26 weeks ended 27 January 2018	Restated 52 weeks ended 28 July 2018
	£m	£m	£m
Underlying operating profit from continuing operations	0.8	0.5	13.7
Depreciation and amortisation	2.6	2.6	5.4
Underlying EBITDA from continuing operations	**3.4**	**3.1**	**19.1**
Exceptional costs	(0.3)	-	-
EBITDA from continuing operations	**3.1**	**3.1**	**19.1**

Exceptional costs

Exceptional costs relate to the unrealised acquisition of Sofa.com. As announced in January 2019, the Group was in discussions regarding a potential acquisition of the business and assets of Sofa.com Limited. Ultimately this transaction did not occur, and the professional fees relating to the due diligence conducted have been classified as exceptional for the purposes of providing relevant comparative information.

Discontinued operations

As announced on the 25 October 2018, the Group ceased trading from its 27 concessions within House of Fraser at the end of January 2019 following House of Fraser's administration on 10 August 2018, and the subsequent purchase of its trade and assets by Sports Direct International plc.

As a consequence of ceasing to trade through the House of Fraser concession, the associated revenue and costs have been shown separately as a discontinued operation within the results contained in this interim statement, and prior year comparatives have been restated to show only the continuing ScS business. As the results in note 15 show, for the 26 weeks ended 26 January 2019, the operation made an underlying EBITDA profit of £0.4m, before exceptional items of £0.4m. The same period in the prior year resulted in an EBITDA loss of £0.2m, and for the full financial year 2018, the operation generated an EBITDA loss of £0.3m. The full year loss was impacted by the Group reviewing the recoverability of monies owed from the House of Fraser business that went in to administration and by a review of the carrying value of stock in House of Fraser in light of the trading issues it was facing at the time.

The underlying EBITDA generated in the current period was largely as a consequence of the success of the Group to retain and fulfil many of the orders in the pre-administration order book and the timing benefit of delivering orders without the associated advertising expense which would usually support future deliveries.

Taxation

The tax charge is higher than if the standard rate of corporation tax had been applied, mainly due to charges not deductible for tax purposes, principally the exceptional professional fees, share based payment charge, and depreciation on capital expenditure that does not qualify for capital allowances.

Cash and cash equivalents

A strong cash flow has been generated from operations reflecting the negative working capital business model whereby:

- For cash/card sales, customers pay deposits at the point of order and settle outstanding balances before delivery;
- For consumer credit sales, the loan provider pays ScS within two working days of delivery, and
- The majority of product suppliers are paid at the end of the month following the month of delivery into the distribution centres.

A summary of the Group's cash flows is shown below:

	26 weeks ended 26 January 2019	26 weeks ended 27 January 2018	52 weeks ended 28 July 2018
	£m	£m	£m
Cash generated from operating activities	22.0	19.7	21.0
Net capital expenditure	(2.2)	(1.5)	(2.9)
Net taxation and interest payments	(1.0)	(1.5)	(2.9)
Free cash flow	18.8	16.7	15.2
Dividends	(4.4)	(3.9)	(6.0)
Purchase of own shares	-	(1.1)	(1.2)
Net cash generated	14.4	11.7	8.0

Cash generated from operating activities increased in comparison to the same period last year due to an increase in the working capital inflow caused by a reduction in stock as a result of the closure of the House of Fraser concessions. Net capital expenditure in the period includes the flooring department refurbishments and the deployment of new mobile technology.

Dividend

The Group has continued to generate strong cash flows, deliver growth and build a balance sheet of increasing resilience. The Board is confident the Group can build on its strong performance to date and create sustainable value for its shareholders. As a consequence, the Board is pleased to announce a further increase in the interim dividend, to 5.50p per ordinary share (2018: 5.30p). This reflects an anticipated one third and two thirds split between the interim and final dividend respectively. Going forward, the Group will target earnings per share cover in the range of 1.25x to 2.00x, and cash cover in the range of 1.75x to 2.25x through the economic cycle.

This dividend will be payable on 9 May 2019 to shareholders on the register on 23 April 2019. The ex-dividend date is 18 April 2019.

Principal risks and uncertainties

Save as set out below, the principle risks and uncertainties which the group faces are unchanged from those detailed on pages 30 to 33 of the Annual Report for 2018, which is dated 1 October and is available from the ScS Group plc website.

The Board considers that the uncertainty around the UK's withdrawal from the EU has increased and has sought to mitigate this risk by working closely with suppliers to ensure that they have contingency plans in place. Notwithstanding this, the Group could face reduced demand leading to lower sales, exchange rate fluctuations leading to increased costs and border delays affecting lead times.

David Knight
Chief Executive Officer
19 March 2019

STATEMENT OF DIRECTORS RESPONSIBILITIES

The directors confirm that these condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first 26 weeks and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining 26 weeks of the financial year; and
- material related-party transactions in the first 26 weeks and any material changes in the related-party transactions described in the last annual report.

The directors of ScS Group plc are listed on pages 42 and 43 of the Annual Report 2018 dated 1 October 2018.

A list of current directors is maintained on the ScS Group plc website: www.scsplc.co.uk.

By order of the Board

Chris Muir
Company Secretary
19 March 2019

Independent review report to ScS Group plc

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed ScS Group plc's condensed consolidated interim financial statements (the "interim financial statements") in the Interim Results of ScS Group plc for the 26 week period ended 26 January 2019. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the condensed consolidated balance sheet as at 26 January 2019;
- the condensed consolidated statement of comprehensive income for the period then ended;
- the condensed consolidated cash flow statement for the period then ended;
- the condensed consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the condensed consolidated financial statements.

The interim financial statements included in the Interim Results have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Interim Results, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Interim Results in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the Interim Results based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Interim Results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
Newcastle upon Tyne
19 March 2019

a) The maintenance and integrity of the ScS Group plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim financial statements since they were initially presented on the website.

b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

ScS Group plc

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Unaudited 26 weeks ended 26 January 2019	Restated Unaudited 26 weeks ended 27 January 2018	Restated Audited 52 weeks ended 28 July 2018
		£'000	£'000	£'000
Gross Sales	5	159,203	157,375	327,465
Revenue	5	151,442	149,855	312,828
Cost of sales		(79,992)	(79,436)	(165,590)
Gross profit		**71,450**	**70,419**	**147,238**
Distribution costs		(8,564)	(8,118)	(16,879)
Administrative expenses		(62,475)	(61,779)	(116,691)
Operating profit		411	522	13,668
Analysed as:				
Underlying operating profit		**763**	**522**	**13,668**
Exceptional items	6	(352)	-	-
Operating profit		411	522	13,668
Finance costs		(48)	(188)	(228)
Finance income		182	80	205
Net finance income/(costs)		**134**	**(108)**	**(23)**
Profit before taxation		**545**	**414**	**13,645**
Taxation	10	(260)	(193)	(2,622)
Profit from continuing operations		**285**	**221**	**11,023**
Loss from discontinued operations	15	(121)	(180)	(345)
Profit for the period		**164**	**41**	**10,678**
Attributable to:				
Owners of the parent		164	41	10,678
Profit attributable and total comprehensive income for the period		**164**	**41**	**10,678**
Underlying earnings per share:				
Basic earnings per share (pence)	11	2.2p	0.1p	26.8p
Diluted earnings per share (pence)	11	2.1p	0.1p	26.0p
Statutory earnings per share:				
Basic earnings per share (pence)	11	0.4p	0.1p	26.8p
Diluted earnings per share (pence)	11	0.4p	0.1p	26.0p

There are no other sources of comprehensive income.

The results above have been restated to show continuing operations, following the presentation of the House of Fraser concession business as discontinued (see note 15).

ScS Group plc

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent						
	Share capital	Share premium	Capital redemption reserve	Merger reserve	Treasury shares	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 30 July 2017	**40**	**16**	**13**	**25,511**	**-**	**7,699**	**33,279**
Profit for the period	-	-	-	-	-	41	41
Share-based payment expense	-	-	-	-	-	415	415
Treasury shares (note 14)	-	-	-	-	(661)	(447)	(1,108)
Dividend paid	-	-	-	-	-	(3,921)	(3,921)
Balance at 27 January 2018	**40**	**16**	**13**	**25,511**	**(661)**	**3,787**	**28,706**
Balance at 28 January 2018	**40**	**16**	**13**	**25,511**	**(661)**	**3,787**	**28,706**
Profit for the period	-	-	-	-	-	10,637	10,637
Share-based payment expense	-	-	-	-	-	127	127
Treasury shares (note 14)					393	(450)	(57)
Dividend paid	-	-	-	-	-	(2,111)	(2,111)
Balance at 28 July 2018	**40**	**16**	**13**	**25,511**	**(268)**	**11,990**	**37,302**
Balance at 29 July 2018	**40**	**16**	**13**	**25,511**	**(268)**	**11,990**	**37,302**
Profit for the period	-	-	-	-	-	164	164
Share-based payment expense	-	-	-	-	-	139	139
Treasury shares (note 14)	-	-	-	-	91	(91)	-
Dividend paid	-	-	-	-	-	(4,349)	(4,349)
Balance at 26 January 2019	**40**	**16**	**13**	**25,511**	**(177)**	**7,853**	**33,256**

ScS Group plc

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited as at 26 January 2019	Unaudited as at 27 January 2018	Audited as at 28 July 2018
		£'000	£'000	£'000
Non-current assets				
Intangible assets		1,235	808	1,151
Property, plant and equipment		20,286	22,906	21,450
Total non-current assets		21,521	23,714	22,601
Current assets				
Inventories		19,230	23,423	21,865
Trade and other receivables		7,385	9,537	8,536
Cash and cash equivalents		62,518	51,840	48,162
Total current assets		89,133	84,800	78,563
Total assets		**110,654**	**108,514**	**101,164**
Current liabilities				
Current income tax liabilities		872	1,091	1,650
Trade and other payables	12	69,324	70,972	54,566
Total current liabilities		70,196	72,063	56,216
Non-current liabilities				
Trade and other payables		6,721	7,328	7,001
Deferred tax liability		481	417	645
Total non-current liabilities		7,202	7,745	7,646
Total liabilities		77,398	79,808	63,862
Capital and reserves attributable to the owners of the parent				
Share capital		40	40	40
Share premium		16	16	16
Capital redemption reserve		13	13	13
Merger reserve		25,511	25,511	25,511
Treasury shares	14	(177)	(661)	(268)
Retained earnings		7,853	3,787	11,990
Equity attributable to the owners of the parent		33,256	28,706	37,302
Total equity		33,256	28,706	37,302
Total equity and liabilities		**110,654**	**108,514**	**101,164**

ScS Group plc

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited 26 weeks ended 26 January 2019	Restated unaudited 26 weeks ended 27 January 2018	Restated audited 52 weeks ended 28 July 2018
Cash flows from operating activities	£'000	£'000	£'000
Profit before taxation	545	414	13,645
Adjustments for:			
Loss from discontinued operations before tax (note 15)	(149)	(222)	(426)
Depreciation of property plant and equipment	2,618	2,185	5,035
Amortisation of intangible assets	149	373	518
Share-based payments	139	415	542
Finance costs	48	187	228
Finance income	(182)	(80)	(205)
	3,168	3,272	19,337
Changes in working capital:			
Decrease/(Increase) in inventories	2,635	(1,339)	219
Decrease in trade and other receivables	1,150	161	1,163
Increase in trade and other payables	15,005	17,598	314
Cash generated from operating activities	21,958	19,692	21,033
Interest paid	(48)	(188)	(228)
Income taxes paid	(1,174)	(1,300)	(2,896)
Net cash flow generated from operating activities	20,736	18,204	17,909
Cash flows from investing activities			
Purchase of property, plant and equipment	(1,962)	(1,462)	(2,306)
Payments to acquire intangible assets	(251)	(79)	(575)
Interest received	182	80	205
Net cash outflow from investing activities	(2,031)	(1,461)	(2,676)
Cash flows from financing activities			
Dividends paid	(4,349)	(3,921)	(6,032)
Purchase of own shares (note 14)	-	(1,108)	(1,165)
Net cash flow used in financing activities	(4,349)	(5,029)	(7,197)
Net increase in cash and cash equivalents	14,356	11,714	8,036
Cash and cash equivalents at beginning of period	48,162	40,126	40,126
Cash and cash equivalents at end of period	**62,518**	**51,840**	**48,162**

Notes to the unaudited condensed consolidated financial statements

1. **General information**

ScS Group plc (the “Company”) is incorporated and domiciled in the UK (Company registration number 03263435). The address of the registered office is 45-49 Villiers Street, Sunderland, SR1 1HA. The principal activity of the Company and its subsidiaries (the “Group”) is the provision of upholstered furniture and flooring, trading under the name ScS.

The 2018 audited financial statements for the Group have been filed with Companies House.

2. **Basis of preparation**

This interim report has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority (previously the Financial Services Authority) and IAS 34 "Interim Financial Reporting" as adopted by the European Union. The financial reporting framework used is the same as that of the full annual financial statements of the Group, being the International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The condensed consolidated financial statements for the 26 weeks ended 26 January 2019 should be read in conjunction with the Annual Report 2018 dated 1 October 2018 (the “Annual Report 2018”).

The report of the auditors for the financial statements for the 52 weeks ended 28 July 2018, included in the Annual Report 2018, was unqualified, did not contain an emphasis of matter paragraph and did not include a statement under Section 498 of the Companies Act 2006.

The Group's interim condensed consolidated financial information is not audited and does not constitute statutory financial statements as defined in Section 434 of the Companies Act 2006.

These condensed interim financial statements were approved for issue on 19 March 2019.

3. **Going concern**

The Group generates strong cash flows, reflecting the negative working capital requirements of the business model. In addition, the Group continues to build a strong cash position and has a committed £12m revolving credit facility in place. The Group’s forecasts and projections show that the Group has adequate resources to continue to operational existence for the foreseeable future. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being at least 12 months from the date of the approval of the Interim Results and did not identify any material uncertainties to the Group’s ability to do so. The Group therefore continues to adopt the going concern basis in preparing its condensed interim financial statements.

4. **Accounting policies**

The Group's principal accounting policies used in preparing this information are as stated in note 2 to the Consolidated Financial Statements on pages 78 to 82 of the Annual Report 2018. There has been no change to any accounting policy from the date of the Annual Report, apart from those noted below.

From 29 July 2018 the following standards, amendments and interpretations were adopted by the Group:

- IFRS 9 Financial Instruments, and
- IFRS 15 Revenue from Contracts with Customers.

The adoption of the above has not had a significant impact on the Group’s profit for the period or equity.

4. **Accounting policies (continued)**

IFRS 16 'Leases' will be effective for the year ending 25 July 2020 onwards and the impact on the financial statements will be significant. IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a right-of-use asset for all lease contracts. Therefore, the substantial majority of the Group's operating lease commitments (£166,540,000 on an undiscounted basis as at the previous year end, 28 July 2018) would be brought on to the balance sheet. Depreciation of the right of use asset will be recognised in the income statement on a straight-line basis, with interest recognised on the lease liability. This will result in a change to the profile of the net charge taken to the income statement over the life of the lease. Depreciation and interest charges will replace the lease costs currently charged to the income statement and consequently there will be a significant adjustment to the quoted unadjusted Group EBITDA. There will be no impact on cash flows, although the presentation of the cash flow statement will change significantly. Management have modelled and quantified the expected impact using the current lease portfolio and presented initial thoughts on the expected impact to the Board, however the impact will greatly depend on the facts and circumstances at the time of adoption and upon transition choices adopted. It is therefore not yet practicable to provide a reliable estimate of the financial impact on the Group's consolidated results.

5. **Segmental information**

The directors have determined the operating segments based on the operating reports reviewed by the senior management team (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 directors have identified that the senior management team are the chief operating decision makers in accordance with the requirements of IFRS 8 'Segmental reporting'.

The directors consider the business to be one main type of business generating revenue; the retail of upholstered furniture and flooring. All segment revenue, profit before taxation, assets and liabilities are attributable to the principal activity of the Group and other related services. All revenues are generated in the United Kingdom, and recognised at the point in time the goods and any associated warranty contracts have been delivered to the customer. Warranty services, once sold, are subsequently provided by third parties. There have been no changes to the director's determination of segments since those disclosed in the Annual Report 2018.

Analysis of gross sales is as follows:

	26 weeks ended 26 January 2019 £'000	Restated 26 weeks ended 27 January 2018 £'000	Restated 52 weeks ended 28 July 2018 £'000
Sale of goods	148,232	147,033	305,702
Associated warranties	10,971	10,342	21,763
Gross Sales	**159,203**	**157,375**	**327,465**
Less: costs of interest free credit	(7,761)	(7,520)	(14,637)
Revenue	**151,442**	**149,855**	**312,828**

6. **Exceptional items**

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 costs disclosed within continuing operations relate to the unrealised acquisition of sofa.com. As announced in January 2019, the Group were in discussions regarding a potential acquisition of the business and assets of Sofa.com Limited. Ultimately this transaction did not occur, and the professional fees relating to the due diligence conducted have therefore been deemed exceptional.

7. Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The fair value of trade and other receivables is approximate to their carrying value. The fair value of financial liabilities approximates their carrying value due to short maturities.

In preparing these condensed interim financial statements, the more important judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the historical financial information in the Annual Report.

8. Financial risk management

The Groups activities expose it to a variety of financial risks which include funding and liquidity risk, credit risk, interest rate risk and other price risk. The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements and they should be read in conjunction with the Annual Report 2018. There has been no change to the risk management procedures or the accounting policies from those included in the Annual Report 2018.

9. Seasonality of operations

Due to the seasonal nature of this retail segment, higher revenues and operating profits are usually expected in the second half of the year than the first half. In the 26 weeks ended 27 January 2018, 48% of revenues accumulated in the first half of the year and an operating profit of £0.5m was generated. In the second half of the 52 weeks ended 28 July 2018, 52% of total revenue was earned and an operating profit of £13.2m was generated.

10. Taxation

The tax charge from continuing operations for the 26 weeks ended 26 January 2019 is based on an estimated effective tax rate for the period of 47.7% (26 weeks ended 27 January 2018: tax charge 46.6%; 52 weeks ended 28 July 2018: tax charge 19.2%). The tax charge is higher than if the standard rate of corporation tax had been applied, mainly due to charges not deductible for tax purposes, principally the exceptional professional fees, share based payment charge and depreciation on capital expenditure that does not qualify for capital allowances. In line with previous years, we expect the tax rate for the full year to be slightly higher than the statutory rate.

11. Earnings per share

	26 weeks ended 26 January 2019	Restated 26 weeks ended 27 January 2018	Restated 52 weeks ended 28 July 2018
	pence	pence	Pence
a) Basic earnings per share attributable to the ordinary equity holders of the company			
From underlying continuing operations	1.6p	0.6p	27.7p
From underlying discontinued operation	0.6p	(0.5p)	(0.9p)
Total basic earnings per share from underlying operations	**2.2p**	**0.1p**	**26.8p**
From exceptional costs	(1.8p)	-	-
Total basic earnings per share	**0.4p**	**0.1p**	**26.8p**
b) Diluted earnings per share attributable to the ordinary equity holders of the company			
From underlying continuing operations	1.5p	0.5p	26.9p
From underlying discontinued operation	0.6p	(0.4p)	(0.9p)
Total diluted earnings per share from underlying operations	**2.1p**	**0.1p**	**26.0p**
From exceptional costs	(1.7p)	-	-
Total diluted earnings per share	**0.4p**	**0.1p**	**26.0p**

11. Earnings per share (continued)

	26 weeks ended 26 January 2019	Restated 26 weeks ended 27 January 2018	Restated 52 weeks ended 28 July 2018
	£'000	£'000	£'000
c) Reconciliations of earnings used in calculating earnings per share			
Profit from continuing operations	285	221	11,023
- Add back exceptional costs net of tax	352	-	-
Profit from underlying continuing operations	**637**	**221**	**11,023**
Loss from discontinued operation	(121)	(180)	(345)
- Add back exceptional costs net of tax	359	-	-
Profit from underlying discontinued operations	**238**	**(180)**	**(345)**
Total profits from underlying operations	**875**	**41**	**10,678**
Total profits from operations	**164**	**41**	**10,678**

d) Weighted average number of shares used as the denominator

	26 weeks ended 26 January 2019	26 weeks ended 27 January 2018	52 weeks ended 28 July 2018
	Number	Number	Number
Weighted average number of shares in issue for the purposes of basic earnings per share	39,903,315	40,009,109	39,804,480
Effect of dilutive potential Ordinary shares:			
- share options	1,816,364	1,430,667	1,220,656
Weighted average number of Ordinary shares for the purpose of diluted earnings per share	**41,719,679**	**41,439,776**	**41,025,136**

12. Trade and other payables current

	As at 26 January 2019 £'000	As at 27 January 2018 £'000	As at 28 July 2018 £'000
Trade payables	24,703	26,181	26,294
Payments received on account	25,004	24,935	12,232
Other tax and social security payable	7,407	7,853	4,492
Accruals	12,210	12,003	11,548
	69,324	**70,972**	**54,566**

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

13. Dividend

The Board has declared an interim dividend of 5.50p (2018: 5.30p) per share. It will be paid on 9 May 2019 to shareholders on the register on 23 April 2019. The interim dividend, amounting to £2.2m has not been recognised as a liability in this interim financial information. It will be recognised in shareholders' equity in the year to 27 July 2019.

14. Treasury shares

During the 52 weeks to 28 July 2018, the Group's Employee Benefit Trust purchased 544,154 ordinary shares of 0.1 pence each in the Group at an average price of 214.2 pence per ordinary share for the purposes of satisfying management share incentive awards. As at 26 January 2019, 461,436 of these shares had been used to satisfy awards, with the remainder held as treasury shares.

15. Discontinued operations

Following the closure of the final House of Fraser concession in January 2019, in accordance with IFRS accounting standards, the results of the House of Fraser concessions are now presented as discontinued operations.

The income statement relating to the discontinued operations is set out below:

Income statement of discontinued operations

	Unaudited 26 weeks ended 26 January 2019	Unaudited 26 weeks ended 27 January 2018	Audited 52 weeks ended 28 July 2018
	£'000	£'000	£'000
Gross Sales	7,279	10,984	24,852
Revenue	7,193	10,817	24,485
Cost of sales	(3,956)	(5,913)	(14,385)
Gross profit	**3,237**	**4,904**	**10,100**
Distribution costs	(575)	(439)	(994)
Administrative expenses	(2,811)	(4,687)	(9,532)
Operating loss	**(149)**	**(222)**	**(426)**
Analysed as:			
Operating profit/(loss) before exceptional items	294	(222)	(426)
Exceptional items*	(443)	-	-
Operating loss	**(149)**	**(222)**	**(426)**
Loss before taxation	**(149)**	**(222)**	**(426)**
Taxation	28	42	81
Loss from discontinued operations	**(121)**	**(180)**	**(345)**
Attributable to:			
Owners of the parent	**(121)**	**(180)**	**(345)**
Loss attributable and total comprehensive loss for the period	**(121)**	**(180)**	**(345)**
Net cash inflow/(outflow) from operating activities	1,492	(2,185)	706
Net increase/(decrease) of cash generated from discontinued operation	**1,492**	**(2,185)**	**706**

Underlying EBITDA

An analysis of underlying EBITDA is as follows:

	Unaudited 26 weeks ended 26 January 2019	Unaudited 26 weeks ended 27 January 2018	Audited 52 weeks ended 28 July 2018
	£'000	£'000	£'000
Operating profit/(loss) before exceptional items	294	(222)	(426)
Depreciation	86	15	81
Underlying EBITDA from discontinued operations	**380**	**(207)**	**(345)**
Exceptional items*	(443)	-	-
EBITDA from discontinued operations	(63)	(207)	(345)

*Exceptional costs disclosed within discontinuing operations comprise amounts payable for loss of office and other costs incurred relating to the closure of the House of Fraser concessions.