For immediate release **22 March 2022**

ScS Group plc
(“ScS” or the “Group”)

Interim results for the 26 weeks ended 29 January 2022

STRONG STRATEGIC PROGRESS; GROUP POSITIONED TO DELIVER A FULL YEAR PROFIT IN LINE WITH MARKET EXPECTATIONS AND INCREASED SHAREHOLDER RETURNS

ScS, one of the UK’s largest retailers of upholstered furniture and flooring, presents its interim results for the 26 weeks ended 29 January 2022.

Financial highlights:

As the prior period (H1 FY21) benefitted significantly from one-off timing impacts due to the effects of the pandemic, both one and two year comparisons are included to assist with interpretation.

During the period increased lead times for product due to supply chain disruption impacted delivered gross sales*, revenue and profitability but has enabled the Group to build a strong order book. This supports the Group’s expectation of delivering profitable full year results in line with market expectations.

	H1 FY22 £m	H1 FY21 £m	Variance H1 FY22 to H1 FY21	H1 FY20 £m	Variance H1 FY22 to H1 FY20
Gross sales*	**151.5**	**182.3**	**(16.9%)**	**160.1**	**(5.3%)**
Revenue	**145.9**	**173.9**	**(16.1%)**	**152.0**	**(4.0%)**
Gross profit	**67.6**	**83.7**	**(19.3%)**	**71.7**	**(5.7%)**
Gross margin*	**44.6%**	**45.9%**	**(1.3%)**	**44.8%**	**(0.2%)**
EBITDA*	**11.6**	**32.2**	**(£20.6m)**	**16.0**	**(£4.4m)**
Operating (loss)/profit	**(1.8)**	**19.8**	**(£21.5m)**	**1.2**	**(£3.0m)**
(Loss)/profit before tax	**(3.6)**	**17.7**	**(£21.3m)**	**(0.6)**	**(£3.0m)**
(Loss)/earnings per share	**(7.6p)**	**37.5p**	**(45.1p)**	**(1.4p)**	**(6.2p)**

- EBITDA* of £11.6m (H1 FY21: £32.2m, H1 FY20: £16.0m)
- Loss before tax of £3.6m. On track to deliver a full year profit before tax in line with market expectations
- Gross margin* is in line with historical pre-pandemic comparatives
- Strong balance sheet with cash of £87.9m at 29 January 2022 (H1 FY21: £91.8m, H1 FY20: £61.5m)
- Results include government support of £1.9m (H1 FY21: £6.6m, H1 FY20: £nil)
- Balance sheet strength and confidence in outlook supports increased shareholder returns
    - Interim dividend increase of 50% to 4.5p (H1 FY21: 3.0p, H1 FY20: nil)
    - Share buyback of up to £7m, over the next twelve months

Operational highlights:
- One year like-for-like* order intake growth of 16.6%
- Two year like-for-like* order intake in line with that achieved in H1 FY20
- Online orders increased 55.8% compared to H1 FY20
- Order book strong at £148.0m (including VAT), double the size when compared to that at 25 January 2020
- Maintained “Excellent” Trustpilot rating, with an improvement in our underlying TrustScore from 4.6 to 4.7
- Rolled out our growth plan throughout the business and made progress across all focus areas
- Further development of the Group’s ESG strategy

*This report includes Alternative Performance Measures (APMs) which are defined and reconciled to IFRS information, where possible, on page 15.

Current trading and outlook:

- One year like-for-like* order intake growth for the 33 weeks ended 19 March 2022 of 37.7%
- Two year like-for-like* order intake in line with the pre-pandemic 33 week period to 14 March 2020
- Cash at 19 March 2022 of £91.0m

Steve Carson, Chief Executive Officer of ScS, commented:

"We are pleased with trading and the progress made to date delivering our new strategic growth plan. The dedication of our colleagues continues to be instrumental in the success of the Group and I would like to thank them for their ongoing commitment and efforts.

Like many retailers, supply chain disruption has impacted the Group's first half results. Whilst this has been frustrating it has enabled the business to accumulate a strong order book and we are focused on delivering it through the second half of the year. We are progressing our strategic goals, whilst maintaining strong cost control and cash management.

We are mindful of the ongoing impact of inflationary pressure on the Group, its customers and suppliers. Whilst we have no suppliers who manufacture in Ukraine, Russia or Belarus, we are deeply saddened by the conflict.

The Board's confidence in the future of the Group is demonstrated by the 50% increase in the interim dividend and the commencement of a £7m share buyback programme. Financially the Group remains strong, with good cash flows and a strong balance sheet. Given the Group's positive trading, we remain on track to meet full year market expectations."

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A virtual briefing for analysts will be held at 9.30am today, Tuesday 22 March, via Zoom Webinar. If you would like to join the briefing, please contact Buchanan at scs@buchanan.uk.com to request dial in details.

ScS Group plc's Interim Results 2022 are available at www.scsplc.co.uk

Notes to editors

ScS is one of the UK's largest retailers of upholstered furniture and flooring, 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 99 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, Inspire 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 has made a promising start in the first six months of its refreshed ‘growth plan’ strategy, which was outlined in our Preliminary Results in October 2021. We are pleased with the amount achieved in such a short period of time.

Trading during the period has been positive, with strong order intake. Delivery of the resultant order book will enable the Group to deliver positive results in the months ahead, despite the economic and political challenges.

Progress on strategy and positive trading has been achieved despite well documented issues with international trade, particularly shipping container availability, delivery driver shortages and our suppliers having large order books to fulfil. These factors have impacted the Group’s half year delivered revenue and profit figures.

Results

The Group experienced a strong start to the year, with two year like-for-like* bookings growth of 11.9% for the first nine weeks of the year. In autumn, the business experienced a reduction in footfall and conversion with consumers spending less on big ticket discretionary purchases. Encouragingly, the Group traded well through the important winter sale period and overall order intake for the first half of the year was in line with the Board’s expectations. One year like-for-like* order intake growth was 16.6% for the first half of the financial year and two year like-for-like* order intake was in line with that achieved in H1 FY20.

The ongoing supply chain issues meant gross sales* decreased 5.3% over the two years to £151.5m. As a consequence of the lower delivered volume, gross profit was £67.6m. As we forecast at the start of the year, gross margin* was 44.6% (44.8% in H1 FY20) despite significant rises in product material and shipping costs, as the Group has been successful in managing these pressures. The Group is working closely with existing suppliers, and is also actively engaging with new suppliers, to maximise our value offering and to improve lead times for our customers. Our tight control of margin extends to other costs, which we have managed closely. Our promising strategic progress and growth in key teams has come whilst ensuring a lower overall headcount than at the same point in the prior year.

The Group has returned to a profile more in line with prior traditional financial years, whereby the investment in advertising to support order intake over the key winter trading period results in costs in the first half of the year which support delivered sales in the second half of the year. These costs have led to the Group making a loss before tax of £3.6m for the period, although positive underlying trading has ensured cash generation remained strong, with free cash flow* of £4.4m. The Group expects that the strong order book will support a profitable second half of the year and a full year result in line with current market expectations.

Strategy update

Last year the Group carried out a comprehensive review of its business, which led to the launch of our new purpose, ‘Helping create the home you love’ and a refreshed strategy. Whilst it is still early days, the Board is pleased with the progress made.

Outstanding team

People and teams remain at the heart of our business. Fundamental to the success of our strategy is continuing to build on our culture, together with the retention, development and progression of our people, and the attraction of new talent in key areas.

Attracting new talent has been important to strengthen several key teams crucial to our strategy, and we are delighted with our progress. We have:

- Strengthened the leadership and increased the capability and capacity of the digital team, whilst investing in a new central hub, enabling us to progress the ‘digitally optimised’ strategy;
- Added further strength to our senior commercial team to drive our ‘inspiring ranges’ and ‘customer driven’ strategic areas;
- Grown our people team to support the recruitment and on-boarding of our teams and to enhance people development support for both our retail and distribution colleagues; and
- Recruited specifically to help the Group’s ESG strategy.

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Increasing engagement and enhancing our culture is a key focus of the Group, but we recognise improving culture will take time. We are pleased with the results of the latest annual employee survey which contained far more constructive ideas and comments than we have previously received, demonstrating our colleagues are happy to share their thoughts. By reviewing the feedback we hope to implement meaningful changes to drive improvements across the business and make ScS an even better place to work.

We launched our new year-long 'Moving Up' programme, aimed at developing store managers of the future. The participants have successfully completed the first half of their training and we look forward to them completing the full programme and forging their future careers at ScS as they take on stores of their own.

Our distribution teams have also been a key focus during the period as we seek to improve retention. Enhanced reward for our drivers and operatives has had a positive effect, reducing attrition and improving customer service levels.

Customer driven

The investment made in enhancing the customer experience is reflected in our 'Excellent' Trustpilot score. We are pleased we have maintained the 'Excellent' rating, improved the underlying TrustScore to 4.7 and exceeded 330,000 reviews. During the period we have also enabled reviews at a local store level, with a third achieving the full 5 out of 5 score, and every store above 4.5. We encourage feedback at every step of the customer journey and monitor our customers' reviews on Trustpilot in order to understand what we are doing well and also identify areas for improvement.

We introduced a new 'track your order' functionality on our website to enable customers to see when their delivery is expected at any time. We also worked with the Furniture and Home Improvement Ombudsman to allow members of our customer experience team to undertake City & Guilds accredited training to develop and improve the standard of service we offer.

Delivering excellent value for our customers whilst maintaining product quality is a key focus for the Group. We have introduced a pre-delivery inspection procedure, making use of in-house upholsterers to fix any minor issues. We have also been trialling new ways of transporting products with more protection to minimise damage in transit.

We have ongoing qualitative and quantitative customer research, which will assist with future strategic progress.

Inspiring ranges

Our value focused proposition continues to be at the core of our ongoing commitment to help our customers create the home they love. During the period, we refined our key core value products, whilst managing margin levels. We introduced new design aesthetics and brands to expand and improve our product offering. At the start of the period we launched our collaboration with Laurence Llewelyn-Bowen. The 'LLB at Home' collection features designer touches and luxurious fabrics at affordable prices and we are pleased with performance to date. We have also launched our new 'Botanicals' sofa range, a modern, on-trend look. The range has been positively received by our customers and has traded well.

With some customers looking for shorter lead times, as part of our 'ScS Living' range, we launched our new 'quick delivery sofas', with lead times of two weeks. The range consists of six new two and three-seater models with options of corner groups, swivel chairs and footstools.

We have recently introduced 'The Dining Room @ ScS' area within a select number of stores, which brings our dining range together in a dedicated area of the store and has proven successful. We have also expanded our flooring offer, and launched over 20 new products, including a number of low price point offerings ranging from £4.79 to £6.79 per square metre as we continue to offer our customers a wide range at competitive prices and great value.

To improve the way we work with our suppliers we shared our refreshed strategy with our suppliers and launched a new supplier handbook.

Digitally optimised

To enhance digital growth our priority has been to ensure we have the right people who have the right tools and are working with the right partners. We have opened our digital hub within our expanded Coventry store and increased the size of our team. Locating the hub in a store allows the team to gather real-time feedback from our retail team and our customers.

To optimise user experience we have increased the use of ‘A/B’ testing to show our online customers two different versions of a page when they visit our site. We then track and compare the impact on factors such as website dwell time, interactions, conversion and revenue per session. The testing allows us to gauge what is successful and implement improvements.

The newly added functionality to leave product reviews now allows customers to view the opinions of other customers on the value, quality, comfort and design of our products. Research shows customers value the thoughts and opinions of others when making a purchase. The reviews will also allow us to ensure that our products are meeting our customers’ expectations.

Attracting potential customers to our website is key to improving online performance and we have recently recruited a Head of Acquisition with this in mind. We are building our econometric model to help track, analyse and improve the online journey, working with new partners to help improve our social media presence, our paid-search investment, and the search engine optimisation of our site. Applying statistical analysis allows us to continually monitor and adjust every change we make to drive our online success.

We are pleased with the progress we have made in this area. Our online order intake has grown by 55.8% when compared to the equivalent 26 week period to 25 January 2020.

Engaging showrooms

We continue to invest in our showrooms to create a more inspiring experience. This will allow us to showcase the latest developments in range and brands, whilst continuing to promote our value credentials. We have used the first half of this year to trial our new ‘declutter’ concept in a handful of stores. This reduces the amount and size of the point of sale, and is more selective around some of the occasional ranges we offer. The trial stores are cleaner, brighter and more inviting and we continue to adjust the balance to ensure our value message is both seen and heard, whilst maintaining our strong call to action. Initial results are promising and we will continue to monitor performance before considering a further roll-out.

Earlier in the year we appointed a new partner to help us design a concept store where we can trial new ideas. We have selected the intended location of the store and are excited with the initial designs. The aim is to provide a much more modern look and feel, combined with use of technology, whilst ensuring our brand heritage remains obvious to the customer. We look forward to sharing further updates on our progress in this area.

We have reviewed our store network to ensure our showrooms are in the best possible locations. As part of the active management of our estate, we took the opportunity to relocate both our Doncaster and Rotherham stores to more modern units in improved locations whilst reducing costs. The need for our stores to perform and create value for our shareholders meant we closed our West Quay store in Southampton. As we consider further expansion, we have identified potential new sites in key white space locations and are actively exploring options.

Strengthen the core

We remain focused on improving the success of the core business model we have operated for many years, working hard through the period to ensure margin remains in-line and costs are well controlled.

We continue to increase the usage and breadth of our analytical reporting tools, comparing and contrasting our stores’ performance and managing the success of our product ranges. Our line level margin analysis tools have allowed us to focus on consistently managing our price briefs and the profitability of our offering. The tools are increasingly useful as we experience inflationary challenges and are also invaluable when comparing performance as we experiment in other areas of our strategy.

During the period we have expanded our data driven approach, developing tools such as our distribution centre balanced scorecards, bringing site level KPIs together across a range of areas to further allow comparison, and to ensure we are minimising our cost per drop alongside maximising our customer experience.

Operationally, we have improved many of our processes around key cost areas, undertaking improvements to our reporting and processes regarding compensation and allowances and stock write-offs.

Environmental, social and governance (ESG)

ScS is committed to being a responsible business and doing the right thing by all of our stakeholders. Our purpose 'helping create the home you love' focuses on offering our customers a wide range of quality products at great value. As part of ensuring we act responsibly, we are committed to ensuring that our products are sourced ethically and identifying ways in which we can minimise our impact on the environment.

At the start of the year a steering group was established, made up of sub-groups each assigned an ESG-related topic for which they are responsible. Our full ESG strategy builds on our RIGHT values, defines clear targets and sets out our sustainability roadmap which continues to evolve. It will be integrated throughout all aspects of the business and is a standing Board agenda item, with regular updates provided by the ESG steering group. Furthermore, the Group will publish its first report in line with Task Force on Climate-related Financial Disclosures (TCFD) requirements in the FY22 Annual Report.

Although we are relatively early on our ESG journey, we have made great strides and are committed to driving further change. We recognise that climate change is a complex topic which is developing at fast pace. During the first half of the year members of the senior management team undertook carbon literacy training. This helped to develop an understanding of climate-related risks, policy and legislation and highlight the potential impacts on the environment of the Group's operational decisions.

We are pleased with the progress we are making in improving our sustainability, including:

- Operating with 100% renewable electricity and introducing electric vehicles into our fleet;
- Only selling laminate and wooden flooring ranges that are made from responsibly sourced timber, which is certified by the Programme for the Endorsement of Forest Certification (PEFC) who are dedicated to promoting sustainable forest management;
- Working with our suppliers and the Leather Working Group, whom we joined in 2021, to ensure that leather is sourced from known, traceable or certified sources by July 2023; and
- Increasing sales of SpringBond underlay, where we have recently achieved the milestone of utilising more than one million recycled plastic bottles, with the Group targeting to achieve the two million milestone later this year.

Throughout the period we were delighted to support the Group's partner charity based in Sunderland, the Foundation of Light, and during the festive period our colleagues volunteered at foodbanks to support families. The Group is passionate about supporting our local communities and is currently working to make a volunteering days commitment as part of its ongoing ESG strategy.

Board changes

It was with great sadness that we announced the sudden death of George Adams in November. George joined the Group in July 2015 and was Chair of the Remuneration Committee. He is sorely missed.

We are very grateful to Angela Luger who agreed to take on the additional responsibility as Chair of the Group's Remuneration Committee from January 2022.

The Board has recently engaged an executive search firm to appoint a new Non-Executive Director. The appointment will take into consideration the current diversity of the Board and skills required. We intend to provide an update on this matter in the coming months.

Dividend and share buyback programme

The Group continues to maintain a strong balance sheet and is actively reviewing the allocation of capital, as well as considering potential external and internal investment opportunities and returns to shareholders. The period has seen the Group generate strong cash flows and the strategic progress provides further confidence in the Group's future. As a consequence, the Board is pleased to announce a 50% increase in the interim dividend to 4.5p per ordinary share (H1 FY21: 3.0p). In addition, the Group has also decided to commence a £7m share buyback programme.

The dividend will be payable on 12 May 2022 to shareholders on the register on 22 April 2022. The ex-dividend date is 21 April 2022.

Looking forward

We are pleased with trading and the progress made to date delivering our new strategic growth plan. The dedication of our colleagues continues to be instrumental in the success of the Group and I would like to thank them for their ongoing commitment and efforts.

Like many retailers, supply chain disruption has impacted the Group's first half results. Whilst this has been frustrating it has enabled the business to accumulate a strong order book and we are focused on delivering it through the second half of the year. We are progressing our strategic goals, whilst maintaining strong cost control and cash management.

We are mindful of the ongoing impact of inflationary pressure on the Group, its customers and suppliers. Whilst we have no suppliers who manufacture in Ukraine, Russia or Belarus, we are deeply saddened by the conflict.

The Board's confidence in the future of the Group is demonstrated by the 50% increase in the interim dividend and the commencement of a £7m share buyback programme. Financially the Group remains strong, with good cash flows and a strong balance sheet. Given the Group's positive trading, we remain on track to meet full year market expectations."

FINANCIAL REVIEW

	26 weeks ended 29 January 2022 H1 FY22 £m	26 weeks ended 23 January 2021 H1 FY21 £m	Variance H1 FY22 to H1 FY21 £m	26 weeks ended 25 January 2020 H1 FY20 £m	Variance H1 FY22 to H1 FY20 £m
Gross sales*	151.5	182.3	(30.8)	160.1	(8.5)
Revenue	145.9	173.9	(28.0)	152.0	(6.1)
Gross profit	**67.6**	**83.7**	**(16.1)**	**71.7**	**(4.1)**
Distribution costs	(9.6)	(9.8)	0.2	(9.1)	(0.5)
Administration expenses	(61.7)	(60.7)	(1.0)	(61.4)	(0.3)
Business rates relief	1.9	5.3	(3.4)	-	1.9
Coronavirus Job Retention Scheme (CJRS)	-	1.3	(1.3)	-	-
Total operating expenses	**(69.4)**	**(63.9)**	**(5.4)**	**(70.4)**	**1.1**
Operating (loss)/profit for the period	**(1.8)**	**19.8**	**(21.5)**	**1.2**	**(3.0)**
Net finance expense	(1.9)	(2.1)	0.2	(1.8)	(0.1)
(Loss)/profit before tax for the period	**(3.6)**	**17.7**	**(21.3)**	**(0.6)**	**(3.0)**
Income tax credit/(charge)	0.8	(3.5)	4.2	-	0.7
(Loss)/profit after tax for the period	**(2.9)**	**14.2**	**(17.1)**	**(0.6)**	**(2.3)**
EBITDA* for the period	**11.6**	**32.2**	**(20.6)**	**16.0**	**(4.4)**

The prior period (H1 FY21) benefitted significantly from one-off timing impacts caused by COVID-19 which are not representative of a typical first 26 weeks of a financial year for the Group. Therefore, one year comparators are more difficult to interpret. To aide comparison of performance, two year comparators have been included, which are pre pandemic. Where appropriate, comparisons have been made with H1 FY20 and also H1 FY21 where it is felt this will help the reader understand key movements.

Gross sales* and revenue

Gross sales* decreased by £8.5m (5.3%) to £151.5m when compared to H1 FY20. Despite strong order performance, extended lead times caused by supply chain disruption and weaker flooring performance impacted gross sales* and revenue recognised in the first half of the year. The movement on gross sales* is further analysed as follows:

- A decrease in furniture sales in ScS stores of 6.7% to £122.7m (H1 FY20: £131.6m);
- A decrease in flooring sales in ScS stores of 17.9% to £15.4m (H1 FY20: £18.7m); and
- An increase in online sales of 37.6% to £13.4m (H1 FY20: £9.8m).

Revenue, which represents gross sales* less charges relating to interest free credit sales (see note 5 – Segmental information), decreased by 4.0% from H1 FY20 to £145.9m.

The Group's order book at the end of January 2022 was £148.0m (including VAT), which is £57.5m larger than at the end of January 2021 and double the size it was at 25 January 2020. The Group therefore expect delivered sales in the second half of the period to benefit from delivery of this order book.

Gross profit

The gross profit decrease from H1 FY20 of £4.1m, or 5.7%, has been predominantly driven by the decreases in delivered sales volume. The Group has worked hard to manage significant increases in product material and shipping costs during the period and gross margin* of 44.6% was only 15bps lower than at the same point two years ago (H1 FY20: 44.8%). This decrease was driven by the change in sales mix, as online sales grew from 6.1% to 8.9% of gross sales*. Online sales typically attract a higher cost of finance, a lower supplementary product conversion and therefore have a lower gross margin.

*This report includes Alternative Performance Measures (APMs) which are defined and reconciled to IFRS information, where possible, on page 15.

Distribution costs

Distribution costs comprise the total cost of the in-house distribution function and includes employment, property and vehicle costs for the nine distribution centres, as well as costs of third-party delivery services contracted to support peak delivery periods.

Distribution costs totalled £9.6m in the period. This is an increase of £0.5m when compared to H1 FY20 largely due to increased payroll costs as a result of enhancing the reward for our drivers and operatives to improve employee retention reflecting the competitive labour market we are seeing for these key roles. As a percentage of gross sales* for the period, distribution costs were 6.3% (H1 FY20: 5.7%).

Administrative expenses before government support

Administrative expenses comprise:

- Marketing expenditure;
- Store operating costs, principally employment costs, property related costs (depreciation, rates, utilities and store repairs); 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.

The key categories of cost are split out below:

	26 weeks ended 29 January 2022 H1 FY22 £m	26 weeks ended 23 January 2021 H1 FY21 £m	Variance H1 FY22 to H1 FY21 £m	26 weeks ended 25 January 2020 H1 FY20 £m	Variance H1 FY22 to H1 FY20 £m
Marketing	(15.0)	(11.5)	(3.5)	(14.5)	(0.5)
Performance related payroll costs	(5.7)	(9.6)	3.9	(6.5)	0.8
Other payroll	(17.6)	(17.5)	(0.1)	(16.7)	(0.9)
Depreciation, rates, heating and lighting	(19.6)	(18.3)	(1.3)	(20.6)	1.0
Other costs	(3.8)	(3.8)	-	(3.1)	(0.7)
Total administrative expenses	**(61.7)**	**(60.7)**	**(1.0)**	**(61.4)**	**(0.3)**

Administration expenses before government support for the period have risen £0.3m to £61.7m, compared to £61.4m in H1 FY20, despite inflationary cost pressures as the Group continues to manage its cost base well. The increase in administrative expenses was driven by:

- £0.5m increase in marketing investment, with increased spend in digital marketing;
- £0.8m reduction in performance related pay in line with the lower sales and profit achieved in H1 FY22;
- £0.9m increase in other payroll costs due to the impact of inflationary wage costs, including the impact of living wage increases;
- £1.0m reduction in property costs, largely due to reduced depreciation charges due to right of use asset impairments since H1 FY20, partially offset by increased energy costs; and
- £0.7m increase in other costs include £0.2m of spend in relation to the implementation of our growth plan and an increase of £0.2m in relation to increased investment in technology.

When comparing to H1 FY21, administration expenses before government support for the period have risen £1.0m. The increase in administrative expenses was driven by:

- £3.5m increase in marketing investment, with H1 FY21 expenditure reflecting periods of store closure during lockdowns;
- £3.9m reduction in performance related pay, with H1 FY21 seeing record delivered sales and profit;
- £0.1m increase in other payroll costs, with reduced headcount in H1 FY22 largely offsetting wage inflation; and
- £1.3m increase in property costs, reflecting the right of use asset partial impairment reversals made in FY21, coupled with increased energy costs.

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The control of costs remains a key focus for the Group, as does maintaining the level of flexibility in our cost base.

Government support

During the period, the Group has recognised the benefit from £1.9m (H1 FY21: £6.6m, H1 FY20: £nil) of government support provided via retail business rates saving in response to the COVID-19 outbreak. The Group expects to receive a further £0.7m of savings for the remainder of the year, with the business rates holiday ending in March 2022.

In H1 FY21, the Group received £6.6m of government support, £5.3m of which related to retail business rates savings and £1.3m from the Coronavirus Job Retention Scheme (CJRS).

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 and profit changes, protecting the business should there be wider economic pressures. As shown below, the proportion of cost variability remained relatively consistent year-on-year.

Excluding government support, total costs before tax for the year were £157.0m compared to H1 FY20 of £160.7m.

Of this total, 72.8% (H1 FY20: 73.7%), or £114.2m (H1 FY20: £118.5m), are variable or discretionary, and are made up of:

- £83.9m cost of goods sold, including finance and warranty costs (H1 FY20: £88.4m);
- £9.6m distribution costs (H1 FY20: £9.1m);
- £15.0m marketing costs (H1 FY20: £14.5m); and
- £5.7m performance related payroll costs (H1 FY20: £6.5m).

Semi-variable costs totalled £21.4m, or 13.6% of total costs, for the year (H1 FY20: £19.8m; 12.3%) and are predominantly other non-performance related payroll costs. Depreciation, interest (including ROU assets), rates, heating and lighting make up the remaining £21.4m (13.6%) of total costs (H1 FY20: £22.4m; 14.0%).

Operating (loss)/profit

Due to the seasonal nature of the business, the Group's result for the first half of the year has historically been a small profit or a modest loss. Higher revenue and lower media costs result in higher profits occurring in the second half. The Group's operating loss was £1.8m for the first half of the financial year, compared to an operating profit of £1.2m for H1 FY20. The movement is predominantly driven by the decrease in sales volumes.

Finance costs

The net finance expense has decreased by £0.2m to £1.9m compared to H1 FY21 as a result of reduced interest on the lease liability, as the Group continues to reduce the average weighted store lease length.

Taxation

The tax credit is higher than if the standard rate of corporation tax had been applied, mainly due to charges not deductible for tax purposes, principally the share-based payment charge and the impact of a change in the weighted rate used to calculate deferred tax from 22% to 23.5%. This increase is due to the increase in corporation tax expected from April 2023 to 25%.

Cash and cash equivalents

The Group operates a negative working capital business model whereby:

- For cash/card sales, customers pay deposits at the point of order and settle outstanding balances before delivery;

*This report includes Alternative Performance Measures (APMs) which are defined and reconciled to IFRS information, where possible, on page 15.

- 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 29 January 2022	26 weeks ended 23 January 2021	26 weeks ended 25 January 2020
	£m	£m	£m
Cash generated from operating activities	24.5	24.0	31.3
Payment of capital and interest elements of leases	(15.9)	(10.1)	(12.9)
Net capital expenditure	(1.9)	(2.9)	(2.4)
Net taxation and interest payments	(2.3)	(1.1)	(2.7)
Free cash flow*	**4.4**	**9.9**	**13.3**
Dividends	(2.8)	-	(4.3)
Purchase of own shares	(1.4)	(0.4)	(5.2)
Net cash generated	**0.2**	**9.5**	**3.8**

The Group continued to be cash generative in the period with a net cash inflow from operating activities of £24.5m.

The cash generated from operating activities is lower than H1 FY20 by £6.8m, of which £3.0m is due to the reduced profit on lower sales, £2.6m is due to the timing of payroll (where H1 FY20 benefitted from the end of January payroll being in H2), and £1.4m repayment of deferred VAT following the Governments response to COVID-19, offset partly by other working capital movements.

The payment of capital and interest elements of leases has increased by £3.0m as a result of the repayment of rent deferrals previously negotiated with landlords when stores were temporarily closed due to the Government's imposed lockdown response to COVID-19.

Dividend and share buyback

The Board is confident the Group can build on the strong strategic progress experienced in the first half of the year. As a consequence, the Board is pleased to announce an interim dividend of 4.5p per ordinary share (H1 FY21: 3.0p, H1 FY20: nil), together with a £7m share buyback programme.

The 4.5p dividend reflects an anticipated one third and two thirds split between the interim and final dividend respectively. This dividend will be payable on 12 May 2022 to shareholders on the register on 22 April 2022. The ex-dividend date is 21 April 2022.

The share buyback programme will commence immediately and be implemented by way of an irrevocable instruction, subject to limits on the price paid based upon regulatory rules and minimum expected rates of return, and see the repurchase for cancellation of up to £7m of the Group's shares executed over the next twelve months.

*This report includes Alternative Performance Measures (APMs) which are defined and reconciled to IFRS information, where possible, on page 15.

Principal risks and uncertainties

The principal risks and uncertainties which the Group faces are largely unchanged from those detailed on pages 50 to 59 of the Annual Report for 2021, which is dated 4 October 2021 and is available from the ScS Group plc website: www.scsplc.co.uk. Since the Annual Report was published, potential disruption to trading from the COVID-19 pandemic appears to have subsided, however the Group is mindful of rising interest rates and inflationary pressures, together with the developing situation in Ukraine and the potential impact this could have.. Whilst the Group does not have any suppliers who manufacture in Ukraine, Russia, or Belarus, we believe a number of our risks remain elevated when compared to historic levels.

A summary of the principal risks is set out below:

- Changes in consumer confidence
- Changes in interest rates, currency rates and availability of consumer credit could lead to cost pressure and changes in customer spending
- Competition with other retailers and failing to respond to key changes in the competitive environment
- External factors adversely affecting footfall in our stores over key trading periods
- Regulatory and compliance risk
- Disruption to the Group’s IT systems
- Supply chain and sourcing risk
- Challenges in retaining and developing our colleagues
- Protecting our brand and reputation

Steve Carson
Chief Executive Officer
21 March 2022

*This report includes Alternative Performance Measures (APMs) which are defined and reconciled to IFRS information, where possible, on page 15.

STATEMENT OF DIRECTORS RESPONSIBILITIES

The directors confirm that these condensed consolidated interim financial statements, which have been prepared in accordance with UK-adopted IAS 34 'Interim Financial Reporting', give a true and fair view of the assets, liabilities, financial position and profit or loss of ScS Group plc and the undertakings included in the consolidation as a whole as required by DTR 4.2.4R, namely:

- the interim management report includes a fair review of the 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, as required by DTR 4.2.7; and
- the interim management report includes a fair review of material related-party transactions in the first 26 weeks and any material changes in the related-party transactions described in the last annual report, as required by DTR 4.2.8.

The directors of ScS Group plc who were in office during the period and up to the date of this report, unless otherwise stated, report were:

Alan Smith	Non-Executive Chairman
George Adams	Non-Executive Director (resigned 30 November 2021)
Ron McMillan	Non-Executive Director
Angela Luger	Non-Executive Director
Stephen Carson	Chief Executive Officer
Chris Muir	Chief Financial Officer

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

By order of the Board

Richard Butts
Company Secretary
21 March 2022

Independent review report to ScS Group plc

Report on the 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 29 January 2022 (the "period").

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 UK adopted International Accounting Standard 34, 'Interim Financial Reporting' 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 statement of financial position as at 29 January 2022;
• 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 interim financial statements.

The interim financial statements included in the Interim results of ScS Group plc have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

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
21 March 2022

Alternative Performance Measures ("APMs")

In the reporting of financial information, the Board have adopted various Alternative Performance Measures ("APMs"). APMs should be considered in addition to IAS (UK) measurements. The Board believe that these APMs assist in providing useful information on the underlying performance and position of the Group and enhance the comparability of information between reporting periods by adjusting for non-underlying items which affect IAS (UK) measures and are used internally by the Board to measure the Group's performance.

Consequently, APMs are used by the Board and management for performance analysis, planning, reporting and incentive setting purposes and have remained consistent with prior year. A subset is also used by management in setting director and management remuneration. The measures are also used in discussions with the investment analyst community. The key APMs used by the Group are summarised in the table below.

<table>
<tr><th>APM</th><th>Definition</th><th>Reconciliation</th></tr>
<tr><td>Like-for like order growth</td><td>'Like-for-like' order growth comprises total orders (inclusive of VAT) in a financial period compared to total orders achieved in a prior period excluding new or closed stores to ensure comparability.</td><td>N/A</td></tr>
<tr><td>Gross sales</td><td>Gross sales represents turnover on the sale of goods and warranties before deduction of interest free credit</td><td>
<table>
<tr><th></th><th>HY22
£'000</th><th>HY21
£'000</th><th>HY20
£'000</th></tr>
<tr><td>Revenue</td><td>145,870</td><td>173,905</td><td>151,962</td></tr>
<tr><td>Add back: costs of interest free credit</td><td>5,656</td><td>8,424</td><td>8,112</td></tr>
<tr><td>Gross sales (note 5)</td><td>151,526</td><td>182,329</td><td>160,074</td></tr>
</table>
</td></tr>
<tr><td>Gross margin</td><td>Gross profit as a percentage of gross sales</td><td>
<table>
<tr><th></th><th>HY22
£'000</th><th>HY21
£'000</th><th>HY20
£'000</th></tr>
<tr><td>Revenue</td><td>145,870</td><td>173,905</td><td>151,962</td></tr>
<tr><td>Add back: costs of interest free credit</td><td>5,656</td><td>8,424</td><td>8,112</td></tr>
<tr><td>Gross sales (note 5)</td><td>151,526</td><td>182,329</td><td>160,074</td></tr>
<tr><td>Gross profit</td><td>67,592</td><td>83,706</td><td>71,655</td></tr>
<tr><td>Gross margin</td><td>44.6%</td><td>45.9%</td><td>44.8%</td></tr>
</table>
</td></tr>
<tr><td>Free cash flow</td><td>Net increase in cash before the impacts of dividends paid and the purchase of own shares.</td><td>
<table>
<tr><th></th><th>HY22
£'000</th><th>HY21
£'000</th><th>HY20
£'000</th></tr>
<tr><td>Net increase in cash and cash equivalents</td><td>239</td><td>9,493</td><td>3,792</td></tr>
<tr><td>Dividends</td><td>2,759</td><td>-</td><td>4,336</td></tr>
<tr><td>Purchase of own shares</td><td>1,360</td><td>410</td><td>5,180</td></tr>
<tr><td>Free cash flow</td><td>4,358</td><td>9,903</td><td>13,308</td></tr>
</table>
</td></tr>
<tr><td>EBITDA</td><td>Earnings before interest, tax, depreciation & amortisation in the period.</td><td>
<table>
<tr><th></th><th>HY22
£'000</th><th>HY21
£'000</th><th>HY20
£'000</th></tr>
<tr><td>Statutory operating (loss)/profit</td><td>(1,760)</td><td>19,756</td><td>1,212</td></tr>
<tr><td>Depreciation on tangible fixed assets</td><td>2,132</td><td>2,064</td><td>2,357</td></tr>
<tr><td>Depreciation on right-of-use assets</td><td>10,872</td><td>9,973</td><td>12,054</td></tr>
<tr><td>Amortisation of intangible assets</td><td>377</td><td>426</td><td>417</td></tr>
<tr><td>EBITDA</td><td>11,621</td><td>32,219</td><td>16,040</td></tr>
</table>
</td></tr>
</table>

ScS Group plc

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	**Unaudited 26 weeks ended 29 January 2022**	Unaudited 26 weeks ended 23 January 2021	Audited 53 weeks ended 31 July 2021
		£'000	£'000	£'000
Gross sales	5	**151,526**	182,329	324,519
Revenue	5	**145,870**	173,905	310,566
Cost of sales		**(78,278)**	(90,199)	(163,579)
Gross profit		**67,592**	83,706	146,987
Distribution costs		**(9,567)**	(9,774)	(18,680)
Administrative expenses		**(59,785)**	(54,176)	(101,534)
Operating (loss)/profit		**(1,760)**	19,756	26,773
Analysed as:				
Underlying operating (loss)/profit		**(1,760)**	19,756	22,531
Operating exceptional items included within administrative expenses	6	**-**	-	4,242
Operating (loss)/profit		**(1,760)**	19,756	26,773
Finance costs	7	**(1,881)**	(2,135)	(4,180)
Finance income		**6**	64	81
Net finance costs		**(1,875)**	(2,071)	(4,099)
(Loss)/profit before taxation		**(3,635)**	17,685	22,674
Income tax credit/(charge)	11	754	(3,454)	(3,610)
(Loss)/profit for the period		**(2,881)**	14,231	19,064
(Loss)/profit is attributable to:				
Owners of the parent		**(2,881)**	14,231	19,064
Basic (loss)/earnings per share (pence)	12	(7.6p)	37.5p	50.4p
Diluted (loss)/earnings per share (pence)	12	(7.6p)	35.9p	48.6p

There is no variance between the diluted and basic earnings per share in the current period.

There are no other sources of comprehensive income.

ScS Group plc

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**Unaudited as at 29 January 2022**	Unaudited as at 23 January 2021	Audited as at 31 July 2021
		£'000	£'000	£'000
Non-current assets				
Intangible assets		**2,181**	2,196	2,243
Property, plant and equipment		**17,377**	17,671	18,381
Right of use asset		**101,274**	108,277	102,630
Deferred tax asset		**1,913**	515	2,024
Total non-current assets		**122,745**	128,659	125,278
Current assets				
Inventories		**17,641**	16,660	17,328
Trade and other receivables		**5,736**	4,530	4,947
Tax receivable		**1,751**	-	-
Cash and cash equivalents		**87,889**	91,775	87,650
Total current assets		**113,017**	112,965	109,925
Total assets		**235,762**	241,624	235,203
Current liabilities				
Current income tax liabilities		**-**	1,946	1,171
Trade and other payables	13	**85,149**	70,790	71,818
Provisions		**679**	188	488
Lease liabilities		**20,019**	24,912	22,693
Total current liabilities		**105,847**	97,836	96,170
Non-current liabilities				
Trade and other payables		**-**	121	-
Provisions		**996**	1,058	1,155
Lease liabilities		**91,234**	103,061	93,368
Total non-current liabilities		**92,230**	104,240	94,523
Total liabilities		**198,077**	202,076	190,693
Capital and reserves attributable to the owners of the parent				
Share capital		**38**	38	38
Share premium		**16**	16	16
Capital redemption reserve		**15**	15	15
Merger reserve		**25,511**	25,511	25,511
Treasury shares	15	**(721)**	(592)	(549)
Retained earnings		**12,826**	14,560	19,479
Equity attributable to the owners of the parent		**37,685**	39,548	44,510
Total equity		**37,685**	39,548	44,510
Total equity and liabilities		**235,762**	241,624	235,203

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 26 July 2020	**38**	**16**	**15**	**25,511**	**(182)**	**106**	**25,504**
Profit for the period	-	-	-	-	-	14,231	14,231
Share-based payment expense	-	-	-	-	-	223	223
Purchase of own shares (note 15)	-	-	-	-	(410)	-	(410)
Balance at 23 January 2021	**38**	**16**	**15**	**25,511**	**(592)**	**14,560**	**39,548**
Balance at 24 January 2021	**38**	**16**	**15**	**25,511**	**(592)**	**14,560**	**39,548**
Profit for the period	-	-	-	-	-	4,833	4,833
Share-based payment expense	-	-	-	-	-	1,227	1,227
Sale of treasury shares (note 15)	-	-	-	-	43	(8)	35
Dividend paid (note 14)	-	-	-	-	-	(1,133)	(1,133)
Balance at 31 July 2021	**38**	**16**	**15**	**25,511**	**(549)**	**19,479**	**44,510**
Balance at 1 August 2021	**38**	**16**	**15**	**25,511**	**(549)**	**19,479**	**44,510**
Loss for the period	-	-	-	-	-	(2,881)	(2,881)
Share-based payment expense	-	-	-	-	-	175	175
Purchase of own shares (note 15)	-	-	-	-	(1,360)	-	(1,360)
Issue of treasury shares to employees (note 15)	-	-	-	-	1,188	(1,188)	-
Dividend paid (note 14)	-	-	-	-	-	(2,759)	(2,759)
Balance at 29 January 2022	**38**	**16**	**15**	**25,511**	**(721)**	**12,826**	**37,685**

ScS Group plc

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited 26 weeks ended 29 January 2022	Unaudited 26 weeks ended 23 January 2021	Audited 53 weeks ended 31 July 2021
Cash flows from operating activities	**£'000**	£'000	£'000
(Loss)/Profit before taxation	**(3,635)**	17,685	22,674
Adjustments for:			
Depreciation of property plant and equipment	**2,132**	2,064	3,980
Depreciation of right-of-use assets	**10,872**	9,973	21,149
Amortisation of intangible assets	**377**	426	865
Impairment on non-current assets	**-**	-	(4,242)
Share-based payments	**175**	223	1,450
Finance costs	**1,881**	2,135	4,180
Finance income	**(6)**	(64)	(81)
	11,796	32,442	49,975
Changes in working capital:			
(Increase)/decrease in inventories	**(313)**	1,547	879
(Increase)/decrease in trade and other receivables	**(789)**	274	(143)
Increase/(decrease) in trade and other payables	**13,800**	(10,300)	(9,141)
Cash generated from operating activities	**24,494**	23,963	41,570
Income taxes paid	**(2,057)**	(941)	(3,381)
Net cash flow generated from operating activities	**22,437**	23,022	38,189
Cash flows from investing activities			
Purchase of property, plant and equipment	**(1,539)**	(2,413)	(3,654)
Payments to acquire intangible assets	**(368)**	(437)	(855)
Interest received	**6**	64	81
Net cash outflow from investing activities	**(1,901)**	(2,786)	(4,428)
Cash flows from financing activities			
Dividends paid	**(2,759)**	-	(1,133)
Purchase of own shares (note 15)	**(1,360)**	(410)	(410)
Sale of treasury shares	**-**	-	35
Interest paid	**(242)**	(214)	(439)
Interest paid on lease liabilities	**(1,639)**	(1,921)	(3,741)
Payment of capital element of leases	**(14,297)**	(8,198)	(22,705)
Net cash flow used in financing activities	**(20,297)**	(10,743)	(28,393)
Net increase in cash and cash equivalents	**239**	9,493	5,368
Cash and cash equivalents at beginning of period	**87,650**	82,282	82,282
Cash and cash equivalents at end of period	**87,889**	91,775	87,650

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 2021 audited financial statements for the Group have been filed with Companies House.

2. Basis of preparation

This interim report for the 26 weeks ended 29 January 2022 have been prepared on the basis of the policies set out in the 2021 annual financial statements and in accordance with UK adopted IAS 34 and the Disclosure Guidance and Transparency Rules sourcebook of the UK's Financial Conduct Authority.

The condensed consolidated financial statements need to be read in conjunction with the Annual Report 2021 dated 4 October 2021 (the "Annual Report 2021"), which were prepared in accordance with IFRS in conformity with the requirements of the Companies Act 2006 and IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In the 52 week period ("the year") to 30 July 2022 the annual financial statements will be prepared in accordance with IFRS as adopted by the UK Endorsement Board and that this change in basis of preparation is required by UK company law for the purposes of financial reporting as a result of the UK's exit from the EU on 31 January 2020 and the cessation of the transition period on 31 December 2020. This change does not constitute a change in accounting policy but rather a change in framework which is required to ground the use of IFRS in company law. There is no impact on recognition, measurement or disclosure between the two frameworks in the period reported.

The report of the auditors for the financial statements for the 53 weeks ended 31 July 2021, included in the Annual Report 2021, 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 21 March 2022.

3. Going concern

The interim financial statements have been prepared on a going concern basis.

Liquidity

The most significant factor in considering whether current resources are adequate is the Group's liquidity. At 29 January 2022, the Group's cash balance totalled £87.9m, and £22.9m was owed as trade payables for goods delivered. The Group has no drawn down debt, and further liquidity is available through the £20.0m CLBILS revolving credit facility (RCF) granted on 25 August 2020. This facility is committed for a term of 36 months and is anticipated to 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.

Cash flows

As part of the Group's ongoing review of going concern, the directors have reviewed the results for the 6 months to 29 January 2022 and have modelled cash flow for a period of at least 12 months from the date of approval of the interim financial information which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through its existing cash balances and availability of funds from its Revolving Credit Facility to meet its liabilities as they fall due for that period.

The directors have utilised their internal budget and forecasts to produce the base case modelling, which are based on a current view of the wider economy and no further significant impact of COVID-19.

3. Going concern (continued)

A number of severe but plausible downside scenarios were then also calculated as sensitivities to the base case forecast of profit and cash flow to assess headroom against facilities for the next 12 months.

Throughout the 'severe but plausible downside' scenarios, the Group would have significant cash headroom before use of the £20m RCF. Furthermore, forecasts show sufficient headroom on all of the financial covenants and no requirement for any additional sources of financing (including any drawdown on the RCF). Further mitigating actions could also be taken in the event of such scenarios should it be required, including reducing capital expenditure.

Many of our large suppliers operate using credit insurance, which they use to support their payment terms with the Group. As these credit insurers are consistently reviewing their support for the companies involved a severe economic climate could mean that they withdraw their support for the Group. This could create working capital challenges for our suppliers, requiring them to request earlier payment dates. The Group has modelled the impact of the full withdrawal of this insurance, and noted that the cash headroom available ensures this does not pose a further risk to the Group's going concern basis.

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

4. Accounting policies

This interim report for the 26 weeks ended 29 January 2022 have been prepared on the basis of the policies set out in the 2021 Consolidated Financial Statements and in accordance with UK adopted IAS 34 and the Disclosure Guidance and Transparency Rules sourcebook of the UK's Financial Conduct Authority. See Section 2 basis of preparation for further detail.

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 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 2021.

Analysis of gross sales is as follows:

	26 weeks ended 29 January 2022	26 weeks ended 23 January 2021	53 weeks ended 31 July 2021
	£'000	£'000	£'000
Sale of goods	**146,550**	168,951	301,327
Associated warranties	**4,976**	13,378	23,192
Gross Sales	**151,526**	182,329	324,519
Less: costs of interest free credit	**(5,656)**	(8,424)	(13,953)
Revenue	**145,870**	173,905	310,566
Of which			
Furniture	**130,492**	155,997	280,926
Flooring	**15,378**	17,908	29,640
Revenue	**145,870**	173,905	310,566

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 items, booked to operating costs, comprised the following:

	26 weeks ended 29 January 2022	26 weeks ended 23 January 2021	53 weeks ended 31 July 2021
	£'000	£'000	£'000
Impairment reversal	-	-	4,242
	-	-	4,242

Impairment reversal

In the period ending 31 July 2021 exceptional items included a credit of £4,242,000 which related to the reversal of previous impairment to the Group's stores. The majority of the credit reversed the impairment taken in the prior year as a consequence of reduced forecasts following the impact of COVID-19, with an additional element reversing historic store impairment following stronger forecast store performance as a result of encouraging trading and increased opportunities in our markets. This was split between the right-of-use asset (£2,932,000) and tangible assets (£1,310,000), apportioned based on net book value.

7. **Finance costs**

	26 weeks ended 29 January 2022	26 weeks ended 23 January 2021	53 weeks ended 31 July 2021
	£'000	£'000	£'000
Bank facility non-utilisation fees	**209**	170	396
Bank facility renewal fees	**-**	19	19
Bank facility utilisation fees	**-**	-	-
Other finance costs	**33**	25	24
Interest on lease liability	**1,639**	1,921	3,741
	1,881	2,135	4,180

8. **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.

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 2021.

9. **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 2021. There has been no change to the risk management procedures or the accounting policies from those included in the Annual Report 2021.

10. **Seasonality of operations**

Due to the seasonal nature of this retail segment and the timing of our financial year, higher revenues and operating profits are usually expected in the second half of the year than the first half. However, as a result of the impact of COVID-19, seasonality has been significantly impacted since March 2020. The 26 weeks ended 29 January 2022 continue to be impacted by extended lead times, leading to the Group reporting an operating loss of £1.8m and a loss before tax of £3.6m.

11. Taxation

The tax credit for the 26 weeks ended 29 January 2022 is based on an estimated average annual effective tax rate of 20.7% (26 weeks ended 23 January 2021: tax charge 19.5%; 53 weeks ended 31 July 2021: tax charge 15.9%).The tax credit is higher than if the standard rate of corporation tax had been applied due to charges not deductible for tax purposes, principally the share based payment charge and the impact of a change in the weighted rate used to calculate deferred tax from 22% to 23.5%, we also expect the tax rate for the full year to be slightly higher than the statutory rate.

The UK corporation tax standard rate for the period was 19% (2021: 19%).

12. (Loss)/earnings per share

	26 weeks ended 29 January 2022	26 weeks ended 23 January 2021	53 weeks ended 31 July 2021
	pence	pence	Pence
a) Basic (loss)/earnings per share attributable to the ordinary equity holders of the company			
Basic (loss)/earnings per share from underlying operations	**(7.6p)**	37.5p	41.3p
From exceptional costs	**-**	-	9.1p
Total basic (loss)/earnings per share	**(7.6p)**	37.5p	50.4p
b) Diluted (loss)/earnings per share attributable to the ordinary equity holders of the company			
Diluted (loss)/earnings per share from underlying operations	**(7.6p)**	35.9p	39.8p
From exceptional costs	**-**	-	8.8p
Total diluted (loss)/earnings per share	**(7.6p)**	35.9p	48.6p

	26 weeks ended 29 January 2022	26 weeks ended 23 January 2021	53 weeks ended 31 July 2021
	£'000	£'000	£'000
c) Reconciliations of earnings used in calculating earnings per share			
(Loss)/profit from operations	**(2,881)**	14,231	19,064
- Add back exceptional costs net of tax	**-**	-	(3,436)
(Loss)/profit from underlying operations	**(2,881)**	14,231	15,628

	26 weeks ended 29 January 2022	26 weeks ended 23 January 2021	53 weeks ended 31 July 2021
	Number	Number	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	**37,748,026**	37,903,759	37,828,902
Effect of dilutive potential ordinary shares:			
- share options	**-**	1,773,974	1,435,066
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**37,748,026**	39,677,733	39,263,968

A total of 1,459,010 potential ordinary shares have not been included within the calculation of diluted earnings per share for the 26 weeks ended 29 January 2022 as the loss made in year results in the shares having no dilutive impact.

13. Trade and other payables current

	As at 29 January 2022	As at 23 January 2021	As at 31 July 2021
	£'000	£'000	£'000
Trade payables	**22,900**	19,652	15,369
Payments received on account	**45,552**	30,840	36,955
Other tax and social security payable	**4,637**	4,402	6,175
Accruals	**12,060**	15,896	13,319
	85,149	70,790	71,818

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

14. Dividend

The Board has declared an interim dividend of 4.5p (2021: 3.0p) per share. This dividend will be payable on 12 May 2022 to shareholders on the register on 22 April 2022. The ex-dividend date is 21 April 2022. The interim dividend, amounting to £1.7m has not been recognised as a liability in this interim financial information. It will be recognised in shareholders' equity in the year to 30 July 2022.

15. Treasury shares

During the first half of the year, the Group's Employee benefit Trust purchased 549,521 ordinary shares of 0.1 pence each at an average price of 247.5 pence per ordinary share for the purpose of satisfying management share incentive awards. Across the same period 531,432 of these shares were used in satisfaction of exercised vested share options. The number of shares held as treasury shares at the 29 January 2022 was 275,503.

In the prior period to 23 January 2021, the Group's Employee benefit Trust purchased 200,000 ordinary shares of 0.1 pence at an average price of 205.1 pence per ordinary share for the purpose of satisfying management share incentive awards. In the period to 31 July 2021, 19,861 of these shares were used in satisfaction of exercised vested share options. The number of shares held as treasury shares at the 31 July 2021 was 257,414.