SCS

Create the home you love

Annual Report 2022

About ScS

ScS is one of the UK's leading furniture and flooring retailers

Our mission is to be the UK's best value home retailer.
Delivering outstanding value, quality and choice with a seamless customer experience.

Strategy in action

Continuing to drive the business forward.

Read more on page 14

Responsibility and sustainability report

Creating a business that we can be proud of.

Read more on page 22

Financial review

Delivering strong results and returns to shareholders.

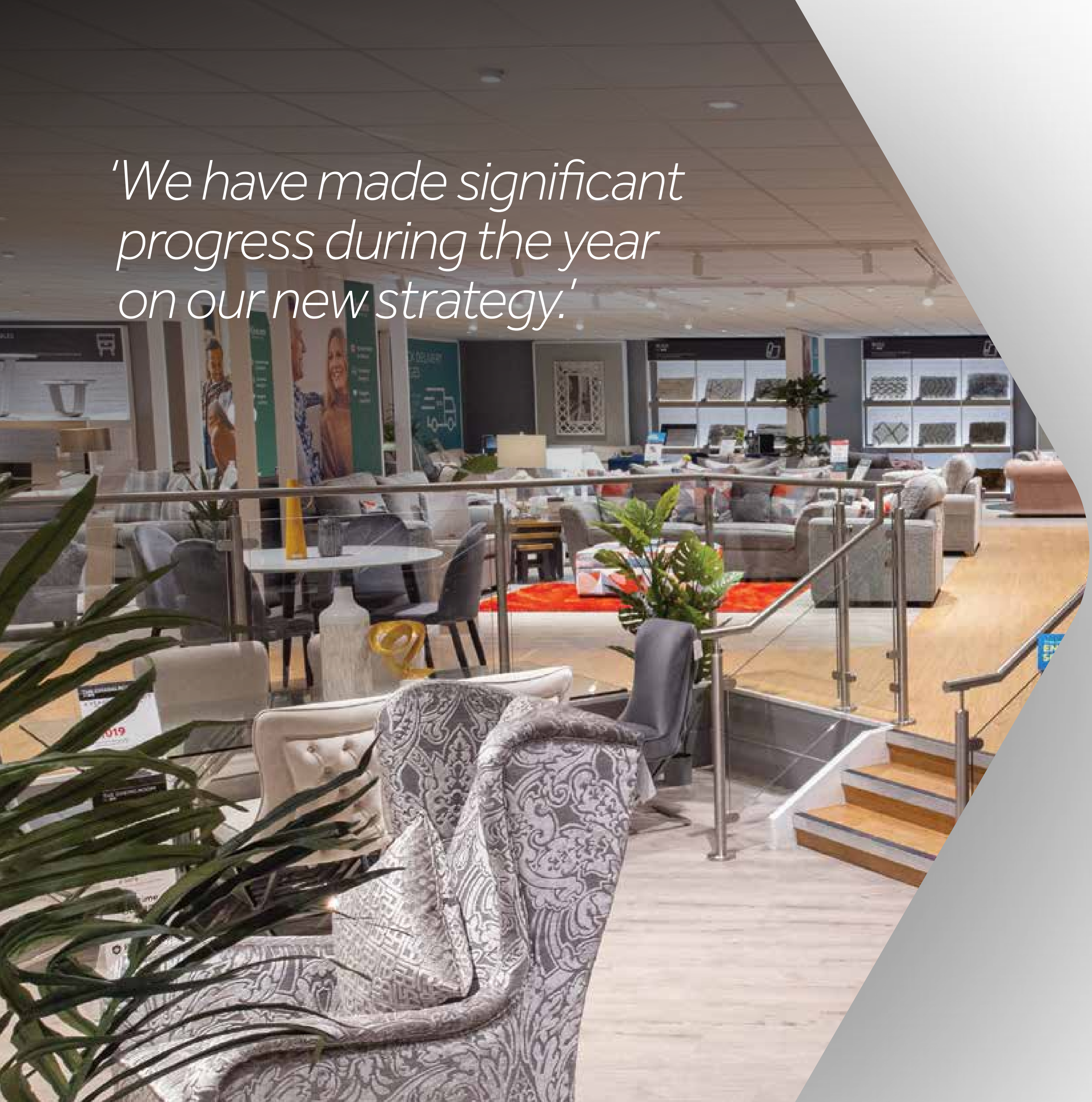
Read more on page 42

Strategic report

Corporate governance

Financial statements

'We have made significant progress during the year on our new strategy.'



Financial highlights

Gross sales**

£344.7m

2021: £319.2m*

Gross margin**

45.3%

2021: 46.1%*

Underlying profit before tax**

£16.4m

2021: £18.4m

Statutory earnings per share

36.2p

2021: 50.4p

Cash

£70.8m

2021: £87.7m

Dividend***

13.5p

2021: 10.0p

* Restated.
** See alternative performance measures on pages 46 to 47.
*** Dividend includes 4.5p interim paid and 9.0p proposed final dividend.

ScS Group plc
45-49 Villiers Street, Sunderland
SR1 1HA, Tyne and Wear
Tel: 0191 731 3000
www.scs.co.uk

Helping create the home you love

We are ScS – the Sofa Carpet Specialists. We have over 125 years of furniture and retailing experience and have established ourselves as one of the leading furniture and flooring retailers in the UK.

Where we are

98
showrooms across the UK

Each providing an engaging experience, showcasing our latest great value products and giving our customers the chance to find the perfect addition to their home.

9
distribution centres across the UK

Each delivering to thousands of customers every week.

1
head office

Supporting the business and customers from our base in Sunderland.

Our purpose

Helping create the home you love

Our clear purpose drives strategic progress and supports our ambitions and commitments. It guides us in delivering the best combination of customer service, value for money, quality and product choice for our customers. Our customers and colleagues are at the heart of everything we do and at the centre of our purpose.

See pages 12 to 19 for more information on our strategy

Operational highlights

- Invested in our people, including strengthening our digital and commercial teams, and invested in a new digital hub enabling us to progress the 'digitally optimised' strategy
- Commenced the project to replace our contact centre technology with an end-to-end solution, improving our customer journey and overall efficiency
- Launched our partnership with Ideal Home
- Trialled in-store digital experiences including 'endless aisles' to allow our customers to browse our full catalogue from a digital station
- Implemented our new concept design into three stores
- Commenced our £7m share buyback programme
- Developed our Environmental, Social and Governance (ESG) strategy and set clear targets

Our values

Our colleagues are key to our success, and we are committed to creating a great place for them to work.

Our culture is underpinned by our RIGHT values:

RESPONSIVE
To our customers, colleagues, markets and new ways of working

INCLUSIVE
Working and communicating with each other to achieve common goals

GET IT RIGHT
Doing things right first time

HARD WORKING
Passionate, committed and driven with a winning attitude

TRUSTED
Operating with fairness, respect, honesty and integrity

Our responsibility

We have embedded our ESG strategy during the year, building on our RIGHT values and aligning our ESG ambitions with our business strategy.

See pages 22 to 31 for more information on ESG

Trustpilot rating

'Excellent'

- **Store: 51% (2021: 56%)**
- **Head office and support: 23% (2021: 22%)**
- **Delivery and warehousing: 26% (2021: 22%)**

- **In-store furniture sales: £279.9m (2021: £244.0m)**
- **In-store flooring sales: £32.6m (2021: 28.7m)**
- **Online sales: £32.2m (2021: £46.5m)**

* See alternative performance measures on pages 46 to 47.

'The past couple of years have demonstrated the resilience of our business.'

Dear Shareholder,
FY22 was another successful year for ScS as we made good progress in the first year of our refreshed strategy, and delivered strong results whilst managing both inflationary cost pressures and supply chain disruptions. I want to thank Steve and his team for their stewardship, and each and every colleague across the business for their commitment, dedication and for never losing sight of our purpose and values.

Embedding our new purpose and strategy

At the end of last year we launched our new purpose, 'Helping create the home you love', which continues to guide the decisions we make and drives us to achieve our strategic ambitions while creating value for our stakeholders. I am pleased to see the progress we have made, particularly as we look to the future and how ScS will continue to develop its brand, customer offering and a culture in which our colleagues can thrive. My visit to the first of our new concept stores during the year really brought this to life, seeing our fresh new store design, improved omnichannel technology and inspiring product offering. The store showcases the best of ScS, with stylish ranges at affordable prices including new flooring offerings, a refreshed dining range, and new products through our partnership with Ideal Home, the most popular home publication in the UK. Ideal Home's goal is to make great home design accessible to everyone, aligning well with our own mission of becoming the UK's best value home retailer, delivering outstanding value, quality and choice with a seamless customer experience. It has been a particular highlight to see the progress we have made in improving our customer journey, resulting in the Group achieving the maximum 5-star 'Excellent' Trustpilot rating.

As a Board we recognise the importance of embedding our purpose and strategy both ethically and sustainably. I was pleased this year to see the progress made in our ESG strategy and to oversee the introduction of new remuneration performance targets specifically related to ESG, which will see 10% of the executive and senior management bonus schemes now dependent on progress in our colleague survey score and reduction in waste within our business.

See pages 85 and 90 of our Directors' remuneration report for further detail.

Resilient business model

The past couple of years have demonstrated the resilience of our business. Through the responsiveness of our teams, control of our flexible cost base and prudent capital management, we have successfully navigated the challenges of COVID-19 and protected our stakeholders' interests. This year has seen the positive financial outcomes of that, with an increase in like-for-like order intake*, record delivered sales, an increase in the total dividend by 35% to 13.5p and the commencement of a £7m share buyback. Our balance sheet remains strong with £70.8m of cash and no debt.

We further outline our strategic progress to date on pages 12-19, but I am particularly pleased that we have been successful in maintaining our gross margin* and controlling costs despite inflationary pressures.

Board changes

It was with great sadness that we announced the sudden death of Non-Executive Director George Adams in November 2021. George joined the Board in July 2015 and was Chair of the Remuneration Committee and I am hugely thankful for the commitment he gave the business over that time. I know I speak for the whole Board when I say we miss him greatly, both as our colleague and friend.

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

* This report includes alternative performance measures (APMs) which are defined and reconciled to IFRS information, where applicable, on pages 46 to 47.

As a result of George's passing, together with Ron McMillan and I nearing the end of our nine year service periods, we began the process to appoint three new Non-Executive Directors. I am delighted that we have successfully filled all three positions with the recent appointments of Carol Kavanagh, who joined the Board on 26 September 2022, Andy Kemp who will join the Board on 1 February 2023 and John Walden, who will join the Board as Chair Designate on 1 March 2023. The intention is that John will become the new Non-Executive Chair on 30 November 2023 when I retire. Carol, Andy and John have held a number of relevant senior positions and have extensive listed company experience. I look forward to working with them and their appointments will strengthen the Board's capabilities while playing a crucial role in our succession planning.

Shareholder return

As I previously mentioned, the Group continues to maintain a strong balance sheet and the Board actively reviews the allocation of capital, considering potential external and internal investment opportunities and returns to shareholders. We continue to maintain a strong cash position, providing resilience in the current environment and our strategic progress provides us with further confidence in the Group's future performance. As a consequence of this strength, during the year the Group announced a £7m share buyback programme which has now returned over £3.3m to shareholders. We continue to remain committed to this programme.

As we reflect on the strong result for the year, the Board is pleased to propose an increased final dividend of 9.0p (2021: 7.0p) subject to approval at the Annual General Meeting (AGM). This would result in a full year dividend of 13.5p (2021: 10.0p).

Summary

We enter the new financial year with caution given the current challenging economic environment. However, our targeted investment over many years in our business model and colleagues has generated strong and resilient results in the past and we are confident that we can take market share and continue to deliver for our stakeholders.

On behalf of the Board, I would like to thank our shareholders, suppliers and customers for their continued support as well as our colleagues for their loyalty and hard work.

Alan Smith
Chair
10 October 2022

Chief Executive Officer's review

'We believe we are well placed to continue to deliver excellent returns to shareholders.'

Overview

The year ended 30 July 2022 marks my first full financial year as CEO after joining the business in January 2021. It is also the first year of our refreshed purpose, mission and strategy which have continued to drive the business forward.

I would like to take this opportunity to thank all of the fantastic teams at ScS for their loyalty, diligence and enthusiasm over the past year, enabling the business to adapt, strengthen and overcome challenges. Having the right people in the right roles is fundamental to the success of any business. Our colleagues have continued to demonstrate the Group's values and put the customers at the centre of everything they do. Their hard work is reflected in the improvement of our Trustpilot rating from 4.5 to the maximum 5 stars, delivering an 'Excellent' rating. At the start of FY23 I was delighted to recognise this hard work and loyalty, as we announced over £2m of investment in our colleagues take home pay, both through an increase in their basic salaries and a £400 one-off cost of living support payment.

Results

The Group started the year with a strong order book which, together with positive like-for-like order growth*, resulted in an increase in gross sales* of 8.0% compared to the prior year.

During the year we have worked hard, particularly alongside our suppliers, to manage cost inflation. Our tight oversight and control of margin has been a key focus of our strategy and has enabled us to deliver a strong gross margin* of 45.3% (2021: 46.1%) in line with pre-pandemic levels. Gross profit increased 6.3% to £156.3m (2021: £147.0m).

Pleasingly, profits exceeded initial expectations despite, as predicted, being impacted by the planned reduction in business rates relief, which reduced £7.6m in the year to £2.6m (2021: £10.2m). Underlying profit before tax* excluding business rates relief increased to £13.8m (2021: £8.2m).

Strategic progress

I am pleased with the progress made in year one of our refreshed strategy, which colleagues have embraced together with new ways of thinking and working. We have retained a solid foundation on which we can build over the coming years and believe we are well placed to continue to deliver excellent returns to shareholders despite the economic pressures the UK is facing. I look forward to seeing the results of our investment as we build momentum and enter the next phase.

During the year I was delighted to welcome two new directors to the Executive Board, a Commercial Director and a Sales and Operations Director. We have also recently appointed a Chief Marketing & Digital Officer as we continue to strengthen the leadership and capabilities across the business. We have also increased the capability and capacity of the digital team, added further strength to our senior commercial team, and grown our people team.

In July we implemented our concept design in our Coventry store, where many of the new strategic ideas will be trialled. Initiatives include a refreshed showroom interior with improved furniture bays, a revised flooring department and a variety of digital features such as digital stations, referred to as 'endless aisles', where our customers can browse our full range of products and build a wishlist.

We have since implemented the concept design into a further two stores and I see this as an exciting step forward in our strategy, and look forward to refining the new ideas using a data driven approach to ensure we see the appropriate return before further rollout across the store network to create engaging showrooms for our customers.

A priority for our digital team in the year has been to review our partner base and retender contracts. This review has seen specialist agencies engaged across paid media, SEO and analytics. The team has also built an econometric model to optimise the effectiveness of our digital marketing, allowing us to continually monitor and review the changes we make. Ensuring that we have the right people, the right tools and the right partners is key to setting the Group up for digital success.

Following our partnership with a number of new suppliers during the year we have enabled direct home delivery, launched a new range of 'quick delivery sofas', refreshed our dining range and announced our partnership with Ideal Home. As we continue to look for ways to enhance the customer experience we have engaged the help of a third-party specialist to assist us in conducting detailed customer research into our brand awareness and consideration and customer segments. I look forward to utilising the insight that this data will provide in future decision making.

Further details of our strategy can be found on pages 12 to 19.

Environmental, social and governance (ESG)

We have made significant progress during the year in developing our ESG strategy. A steering group has been established, clear targets have been defined and we continue to build our sustainability roadmap.
ESG is an area that is rapidly advancing and is a standing Board agenda item, with regular updates provided by the ESG steering group. Although we are relatively early on our ESG journey, we have made great strides and are committed to driving further change.

Further details of our ESG progress can be found on pages 22 to 31.

Current trading and outlook

Trading since the start of the new financial year has been subdued, with the challenges of high inflation impacting consumers' disposable income. As previously reported, the sector is seeing softening demand as consumers defer spend on big ticket discretionary purchases.

We are pleased with the strategic progress we have made to date which, coupled with the strength of the Group's balance sheet, places the business in a strong position to deal with the current headwinds. As a consequence, while we expect the coming months to be challenging, we are confident in the longer term growth prospects of the business.

Steve Carson
Chief Executive Officer
10 October 2022

* This report includes alternative performance measures (APMs) which are defined and reconciled to IFRS information, where applicable, on pages 46 to 47.

'During the year we have worked hard, particularly alongside our suppliers, to manage cost inflation. Our tight oversight and control of margin has been a key focus of our strategy.'

Strategic progress positions the Group to grow market share

Current UK market

We operate in both the furniture and flooring markets.

Market commentary
The furniture and flooring markets have both felt the impact of the challenges present across the wider economy. Over the past year we have had to work closely with our suppliers to contend with cost inflation, indicative of the well documented 'cost of living crisis' in the UK, as well as supply chain disruption and attempts to reduce lead times, which had peaked as manufactures struggled to keep up with demand following the surge in order growth as stores reopened from the COVID-19 lockdowns.

As the upholstery market recovered post COVID-19, GlobalData's analysis suggests the market grew 17.3% in 2021. 2022 also started positively as supply chain disruption led to orders from 2021 being delivered in the new year, however GlobalData's latest analysis suggests the total market value will reduce by 2.3% in 2022. Despite the strong start to the year, they believe rapid inflation to key essentials such as food and utilities, together with a fall in consumer confidence, will discourage shoppers from making larger purchases.

Similarly, following a 13.4% increase in the size of the flooring market through 2021, GlobalData forecast a 0.6% reduction in 2022. Again, despite the benefit to 2022 caused by the improvement in supply chains, the loss of consumer confidence and expected reduction in housing transactions will discouraged shoppers from making discretionary purchases.

Highlighting the challenges of the current economic environment noted above, GlobalData's monthly survey of consumers shows that the proportion of shoppers saying that they intend to stop buying furniture and floorcoverings in response to increasing inflation has increased each month since April. GlobalData's consumer sentiment tracker shows that confidence has fallen to record lows.

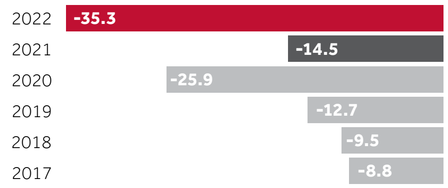
In considering how customer journeys are likely to develop, GlobalData's latest market commentary highlights that although lockdowns have made customers more confident purchasing online, and therefore online penetration is above pre-pandemic levels, the customer journey will remain multichannel, with the majority of customers conducting pre-purchase research online before then visiting stores to test products and buy.

Key drivers
Both of our core markets are heavily influenced by similar key factors:

Consumer confidence
Consumer confidence has a direct impact on the appetite for big-ticket purchases. GfK monitor this through their Consumer Confidence Index, which shows that confidence recovered post-pandemic, peaking at -7 in July 2021, having been as low as -36 in June 2020, and having not been higher than -7 since May 2017. Through the

Consumer confidence

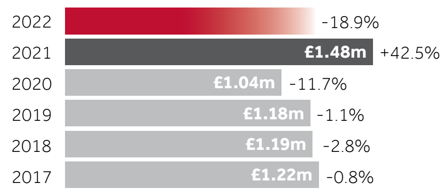
-35.3



GfK Consumer Confidence Index – average of individual scores for each year. Research carried out by GfK on behalf of the European Commission.

Housing market

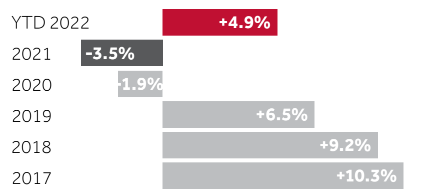
-18.9%



HMRC UK Property Transaction statistics – total of number of residential property transactions completions with a value over £40,000 within the UK, seasonally adjusted.

Net consumer credit lending

+4.9%



Bank of England – average 12 month growth rate for the calendar year of total (excluding the Student Loans Company) sterling net consumer credit lending to individuals (in percent), seasonally adjusted.

remainder of 2021 it normalised at pre-pandemic levels until Russia's invasion of Ukraine early in 2022 and the subsequent inflationary pressures on food and utilities. Confidence has fallen each month through 2022, until it reached a record low of -49 in September, 36 points lower than at the same point in the prior year.

Housing market

The purchase of new flooring and furniture is often triggered by a house move. 2021 saw the highest number of property transactions since 2007 as the pent up demand following the lockdowns of 2020 unwound and purchasers benefitted from a temporarily reduced stamp duty. Although 2022 levels to August are currently down 18.9% as at the same point in 2021, the total number of housing transactions is currently on track to be the second highest since 2007.

Consumer credit

The availability of consumer credit helps facilitate sales, and provide opportunities for upselling, with nearly half of our customers choosing to utilise this option as a way to pay for their products. We noticed a decline in the use of finance during the pandemic, and although this trend appears to be reversing, it has still not returned to the levels seen in 2019. This change appears to be consumer led, potentially as a result of increased savings over the period of the COVID-19 pandemic, and is supported by a further fall in net consumer credit lending of 3.5% in 2021, following the 1.9% fall in 2020. 2022 has begun to reverse this trend, with a 4.9% rise in lending to date. The approval percentage of those requesting finance to purchase with us continues to remain in line with prior years.

Our place in the market

Increasing market share

Following a challenging year which has seen significant pressures on both the upholstery and flooring markets, and where the size of both markets reduced, we have been able to grow our market share. Our share of the upholstery market grew by 0.7% to 9.7%, with the size of the market reducing by 2.3%. Our flooring share increased 0.2% to 1.8%, with the size of the flooring market reducing 0.6%.

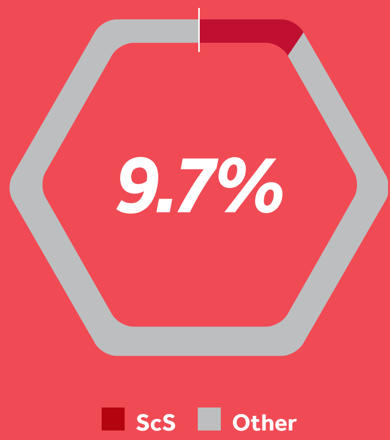
Value retailer

We have a differentiated value-focused positioning in our markets and a continued reputation for providing our customers with products at a leading range of entry to middle price points. We have a clear view of our core customer demographic, which consists of a broad population of aspiring homemakers, families and retired couples.

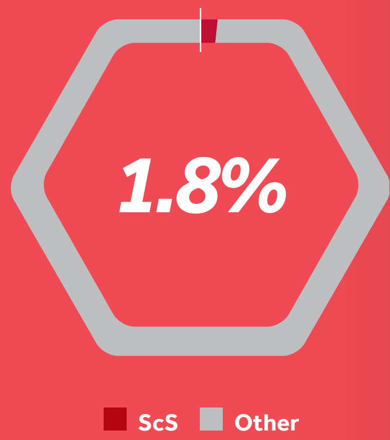
Opportunities for further growth

Our in-store offering has remained the backbone of our business and provided continued success. Our strategy includes further expansion in our network where appropriate. We continue to invest in our online presence, with sales in FY22 almost double those in FY19 and an ongoing expectation that the significant majority of our customers will begin their journey on our website. The execution of our strategic plan will provide further improvements to our people, our product, our showrooms and our customer journey and, together with a tightening economy, will provide opportunities to take market share.

*2022 upholstery market share**



*2022 floor coverings market share**



* Market share data provided by GlobalData.

2021 market share: 9.0%

Retailer	2021 (%)	2022e (%)
Competitor A	27.3%	28.0%
ScS	9.0%	9.7%
Competitor B	8.2%	8.8%
Competitor C	6.6%	6.6%
Competitor D	4.8%	5.2%
Competitor E	5.7%	5.0%
Competitor F	2.8%	2.5%
Competitor G	2.5%	1.9%
Competitor H	1.8%	1.8%
Competitor I	1.6%	1.6%

2021 market share: 1.6%

Retailer	2021 (%)	2022e (%)
Competitor A	15.5%	16.1%
Competitor B	7.0%	7.0%
Competitor C	6.6%	6.9%
Competitor D	4.0%	4.2%
Competitor E	3.9%	3.8%
Competitor F	3.0%	3.4%
Competitor G	3.7%	3.4%
Competitor H	2.6%	2.9%
Competitor I	2.3%	2.5%
ScS (14th)	1.6%	1.8%

*Forecast 2022 market size: Furniture***

£3,094m

-2.3%

*Forecast 2022 market size: Flooring***

£1,908m

-0.6%

** Source: GlobalData (as of 23 Sept 2022).

Delivering outstanding value, quality and choice with a seamless customer experience

Employee satisfaction score

71

Colleague survey score

Trustpilot rating

'Excellent'

Our key ingredients

Digital
Supporting omnichannel shopping journeys

Range of price points
Our sofa ranges start from £329 and go up to over £6,000, offering value and choice for our customers

Easy ways to pay
Long-term interest-free credit making buying affordable

Brands
Long-term relationships with leading furniture and flooring brands

Customer experience
5-star service delivered by our passionate and trusted colleagues.

Prime locations
High quality stores in prime locations

Donated to local and national charities

£64,000

Dividend per share

13.5p

Dividend includes 4.5p interim paid and 9.0p proposed final dividend

Over

65%

of product is manufactured in the UK and Europe

What we do

Showrooms

- Our passionate and skilled retail professionals are on hand to help the customer choose the right product for them within our large, modern showrooms.
- Our showrooms allow us to create an inspiring experience for our customers, showcasing our product ranges and giving our customers the opportunity to purchase their furniture and flooring under a single roof.
- Our showrooms work alongside our online channel, providing our customers with the chance to view and test the comfort of our products.
- We provide a free surveying service so that flooring customers can be assured they have ordered the correct quantity of floor covering for their home.

Product

- The majority of our furniture products are made-to-order and tailored to meet our customers' needs.
- Our flooring offering ranges from carpets and rugs to wood, laminate and luxury vinyl tiling.
- Our variety of dining and occasional ranges offer something for every home.
- We continuously refresh our product offering, exploring new design aesthetics and brands.
- We work closely with our suppliers to ensure that we are able to offer inspiring, comfortable products at a range of affordable price points.
- We partner with some of the most recognisable brands in the market, whose products are an excellent match for our customers' homes.

Digital

- Our online presence supports our showroom network providing our customers with an omnichannel experience.
- We offer an extensive range of furniture and flooring online, including web exclusive products which extend our range beyond that available in our showrooms.
- We continue to expand online, enhancing digital growth through investment in people, technology and collaborating with carefully selected partners.
- Utilising statistical analysis and 'A/B' testing to allow us to monitor and adjust every change we make to drive our online success.

Delivery

- Our delivery teams provide an in-house two-person home delivery and installation service for our furniture products from each of our nine distribution centres across the UK.
- Our delivery teams provide customers with an efficient and friendly service as reflected in our 'Excellent' Trustpilot rating.
- Working with trusted partners we are able to offer our customers reduced lead times through contracting delivery partners and enabling home delivery direct from the supplier.
- Our flooring product is supported by a full fitting service through our third-party network of fitting experts. Our flooring is cut, delivered and fitted to our customers' specifications.

The value we create for our stakeholders

Our colleagues

We offer inspiring careers in a purpose-driven business with a culture of inclusiveness, where our colleagues are motivated and encouraged to develop their skills in an environment in which they can thrive.

Our customers

We provide our customers with a great experience either in one of our showrooms or online. We pride ourselves on ensuring our customers get the right product together with a high standard of aftercare service, helping them create the home they love.

Our suppliers

We have built strong and enduring relationships with our long-standing suppliers. We have also brought on a number of new partners to drive further improvements. The vast majority of products that we sell are exclusive to us. We are delighted to be able to offer our customers a great range of well-recognised third-party brands, alongside our own in-house brands.

Our communities

As a responsible business, it's important to us that we give back to our local communities where we live and work. We do this through employment opportunities, donating funds to various charities and supporting our colleagues with the opportunity to volunteer their time to charity.

Our shareholders

We are committed to delivering long-term growth and returns for our shareholders. This commitment is supported by the Group's robust balance sheet, lean operating model and excellent cost control.

Sustainability

In order to operate effectively and responsibly, we ensure that sustainability underpins our business model by:

- Reducing our impact on the environment
- Taking care of our colleagues
- Contributing to the communities in which we operate.
- Delivering value through strong governance.

Our online presence supports our showroom network providing our customers with an omnichannel experience.

Our mission is to be the UK's best value home retailer

In the prior year the Group carried out a comprehensive review of the business, which led to the launch of our new purpose, 'Helping create the home you love' and a refreshed strategy.

Twelve months on and the Board is pleased with the progress made and look forward to the year ahead.

Strategy in action

1. Outstanding team

Our colleagues remain at the heart of our business and our aim is to 'be a place people love to work', where colleagues feel they belong, are listened to and are given the opportunity to develop.

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

- Added further strength to our senior commercial team, appointing a new Commercial Director, a Sales and Operations Director and a Chief Marketing & Digital Officer to our Executive Board;
- Strengthened the leadership and increased the capability and capacity of the digital team;
- Recognised the talent within our own teams by making a number of promotions and internal transfers; and
- Grown our people team to support the recruitment and development of our colleagues, with additional experience added to support the development of our reward strategy.

During the year we significantly overhauled our hiring and on-boarding process. We introduced a new digital welcome pack to inspire new colleagues as they begin their journey with us and we are in the process of investing in a new careers website and application tracking system to improve efficiencies in the hiring process.

Increasing engagement and enhancing our culture continues to be a top priority for the Board. Colleague focus groups have been held throughout the year to help us shape our behaviours, define how we lead and review our current RIGHT values. The results of the latest annual employee survey were encouraging and contained more constructive ideas and comments than ever before, demonstrating that our colleagues are happy to share their thoughts. By reviewing the feedback we hope to implement meaningful changes to drive improvements across the business.

As we seek ways to improve retention, a key focus of our people strategy is to review and benchmark our reward offering. During the year we enhanced reward for our distribution teams who operate in a highly competitive job market and we are currently benchmarking remuneration across the business. We also relaunched our share incentive plan with a new provider with the aim to encourage colleagues to share in the success of the business. Additionally we introduced the ability for our employees to salary sacrifice their pension contributions, which will result in an increase to many of our colleagues' net pay. We are delighted to see that our retention rates are improving with a decrease in staff turnover of 2.4% compared to FY21.

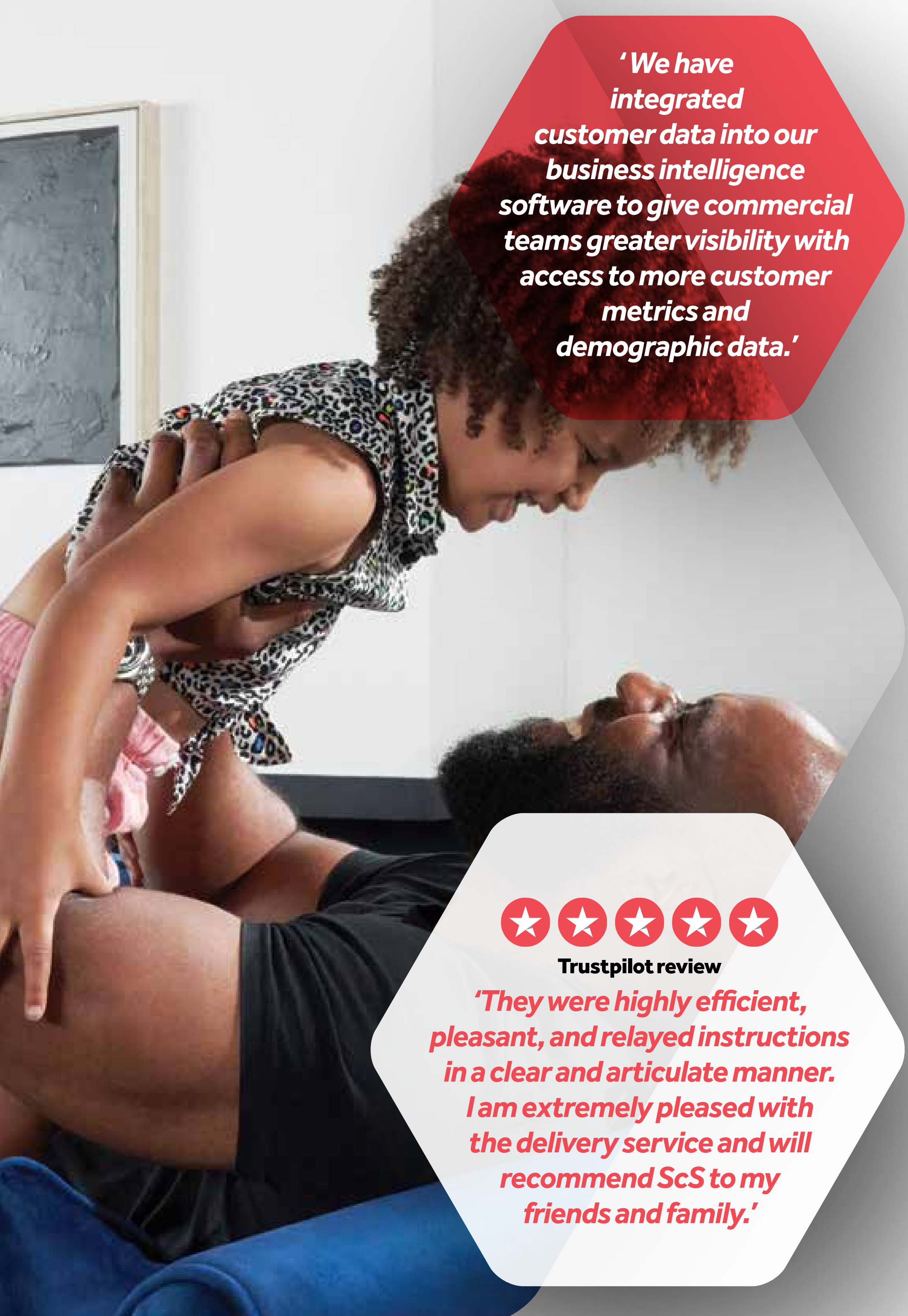
'Increasing engagement and enhancing our culture continues to be a top priority for the Group.'

Looking forward

- Review and develop our diversity and flexible workforce policies to help shape and reflect the brand we want to be, with the aim to help create a more diverse work force that is more reflective of the communities we serve.
- Continue the positive work on employer branding, strengthen the talent pipeline and launch a new recruitment website to attract and retain great talent.
- Improve the process of reviewing our colleagues performance and development.
- Implement a new learning management system to support colleague learning, compliance and training.
- Review reward structure to improve colleague retention and ensure that we remain competitive.

KPI

Colleague survey score: **71** (2021: 73)



'We have integrated customer data into our business intelligence software to give commercial teams greater visibility with access to more customer metrics and demographic data.'

Trustpilot review

'They were highly efficient, pleasant, and relayed instructions in a clear and articulate manner. I am extremely pleased with the delivery service and will recommend ScS to my friends and family.'

2. Customer driven

Our mission is to be the UK's best value home retailer, delivering outstanding value, quality and choice with a seamless customer experience. As we strive to achieve this mission, improving product quality and streamlining the customer journey are key focus areas within the 'customer driven' element of our strategy.

A key part of enhancing the customer experience is the monitoring of our customers' reviews on Trustpilot in order to understand what we are doing well and also identify areas for improvement. We are delighted to have increased our Trustpilot rating from 4.5 to the maximum 5 stars, delivering an 'Excellent' rating, improved the underlying TrustScore to 4.8 and exceeded 370,000 reviews. During the year we have also enabled reviews at a local store level, with over half achieving the full 5-star rating, and every store attaining a minimum of 4.5 stars.

Our efforts to improve product quality included:

- Introducing a pre-delivery inspection procedure, making use of in-house service technicians to fix any minor issues within our distribution centres;
- Trialling new ways of handling and transporting products to minimise damage from the outset; and
- Issuing revised terms to suppliers to improve quality and give ScS greater involvement in design specification.

We have also launched a new 'track your order' tool on our website, supported members of our customer experience team to undertake City & Guilds accredited training, and invested in new technology for our contact centre which we look forward to implementing next year.

Earlier in the year we engaged the help of a third-party specialist to assist us in conducting detailed customer research into our brand awareness and consideration, and to provide information on customer segments to guide future decision making. We have integrated customer data into our business intelligence software to give our commercial team greater visibility with access to more customer metrics and demographic data.

Looking forward

- Utilise enhanced data and independent research to help diversify our brand and engage with a broader customer base.
- Further drive product quality improvement through working closely with our suppliers, sharing best practice across the supply base and utilising customer feedback.
- Continue to look for ways to improve the customer experience, utilising customer feedback, supporting our teams and implementing our new end-to-end technology solution into our customer experience team.
- Engage our colleagues and customers through focus groups to gain their valuable insight and thoughts on areas for improvement.
- Review delivery procedures to ensure they are exceeding our customers expectations.

KPI: Trustpilot score: **4.8** (2021: 4.7)

3. Inspiring ranges

As we build upon and enhance our product offering, we have introduced new design aesthetics mixing contemporary and stylish, chic and colour, whilst maintaining our value focus. This has resulted in the launch of 70 new furniture models and 88 new flooring options.

Our new product ranges include our collaboration with Laurence Llewelyn-Bowen, the 'LLB at Home' collection, as well as our new 'Botanicals' sofa range. More recently we have announced our partnership with Ideal Home, the most popular home publication in the UK with a significant digital presence. We look forward to working together to inspire our customers as they design their homes.

As part of finding the right partners to drive our growth, we have reviewed our furniture supplier base and on-boarded a number of new suppliers across the UK and Europe, reducing our reliance on the Far East as we aim to improve product quality, reduce the environmental impact, and reduce lead times. Our ongoing commitment to help our customers create the home they l ove continues to drive our product procurement decisions.

We also launched our new 'quick delivery sofas', with lead times of just two weeks, and worked with a number of suppliers to enable direct home delivery of product direct from supplier to customer. We are continuing to build and evolve this service to transform the speed that we can deliver to our customers.

During the year we introduced an area within a select number of stores which we call 'The Dining Room @ ScS'. It brings our dining range together in a dedicated area of the store and has proven successful. We have reviewed our product offering, ensuring a good mix of shape and range of materials, which is proving popular with our customers as dining sales increased by 28.5% on the prior year.

We believe there remains further potential in our flooring business, and are consequently looking for ways to improve the customer journey. We have strengthened the flooring operations team to help drive the areas we want to improve. We have also simplified our product range, increased colleague training, reviewed third-party fitter pay rates to improve retention and streamlined our supplier base to improve service and quality.

Looking forward

- Refresh our sofa range and develop our brands by building on our partnership with Ideal Home, relaunching a number of brands with a modern look and feel, and trialling new concepts such as self-assembly sofa ranges.
- Further drive our dining range by strengthening the leadership in this area and continuing to broaden the product proposition and growing our direct home delivery offering.
- Transform our flooring offering by improving and simplifying processes, focusing our ranges and improving our colleagues' ability to sell with confidence.
- Launch a refreshed hard flooring offering in concepts stores before rolling out nationally.

KPI

Gross sales: **£344.7m**
(2021: £319.2m (restated))

4. *Digitally optimised*

To support our digital growth ambitions we have significantly expanded our team to improve research and development, merchandising and marketing. In January 2022 we opened a hub within our expanded Coventry store as a base for our digital team. Locating the team within a concept store will improve their integration with both our retail colleagues and our customers, advancing our full omnichannel offering. Our newly appointed Chief Marketing & Digital Officer will oversee the digital and technology teams and lead the digital strategy.

Ensuring that we have the right people, the right tools and the right partners has been a top priority for our digital leadership team in the last 12 months. We have reviewed our partner base and retendered contracts, engaging specialist agencies across:

- Digital media - partnering with one of the top 5 media agencies in the world, reviewing advertising through digital channels, driving efficiency in digital marketing and providing insights into market demand and customer online shopping behaviours.
- SEO - optimising our website and creating an 'inspiration hub' to drive organic visibility and capture customers at the research phase of their shopping journey.
- Analytics - improving both qualitative and quantitative data including new tools such as user feedback and Google Analytics 360 to better understand shopper behaviour and friction points to help drive improvements.
- Personalisation - implementing a market-leading personalisation suite to power experiences such as product recommendations and triggered messaging.

To optimise the effectiveness of our marketing, we have built an econometric model to continually monitor and review the changes we make, to understand and improve omnichannel marketing efficiency and further our digital success.

We have also made good progress in building our social media presence, including the launch of a new influencer programme to help build engagement with relevant audiences to increase awareness and consideration.

During the year we have added new functionality to our website through a new agile development and optimisation programme, including enabling customers to leave product reviews. The reviews allow us to better understand our customers and ensure that our products are meeting their expectations. Building on our omnichannel experience, customers can now create an online wishlist which they can save and share to create a more seamless customer journey.

Over the last twelve months the team has worked hard to ensure that the digitally optimised element of the strategy is set up for success and the Board looks forward to seeing the impact of the investments made in the coming years.

Looking forward

- Drive online conversion through improved landing pages dedicated to individual brands, review of online shopping journey and expansion of online only ranges.
- Drive digital reach through personalised communications, increased collaboration with social media influencers and targeted local advertising.
- Further understand the needs of our customers by reviewing customer feedback and improving data collection.
- Improve the omnichannel experience by adding shopper wishlist capability, increasing digital experience in showrooms, increasing utilisation of data and improving digital customer contact functionality.

KPI
Online sales: **£32.2m**
(2021: £46.5m (restated))

5. *Engaging showrooms*

A key focus for this year has been developing our new concept store where we can trial new ideas. The aim is to provide a more modern look and feel, ensuring that our products are showcased in the best format and to utilise digital developments to enhance the customer experience to help create the home they love. We are trialling a number of initiatives such as:

- A completely refreshed showroom interior and layout with enhanced lighting, improved furniture bays, a restructured flooring display and a dedicated area for our dining ranges;
- New ranges and product offerings to broaden the choice available to our customers;
- Digital stations, referred to as 'endless aisles', where our customers can browse our full range of products and build a wish list; and
- A web application that allows customers to scan a product QR code for full product details, recommendations and payment options.

Having implemented our new concept design in one store during the year, we have now refitted two further stores at the start of the new financial year. We will continue to trial, test and measure the performance of the three concept stores and use the learnings to shape and refine the future roll-out across more locations.

As we continue to invest in our showrooms to create a more inspiring experience, we successfully trialled a new 'declutter' programme in several stores which had a positive impact on performance. This included reducing the amount and size of the point of sale, and being more selective around some of the occasional ranges we offer. The trial showrooms are cleaner, brighter and more inviting and we will extend this programme across the entire store network in FY23.

During the year we reviewed our store network to ensure our showrooms are in the best possible locations. In doing so we have closed one of our Southampton stores and our Greenock store as their leases ended and their performances did not meet our required levels. We have also relocated our Rotherham and Doncaster stores to more modern units in improved locations whilst reducing costs. As we consider further expansion, we are utilising customer demographic data and existing store performance to identify potential new locations.

'During the year we have continued to review our store network to ensure our showrooms are in the best possible locations.'

Looking forward

- Open two further concept stores in quarter one to trial different designs and layouts.
- Review the progress of the concept stores, monitoring and refining ideas before rolling out across more locations.
- Roll out trialled 'declutter' programme across showroom network.
- Develop our network by utilising knowledge of the demographic profile of our customer base to help identify the optimum network footprint.
- Continue to focus on actively managing rent costs as part of lease negotiations.

KPI
Like-for-like order growth: **+3.9%** (2021: -1.5%)

'We are keen to ensure we are working with the best providers in terms of service to our customers, acceptance rates and cost.'

6. Strengthen the core

We continue to review the success of our product ranges and have further developed our line level margin analysis tools to allow us to better manage the profitability of our product offering alongside maximising our customer experience. 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.

As we expand our data driven approach we have developed tools such as our distribution centre balanced scorecards, allowing for further comparison of KPIs and sharing of best practice across our distribution network.

During the year we have reviewed processes in a number of key cost lines to identify areas for improvement. We have enhanced the reporting visibility of our compensation and allowances cost line and improved the robustness of the stock write off process, utilising new technology and working with the ESG steering group to identify ways to avoid waste wherever possible.

Our finance house partners continue to facilitate a significant amount of the orders we take, as our customers look to take advantage of a more affordable payment option. This could increase further as the cost of living increases, and we are keen to ensure we are working with the best providers in terms of service to our customers, acceptance rates, and cost. As part of that process, during the year we have been retendering our finance house partners, including trialling a new in-store provider.

We remain focused on improving the success of the core business model we have operated for many years, with strong cost management as reflected in the achievement of a 45.3% gross margin* despite cost pressures; a resilient balance sheet with cash of £70.8m; and informed decision making driving revenue to record levels.

Looking forward

- Utilise customer data to improve in-store conversion.
- Refine pricing strategy and supplier mix to maintain product margin whilst remaining best value in the market.
- Maintain the quality of sales by supporting retail colleagues with enhanced training plans and access to insightful information.
- Explore sourcing opportunities to reduce average lead times.
- Continue to review key cost areas and operating efficiencies across the business including distribution.
- Optimise our customer finance offering.

KPI
Profit before tax: **£16.4m** (2021: £22.7m)

Key performance indicators (KPIs) are fundamental to understanding the progress we are making with our strategy, and to monitor the ongoing performance of the business over time.

The KPIs set out in this summary are the most relevant measures monitored on an ongoing basis by the Board. The definition of these KPIs and our performance over the last three years is detailed below, as well as how each KPI links to our strategic priorities. Commentary on these KPIs is contained within the Financial review.

Non-financial KPIs

Trustpilot customer satisfaction

4.8

Why it's important
Customers want confidence that their retailer of choice can deliver on their promises. We focus on our TrustScore to ensure we maintain our 'Excellent' rating.

What we measure
Our TrustScore, marked out of 5, is a measure provided by Trustpilot, an independent review platform used by our customers which asks them to rate our customer service.

Link to strategic priorities
1 2 3 4 5 6

Colleague survey score

71

Why it's important
Our colleagues play a pivotal role in the success of our business, and we aim to ensure they benefit as we do. It is of utmost importance for us to listen to our colleagues and to get their thoughts and opinions to ensure that our colleagues are engaged. We take pride in being a place where colleagues can thrive and progress whilst feeling supported.

What we measure
Our 'Colleague survey score' measures the overall eSAT score of the annual survey sent to all colleagues for their feedback. The eSAT score is an average score used to provide insight into how happy our colleagues are working at ScS.

Link to strategic priorities
1 2 3 4 5 6

CO_2 emissions (tonnes)

6,080t

Why it's important
As a retailer we recognise that our operations will impact the environment, and we have a duty to ensure that both now and in the future we seek to minimise this.

What we measure
Scope 1 (direct), scope 2 (indirect) and scope 3 (business travel) as reported under the Streamlined Energy and Carbon Reporting (SECR), see further detail on pages 37 to 38.

Link to strategic priorities
1 2 3 4 5 6

Strategic priorities 1 Outstanding team 2 Customer driven 3 Inspiring ranges 4 Digitally optimised 5 Engaging showroom 6 Strengthen the core

Financial KPIs

Revenue

£331.6m

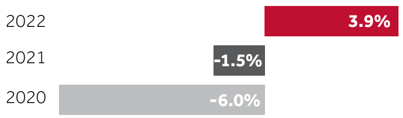
Why it's important
Sustainable growth in delivered sales is key to our long-term success, increasing market share and creating opportunities.

What we measure
Revenue is a measure taken directly from our primary statement of accounts, and is the combined total of all furniture and flooring delivered sales made, excluding VAT and the costs of interest-free credit, both online and across all of our showrooms.

Link to strategic priorities
1 2 3 4 5 6

Like-for-like order intake growth**

+3.9%



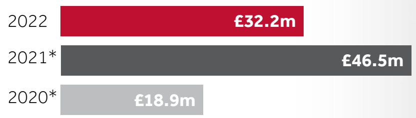
Why it's important
Whilst overall delivered sales growth is important, understanding how the same showrooms perform year-on-year provides a guide to underlying showroom performance. Due to lead times, order growth also gives a view as to future delivered sales performance.

What we measure
Like-for-like order intake** growth compares year-on-year trading performance from comparable showrooms. It therefore excludes new and closed showrooms. Order value is a combined total of all furniture and flooring orders booked, including VAT, both online and across all of our showrooms.

Link to strategic priorities
1 2 3 4 5 6

Online sales

£32.2m



Why it's important
The Group needs to maximise its share of customers wanting to transact online.

What we measure
Online sales growth is the portion of the gross sales** figure attributable to our website and telesales.

Link to strategic priorities
1 2 3 4 5 6

Gross margin % of gross sales**

45.3%

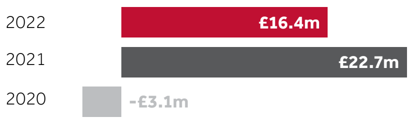
Why it's important
To grow profitably, the Group must ensure that sales growth is supported by maintaining or growing the gross margin.

What we measure
Gross margin % of gross sales is a measure taken directly from our primary statement of accounts and is the total margin made from sales of product, excluding VAT, as a proportion of total gross sales**.

Link to strategic priorities
1 2 3 4 5 6

Profit/(loss) before tax (PBT/LBT)

£16.4m



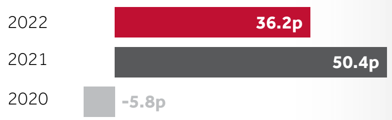
Why it's important
Delivering profitable growth is essential as we aim to create value for all stakeholders over the long term.

What we measure
Profit before tax reflects the performance of the Group before tax is deducted.

Link to strategic priorities
1 2 3 4 5 6

Earnings per share (EPS)

36.2p



Why it's important
EPS is key to the business to understand the return being generated from profits to our shareholders.

What we measure
EPS is calculated by dividing profit attributable to shareholders by the average number of outstanding shares.

Link to strategic priorities
1 2 3 4 5 6

* Restated figures.
** This report includes alternative performance measures (APMs) which are defined and reconciled to IFRS information, where applicable, on pages 46 to 47.

Our aim is to create a business that we can be proud of, with a reputable brand and products that our customers love, a company that our colleagues love to work for and a business that our partners love to work with. Good value with good values is at the centre of our ESG strategy.

Progress during the year

Over the last twelve months we have established an ESG steering group, conducted a materiality assessment, developed our ESG strategy, defined clear targets and, with the help of a specialist consultant, began our journey to set out our roadmap to net zero.

We recognise that ESG is a topic that is rapidly advancing and we continue to build momentum in this area. As we progress our commercial strategies across the business we will continue to align and review our ESG strategy and integrate sustainability throughout all aspects of the business.

Looking forward

The Group's ability to create sustainable social and economic value can only be achieved by adopting a long-term perspective. Over the next decade the Group believes that the importance of sustainability will increase and be at the forefront of our stakeholders' decision making.

In the next financial year we will be focusing on embedding our ESG strategy deeper into the business and delivering on our targets. We plan to review our workplace policies, work closely with our suppliers to improve the accuracy and efficiency of our 'scope 3' emissions data and enhance our reporting in line with the Task Force on Climate-related Financial Disclosures (TCFD) requirements.

Materiality assessment

The first stage in the development of our ESG strategy was to conduct a materiality assessment to identify which issues matter most to the business and our stakeholders. To ensure that our strategy remains relevant, meaningful and credible we have aligned our focus areas with the United Nations Sustainable Development Goals (UN SDGs).

'Good value with good values'

Strategy area	Material issue	Definition
Environmental	Greenhouse gas emissions (Scope 1,2,3)	Monitoring the emissions produced by our operations, with the aim to reduce our impact.
Environmental	Waste management and circular economy	Reducing the waste from our operations, including plastic and packaging. Improving the volume of waste which is recycled and diverted from landfill alongside continuing to develop an end of life process (circular approach) for our products.
Environmental	Responsible sourcing	Carefully selecting our suppliers and working closely with them to improve sustainability within the supply chain. All suppliers are expected to adhere to the guidelines set out in our supplier handbook which includes specific details on modern slavery and human rights. Improving leather and timber traceability within our supply chain.
Environmental, Governance	Ethical business practices, policy and compliance	Promoting high levels of compliance to our existing business practices. Continuing to apply new guidance and best practice to support strong governance throughout the Group.
Social	Engagement and economic impact on our communities	Investing in our people through employment, charitable donations and volunteering we aim to make a positive contribution and improve the quality of life in our communities.
Social	Employee development and wellbeing	Nurturing a culture where our colleagues feel supported to achieve their potential, take pride in their work and understand how their role contributes to our success. Prioritising colleague wellbeing and ensuring senior members of the team lead by example and live by the Group's RIGHT values.
Social	Customer satisfaction and quality	Continuing to listen to customers and utilise data to determine satisfaction which will allow us to improve our services and products.
Social, Governance	Diversity and inclusion	Continuing to create an inclusive and diverse team where all colleagues are treated with respect and there is equal opportunities for all.
Governance	Health and safety	Monitoring guidelines, improving procedures and continuous improvement of the training programmes we offer to protect the safety and welfare of our colleagues and customers throughout our operations.

Our Group ESG targets

During the year the Group has set the below targets to ensure that the business continues to develop and stays on track to meet it's long-term ESG objectives.

	Target	Progress	Target date
Environmental	100% renewable electricity used across the Group	Achieved	-
	Achieve Furniture Industry Sustainability Programme (FISP) certification	Achieved	-
	100% of laminate flooring timber to be from responsible sources	Achieved	-
	95% post-consumer waste diverted from landfill for recycling	Achieved	-
	100% post-consumer recyclable waste for all ScS delivered product including the removal of polystyrene from all packaging	Achieved	-
	100% of leather to be from certified sources via the Leather Working Group	On track	July 2023
Social	25% increase in the number of females in management retail roles	On track	July 2023
	5% increase in the value of donations and support to local and national charitable and community organisations by end of FY22, and 10% by end of FY23	Achieved On track	- July 2023
	A minimum of 1,000 volunteering days to be completed by colleagues	On track	July 2026
Governance	Over 30% of Board positions to be held by a woman	Achieved	-
	ESG measures to be introduced into remuneration performance targets	Achieved	-
	Obtain ISO14001-Environmental management certification for head office	Behind	July 2024
	At least one of the senior board positions (including Chair, CEO, CFO or Senior Independent Director roles) is held by a woman	On track	July 2023

Our environment

Climate change continues to be a growing concern for our colleagues and customers. To reflect the climate emergency that we are all facing it is essential that we consider our impact on the environment and work towards net zero. As we continue on our sustainability journey, we have set interim targets, which will evolve into a net zero strategy.

Sustainable supply chain

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

15 LIFE ON LAND

Furniture and flooring products use materials including timber, leather and textiles. We recognise the importance of traceability within our supply chain and we're committed to work towards more sustainable sourcing and reducing our environmental footprint.

Furniture Industry Sustainability Programme

FISP is an independently certified sustainability programme tailored to the needs of the furniture industry supply chain. FISP promotes best practice to drive social, economic and environmental change via continual improvement of members' business operations.

We became the first national upholstery and carpet retailer to achieve the FISP certification and the Group has maintained its requirements set out by FISP. We are working with our suppliers to encourage membership of FISP and their application for certification.

Sustainable timber supply – from forest to front room

PEFC (the Programme for the Endorsement of Forest Certification) and FSC® (Forest Stewardship Council®) are the two largest international forest certification programmes. These organisations work to protect forests by promoting sustainable forest management. Certification provides additional assurance that all of our products are from environmentally and socially responsible sources.

In 2022, 100% of our wood flooring was independently certified and three of our own furniture brands contain FSC® certified timber. During the year these furniture brands accounted for £36m of gross sales*.

During the year we reviewed our timber sourcing policy to ensure that it is aligned to our ESG targets, we also undertook a review of our supply chain to ensure that no 'conflict timber' (timber sourced from Russia and Belarus) entered our supply chain.

Sustainable leather sourcing

The Leather Working Group (LWG) is a not-for-profit community organisation dedicated to driving excellence in sustainable leather production.
As a member of the LWG our aim is to demonstrate that leather sourced by the Group is done so ethically. 70% of the leather used within our products comes from tanneries certified by the LWG, which works to raise standards and reduce environmental impacts in the global leather industry. We aim to increase this to 100% by July 2023.

Textiles

We recognise the wide use of textiles in our products, and acknowledge the environmental impact of the textile industry. Progress needs to be made with textile production to mitigate its environmental impact.

During the year we have introduced our Botanicals range of upholstered furniture. Exclusively designed for ScS it uses 100% recycled velvet as the main cover fabric. The range also uses recycled fibre insulators.

We offer our flooring customers the option of SpringBond underlay, which is composed of 85% recycled materials, primarily PET plastic bottles. In FY22, 10% of our flooring customers chose SpringBond with their carpet purchase.

Engagement with suppliers

We have a number of long-standing relationships with our suppliers and to help us deliver our ESG strategy we recognise that we must further collaborate with our suppliers to align our ESG targets.

During the year we held our first annual supplier conference. We invited all furniture suppliers to further embed our strategic alignment in areas such as quality assurance and supply chain processes and communicate our ESG strategy and how we will implement our strategy throughout our supply chain.

In addition, we updated our supplier handbook to include our net zero and long-term environmental strategy.

Human rights and modern slavery

Our responsibilities for the welfare of people goes far beyond those we employ directly. We aim to ensure that all the jobs we help create, directly and through our supply chain, are decent, fair and safe and that human rights are always respected.

We are members of Sedex, one of the world's leading ethical trade organisations; who help businesses operate responsibly and sustainably, protect workers and source ethically. Our supplier charter requires suppliers to uphold the full range of labour standards set out in the Ethical Trading Initiative Base Code, together with additional requirements for reporting.

* This report includes alternative performance measures (APMs) which are defined and reconciled to IFRS information, where applicable, on pages 46 to 47.

As part of our strategy, we have put in place additional due diligence processes based on the evolving risk association with the pandemic and conflict to ensure we continue to identify and focus our resource in areas of the highest risk in our supply chain. At the core of this framework is insight from our Sedex risk assessment tool and industry associations who help us identify areas of risk. All internal supplier audits are reviewed by our audit, risk and compliance function to ensure they remain relevant to the countries we source goods from.

We recognise that external audits alone may not discover well-hidden or systemic issues regarding modern slavery which may occur further upstream in our supply chain. In April 2021 we set up our own internal supplier audit programme to gain a deeper understanding of our supply chain.

Sustainable packaging

Our packaging is essential to protect our products from damage. It is important that we adopt the right approach in this area, striking the balance between developing sustainable packaging options whilst ensuring that our products are adequately protected.

During the year we have:

- Worked to eliminate unnecessary or problematic packaging, including polystyrene, without compromising on quality through our product specification policies and packaging audits to ensure our standards are met. Our aim is to ensure that all of our packaging is 100% recyclable;
- Encouraged our customers to use our packaging recycling service which is provided by our home delivery teams; and
- Began the process of working with suppliers to develop and source all plastic packaging with a minimum of 30% post-consumer recycled content.

Fleet

To ensure that our fleet vehicles are efficient, safe and meet the required emissions standards, all our trucks are on a five-year replacement cycle. To help minimise our CO_2 emissions, we utilise route optimisation software to reduce the miles that our trucks and vans travel. Using our fleet management system we are able to monitor our driver's behaviour on the road to ensure that our high standards of safe and responsible driving are met. Each driver is assessed against a number of targets and both drivers and management are incentivised to improve.

During the year we installed a number of electrical vehicle charging points, and we are currently exploring how to continue to improve our internal infrastructure. Over the next 12 months we will be reviewing our entire fleet with the aim of introducing more electric vehicle options.

Energy and waste

During the year, we have continued to improve our energy efficiency with an ongoing programme of LED lighting installations and the replacement of outdated equipment with new energy efficient replacements.

From April 2021 we have been supplied with 100% renewable electricity at all ScS sites.

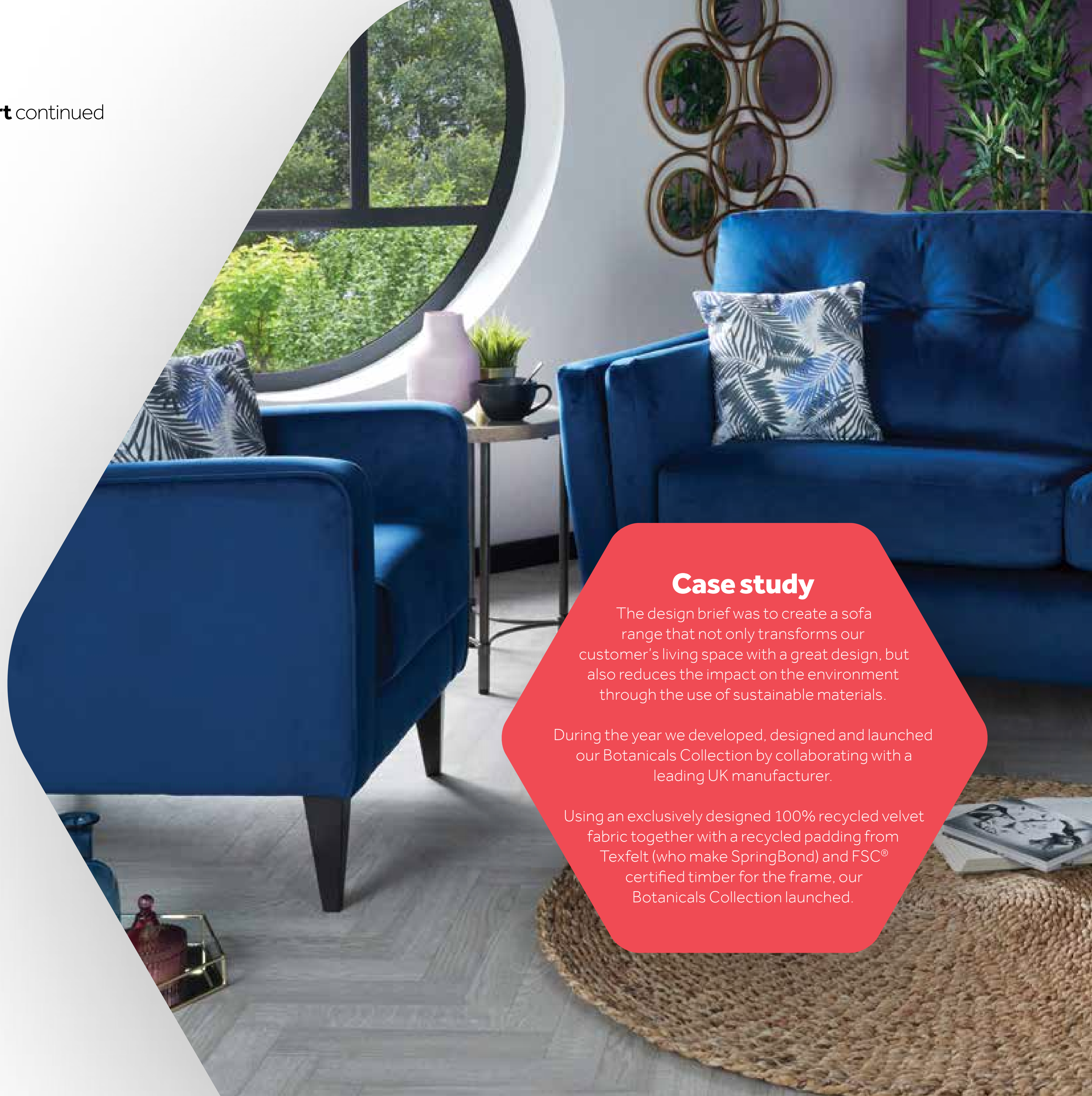
By being on a zero carbon, 100% renewable electricity contract, the Group has avoided emitting 3,473.8 tonnes of carbon*.

* *Avoided emissions calculation is based on UK Fuel Mix Disclosure Data (FMD) for the average carbon emissions from all UK generated electricity in the 2021-22 reporting year (198g CO_2/kWh for the year).*

With electricity being one of the main contributors to the Group's CO_2 emissions, we are committed to further reducing our energy consumption, and thereby achieve a reduction in carbon emissions.

Throughout the year we obtained a clearer understanding of our energy usage across the Group. We use automatic meter readings to monitor and investigate usage of electricity, and smart loggers to monitor the usage of gas. We have embarked on a programme of replacing all gas fired appliances with a view to achieving this by the end of 2023, and the replacement of obsolete appliances with energy efficient air-source heat pumps. We will continue to work with the Carbon Trust and other advisors to reduce the amount of energy we use.

We have worked with our facilities management partners to understand our impact on the environment, specifically water and waste management. We have continued to maintain a high percentage of diversion from landfill and continue to re-evaluate and look for ways to improve our waste management.



Case study

The design brief was to create a sofa range that not only transforms our customer's living space with a great design, but also reduces the impact on the environment through the use of sustainable materials.

During the year we developed, designed and launched our Botanicals Collection by collaborating with a leading UK manufacturer.

Using an exclusively designed 100% recycled velvet fabric together with a recycled padding from Texfelt (who make SpringBond) and FSC® certified timber for the frame, our Botanicals Collection launched.

Our colleagues

At ScS our aim is to 'Create a workplace people love to work', where colleagues feel they belong, are listened to and are given the opportunity to develop. Our people are what makes our business successful and developing an outstanding team is at the forefront of our business strategy. Attracting, developing and retaining colleagues with the appropriate skills, behaviours and attitudes and from a variety of backgrounds is the focus of the colleague element of our social strategy.

Training and development

During the year we saw our first cohort of 'moving up' colleagues complete their year-long training programme and will now go on to progress to Business Manager positions within our retail stores. The subsequent cohort started in July 2022. This programme is an important investment as we work to strengthen our succession pipeline in retail.

To help shape our future and improve the colleague journey, we utilised our Coventry concept store to trial our 'the difference is you' training programme. This programme is all about how our colleagues' behaviours really make the difference for our customers, ensuring that every customer receives a five-star service. The training programme will continue to be rolled out into our other concept stores before assessing suitability for the wider business.

To set our colleagues up for success, we are working towards defining our leadership and behaviours framework. During the year we held a number of 'winning team' colleague focus groups and utilising the feedback we have formalised a training plan with the aim of training our leaders the 'ScS way'. This plan will underpin our leadership development, succession planning and talent spotting as we move into the next financial year.

In May 2022 we launched our 'know more to grow more' lunch and learn sessions to help improve awareness and colleague knowledge in a wide range of areas. The topics vary with sessions on menopause, apprenticeships, better health and work, financial guidance and more. The sessions are open to all colleagues to come together to learn more, understand each other better, and talk about common topics. We have a further 37 topics scheduled for FY23.

Working with a new apprenticeship provider, Lifetime, we have launched two new apprenticeship programmes for team leaders and operations supervisors in distribution and within our people team where colleagues are working towards their Chartered Institute of Personnel and Development (CIPD) qualification. These programmes run alongside our existing apprenticeship programmes and over the next financial year we hope to increase participation and offer a wider breadth of programmes across the business.

Engaging with our colleagues

To help shape our decisions towards making ScS a great place to work it is key that we actively take on board feedback we receive from colleagues.

Throughout the year we have engaged with our colleagues in a number of ways:

- To ensure our colleagues are well informed we have launched a new programme of 'ScS Essentials' sessions. We have successfully delivered three sessions in FY22, providing updates on the Group's results and development within year one of our refreshed strategy.
- Colleagues have taken part in our 'winning team' focus groups to help us shape our behaviours, define how we lead and review our current RIGHT values.
- As part of our continued focus on improving the colleague journey we carried out our annual engagement survey and we were delighted that 1,446 (83%) of our colleagues wanted to share their thoughts and opinions. Compared with our previous year's survey, the number of comments left by colleagues increased by 24%, giving us greater insight into our results and the actions needed.
- Colleague discussion forums were held with members of the Board to raise any concerns or issues directly.
- During the year three retail and distribution conferences have taken place, giving the Executive Board and members of our senior management team an opportunity to discuss key focus areas with our colleagues.
- Our weekly e-newsletter, ScS News, has continued to be improved and adapted to keep our colleagues engaged and informed.

Health, safety and wellbeing

The health, safety and wellbeing of our 1,802 colleagues is a top priority for us. Our established health and safety team, which forms part of our wider audit, risk and compliance team, have continued to promote safe working to prevent work-related injuries and reviewed and maintained risk assessments across the business. We have a number of mandatory training modules for all colleagues including office health and safety and manual handling. We also run 'Institution of Occupational Safety and Health' (IOSH) training for members of the distribution and internal audit teams and each distribution centre has at least two qualified trainers in manual handling techniques.

We continue to increase our focus on our colleague's wellbeing, ensuring they get the support they need, when they need it. During the year we have appointed a lead wellbeing champion who is helping us work towards achieving a 'Better Health at Work Award'. The award recognises the achievements of organisations addressing health issues within the workplace. We have already completed our first campaign 'Walk This May' which involved our colleagues walking and running 20,000 miles in the month of May and we will be focusing on a further two campaigns as we expand our better health at work portfolio. During the year colleagues also participated in a wellbeing survey to identify which mental health topics were most important to them. This has helped us to focus the information that we publish in ScS News and the topics that we cover in our 'know more to grow more' sessions.

As well as our mental health first aiders continual support across the business, we have a number of colleagues undertaking training to become health advocates to help us raise more awareness and make positive steps towards fostering a better place to work. Our colleagues also have access to further support through a free, confidential employee assistance programme which is available 24/7.

Case study

Aisha Rasul, Application Support, IT

I first heard about the apprenticeship opportunities through 'ScS News' and by attending a 'know more to grow more' session hosted by the training team and was immediately interested in the Level 4 project manager apprenticeship. I'm hoping that by completing this apprenticeship I'll not only gain a qualification, but the tools to do more and help the business by strengthening my knowledge for my role. It's still early days for my apprenticeship but I already know that I'm going to learn so much. There's a balance when doing an apprenticeship between what you learn to help in your role as well as what you unearth about yourself, not just in a learner setting but in a personal one too.

Our customers

Our customers are at the heart of everything we do and as a business we seek to offer our customers outstanding value, quality and choice with a seamless customer experience.

During the year we have launched 70 furniture models and 88 flooring options. We carefully source our products and all of our sofas are covered by a 20-year warranty on frames and springs. Working with our distribution centres, upholstery teams and suppliers we have focused on identifying and trialling ways in which we can improve product quality.

Customer engagement

Our concept stores offer us the opportunity to trial new ideas and to understand the preferences of our customers. The location of the digital team in our Coventry concept store also allows the team to gather real-time feedback from our customers.

We continue to monitor market trends and engage with our customers through social media channels. This helps us to develop product ranges and expand our customer base.

Seamless customer experience

To ensure we deliver the highest levels of customer service we invest significantly in training and developing our colleagues. We worked with the Furniture and Home Improvement Ombudsman to support members of our customer experience team in undertaking City & Guilds accredited training to develop and improve the standard of service we offer.

We strive to provide an excellent customer experience and our customers are encouraged to rate their experience with us on Trustpilot. We regularly review our customers' feedback and use it to reward our staff, identify areas for improvement and discuss with suppliers to drive further product quality.

Our communities

Our operations are spread across the UK and as a socially responsible business, ScS and its people want to make a meaningful contribution to our communities.

As part of our ESG strategy, we are encouraging all of our colleagues to take part in volunteering days. ScS aim to support a minimum of 1,000 volunteering days before the end of FY26. We have also donated £64,000 to various charities during the year.

#WalkThisMay in support of Samaritans

Throughout the month of May, we challenged colleagues to walk a combined total of 20,000 miles as part of our 'Better Health At Work Award' campaign. The Group donated £20,000 to the Samaritans in support of our colleagues, who completed an impressive 20,331 miles in total.

During the challenge, colleagues from head office took part in a group walk with volunteers from the Samaritans and visited their Sunderland branch to hear first hand how our donation will help and support so many people who are struggling to cope or going through a difficult time.

Food bank fundraising and donations

With the recent cost of living crisis, there is more pressure than ever on food banks. During the year our colleagues have taken part in number of fundraising activities:

- In December our customer experience team led a festive fundraiser for Sunderland Soup Kitchen, a charity that provides healthy hot meals for anyone who may need one in the Wearside area. A cheque for £1,000 was presented to the charity, with monies raised matched by the Group, alongside food donations;
- Our finance team volunteered over a number of days at Sunderland Foodbank, helping to organise the warehouse, arranging donations as well as providing a donation of food and hygiene supplies; and
- Colleagues around the business donated Easter eggs to local food banks to support those who might not receive one otherwise.

Foundation of Light

Our long-standing relationship with the Foundation of Light (the official charity of Sunderland AFC) continued in FY22, with ScS supporting the charity's 'Wear Together' programme. The programme is aimed at anyone over the age of 50 who might feel isolated and brings people together through a range of different activities to facilitate them becoming more connected to their community. During the year colleagues have supported the programme through attending various volunteering activities.

We have recently extended our partnership into FY23 so that we can continue to provide support for the Foundation, while also encouraging further volunteering opportunities for colleagues.

Bowel Babe

Last year ScS worked with ITV's Lorraine on their 'No Butts' campaign and had the honour or working alongside the late Dame Deborah James. Her spirit and commitment to raising awareness was inspiring and we continued to show our support once again this year by making a donation of £15,000 to the Bowel Babe Fund.

Shelter

We are working with Shelter, the UK's leading housing and homelessness charity, as their belief that 'home is everything' aligns closely with our own values. Through working together, we will explore developing a sense of community, volunteering opportunities for our colleagues and ways of donating products and stock.

Case study

The Big Golf Race 2022 for Prostate Cancer UK

In June a team of colleagues from across retail, distribution and head office completed a golf race in support of Prostate Cancer UK at the Wynyard Golf Club in Teesside. The team aimed to complete four rounds of golf, starting at sunrise and finishing just before sunset.

- £10k raised by the team with the support of friends, family, colleagues, business partners and a donation from the Group.
- It took 16 hours and 45 minutes to complete four rounds of golf.
- Each person walked an average of 23.9km each - almost 130km in total.
- Almost 25k calories burned in total on the day.
- A fantastic internal event raising money for a worthy cause.

Dan Bennett, our Director of Customer Experience, said, *"The charity retains a place close to my heart. My grandad passed away almost 10 years ago now having battled prostate cancer and it's a disease that is sadly all too common in men. Upon talking to some of my colleagues it became apparent just how many people have been touched by prostate cancer at some point or other in their lives and it was humbling to find so many colleagues who wanted to join the challenge and get involved."*

Our shareholders

Our shareholders want to work with us to achieve sustainable long-term growth and returns. We aim to secure these outcomes by delivering our strategy and making informed decisions.

We have two main shareholder groups; institutional investors and individual shareholders. The majority of our shareholders are institutional investors, with our individual investor base growing.

The Company has just one class of share in issue and so all shareholders benefit from the same rights as set out in the Company's Articles of Association and the Companies Act 2006. The Board recognises its legal and regulatory duties and does not take any decisions or actions, such as selectively disclosing confidential or inside information that would provide any shareholder or group of shareholders with any unfair advantage or position compared to the shareholders as a whole.

Engaging with our shareholders

We engage with our shareholders through a range of channels including:

- The Annual Report and trading updates through our dedicated corporate website.
- Our Annual General Meeting (AGM) in which shareholders can direct questions to the Board.
- The Group's CEO and CFO participate in retail investor presentations and held a live analyst meeting open to all shareholders and a webcast of the meeting was published on our website for those unable to attend.
- Investors have direct access to the CEO and CFO throughout the year.
- The Board receives investor views through the Group's corporate brokers who provide feedback on market reaction and investor views after full and half year results announcements.
- Independent investment research analysts have access to our Executive Directors as part of their investment advisory roles. The analysts' research publications provide timely feedback on financial performance, strategy and share valuation.

Investors' views were taken into consideration as part of the Board's decision-making process throughout FY22 including:

- The launch of a £7m share buyback programme.
- The Board's proposal for a final dividend of 9.0p per share taking the full-year dividend to 13.5p.
- Incorporating ESG targets into the executive and senior management bonus schemes.

Climate-related disclosures

Disclosure of the actual and potential impacts of climate-related risks and opportunities on an organisation is important to the business strategy.

The Task Force provides recommendations for climate-related financial disclosures structured around four thematic areas:

1. Governance
2. Strategy
3. Risk management
4. Metrics and targets

The four overarching recommendations are supported by eleven specific recommended disclosures focusing on assessing climate-related risks and opportunities.

The Group recognises the importance of adopting the TCFD recommendations and reports climate-related information consistent with this framework to ensure high-quality and decision-useful disclosures that enable users to understand the potential impact of climate change on the organisation.

Governance

The governance disclosure considers an organisations' oversight of climate-related risks and opportunities.

The oversight of climate change is owned by the Board, with decision making delegated to the Executive Board.

The Group's day-to-day governance of climate change is overseen by our ESG steering group, of which the Chief Financial Officer is a member.

Climate change is covered within the remit of the ESG steering group under four working themes:

1. Operational carbon
2. Value chain
3. Climate change and business strategy
4. Engagement and accountability

The ESG steering group reports on its activities to the Executive Board.

Board oversight

The Group considers climate change to be a significant Board-level strategic issue. Overall responsibility for climate-related risks and opportunities sits with the Board. As part of our activities to address risk, climate change is a standing Board agenda item included within the ESG update.

Climate-related financial issues fall in scope of the Audit Committee, which will review and take action as required on risk management policies and business planning.

The Board has undertaken carbon literacy training in the last 12 months to support understanding in this area and its risks and opportunities.

Management's role

At management level, the climate change agenda is managed as part of the delivery of our ESG strategy. In the next twelve months, it will be driven by our net zero strategy which is currently being developed and as part of this we will set clear goals, metrics and targets to operationalise our approach.

Each year we will undertake a planning cycle to assess climate-related issues and ensure that our net zero strategy is fit for purpose in addressing climate-related risk and to deliver for the business.

We retain a specialist consultant on an ongoing basis who provides any specific technical advice that is required in relation to climate-related risk, in respect of mitigation, adaption and transition.

Next steps

We are committed to disclosing information relating to our governance approach and both the Board's and management's role in assessing and managing climate-related risks and opportunities on an ongoing basis in line with the TCFD recommendations. We will continue to engage at both Board and management level on climate-related issues, considering how we can integrate best practice into our internal governance structure and processes.

Strategy

The strategy disclosure looks at the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.

We acknowledge that climate-related risks and opportunities have an impact on our business. We are therefore implementing a clear strategy to respond to that. Our focus is on:

- Mitigation of our impact, by reducing our emissions; and
- Managing any transition or physical risks in relation to adaptation.

We are currently finalising our net zero strategy, providing us a clear framework of how we manage our climate-related risks and opportunities.

Emissions reduction

As part of our net zero strategy we will adopt six key principles which guide our approach:

1. Make sustainability a key consideration in everything we do
2. Take proactive action by implementing changes to our business to reduce our impact on the environment
3. Engage with, and report to, our key stakeholders
4. Become efficient by design (including products, packaging and buildings)
5. Renew our approach and technology where required to address the sustainability challenge
6. Rebalance our impact (through carbon offsetting) where the other actions taken do not address it sufficiently

We have two headline commitments in relation to emissions reduction:

- It is our ambition to align to the rest of our industry and commit to a net zero date of 2040. We believe that this will provide us the right framework for managing our transition to net zero and support our reputation by aligning with best practice; and
- We are finalising a strategy aligned with the latest climate science and will look to have that validated externally by relevant initiatives.

These are reinforced by resource level targets, which are further detailed in the metrics and targets section.

'The Group recognises the importance of adopting the TCFD recommendations and reports climate-related information consistent with this framework to ensure high-quality and decision-useful disclosures.'

Our most significant climate-related risks and opportunities identified from our process are:

Supply chain		The transition to net zero		Our reputation	
Top risks	**Top opportunities**	**Top risks**	**Top opportunities**	**Top risks**	**Top opportunities**
Resilience to physical impacts – sea level rise/flood risk	Development of supply chain standards	Carbon pricing	Investment in energy efficiency/reducing operating costs	Changing consumer behaviour	Supporting consumers in their transition
Carbon pricing	Development of products with lower lifecycle emissions	Cost of decarbonisation	Investment in renewable energy	Attractiveness to stakeholders	Attractiveness to stakeholders
Changing behaviours and policy	Insetting (collaborative investment to reduce our supply chain emissions)				

Whilst all organisations will have a significant impact from the costs of the transition to net zero (both directly and indirectly) we believe that we can control or mitigate costs well through the implementation of a net zero strategy.

The three climate change scenarios that we consider in this risk assessment are summarised as follows:

Scenario	Early	Late	Business as usual
Description	Smooth transition whereby global warming is <2°C	Disruptive transition whereby global warming is <2°C	No acceleration of action whereby global warming is >3°C
Overview	Transition to a carbon-neutral economy starts early and the increase in global temperatures stays well below 2°C, in line with the Paris Agreement.	Global climate goal of keeping temperatures well below 2°C is met but the transition is delayed and must be more severe to compensate for the late start.	No policy action beyond that which has already been announced is delivered, resulting in above 3°C of warming. Therefore, the transition is insufficient for the world to meet its climate goal.
Outcomes of our analysis	We experience a high level of impact from transition risks in this scenario, with higher levels of policy and legislation impacting the business in the short to medium term. The physical risks are least extreme which mitigates medium to long-term challenges in our supply chain.	Physical risks under this scenario are higher than the smooth transition as there are significant differences in the impact on the environment, impacting our supply chain more severely. The transition risks are high and disruptive and are likely have a material impact because of the pace and nature of the interventions required.	Whilst we experience much more limited transition risks in this scenario, the physical risks are much more severe. This could have significant impacts on our supply chain in the medium to long term as the world will have to adjust to much more significant change and environmental damage from the impacts of the global temperature rise and the consequent effects on our climate.
Assumptions	There is early and decisive action to reduce global emissions in a gradual way, with clearly signposted government policies implemented relatively smoothly.	To compensate for the delayed start a deeper adjustment is required, as evidenced in a steeper increase in global carbon prices in a late attempt to meet the climate target. Under this scenario, physical risks rise more quickly than in the early scenario and transition risks are severe.	This scenario tests organisations' resilience to both chronic changes in the environment (e.g. rising sea levels), as well as more frequent and extreme weather events (e.g. flash floods). Therefore, under this scenario, there are limited transition risks, but physical risks are significant.

Risk management

The risk management disclosure looks at the processes used to identify, assess and manage climate-related risks.

Identifying and assessing risk

The Group identifies climate-related risks and opportunities and defines materiality based on the 'We Mean Business' risk taxonomy, TCFD guidance and our existing climate-related risk and opportunity assessments.

Risks are grouped into two categories: transition risks, which relate to the transition to a low-carbon economy and physical risks, which relate to the physical impacts of climate change. These are then grouped into further sub-categories. We consider our climate change risk between now and 2050 as a timeframe.

Managing risk

Our risk management process in relation to climate-related risk can be summarised by the following steps:

- **Identify** risks and opportunities and define materiality - based upon:
  - 'We Mean Business' taxonomy
  - TCFD guidance
  - Existing climate-related risks and opportunity assessments
- **Assess** the risks and opportunities and any required action in a short-term timeframe (<5 years).
- **Model** through scenario analysis (where relevant) the potential impact of the risks and opportunities against three climate change scenarios.
- **Manage** by developing and implementing internal risk controls.
- **Monitor** on an ongoing basis and improve risk management controls.

Integrating risk

To assess, manage and integrate risk, we maintain a climate-related risks and opportunity register. This is prepared following the risk management process already described. The taxonomy structure is aligned to the 'We Mean Business' structure and is described below. The register summarises our actions in relation to each risk area.

Risk taxonomy and assessment

Our risk taxonomy (in relation to climate-related risk) is shown below, with the underlying level of risk we believe that they present.

Strategic risk/ opportunity	Risk/opportunity category	Description	Significant	Timeframe impacted	Scenario analysis
Transition risk – risks associated with transitioning to a low-carbon economy, e.g. new regulations or reporting requirements, disruptive technology, changing consumer preferences					
Brand and reputation	Reputation	The potential impacts of stakeholder perceptions of our carbon performance and climate change position. Real or perceived inaction on climate change may affect the Group's access to funding; ability to attract and retain talent; and damage the reputation of the Group with its customer base	Yes	S, M, L	✓
Economic environment	Customer demand	The change in demand for a product or service as a result of climate change. Customers may change demand to lower-emission products, such as alternatives to leather and products with a lower carbon footprint.	–	M, L	✓
Regulation and compliance	Policy	An increase in regulation, standards or incentives relating to climate change including decarbonisation and adaptation could see additional costs borne by the Group.	–	S, M	✓
Regulation and compliance	Transition to net zero/ costs/taxes	Increased costs associated with decarbonisation and requirements to offset our emissions footprint that are increasingly expensive and unreliable. There is a risk that carbon taxes will continue to be introduced in the future, which will increase the cost of products and services both purchased and sold by the Group.	Yes	S, M	#

KEY

Timeframes

S	Next 3 years
M	Between 3 and 10 years
L	After 10 years, before 2050

Scenario analysis

#	Quantitative/detailed
✓	High level assessment

Task Force on climate-related financial disclosures (TCFD) continued

Strategic risk/ opportunity	Risk/opportunity category	Description	Significant	Timeframe impacted	Scenario analysis
Regulation and compliance	International treaties/ sector agreements	Actions or targets for companies determined by internationally binding agreements within United Nations international conventions or any other internationally recognised protocol or agreement, setting specific emissions targets, may impact the future net zero strategy of the Group and result in increased costs.	–	S, M, L	✓
Physical risk – Increasing global surface temperatures and changing weather patterns can lead to the increased intensity of flooding in some areas, impacting the supply chain					
Economic environment	Social impacts	Changes to social order, culture and prosperity of communities as a result of physical climate or regulation change. There may be an increase in the number and intensity of hot days impacting the physical health of our colleagues, partners and suppliers. There may be workforce shortages and communities impacted if operations are forced to relocate, resulting in supply chain disruption.	–	M, L	✓
Responsible sourcing and supply	Supply chain	The effect of the changing climate may cause extreme weather events including flooding which may result in damage to key supplier locations and affect transport routes.	Yes	M, L	#
Responsible sourcing and supply	Access to natural resources	Changes in the availability of natural resources, e.g. water and food, due to the effects of climate change may impact our ability to source raw materials.	–	M, L	✓
Opportunities associated with transitioning to a low-carbon economy, e.g. increasing resource efficiency, developing low-carbon products/business models, access to green capital					
Responsible sourcing and supply	Supply chain	Enhancing our supply chain standards can create opportunities to develop lower emission technologies in the manufacturing process; identify the most carbon efficient transport routes; and source ingredients from markets most resilient to the physical impacts of climate change.	–	M, L	✓
Economic environment	Customer demand	Development of low-emission products from low-carbon production facilities and materials may result in increasing demand for products resulting in increased revenue. Strong climate change management can help strengthen relationships with investors, customers, consumers and other stakeholders, and potentially lead to new opportunities.	–	M, L	✓
Regulation and compliance	Energy	Investment in solar technology across our store and distribution network could help the Group increase its resilience to future energy/price shocks as well as reduce emissions.	–	S, M, L	#
Brand and reputation	Reputation	Making clear our commitment to climate action may increase our attractiveness to our stakeholders.	–	S, M, L	✓

KEY

Timeframes

S	Next 3 years
M	Between 3 and 10 years
L	After 10 years, before 2050

Scenario analysis

#	Quantitative/detailed
✓	High level assessment

Metrics and targets

The metrics and targets disclosure looks at the metrics and targets used to assess and manage relevant climate-related risks and opportunities.

Metrics used

Our operational management of climate-related risk is measured through the below metrics.

- Energy efficiency (kWh per m^2 building floor area) to measure the effectiveness of our energy conservation.
- Renewables/PPA (% renewables/% self-generated) to measure our transition to renewable energy.
- Waste targets (% recycled/landfill avoidance) to measure the effectiveness of our approach to waste management.
- Product lifecycle (kgCO_2e per unit) to measure the effectiveness of the decarbonisation of our supply chain (our largest emissions area).
- Supply chain engagement targets (% of suppliers engaged) to measure the engagement of our supply chain in managing our climate change risks/opportunities.
- Logistics performance (kgCO_2e per km) to measure the effectiveness of the decarbonisation of our transportation and distribution related to our operation, which is a material emissions category.

Greenhouse gas emissions

Emissions data in respect of the 2021-22* reporting period, based on operational control, are disclosed as follows:

Scope	Category	tCO_2e (Location)	tCO_2e (Market)	Previous year (Location)	Variance	Variance (%)
Scope 1	Combustion	2,715	2,715	3,230	(515)	(15.9%)
Scope 1	**TOTAL**	**2,715**	**2,715**	**3,230**		
Scope 2	Electricity/heat/steam/cooling	2,941	–	3,049	(108)	(3.5%)
Scope 2	**TOTAL**	**2,941**	**–**	**3,049**		
Scope 3	Business travel	424	424	First year of reporting		
Scope 3	Employee commuting	842	842			
Scope 3	Fuel and energy-related activities	719	719			
Scope 3	Purchased goods and services	78,793	78,793			
Scope 3	Waste generated in operations	559	559			
Scope 3	Transportation/distribution	22,383	22,383			
Scope 3	**TOTAL**	**103,720**	**103,720**			
All	**TOTAL**	**109,376**	**106,435**			

*Due to complexity of obtaining the scope 3 data the carbon emissions reported above relate to financial year 2020-2021.

'The Greenhouse Gas Protocol (2015) defines location-based Scope 2 emissions as reflecting 'the average emissions intensity of grids on which energy consumption occurs' and market-based Scope 2 emissions as reflecting 'emissions from electricity that companies have purposefully chosen'. All stated variances are of our location-based emissions.

The UK emissions, in relation to scope 1 combustion, scope 2 Electricity/heat/steam/cooling and scope 3 business travel, measured in kWh total 28,072,887 (2021: 28,899,091). The Group has no overseas energy usage therefore the global energy usage is nil (2021: nil).

Task Force on climate-related financial disclosures (TCFD) continued

Greenhouse gas emissions intensity ratio

Total footprint (Scope 1, Scope 2 and expenses claims) - CO_2e tonnes			
	Current year (2021-22)	Previous year (2020-21)	Year on year variance
Turnover (£m)	£344,710,000	£319,184,000	8.0%
Intensity ratio (tCO_2e/£100,000)	1.76	2.05	-14.1%

Greenhouse gas protocol dual reporting

Emission type	CO_2e tonnes (Dual Reporting Methodology)		
	Location based	Market based (supplier specific)	Variance. %
Scope 1: Combustion	2,715	2,715	0.0%
Scope 2: Purchased energy	2,941	0	-100.0%
Scope 3: Indirect energy use	424	424	0.0%
Total	6,080	3,139	-48.4%

Emission reporting notes

- Our methodology has been based on the principals of the Greenhouse Gas Protocol, taking account of the 2015 amendment which sets out a 'dual reporting' methodology for the reporting of Scope 2 emissions. In the 'Total footprint' summary above, purchased electricity is reported on a location based method.
- We have reported on all the measured emissions sources required under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.
- The period of our report is 1 August 2021 – 30 July 2022.
- This includes limited emissions under Scope 1 and 2 (gas & fuel used in transport; purchased electricity), except where stated, and limited emissions under Scope 3 (fuel used in personal/hire cars for business purposes).
- Energy use and emissions figures relate to our UK operation only.
- Conversion factors for UK electricity (location-based methodology), gas and other emissions are those published by the Department for Environment, Food and Rural Affairs for 2021-22.
- Conversion factors for UK electricity (market-based methodology) are provided by the relevant supplier and published at electricityinfo.org
- Electricity and gas has been pro-rated to cover the July period to match the financial year due to August to June currently being the only available data.
- Some employee mileage has now been calculated using litres and some cost data has been converted into miles at a rate of 45p per mile whereas last year only mileage data was used.
- UK proportion versus global emissions have not been split as there is no non-UK energy use.

Statement of exclusions

- Emissions in relation to fugitive emissions are excluded from the scope of reporting due to lack of quality data records in this area.

Energy efficiency action

During this reporting year, we have undertaken several energy efficiency actions across our estate. These include:

- Retrofit of air heaters with improved efficiency and performance at multiple sites;
- Replacement of gas fired air conditioning systems with all electric air conditioning systems at multiple sites;
- Continued rollout of LED lighting;
- All our sites use 100% renewable energy; and
- Energy generation from waste which has 100% diversion from landfill.

In addition to the above, from 1 April 2021 we have been using 100% renewable energy across all ScS sites.

Our targets

Our net zero strategy will work towards the below targets:

- It is our ambition to align to the rest of our industry and commit to a net zero date of 2040.
- We are finalising a strategy aligned with climate science and will look to have that validated externally by relevant initiatives.

Next steps

We will continue to drive forward to deliver significant carbon reductions. We are on track for all of the decarbonisation targets (shown above) and will continue to reduce our impact on the environment across all three emission scopes in line with climate science.

'We have reported on all the measured emissions sources required under The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 except where stated.'

The Board recognises the importance of engaging with stakeholders

Section 172 statement
The Board recognises the importance of engaging with stakeholders and taking their views into account when making decisions, although the Board acknowledges that not every decision it makes will necessarily result in a positive outcome for all of the Group's stakeholders. Details on how the Board operates and the way in which it reaches decisions are set out on pages 64 to 101.

Details of our key stakeholders and engagement with these stakeholders are set out on pages 22 to 31. Examples of how the Directors have oversight of stakeholder matters and had regard for these matters when making decisions are included in the table below and discussed throughout the Strategic report and in the Governance section on pages 2 to 101.

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole but having regard to a range of factors set out in section 172(1)(a)-(f) in the Companies Act 2006. This report is presented in compliance with The Companies (Miscellaneous Reporting) Regulations 2018 and the UK Corporate Governance Code July 2018.

The table below identifies where, in the Annual Report, information on the issues, factors and stakeholders the Board has considered in respect of Section 172(1).

Section 172 duty	Key examples	Page
(a) The likely consequences of any decision in the long term Example: the Board reviewed the progress made in year one of the Group's refreshed strategy and ensured that both decisions taken and future plans continued to support the long-term success of the Group, with regard to allocating the Group's capital in the most beneficial way.	Our business model Our strategy Key performance indicators Financial review Principal risks and uncertainties Viability statement Corporate governance statement Directors' remuneration report	10 to 11 12 to 19 20 to 21 42 to 45 50 to 59 60 to 61 64 to 74 84 to 97
(b) The interests of the company's employees Example: Our colleagues are critical to the success of our business and the Board has ultimate responsibility for ensuring the Group's decisions consider their interests. During the year colleagues have taken part in discussion forums held by members of the Board to raise any concerns or issues directly.	Chair's letter Our business model Chief Executive Officer's review Our strategy Key performance indicators Responsible business Principal risks and uncertainties Corporate governance statement Directors' remuneration report	4 to 5 10 to 11 6 to 7 12 to 19 20 to 21 22 to 31 50 to 59 64 to 74 84 to 97
(c) The need to foster the company's business relationships with suppliers, customers and others Example: Managing these relationships is critical in ensuring the Group delivers on its strategy. During the year the Group held it's first conference for its furniture suppliers. This was a great opportunity to engage with our suppliers and discuss with them our purpose, mission and strategic goals.	Chair's letter Our business model Chief Executive Officer's review Our strategy Responsible business Corporate governance statement Directors' remuneration report	4 to 5 10 to 11 6 to 7 12 to 19 22 to 31 64 to 74 84 to 97

Section 172 duty	Key examples	Page
(d) The impact of the company's operations on the community and the environment Example: as a responsible business, the Group is committed to acting in the best interests of our communities and in a sustainable manner. During the year the Group supported local charities and donated a total of £64,000. The Group has established an ESG steering group and developed an ESG strategy with clear targets that aims to integrate sustainability throughout all aspects of the business.	Chair's letter Our business model Chief Executive Officer's review Our strategy Responsible business Principal risks and uncertainties Corporate governance statement	4 to 5 10 to 11 6 to 7 12 to 19 22 to 31 50 to 59 64 to 74
(e) The desirability of the company maintaining a reputation for high standards of business conduct Example: our colleagues received mandatory online training throughout the year on a wide array of topics including Equality & Diversity, Data Protection and Anti-Bribery. All suppliers are required to comply with our supplier code of conduct which sets out our expectations in relation to health and safety procedures, anti-bribery and corruption policies, product quality standards and much more.	Our business model Our strategy Responsible business Corporate governance statement Directors' remuneration report	10 to 11 12 to 19 22 to 31 64 to 74 84 to 97
(f) The need to act fairly as between members of the company Example: the Board seeks to ensure that communications are clear and its actions promote the long-term success of the Company. During the course of the year, the Group has engaged with it's stakeholders and as a result, the Board have been able to take their views and interests into account when making decisions.	Responsible business Corporate governance statement	22 to 31 64 to 74

Non-financial information statement

The table below sets out where stakeholders can find information in our Strategic report that relates to non-financial matters, as required by the Non-Financial Reporting requirements as detailed in the Companies Act 2006.

Reporting requirement	Our policies	Where you can find out more
Environmental matters	Regulatory and compliance Responsible sourcing and supply chain Sustainability Monitoring our carbon footprint	Page 53 Pages 23 to 25 and page 54 Pages 23 to 25 Pages 37 to 38
Employees	Diversity and inclusion Health and safety Engagement Code of Business conduct Composition, succession and evaluation	Page 76 Pages 27 to 28 Page 27 Page 100 Pages 73 to 74
Social matters	Apprenticeship programmes Supporting local communities and charities	Pages 27 to 28 Page 30
Human rights	Responsible sourcing and supply chain Modern Slavery policy	Pages 23 to 25 and page 54 Pages 24 and 25 and visit our website
Anti-bribery and anti-corruption	Political donations Whistle-blowing Anti-bribery and corruption statement	Page 101 Page 70 Page 100
Description of business model	N/A	Pages 10 to 11
Non-financial KPIs	N/A	Page 20
Principal risks and uncertainties	N/A	Pages 50 to 59

Financial review

'Shareholder returns have increased in the year, with a proposed full year ordinary dividend increase of 35%, coupled with the commencement of a £7m share buyback programme.'

The strong opening order book and the increase in orders in the year resulted in the Group achieving record levels of gross sales*. Despite facing significant inflationary cost pressures, the business is pleased to have achieved a strong gross margin* and underlying operating profit*.

Overview
Improvements in the supply chain, coupled with the increase in orders in the year resulted in the Group achieving record levels of gross sales*. Whilst facing significant inflationary cost pressures, the business achieved a 45.3% gross margin* in the year, which is in line with pre-pandemic comparatives and delivered an underlying operating profit* of £20.2m (2021: £22.5m).

The Group benefited from £2.6m of business rates relief in the year (2021: £10.2m).

Shareholder returns have increased in the year, with a proposed full year ordinary dividend increase of 35%, coupled with the commencement of a £7m share buyback programme. The Board are mindful of the challenging economic environment we face

'Whilst facing significant inflationary cost pressures, the business achieved a 45.3% gross margin.'*

	52 weeks ended 30 July 2022 £m	As restated** 53 weeks ended 31 July 2021 £m
Gross sales*	**344.7**	319.2
Revenue	**331.6**	305.2
Gross profit	**156.3**	147.0
Distribution costs	**(21.3)**	(18.7)
Administration expenses before exceptionals items and business rate relief	**(117.4)**	(116.0)
Business rates relief	**2.6**	10.2
Total operating expenses	**(136.1)**	(124.5)
Underlying operating profit*	**20.2**	22.5
Operating exceptional items	**–**	4.3
Operating profit	**20.2**	26.8
Net finance expense	**(3.8)**	(4.1)
Profit before tax	**16.4**	22.7
Tax	**(2.8)**	(3.6)
Profit after tax	**13.6**	19.1
Underlying profit before tax*	**16.4**	18.4
Statutory earnings per share	**36.2p**	50.4p
Underlying earnings per share*	**36.2p**	41.3p
EBITDA*	**46.8**	52.8
Underlying EBITDA*	**46.8**	48.5

* This report includes alternative performance measures (APMs) which are defined and reconciled to IFRS information, where applicable, on pages 46 to 47.

** The prior year gross sales and revenue have been restated to account for warranty sales as an agent rather than principal under IFRS 15, see note 29. This did not result in any change to reported profit, earnings per share, cash flows or in the consolidated statement of financial position.

and remain committed to retaining a robust balance sheet in these uncertain times.

Gross sales and revenue

The Group continues to operate a special order business, where goods are built for customers in line with their specifications. Gross sales*, revenue and related profit is not recognised until the orders are delivered. Due to the impacts of the COVID-19 pandemic, the year commenced with the Group having an order book totalling £103.5m (including VAT). Despite increased year-on-year order intake, supply chain improvements in the past 12 months meant we were able to reduce the size of the order book to £71.7m at 30 July 2022. The closing order book at the year end was still £28.8m higher than at the same point in 2019.

Gross sales* increased by £25.5m (8.0%) to £344.7m (2021: £319.2m).

This movement is further analysed below:

- An increase in furniture sales in stores of 14.7% to £279.9m (2021: £244.0m);
- An increase in flooring sales in stores of 13.6% to £32.6m (2021: £28.7m); and
- A decrease in online sales of 30.8% to £32.2m (2021: £46.5m).

Revenue, which represents gross sales* less charges relating to interest-free credit sales (see note 3 to the financial statements – Segment information), increased by 8.6% to £331.6m when compared to the prior year (2021: £305.2m).

Gross profit

Whilst gross margin* declined slightly on the prior year, it remained strong at 45.3% (2021: 46.1%) and in line with pre-pandemic levels. This was particularly pleasing given the inflationary cost pressures faced by the Group throughout the year. The decrease of 72 basis points was largely due to an increase in lower margin stock sales, as the stores have been open for the full year unlike in the prior year which experienced periods of store closures due to COVID-19.

The increased volume and margin year on year resulted in an increase in gross profit of £9.3m (6.3%).

Distribution costs

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

Distribution costs increased 14.0% in the year to £21.3m (2021: £18.7m). This exceeds the 8.0% increase in gross sales* as a consequence of an increase in staff-related costs driven by salary pressures in the logistics sector and an increase in fuel and property-related costs.

As a percentage of gross sales* for the year, distribution costs were 6.2% (2021: 5.9%).

Administration expenses before exceptional items and government support

Administration expenses comprise:

- Store operating costs, principally employment costs and property-related costs (depreciation, rates, utilities and store repairs);
- 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 costs for the year totalled £117.4m, compared to £116.0m in the prior year. Administration costs were 34.0% of gross sales*, down from 36.3% in the prior year.

There was an overall increase in administration costs of £1.4m.

- Marketing costs increased by £6.1m to £23.3m (2021: £17.2m), as the business increased the investment in advertising with a return back to pre-pandemic levels (2019: £22.4m), together with increased digital marketing spend. The prior year saw reduced marketing investment during periods of store closure due to the pandemic;
- Performance-related pay decreased by £3.9m to £12.9m (2021: £16.8m) when compared to the prior year. Commission paid increased £0.5m in the year. However, this was offset by a £4.4m reduction in bonuses paid to senior and middle management due to performance levels achieved compared to the increased targets set at the start of the year as we emerged from the COVID-19 pandemic;
- Other payroll costs have increased by £0.3m to £35.7m (2021: £35.4m) with the impact of wage inflation being largely offset by reducing headcount;
- Property-related costs, including depreciation and amortisation, increased by £0.7m to £38.5m (2021: £37.8m) predominately due to increases in energy costs partly offset by cost savings as a result of store closures; and
- Other costs decreased by £1.8m to £7.0m (2021: £8.8m) as our cost base normalises and returns to pre-pandemic levels.

Business rates relief

The Group's result for the year has benefited from £2.6m (2021: £10.2m) of retail business rates relief provided in response to the COVID-19 outbreak. No further benefit is expected in the year ending 29 July 2023.

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 relatively consistent year on year.

Excluding business rates relief and exceptional items, total costs before tax for the year were £330.9m (2021: £311.0m). Total costs increased £19.9m, largely as a result of the movement in variable costs, which increased in line with the increase in sales.

Of total costs, 74% (2021: 72%), or £245.9m (2021: £224.9m) were variable or discretionary, and were made up of:

- £188.4m cost of goods sold, including finance and warranty costs (2021: £172.2m);
- £21.3m distribution costs (2021: £18.7m);
- £23.3m marketing costs (2021: £17.2m); and
- £12.9m performance-related payroll costs (2021: £16.8m).

Semi-variable costs totalled £42.7m, or 13% of total costs, for the year (2021: £44.2m; 14%) and are predominantly other non-performance-related payroll costs and store costs. Depreciation and interest (including on leased assets), rates, heating and lighting make up the remaining £42.3m (13%) of total costs (2021: £41.9m; 14%).

Underlying operating profit*

Operating profit before exceptional costs was £20.2m for the year, compared to £22.5m last year, driven by the £9.3m increase in gross profit being offset by the decrease in business rates relief and an increase in both distribution and administration costs. Without the additional business rates relief, the Group would have recorded an underlying operating profit of £17.6m (2021: £12.3m).

Operating exceptional items

In the prior year a £4.2m exceptional credit was recorded relating to the reversal of previous impairment to the Group's stores – both the property, plant and equipment and right-of-use lease assets. The majority of the prior year credit reversed the impairment taken in the FY20 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.

Finance costs

The net finance expense has decreased by £0.3m to £3.8m (2021: £4.1m) as a result of a reduction in interest on the Group's lease liability as the Group's average lease length decreased.

Taxation

The tax charge for the financial year is lower (2021: lower) than if the standard rate of corporation tax had been applied, mainly due to the benefit of the capital allowances super deduction on qualifying additions and the increase in the rate used to measure the Group's deferred tax asset.

Earnings per share (EPS)

EPS for the year ended 30 July 2022 was 36.2p (2021: 50.4p) and underlying EPS* which excludes exceptional costs, was 36.2p (2021: 41.3p).

A full reconciliation of EPS is shown in note 10 to the financial statements.

* This report includes alternative performance measures (APMs) which are defined and reconciled to IFRS information, where applicable, on pages 46 to 47.

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;
- 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.

Cash decreased £16.8m in the year to £70.8m (2021: £87.7m). A summary of cash flows is shown below:

	52 weeks ended 30 July 2022 £m	53 weeks ended 31 July 2021 £m
Cash generated from operating activities	**28.5**	41.6
Payment of capital and interest elements of leases	**(28.6)**	(26.4)
Net capital expenditure	**(4.7)**	(4.5)
Net taxation and interest payments	**(3.9)**	(3.8)
Free cash flow	**(8.7)**	6.9
Dividends	**(4.4)**	(1.1)
Purchase of own shares	**(3.6)**	(0.4)
Net cash (outflow)/generated	**(16.8)**	5.4

The cash generated from operating activities is £13.1m lower than FY21 due predominantly to the normalisation of working capital including a reduction in customer deposits and VAT owed.

The payment of capital and interest elements of leases has increased by £2.2m, principally as a result of a larger proportion of the repayment of rent deferrals negotiated with landlords in FY20 falling into FY22 than FY21.

Capital allocation

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern whilst retaining financial flexibility to both invest in the business where economic returns are attractive and provide returns to shareholders. We aim to allocate capital, subject to strict returns criteria, to meet the strategic needs of the business. Our target is gross capital expenditure of under 4.0% of total sales per annum, on average. During this financial year we invested in developing our Coventry concept store and digital lounge as part of the 'Engaging showrooms' pillar of our strategy, and relocated two stores and one distribution centre to improve our operations.

Return to shareholders

The Board recognises the importance of a dividend to investors and, despite suspending the dividend temporarily, is keen to reinstate a progressive policy, with the intention to:

- Keep earnings cover in the range of 1.25x to 2.00x;
- Ensure cash cover remains in the range of 1.75x to 2.25x through the economic cycle; and
- Pay an interim dividend that will be approximately one-third of the total dividend.

'We aim to allocate capital, subject to strict returns criteria, to meet the strategic needs of the business.'

The Board considers this policy appropriate given the strength of the balance sheet, whilst ensuring the Group has sufficient resources to pursue potential future opportunities to deliver growth.

As a result of the positive trading, the Group paid an interim dividend of 4.5p in May 2022 (2021: 3.0p). The Board is confident in the outlook for the Group and proposes a final dividend of 9.0p (2021: 7.0p). If approved, this would give a full-year dividend of 13.5p (2021: 10.0p). The final dividend, if approved, will be paid on 9 December 2022 to shareholders on the register on 11 November 2022. The ex-dividend date is 10 November 2022.

The total dividend paid is in line with target earnings per share cover, and cash cover through the economic cycle.

In March, the Group also launched a share buyback programme to further return funds to shareholders through the buyback and cancellation of up to £7m of shares. As at the signing date, the Group had purchased and cancelled £3.3m worth of shares, and will seek approval at the Group's AGM in November 2022 to complete the programme.

Chris Muir
Chief Financial Officer
10 October 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 IFRS 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 IFRS 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.

APM	Definition	Reconciliation		
Like-for like order growth	'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.	N/A		
Gross sales	Gross sales represents turnover on the sale of goods and aftercare services before deduction of interest-free credit.		**2022 £'000**	As restated* 2021 £'000
		Revenue	**331,569**	305,231
		Add back: costs of interest-free credit	**13,141**	13,953
		Gross sales (note 3)	**344,710**	319,184
Gross margin	Gross profit as a percentage of gross sales.		**2022 £'000**	As restated* 2021 £'000
		Revenue	**331,569**	305,231
		Add back: costs of interest-free credit	**13,141**	13,953
		Gross sales (note 3)	**344,710**	319,184
		Gross profit	**156,264**	146,987
		Gross margin	**45.3%**	46.1%
Non-underlying items	Certain costs or incomes that derive from events or transactions that fall outside the normal activities of the Group and are excluded by virtue of their size and nature to reflect management's view of the performance of the Group.		**2022 £'000**	2021 £'000
		Operating exceptional items (note 5)	**–**	4,242

Alternative performance measures (APMs) continued

APM	Definition	Reconciliation	2022 £'000	2021 £'000
EBITDA and underlying EBITDA	Earnings before interest, tax, depreciation and amortisation (EBITDA). Underlying EBITDA is before the effect of non-underlying items in the year.	Statutory operating profit	**20,199**	26,773
		Depreciation on tangible fixed assets	**4,162**	3,980
		Depreciation on right-of-use assets	**21,523**	21,149
		Amortisation of intangible assets	**882**	865
		EBITDA	**46,766**	52,767
		Non-underlying items	**–**	(4,242)
		Underlying EBITDA	**46,766**	48,525

APM	Definition	Reconciliation	2022 £'000	2021 £'000
Underlying operating profit	Underlying operating profit is based on operating profit before the effect of non-underlying items in the year.	Statutory operating profit	**20,199**	26,773
		Non-underlying items	**–**	(4,242)
		Underlying operating profit	**20,199**	22,531

APM	Definition	Reconciliation	2022 £'000	2021 £'000
Underlying profit before tax	Underlying profit before tax is based on profit before tax before the effect of non-underlying items in the year.	Statutory profit before tax	**16,358**	22,674
		Non-underlying items	**–**	(4,242)
		Underlying profit before tax	**16,358**	18,432

APM	Definition	Reconciliation	2022 £'000	2021 £'000
Underlying basic earnings per share (EPS)	Underlying basic EPS is based on earnings per share before the effect of non-underlying items in the year.	Profit for the period	**13,584**	19,064
		Non-underlying items net of tax	**–**	(3,436)
		Underlying profit after tax	**13,584**	15,628
		Number of shares (000's)	**37,499**	37,829
		Underlying EPS	**36.2p**	41.3p

* The prior year results above have been restated to account for warranty sales as the agent under IFRS 15, see note 29.

Our approach to risk management

We recognise that effective risk management is essential to enable us to deliver our strategy and our commitments to our customers, colleagues, shareholders, the community and the environment. The following pages set out our established approach to risk management.

Risk identification and evaluation

The Board, the Executive Board and the Group's senior management team maintain a continuous process to manage the risks and internal controls of the Group.

Key activities of this process include:

- The identification, assessment and reporting of risks;
- Maintenance of detailed functional risk registers and mitigating activities;
- Proactive monitoring, management and reporting of emerging risks;
- Regular testing and enhancement of mitigating controls;
- Regular review of the principal risks and mitigating controls by the Executive Board (which includes the Chief Executive Officer and Chief Financial Officer);
- Formal review of the principal risks and uncertainties by the Audit Committee and Board three times a year;
- Annual review of the Group's viability statement;
- Regular presentations on key risk areas by the Head of Audit, Risk & Compliance to the Audit Committee; and
- Monitoring of key performance indicators to help identity emerging risks.

Risk appetite

Risk appetite is defined as the level of risk that the Group is willing to take in order to achieve its strategic and operational objectives. The risk appetite is set by the Board after seeking feedback from the Executive Board and the senior management team, and is aligned to the Group's strategic goals and priorities.

The Group's risk appetite is used to ensure that decision making is in line with the Group's risk management framework.

The Board typically has a lower appetite for risk in areas such as regulation and finance, but is more willing to accept a higher appetite for risks such as competition and the economic environment.

Key roles and responsibilities

The Board has overall responsibility for the leadership of risk management, sets strategic objectives the risk appetite and also monitors performance.

The Executive Board is responsible for disseminating risk policies. They support and help the Board assess risk. The Executive Board also oversee risk management and encourage open communication on risk matters, and have ownership for each of the principal risks. The Executive Board assesses the materiality of risks in the context of the whole Group.

The Audit Committee oversees risk management and internal controls. The Committee reviews the Group's internal controls framework, sets objectives, and monitors the effectiveness of the audit, risk and compliance teams. The Committee also monitors the independence and expertise of the external auditors.

The following groups provide bottom-up risk management at an operational level:

- The audit, risk and compliance teams are responsible for the monitoring of the Group's risk management approach and provides a link between the operational managers and Audit Committee. The Head of Audit, Risk & Compliance reports formally to the Audit Committee and has direct access to the Chair of the Audit Committee. The audit, risk and compliance teams take a risk-based approach to planning audit work.

- The Executive Board and senior management team is responsible for the identification and assessment of existing and emerging risks at an operational level. The Executive Board is also responsible for the implementation of agreed mitigating controls.

Further details of the Group's internal control framework can be found in the Audit Committee report on pages 77 to 83.

Managing risks internally

Functional risks

- The functional risk registers are maintained and emerging risks are identified by the senior management team with input from the relevant director.
- The functional risk registers and the mitigating controls are reviewed by the audit, risk and compliance teams quarterly.
- The functional risk registers from all departments are shared with the Executive Board and the senior management team.

Consolidated corporate risks

- The functional risk registers are consolidated into the corporate risk register.
- The corporate risks are reviewed by the Executive Board quarterly and at every Audit Committee meeting.
- The risk appetite is determined by the Executive Board and approved by the Audit Committee.

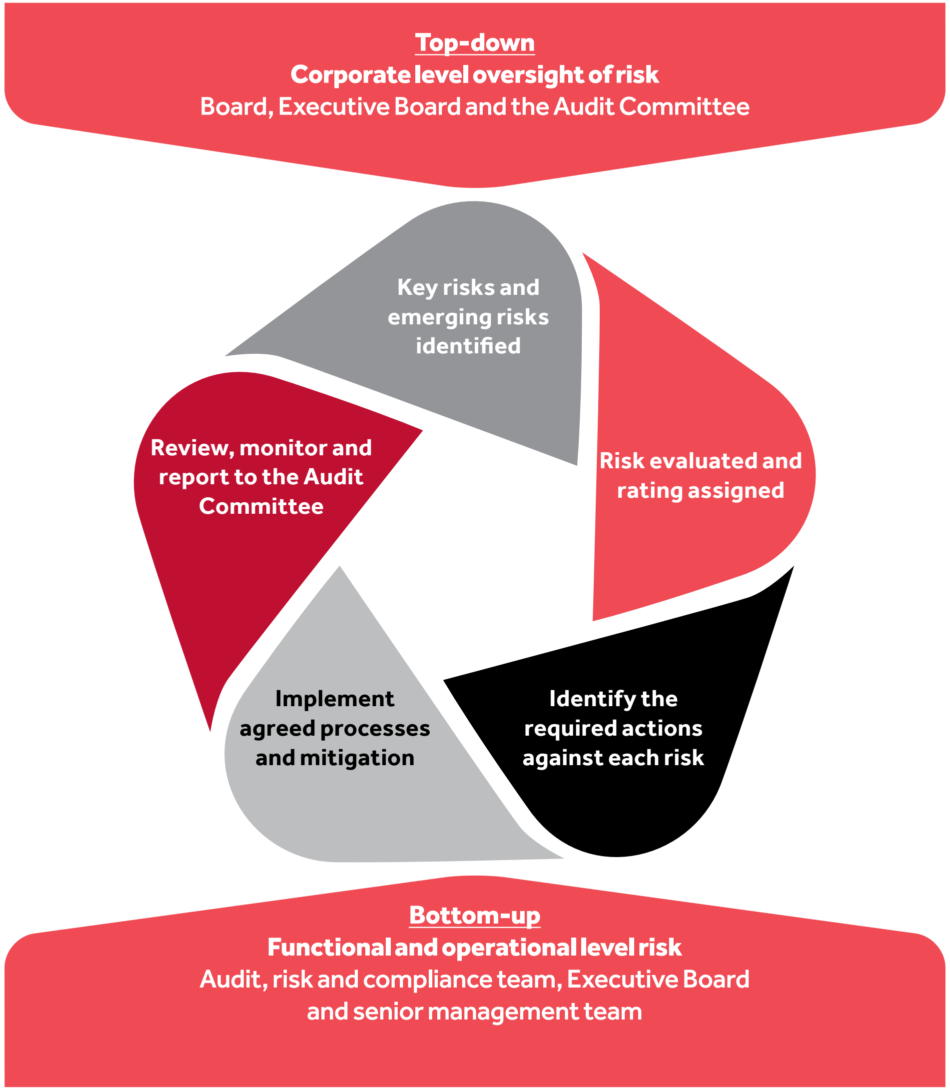
External reporting

Following completion of the risk management process, the outcomes are subject to periodic review with the Executive Board. Subsequently, the principal risks and uncertainties are submitted to the Audit Committee ahead of final review and approval by the Board.

The link to our strategic priorities are shown against each principal risk on pages 51 to 59.

Risk management framework

The graphic below illustrates how our risk management framework enables us to maintain governance over risk management activities across the Group.



Process for preparing consolidated financial statements

The Group has established internal controls and risk management systems in relation to the process for preparing consolidated financial statements.

The key features of this are:

- Management regularly monitors and considers developments in reporting regulation and, where appropriate, reflects developments in the consolidated financial statements. The external auditors and the Audit Committee also keep the Board appraised of these developments;
- The Audit Committee and the Board review the consolidated financial statements. This review takes into account reports from management and the external auditors on significant judgements, changes in accounting policies, changes in accounting estimates and other relevant matters to the consolidated financial statements; and
- The full-year financial statements are subject to external audit and the half-year financial statements are reviewed by the external auditors.

The Board's assessment of the long-term viability of ScS is also reviewed annually, taking account of the principal risks faced. The approach for assessing long-term viability is set out on page 60.

Principal risks and uncertainties

Our principal risks and uncertainties have been assessed in accordance with our framework as set out on the previous pages.

Identifying risks
The identification and review of emerging risks are embedded into our risk review process, and our principal risks are updated accordingly.

The Board confirm that they have performed a robust assessment of the emerging and principal risks and mitigating controls.

Key emerging risks that we are monitoring include the uncertain economic and geopolitical external environment and the potential impact on our business and customers. Further details are noted on the next section on principal risks.

We continue to monitor the requirements and consider the impact of an increasing focus on environmental, social and governance (ESG) matters. We have set out our approach to tackling these issues within our Responsibility and sustainability report on pages 22 to 31, and further disclosures in our TCFD report on pages 32 to 39.

We have reviewed the residual risk of COVID-19, and we now consider that it is no longer a significant risk to the business. We will monitor and respond accordingly if the risk of a future pandemic increases.

We continue to monitor the ongoing risk of cyber security incidents following the global increase in malware and ransomware attacks, in particular following the conflict in Ukraine.

Changes to the principal risks
Economic environment
Significant increases in energy prices, general price inflation and interest rate increases have all placed pressure on household budgets, which, along with widespread economic and political uncertainty has and will continue to negatively affect consumer confidence. The cost of living crisis is impacting all aspects of people's daily lives, including their decisions in relation to spending on non-essential items, and in particular big ticket items. This risk continues to escalate as further increases in home energy, general costs and interest rates are predicted. Whilst recent and future government intervention may help reduce the impact, we are mindful that the recently announced government 'Growth Plan' has, initially at least, increased forecasted interest rates, reduced mortgage availability, and decreased the value of sterling against the dollar. Higher interest rates will impact mortgage costs and potentially decrease disposable household income, together with increasing the Group's cost of supplying interest free credit. Lower mortgage availability could impact the level of housing transactions. A sustained decrease in the value of sterling against the dollar would increase product costs.

The ongoing conflict in Ukraine has added further uncertainty in the macro economy, which has and will continue to reduce consumer confidence and add increased pressure to the supply chain.

The 'Economic environment' principal risk is directly impacted by the decrease in consumer confidence and the cost of living increases highlighted above. We have therefore increased the risk level to high.

The principal risk 'Supply chain and product' has been renamed as 'Responsible sourcing and supply chain' to better reflect the risk and increased focus on responsible sourcing of products. Because of the risk of further disruption in the supply chain caused by geopolitical issues, we have indicated an increase in risk. However, the profile stays within our medium rating due to the mitigating controls in place.

Risk categories
Each principal risk is grouped into an over arching risk category to enable better analysis of risk and improved risk reporting.

Strategic risks are those, which affect the marketplace and the environment in which our business operates. The principal risks in this category are: 'Economic environment', 'Competition' and 'Regulation and compliance'.

Infrastructure risks are those, which affect the people and the resources that are required to operate our business. The principal risks in this category are: 'Business systems and infrastructure', 'Responsible sourcing and supply chain' and 'Our people and culture'.

Reputational risks are those, which could damage the brand or perception of our business. The principal risk in this category is 'Brand and reputation'.

The following pages set out our principal risks, their movement during the year along with a summary of key controls and mitigating factors.

Economic environment

Risk category	Change in risk level	Risk appetite	Risk profile after controls	Performance indicator	Management responsibility	Reports to
Strategic	Increasing	Balanced	High	Gross sales	Executive Board	Board

Consumer confidence

Geopolitical and economic uncertainties and the resultant cost of living crisis may influence customer behaviour and buying choices within our market, leading to a reduction in spending on high value items, which could negatively impact the future performance of the Group.

Interest rates, currency rates and consumer credit

The Group's ability to offer interest-free credit to customers may be impaired because of high default levels or increased interest rates. Increased credit levels, due to economic uncertainty, may affect a customer's ability to access credit.

Further interest rates and currency exchange rates fluctuations could lead to cost pressure on our suppliers which in turn could be passed on to the Group.

Mitigation & progress during the year

Our product range is continually reviewed to ensure we are able to help our customers create a home they love at a competitive price. We have refined our key core value furniture products and introduced new designs and brands to expand our product offering.

Our dining and occasional furniture offering is continually under review to ensure we can provide a competitive and attractive range. We have an extensive range of flooring products, including a number of low price point offerings, to ensure we continue to offer our customers a wide range at competitive prices and great value.

We continue to maintain a lean business model and with our flexible costs in 2022 totalling 73%, we are well positioned to maintain our viability if consumer confidence is subdued and as a result sales decline. At the end of the financial year the Group held a strong cash balance of £70.8m. We constantly review our structure, ensuring we maintain our efficient business model.

As part of our strategy, we have completed reviews on key focus areas to identify and implement process improvements that ensure our costs remain lean and we maintain our profitability.

We produce and operate to a detailed, bottom-up budget, ensuring our teams work towards specific performance targets and maintain careful cost control.

The Group offers interest-free credit options for our customers to help make purchasing goods for their home more affordable.

Cost and access to consumer finance is managed by having strong relationships with three finance houses. Relationships with other finance houses are also maintained to ensure the Group continues to receive the right service at the right cost. During the year, the Group has trialled a change to our in-store finance house provider with a view to improving acceptance rates and reducing costs. We continue to review our finance offering to ensure that we remain competitive and at an acceptable cost to the Group.

We purchase our products on a sterling basis, minimising direct exposure to exchange rate changes. We work closely with our suppliers to minimise any impact on our cost base of products and our retail pricing strategy.

Strategic priorities 1 Outstanding team 2 Customer driven 3 Inspiring ranges 4 Digitally optimised 5 Engaging showroom 6 Strengthen the core

Competition

Risk category	Change in risk level	Risk appetite	Risk profile after controls	Performance indicator	Management responsibility	Reports to
Strategic	Risk stayed level	Balanced	Medium	Gross sales	Executive Board	Board

Competitive marketplace and changes to the marketplace

The Group operates in competitive and fragmented markets. Failure to deliver an effective strategy in response to our competitors and changes in market conditions is a risk to the future success of the Group.

Mitigation & progress during the year

The Group launched its refreshed strategy last year and continues to progress against the objectives set. See pages 14 to 19 for more details of our strategy in action.

We continue to develop the product range offered to customers, whilst remaining focused on our core market. Over the year we have looked for opportunities to broaden our customer base, through the introduction of new brands, designs and ranges. We have also responded to customers looking for shorter lead times, through the introduction of ranges with significantly reduced delivery times.

We continue to invest in our showrooms to provide a more inspiring experience for the customer, whilst continuing to promote our brand as a value retailer.

We have a concept store in three locations, providing us with an opportunity to test and learn how we further improve our proposition and position in the market. See page 20 for more detail on this development.

We encourage feedback from our customers at every step of the customer journey and across a number of platforms. The Group's investment in enhancing the customer experience is reflected in our 'Excellent' Trustpilot score. We were delighted to be awarded five stars from our Trustpilot reviews and remain focused on maintaining these market-leading service levels.

An added functionality to our website allows customers to provide feedback about their online journey, as well as the product they have purchased. Feedback from customers across all channels and throughout the customer journey is reviewed in order to understand what we are doing well and identify areas for improvement.

Our line level margin analysis tools have allowed us to monitor the success of our product ranges and to focus on consistently managing our competitiveness and the profitability of our offering.

Through investment in our digital platform, we are able to monitor customer interaction with the website, allowing us to establish the impact of factors such as dwell time and conversions and determine what is successful in order to improve the online shopping experience. We are working with new partners to help improve our social media presence, our paid-search investment and the search engine optimisation of our website.

We regularly carry out reviews of our marketing strategies to ensure we are reaching our target audience effectively, and we adjust our approach accordingly.

We continue to obtain and develop insight into our customer demographics using an Experian dashboard, built within Microsoft Power Business Intelligence, which combines our customer data and Experian demographic data, enabling faster identification and reaction to trends in customers. Extensive research completed on the strength of our brand, across customer segments, has presented us with further opportunities to consider when targeting customers.

We monitor our market share in upholstered furniture, which has increased from 9.0% in 2021 to 9.7% in 2022, similarly flooring share has increased from 1.6% to 1.8%.

Strategic priorities 1 Outstanding team 2 Customer driven 3 Inspiring ranges 4 Digitally optimised 5 Engaging showroom 6 Strengthen the core

Regulation and compliance

Risk category
Strategic

Change in risk level
Risk stayed level

Risk appetite
Low

Risk profile after controls
Medium

Performance indicator
Prosecution and regulatory action

Management responsibility
Corporate Services Director

Reports to
CEO

Key regulated activities

Many of the Group's activities are subject to a number of compliance requirements, including the Financial Conduct Authority (FCA), the Information Commissioner's Office (ICO) and the Financial Reporting Council (FRC). We are also subject to health and safety legislation, and other product-related regulation, such as fire safety.

Failure to comply with our regulatory obligations could result in a financial impact and reputational damage.

Mitigation & progress during the year

Training programmes are in place to ensure that all staff are provided with relevant training for regulated activities, in line with their role. Completion of these training modules is reported monthly to the Executive Board.

The independent audit, risk and compliance team has a monitoring programme in place to ensure we maintain regulatory compliance across all areas, including data protection and FCA requirements.

The Group continues to monitor any other areas of future guidance or regulations that may affect the Group's activities and will implement any changes, if required. We continue to monitor the Department for Business, Energy & Industrial Strategy's (BEIS) publications on audit, reporting and corporate governance reform, and prepare for any changes required.

The Group has relevant internal policies, guidelines and procedures, including our Code of Conduct, covering information security, anti-bribery and corruption, anti-money laundering and whistle-blowing. All our policies are subject to annual review and are updated and re-issued as required. Adherence to these policies form part of our compliance monitoring programme.

Our regional audit and health and safety teams carry out regular inspections at all our retail and distribution sites, to confirm that the required compliance and health and safety standards are being met. Results of all audits are reported to the Executive Board.

Our distribution teams are given ongoing training, and monitoring is in place to ensure that the warehousing and delivery processes are operating to the highest safety standards.

We have a long-established, independent, confidential whistle-blower hotline in place reporting directly to the Head of Audit, Risk & Compliance, who in turn reports any concerns to the Executive Board and the Board. Our policy is intended to make third parties or employees aware that they should report any serious concerns or suspicions about any wrongdoing or malpractice on the part of any employee of the Group.

Strategic priorities 1 Outstanding team 2 Customer driven 3 Inspiring ranges 4 Digitally optimised 5 Engaging showroom 6 **Strengthen the core**

Responsible sourcing and supply chain

Risk category	Change in risk level	Risk appetite	Risk profile after controls	Performance indicator	Management responsibility	Reports to
Infrastructure	Risk increased	Low to medium	Medium	Gross sales, customer feedback and delivery optimisation	Commercial Director Chief Finance Officer	CEO

Supplier resilience and capacity

If a supplier were unable to meet demand or cease to trade, this would disrupt supply to our customers. The supply chain could be affected by availability or by an increase in the cost of raw materials, labour shortages and transport delays, which may result in a reduction in margin or lead to a less competitive price point.

Product quality, safety and ethical practices

Failure to meet product safety standards or to ensure that our products are sourced responsibly across our supply chain, could result in the loss of customer confidence, reputational impact and declining sales volume.

Failure to reduce the environmental impact of our business, including those linked to our supply chain, could result in reputational damage, impacting the future performance of the Group.

Supplier credit

Failure of suppliers to obtain credit insurance could have a significant impact on our suppliers' working capital requirements, which may have a material impact on the Group's cash position and overall financial position.

Mitigation & progress during the year

We continue to monitor the production capacity and the financial stability of our suppliers, to ensure any concerns identified are immediately addressed. The Group has continued to work closely with our suppliers to monitor any increase in costs of materials, production or shipping and the impact this may have on our retail pricing. We are continually reviewing and expanding our supply base to reduce reliance on any key suppliers or any particular location.

Audits are completed on new suppliers, as part of our due diligence checks, to ensure quality management systems, ethical labour sourcing, health and safety processes, environmental stewardship and sustainability meet our expectations, as outlined within our supplier handbook.

We expect that all suppliers are members of Sedex to monitor risks of modern slavery within our supply chain and all our suppliers must comply with relevant legislation and best practice.

The Group works with our suppliers to ensure raw materials are obtained from known and traceable or certified sources.

The Group has a programme to carry out regular independent product testing, to ensure ongoing compliance to current regulations. We are working with our suppliers to attain both Forest Stewardship Council® (FSC®) accreditation, which has already been achieved on a number of ranges, and the British Standard Institution (BSI) Kitemark.

We are a member of the Furniture Industry Research Association (FIRA) compliance scheme and achieve continued accreditation. We are also working with our suppliers and the Leather Working Group, whom we joined in 2021, to ensure that all leather is sourced from known, traceable or certified sources by July 2023.

We continue to conduct quality checks at the point of inbound to our distribution centres. This allows us to ensure any minor quality issues are resolved prior to being delivered to the customer.

The Group has made significant progress on our ESG strategy and is committed to driving further change. Our TCFD reporting is set out on pages 32 to 39.

We have developed strong relationships and credibility with credit insurers through regular communication and information sharing regarding ongoing trading performance and the Group's resilience levels.

.

Strategic priorities 1 Outstanding team 2 Customer driven 3 Inspiring ranges 4 Digitally optimised 5 Engaging showroom 6 Strengthen the core

Business systems and Infrastructure

Risk category	Change in risk level	Risk appetite	Risk profile after controls	Performance indicator	Management responsibility	Reports to
Infrastructure	Risk stayed level	Low to medium	Medium	Number of major incidents System performance	Chief Marketing & Digital Officer	CEO

Cyber and information security

Failure to adequately prevent or respond to a cyber-attack, ransomware or data breach could result in business disruption, loss or corruption of information for our customers, which could adversely impact our reputation and customer confidence.

System availability

Failure of our IT infrastructure or key IT systems could result in the Group's inability to operate effectively, which could result in a decline in sales and could adversely affect our ability to deliver goods to our customers.

Mitigation & progress during the year

The operation of our business-critical systems are subject to 24-hour system monitoring. There is also a contract in place for 24-hour third-party support for all critical systems.

A business continuity plan is in place and reflects our now established hybrid working arrangements. A disaster recovery plan is in place, with all operating systems being replicated at a secondary site. This is reviewed and updated annually.

All relevant software and hardware updates are installed when required to ensure the security of our data and protection of our systems is maximised.

We have an established third-party penetration testing programme in place that is carried out on a regular basis to monitor the Group's resilience against cyber-attacks. Following external reviews carried out on our website and core network, actions have been taken to improve and strengthen our systems.

A monitoring programme is in place to ensure access to networks and systems is appropriately controlled and access to sensitive data is limited. Information security and data protection policies are in place and training for information security (GDPR) is mandatory for all staff.

During the year, we engaged a third party to review our technology estate and created a road map to ensure that we invest in appropriate technology to support our future growth plans. We are now planning improvements to our existing systems and investment in new technology.

Our people and culture

Risk category	Change in risk level	Risk appetite	Risk profile after controls	Performance indicator	Management responsibility	Reports to
Infrastructure	Risk stayed level	Low to medium	Medium	Colleague retention Team engagement surveys	People Director	CEO

Team retention and capability

Failure to attract, retain and develop the right talent and required capabilities and to embed our values in our culture could impact our business performance and delivery of our strategy.

Mitigation & progress during the year

The Group continues to review our terms and conditions of employment, including salary, incentives and benefit packages, to ensure they remain competitive across the sector.

We regularly review and update succession plans for key roles within the Group. The year saw the Group significantly strengthening our leadership team with senior appointments in our commercial, customer experience and digital teams.

Development pathways have been mapped out for our retail and distribution teams which have been rolled out from August 2022.

We monitor turnover and retention rates, and further insight is gained through an exit interview process.

We carry out an annual employee survey to understand whether our colleagues are engaged and have a clear understanding of the Group's culture and strategy. The feedback provided by our colleagues in the annual employee survey is used to implement change and drive improvements across the business.

The Group is accredited with Investors in People status and this forms part of a wider strategy for 'Building and inspiring an outstanding team'.

Staff turnover has decreased 2.4% during the financial year when compared to 2021.

As part of the Group's ESG strategy, we will be formalising a commitment to provide colleagues with paid volunteering days to work with local charities.

Strategic priorities 1 Outstanding team 2 Customer driven 3 Inspiring ranges 4 Digitally optimised 5 Engaging showroom 6 Strengthen the core

Brand and reputation

Risk category	Change in risk level	Risk appetite	Risk profile after controls	Performance indicator	Management responsibility	Reports to
Reputation	Risk stayed level	Low to medium	Low	Trustpilot Negative press	Corporate Services Director	CEO

Brand and reputation

Failure to protect our brand could result in a loss of confidence by customers, colleagues and other key stakeholders.

Our brand reputation may be damaged if we are unable to demonstrate our commitment to addressing our ESG obligations.

Mitigation & progress during the year

The Group's policies, procedures and Code of Conduct set out the expectations and behaviours that we expect from all our colleagues.

We encourage feedback from our customers at every step of the customer journey and across a number of platforms. Our 'Excellent' Trustpilot score continues to recognise our ability to provide an excellent customer experience, with our TrustScore remaining high at 4.8 out of 5. We have added functionality to our website allowing us to have oversight of our customers' opinions on our products, so we can ensure that we are meeting their expectations. We continue to monitor our customers' reviews to identify areas for improvement.

The Group has a programme to carry out regular independent product testing, to ensure ongoing compliance to current regulations.

Product performance is monitored by our commercial and customer service teams and regular meetings are held with suppliers to identify areas of improvement with agreed actions that are followed through to completion.

During the year, members of the customer experience team have worked with the Furniture and Home Improvement Ombudsman to undertake City & Guilds accredited training to develop and improve the standard of service we offer. As of October 2022 we are full members of the Furniture Ombudsmen meaning any disputes can be handled effectively.

We continue to review colleague engagement and feedback through completion of staff surveys, to identify areas of improvement within the business.

Our qualified technicians continue to complete quality checks at the point of inbound to our distribution centres. This allows us to ensure any minor quality issues are resolved prior to being delivered to the customer.

Our audit, risk and compliance teams monitor standards throughout the business ensuring that any risk to the reputation of the ScS brand is identified along with agreement of corrective actions.

Strategic priorities 1 Outstanding team | 2 Customer driven | 3 Inspiring ranges | 4 Digitally optimised | 5 Engaging showroom | 6 Strengthen the core

Key trading periods

Risk category	Change in risk level	Risk appetite	Risk profile after controls	Performance indicator	Management responsibility	Reports to
Strategic	Risk stayed level	Balanced	Medium	Sales performance	Executive Board	CEO

Key trading periods

Furniture retailing has historically relied on certain key trading days and periods. Extreme weather conditions or showroom closures, due to unexpected events, may reduce footfall in our showrooms over these key periods, resulting in reduced sales and potentially adverse effects on profitability.

Our key trading periods could be impacted by the cost of living crisis, leading to a decline in sales and reducing profitability.

Mitigation & progress during the year

Our flexible approach to marketing has enabled us to react quickly to changes in the marketplace. We continually review our marketing strategies, ensuring our investment into relevant advertising channels maximises our opportunity to reach our customers.

We have developed an econometric model which uses our customer data to establish the most appropriate investment in our marketing channels.

Our website, telesales service and video appointments have been developed further and offer customers an opportunity to purchase goods without having to visit a showroom.

We have invested in our digital platform to improve the online shopping experience for the customer, allowing us to continue to trade successfully throughout any impact of adverse periods of weather or showroom closures.

Our recent experience with the COVID-19 pandemic demonstrated that although sales were impacted during periods of lockdown, once stores re-opened we saw a significant increase due to pent up demand.

We will monitor the impact of the cost of living crisis on our key trading periods over the coming year and appropriate action will be taken in response if necessary.

Strategic priorities 1 Outstanding team 2 Customer driven 3 Inspiring ranges 4 Digitally optimised 5 Engaging showroom 6 Strengthen the core

Viability statement

The UK Corporate Governance Code requires the Group to issue a 'viability statement' declaring whether we believe the Group can continue to operate and meet its liabilities, taking into account its current position and principal risks in the medium to longer term.

Due to the inherent pace of change in the retail environment, and the wider economy, the Group tends to ensure focus on delivery of short to medium-term goals. The strategy and associated principal risks underpin the Group's three-year strategic planning process ('the Strategic Plan'), which is updated annually. This process takes into account the current and prospective macro-economic conditions in the UK and the competitive tension that exists within the markets in which we trade. The period of three years, set out within the Strategic Plan, is considered appropriate for business planning and measuring performance given it aligns with the payback requirements of any significant capital investment (new stores).

As part of assessing the Group's financial performance against the Strategic Plan, sensitivity analysis of the main assumptions underlying the plan is also carried out. The plans are approved by the Directors and financial budgets and KPIs are subsequently used to monitor performance during the year. Reflecting the pace of change of the environment the Group operates in, management regularly updates its financial forecast, which is reviewed at each Board meeting.

Whilst assessing the Group's future prospects the following was considered:

Economic environment
Uncertainty remains over the macro-economic risks brought about by inflationary cost pressures which include changing customer behaviours and a reduction in consumer confidence.

Our strategic progress
The Group has a detailed and specific strategy, and is reliant on delivering this to achieve its forecasts. We have made good progress in the first full year of the strategy, and are confident that the execution of the next phase will provide opportunities to take market share.

Supplier resilience and capacity
If a supplier were unable to meet demand, or cease to trade, this would disrupt supply to our customers. We continue to maintain good relationships to allow us to closely monitor their financial stability and production capacities.

Variable or discretionary total Group costs
74%

Undrawn committed revolving credit facility
£12.0m

Cash balance as at 30 July 2022
£70.8m

Group financial position
The Group remains in a strong financial position at the year end with cash of £70.8m, no financial debt and access to a revolving credit facility of £12.0m which remains undrawn.

The Board are satisfied with the resilience of our business model and ability to leverage this to achieve sustainable long-term growth.

Scenarios modelled	Links to principal risks
Scenario 1: Economic downturn resulting in a decrease in revenue whilst maintaining gross margin A challenging economic environment results in a loss of consumer confidence, reducing customers discretionary spend and causing a decline in sales volume. It is assumed that the gross margin remains consistent with the base case scenario and that the decrease in sales volume will be partially offset through management of our flexible cost base. **Assumptions** **Sales:** Reduction in volume for a period of 36 months. **Gross margin:** Remains in-line with the base case scenario for a period of 36 months.	Economic environment Competition Responsible sourcing and supply chain
Scenario 2:Economic downturn resulting in a decrease in gross margin with a compounding annual increase in fuel and utility costs A challenging economic environment has resulted in an increase in both product costs and costs of providing credit to our customers. The Group is unable to pass on increases in full and, when combined with rises in fuel and energy costs which compound year on year, this results in reduced performance over the 36 month period being assessed. **Assumptions** **Sales:** Remain in-line with the base case for a period of 36 months. **Gross margin:** Decreases for a period of 36 months to levels lower than seen historically.	Economic environment Competition Responsible sourcing and supply chain
Scenario 3: Severe economic downturn and the withdrawal of supplier credit insurance A severe downturn in economic conditions resulting in both a reduction in revenue and gross margin, together with the assumption that our suppliers have the credit insurance they use to support their payment terms with the Group withdrawn, seeing our suppliers request earlier payment dates to alleviate their working capital challenges. **Assumptions** **Sales:** Severe reductions for a period of 24 months with a partial recovery in the final 12 months. **Gross margin:** Significant reduction for 24 months remaining flat thereafter. **Working capital:** Cash required to pay suppliers in advance of delivery of product (and therefore in advance of receipt of final balances from customers).	Economic environment Competition Responsible sourcing and supply chain

* This report includes alternative performance measures (APMs) which are defined and reconciled to IFRS information, where applicable, on pages 46 to 47.

Assessment of viability

The Strategic Plan is stress tested for severe but plausible scenarios and the effectiveness of any mitigating actions that would reasonably be taken. Macro-economic indicators such as price inflation, increased fuel and energy prices and interest rate increases have led to a downturn in consumer confidence which may present challenges for the Group as our customers reduce discretionary spend. Our finance providers become more expensive due to increases in interest rates and our supplier's credit insurance, which they use to support their current payment terms, may be adjusted or withdrawn, accelerating the timing of cash payments. The Strategic Plan was therefore specifically stress tested against the key risks identified, with attention to the principal risks and uncertainties highlighted on pages 50 to 59. The scenarios ran are shown opposite.

Due to the significant cash reserves held, and the flexible cost structure of the Group, the outcome of this stress testing satisfied the Directors with respect to the ongoing liquidity and solvency of the Group over the three-year period under review. 74% of total Group costs are either variable or discretionary and as such, even in difficult trading conditions, these costs would also reduce. These reductions, together with relevant mitigating actions and significant cash reserves, would ensure the Group could continue to meet its liabilities.

Further to the scenarios modelled, the Directors are comfortable that the work done to minimise the risk to the supply chain, chiefly ensuring the use of a variety of suppliers, and the ability of multiple factories to produce similar product ranges, would be sufficient to limit the Group's reliance on a single supplier.

The Strategic Plan makes certain assumptions about the normal level of capital recycling likely to occur and, therefore considers whether additional financing will be required. The Group continues to hold a significant cash balance and an undrawn £12.0m committed revolving credit facility. The facility was extended in October 2022 and has a term of 36 months. This facility has never been utilised and the modelling indicated it would not be required. The Strategic Plan also encompasses the projected cash flows and headroom against financial covenants under the Group's facility.

Conclusion

Based upon this assessment, the Directors have a reasonable expectation that the Group will be able to continue to operate and meet its liabilities as they fall due over the period to 26 July 2025. In making this statement, the Directors have considered the resilience of the Group, taking into account its current position and the principal risks facing the business.

This Strategic report, which has been prepared in accordance with the requirements of the Companies Act 2006, has been approved and signed on behalf of the Board.

Steve Carson
Chief Executive Officer
10 October 2022

Board of Directors

Strength in leadership

Committee membership key

- Ⓐ Audit Committee Chair
- Ⓐ Audit Committee member
- Ⓡ Remuneration Committee Chair
- Ⓡ Remuneration Committee member
- Ⓝ Nomination Committee Chair
- Ⓝ Nomination Committee member

1 Chris Muir
Chief Financial Officer

Date of appointment: 4 April 2016

Committee membership

Biography

Chris joined ScS as Chief Financial Officer in April 2016. He is a chartered accountant, qualifying in 1999 whilst working at Deloitte. In 2003, he joined Northgate plc, Europe's leading specialist in light commercial vehicle hire, as the Group Accountant and held a number of senior UK and group roles, including UK Finance Director and acting Group CEO in the summer of 2014. Prior to joining ScS he was Group Finance Director of Northgate.

Key strengths

Chris has broad financial experience and his strategic and leadership strengths are a valuable asset to the Group as we deliver on our strategic priorities.

External appointments

2 Carol Kavanagh
Non-Executive Director

Date of appointment: 26 September 2022

Committee membership

A R N

Biography

Carol joined the Board in September 2022 as a Non-Executive Director and is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee. She is also the Remuneration Committee Chair of Speedy Hire plc and an independent Remuneration Committee member for British Swimming. Carol has over 20 years of experience working in senior public company human resource roles across construction and retail sectors, including as Group HR Director for Travis Perkins Plc from 2007 to 2020.

Key strengths

Carol has extensive retail and board experience. She brings with her a wealth of knowledge gained through previous HR roles and current Remuneration Committee positions which will be of great value to the Group.

External appointments

- Remuneration Committee Chair of Speedy Hire PLC
- Independent Remuneration Committee member for British Swimming

3 Alan Smith
Non-Executive Chairman

Date of appointment: 22 October 2014

Committee membership

R N

Biography

Alan is an experienced Chair and former CEO having held a number of roles for retail companies across the private equity and quoted sector previously, including Chairman and CEO of Robert Dyas, CEO of Somerfield, CEO of Evans Halshaw plc and Managing Director of B&Q.

Key strengths

Alan has significant board, retail and financial experience gained across a number of business sectors. As Chair, he has a deep understanding of governance and what is required to lead an effective Board.

External appointments

- Director of The Navy, Army and Air Force Institutes
- Chair of The Royal Air Force Charitable Trust Enterprises
- Director of Scampton Airshow Limited

4 Steve Carson
Chief Executive Officer

Date of appointment: 6 January 2021

Committee membership

Biography

Steve brings deep knowledge and experience in retail and leadership after an extensive career in the sector, most recently as Group Managing Director of Holland & Barrett. Prior to this, Steve held a number of roles at Home Retail Group plc (HRG), which owned a number of well-known brands such as Argos, Homebase and Habitat. Steve latterly served as Director of Retail and Customer Operations and a Board member from 2014-2018, during which time HRG was acquired by Sainsbury's plc, where Steve had also begun his career.

Key strengths

Steve is a strong business leader with excellent commercial, marketing and retail experience. He has experience in strategy implementation and developing digital revenue streams.

External appointments

- Director of Marie Curie
- Director of CJC HR Consultancy Ltd

5 Angela Luger
Non-Executive Director

Date of appointment: 16 May 2019

Committee membership

A R N

Biography

Angela began her career in marketing with Cadbury's, Coca Cola and Mars, prior to moving into retail. She spent 10 years at Asda, holding a variety of positions including Trading Director and Global Managing Director for George. She was MD of Debenhams, CEO of The Original Factory Shop and most recently was the CEO of N Brown Group plc, where she led the business through a significant digital transformation.

Key strengths

Angela has significant experience in marketing, e-commerce and retail, including leveraging technology to optimise a value retail offering. As Chair of the Remuneration Committee, she is responsible for setting and implementing the remuneration policy.

External appointments

- Non-Executive Director of Portmerion Group plc
- Chair of The Paint Shed Holdings Limited
- Non-Executive Director of New Look Retailers Limited
- Non-Executive Director of The Hiring Hub Holdings Limited
- Director of Majelan Limited

6 Ron McMillan
Non-Executive Director

Date of appointment: 22 October 2014

Committee membership

A R N

Biography

Ron is the Chairman of N Brown Group PLC and the Senior Independent Director and Audit Committee Chair of B&M European Value Retail S.A. He is also a Non-Executive Director and Audit Committee Chair of Homeserve PLC. Previously, Ron worked in PwC's assurance business for 38 years and has deep knowledge and experience of auditing, financial reporting issues and governance. As the Northern Regional Chairman of PwC in the UK and Deputy Chairman of PwC in the Middle East, he acted as engagement leader to a number of major listed companies, including many in the retail sector.

Key strengths

Ron brings a wide range of experience and skills including finance, risk management and governance through holding a variety of executive and non-executive roles. As Chair of the Audit Committee, he is responsible for leading the Committee to ensure effective internal controls and risk management systems are in place across the Group.

External appointments

- Chairman of N Brown Group plc
- Audit Committee Chair and Senior Independent Director of B&M European Value Retail S.A.
- Audit Committee Chair of Homeserve plc

Introduction from the Chair

I am pleased to present the Corporate governance statement for the year ended 30 July 2022. The report sets out our governance framework, the Board's activity during the year, our approach to the alignment of purpose, values, culture and strategy and our engagement with stakeholders.

My role as Chair is to maintain high standards of corporate governance and our compliance with the 2018 UK Corporate Governance Code ('the Code') is set out on pages 65 to 67.

The Board's focus during the year has been to monitor the progress in the first year of our refreshed strategy whilst navigating supply chain and shipping challenges. The Board maintained active engagement with our various stakeholders to ensure that we understand their interests and take them into account when making decisions on behalf of the Group, in line with section 172(1) of the Companies Act 2006. The Group's Section 172 statement is presented on pages 40 to 41.

As a Board we are responsible for ensuring that the Group is purpose-led and our decision making and activities reflect our core purpose, stakeholder views and promote the long-term success of the Group. The Board is committed to leading by example and creating an open and honest culture. During the year an external evaluation of the Board, it's Committees and Directors was conducted. The outcomes of this were well received and the findings provide a clear agenda for us to continue to improve as a Board. Further detail on the review is provided on page 74.

We will be holding our Annual General Meeting (AGM) on 25 November 2022 and I will be available to answer any questions you may have on this report.

Alan Smith
Chair
10 October 2022

Compliance with the UK Corporate Governance Code

The Board is committed to high standards of corporate governance and is responsible for ensuring the Group's compliance with the requirements of the 2018 UK Corporate Governance Code, a copy of the Code is available on the FRC's website: www.frc.org.uk. The Board believes that throughout FY22, the Group has complied with all the Code's provisions, with the exception of provision 24, as for part of the year the Audit Committee had less than the minimum membership of three due to the passing of George Adams.

The following pages provide a high-level overview of how the Board applies the Principles of the Code.

Board leadership and company purpose

Principle A
A successful company is led by an effective and entrepreneurial Board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.

- Strategic report pages 1 to 61
- Board leadership and company purpose pages 68 to 69

Principle B
The Board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.

- Strategic report pages 1 to 61
- Board leadership and company purpose pages 68 to 69
- Division of responsibilities pages 71 to 72

Principle C
The Board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The Board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.

- Section 172 statement pages 40 to 41
- Principal risks and uncertainties pages 50 to 59
- Audit Committee report pages 77 to 83

Principle D
In order for the company to meet its responsibilities to shareholders and stakeholders, the Board should ensure effective engagement with, and encourage participation from, these parties.

- Responsible business 22 to 31
- Section 172 statement pages 40 to 41

Board leadership and company purpose continued

Principle E
The Board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concern.

- Responsible business 22 to 31
- Section 172 statement pages 40 to 41
- Board leadership and company purpose pages 68 to 69

Division of responsibilities

Principle F
The Chair leads the Board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the Chair facilitates constructive Board relations and the effective contribution of all non-executive directors, and ensures that direct or receive accurate, timely and clear information.

- Board leadership and company purpose pages 68 to 69
- Division of responsibilities pages 71 to 72

Principle G
The Board should include an appropriate combination of executive and non-executive (and, in particular, independent non-executive) directors, such that no one individual or small group of individuals dominates the Board's decision-making. There should be a clear division of responsibilities between the leadership of the Board and the executive leadership of the company's business.

- Board of Directors page 63
- Division of responsibilities pages 71 to 72

Corporate governance statement continued

Division of responsibilities continued

Principle H
Non-executive directors should have sufficient time to meet their Board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.

- Board leadership and company purpose pages 68 to 69
- Division of responsibilities pages 71 to 72
- Audit Committee report pages 77 to 83

Principle I
The Board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.

- Board leadership and company purpose pages 68 to 69
- Division of responsibilities pages 71 to 72

Composition, succession and evaluation

Principle J
Appointments to the Board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained for Board and senior management. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.

- Nomination Committee report pages 75 to 76
- Composition, succession and evaluation pages 73 to 74

Principle K
The Board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the Board as a whole and membership regularly refreshed.

- Board of Directors page 63

Composition, succession and evaluation continued

Principle L
Annual evaluation of the Board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.

- Nomination Committee report pages 75 to 76
- Composition, succession and evaluation pages 73 to 74

Audit, risk and internal control

Principle M
The Board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.

- Audit Committee report pages 77 to 83

Principle N
The Board should present a fair, balanced and understandable assessment of the company's position and prospects.

- Strategic report pages 1 to 61
- Audit Committee report pages 77 to 83
- Financial statements pages 103 to 136

Principle O
The Board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.

- Principal risks and uncertainties pages 50 to 59
- Viability statement page 60 to 61
- Audit Committee report pages 77 to 83

Remuneration

Principle P Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values, and be clearly linked to the successful delivery of the company's long-term strategy.	• Strategic report pages 1 to 61 • Board leadership and company purpose pages 68 to 69 • Directors' remuneration report pages 84 to 97
Principle Q A formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration should be established. No director should be involved in deciding their own remuneration outcome.	• Directors' remuneration report pages 84 to 97
Principle R Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.	• Directors' remuneration report pages 84 to 97

Board leadership and company purpose

Role of the Board

The Group is led and controlled by the Board which is collectively responsible for the long-term sustainable success of the Group, generating value for shareholders and contributing to wider society. The Board establishes the Group's purpose, values and strategy and satisfies itself that these are aligned with its culture.

Board activity in the year

The following summarises some of the Board's key activities over the past year:

Strategy

- Reviewed the Group's performance against its strategic priorities;
- Evaluated and approved targets for both financial and non-financial measures, including the Group's environmental impact, to ensure alignment with strategic aims; and
- Considered economic, social, environmental and regulatory issues and any other relevant external matters that may influence or affect the Group's achievement of its objectives.

Further information on the Group's strategy can be found on pages 1-61.

Performance and monitoring

- Received regular updates from the Executive Board on trading performance and progress on strategy;
- Monitored the Group's performance against its targets and KPIs;
- Defining clear environmental, social and governance (ESG) objectives;
- Approved the 2021 Annual Report and the 2022 Interim Results;
- Approved the dividend policy and declaration;
- Reviewed and confirmed the Group's Viability statement and going concern status;
- Reviewed and approved the Group's FY23 budget; and
- Assessed capital allocations and capital expenditure in respect of the Group's strategy.

Further information can be found in the Audit Committee report on pages 77 to 83.

Risk management and internal control

- Carried out a robust assessment of the principal and emerging risks facing the Group;
- Reviewed and approved the risk appetite statement;
- Reviewed the effectiveness of the risk management and internal controls during the year; and
- Received updates on climate-related risks and opportunities.

While the Board has ultimate responsibility for the Group's risk management and internal control systems, monitoring of these systems is delegated to the Audit Committee.

Further information can be found in the Audit Committee report on pages 77 to 83.

Leadership, stakeholders and culture

- Commenced and concluded the recruitment process for three new Non-Executive Directors;
- Reviewed the succession plan for Directors and the senior management team;
- Reviewed recruitment and how diversity could be improved;
- Continued prioritisation of colleague health and wellbeing;
- Undertook carbon literacy training;
- Received and reviewed updates on ESG activity;
- Reviewed the annual employee survey results;
- Reviewed wider workforce remuneration and related policies and the alignment of incentives and rewards with culture; and
- Held discussion groups with colleagues across the business.

Further information on succession planning can be found on page 76.

Further information on stakeholder engagement can be found on page 69.

Governance and legal

- Received and reviewed updates on corporate governance developments;
- Reviewed the matters reserved for the Board and the terms of reference of its Committees;
- Conducted an external evaluation of the Board's effectiveness and reviewed the outcome;
- Reviewed reports on the Group's key stakeholders and reviewed engagement mechanisms; and
- Appointed the Group's professional advisors.

How the Board supports strategy

The Board spent time throughout the year reviewing the progress in year one of the refreshed strategy. This included six strategy-specific meetings which included in-depth assessments of specific strategic pillars and evaluations of progress.

Values, culture and purpose

The Group's purpose is 'Helping create the home you love' and this is underpinned by our values of being a responsive, inclusive, 'getting it right', hard working and trusted retailer of sofas and carpets. Our values and purpose reflect how the Group operates culturally as a business and how we engage with our stakeholders.

The Board recognises the importance of ensuring a healthy and supportive culture within the Group. The Board monitors culture and values in a number of ways, including undertaking an annual survey of all employees, reviewing feedback through Director discussion groups, as well as reviewing feedback provided by our customers through forums such as Trustpilot and Google My Business. There are formal policies in place in relation to anti-bribery and corruption and an independent whistle-blowing helpline allowing any member of staff to report any suspected malpractice or wrongdoing.

We also have a dedicated, free to use employee assistance programme, where employees can gain access to help and support on a whole range of personal issues including mental health and financial worries.

During the year there was an increased focus for the Board on ESG considerations. The Board recognise the importance of this area and are committed to operate as a responsible and sustainable business. For the next financial year, ESG-related targets have been incorporated into both the executive and senior management bonus schemes.

For more information on this see the Directors' remuneration report page 90.

Carbon literacy training was undertaken by the Board to understand the impact of its decisions on climate change. The Board will continue to monitor progress in this area and integrate the ESG strategy throughout the business.

Stakeholder engagement

The Board appreciates the importance of engaging with the Group's stakeholders and having regard to their interests in its decision-making process. The importance and influence of stakeholder groups differs depending on the matter being discussed. It is possible for stakeholder interests to conflict and when this happens, the Board uses its judgement to reach a final decision.

The Board is advised of stakeholder views in a number of different ways:

- Presentations on strategic progress;
- Presentations from external advisors and internal experts;
- Annual employee survey;
- Colleague discussion forums;
- Visits to the Group's showrooms and distribution centres; and
- The AGM.

Detailed below are some examples of matters discussed during the year and how the Board considered our stakeholder groups.

"I was delighted to have recently visited our Coventry and Gateshead concept stores. The refreshed, modern interior and features being trialled are very impressive and a credit to our colleagues hard work. The visits provided me with the opportunity to engage with our retail colleagues, listen to their thoughts on the concept stores and discuss the initial feedback from customers. I look forward to the launch of more concept stores and assessing the performance of the initiatives being trialled."

Angela Luger
Remuneration Committee Chair

Matter discussed	Stakeholders considered	Discussions held	Outcome of discussions
Agreeing ESG targets	Environment, colleagues, suppliers, customers, communities, shareholders	Consideration was given to: • Expectations of our stakeholders • Emerging regulation and government policy • The impact of our operations on the environment • Our brand and reputation	An ESG steering group was established and a number of ESG targets were defined
Approving a share buyback	Colleagues, shareholders	Consideration was given to: • Expectations of our shareholders • Strength of the Company	A £7m share buyback programme was approved
Standardising arrangements with suppliers	Suppliers, customers, shareholders, environment	Consideration was given to: • Expectations of our stakeholders • The impact of our operations on the environment • Our brand and reputation	A new supplier handbook, new terms and conditions and a new service level agreement were all implemented to create a consistent approach and to drive quality

Shareholder relations

The Board recognises that good communication is key to maintaining shareholder relations, and as such we will endeavour to explain our actions and financial results on a regular basis and to respond to investor inquiries and feedback.

The CEO and CFO hold regular meetings and calls with institutional and retail investors and analysts in order to provide the best quality information to the market. All shareholders also have access to the Chair and the other Directors, who are available to discuss any questions which they may have in relation to the running of the Group.

In addition, the Group will communicate with its shareholders through the AGM, at which the Chair will give an account of the progress of the business over the past year and will provide the opportunity for shareholders to raise questions with the Chair and the Chairs of each of the Committees of the Board.

At each of the six scheduled Board meetings throughout the year, the Board receives a report which includes an analysis of the Company's shareholder register. Following the Interim and Preliminary Results presentations feedback is actively sought for discussion by the Board. Such feedback gives the Board an insight into what is important to the Group's shareholders.

The Group also runs a corporate website at scsplc.co.uk, which is regularly updated with our releases to the market and other information and which includes a copy of this Annual Report.

Whistle-blowing

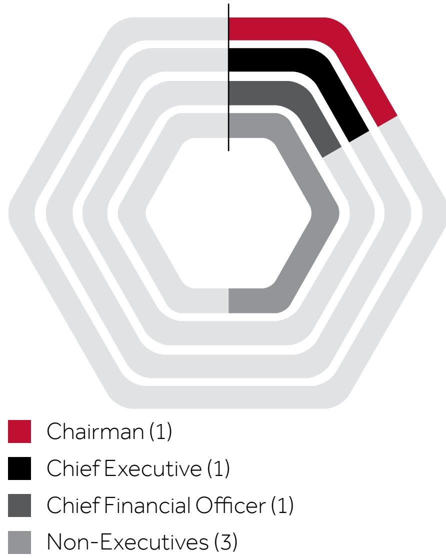
All employees are able to access a confidential helpline operated by Safecall should they want to report any wrongdoing anonymously. All reports are formally investigated by the Head of Audit, Risk and Compliance with support from relevant functions. Incidents and their outcomes are reported to the Board. A number of calls were made to the external hotline during the year, which are reported to the Head of Audit, Risk and Compliance in the first instance, following which management action was taken where appropriate. No issues were raised that required any direct action from the Board.

Conflicts of interest

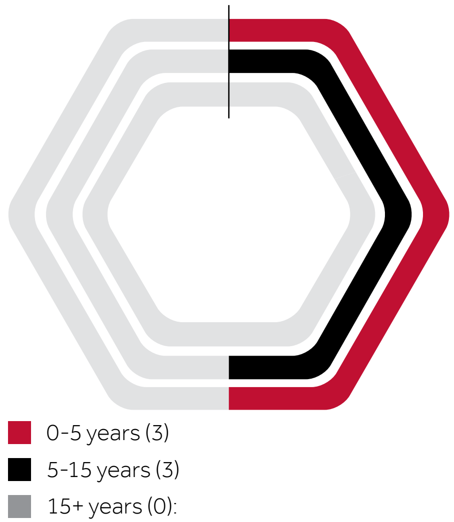
There are no potential conflicts of interest between any of the Directors or senior management within the Group and their private interests.

There is an established process of the Board for regularly reviewing actual or potential conflicts of interest. In particular, there is a process for reviewing transactions proposed to be entered into by related parties of Directors with any entities in the Group. This includes professional advice and consideration of it by the Board and the Group's corporate brokers on the application of the Listing Rules, the applicability and the appropriateness of any exemptions in respect of any transactions in the ordinary course of business and reporting to general meetings of shareholders under England and Wales Company Law. This process also includes consideration of the extent to which the Board may require external and any other reports and evaluations to be presented to it on any proposed transactions.

Executive/Non-Executive



Board tenure



Division of responsibilities

Group Board

The Board is responsible for the overall leadership of the Group and setting its objectives and standards. All Directors act with integrity and understand the importance of leading by example to promote the desired culture throughout the organisation. It is the Board's responsibility to ensure that the Group has the necessary resources to meet its objectives and measure performance against them. The Board also establishes effective internal control procedures which enable risk to be assessed and managed. The formal list of matters reserved for the Board can be found at scsplc.co.uk.

Committees

The Board has delegated authority to a number of Committees to assist with and supervise specific matters. The key responsibilities of each Committee is outlined on the following page. The terms of reference of each of the Board's Committees are available on our website, **scsplc.co.uk.**

Detailed implementation of matters approved by the Board and Committees, and operational day-to-day matters, are delegated to the Executive Directors. The Executive Directors are also supported by an experienced and able senior management team. All Directors have access to the Company Secretary, whose appointment and removal is one of the matters reserved for the Board.

Chair	Chief Executive Officer	Senior Independent Director
Responsible for leading the Board, setting its agenda and overseeing its effectiveness in directing the Group	Responsible for the day-to day management of the Group	Leads the assessment of the Chair's performance
Responsible for directing and focusing the Group, ensuring there is a clear strategy and business model	Reviews and devises the Group strategy for discussion and approval by the Board	Acts as a sounding Board for the Chair and a trusted intermediary for other Directors
Ensures Directors receive accurate, timely and clear information	Responsible for implementing Board decisions	Leads the succession process for the role of Chair
Facilitates the effective contribution of the Non-Executive Directors, promoting a culture of openness and creating a forum for constructive challenge	Leads by example and creates a culture centred around the Group's values	Available to shareholders to resolve significant issues should they arise
Responsible for fostering good relationships between Executive and Non-Executive Directors	Responsible for ensuring effective communication with shareholders and other key stakeholders	

Key roles

The positions of Chair and CEO are held by different individuals. There is a clear division of roles and responsibilities between the Chair and the CEO and no individual has unrestricted powers of decision making. Effective communication between Directors is vital for the long-term success of the Group with all Directors bringing their own views to the table and each providing constructive challenge to ensure decision making is informed.

Time commitment

As part of the recruitment process the expected time commitment is discussed with both Non-Executive Directors and Executive Directors.

The time commitments of the new Non-Executive Director's, Carol Kavanagh, who joined the Board on 26 September 2022, together with Andy Kemp and John Walden who are due to start with the Group in February 2023 and March 2023 respectively, have been evaluated and the Board is satisfied that they have sufficient time for their roles. Subsequent external appointments for all Directors would not be undertaken without prior approval of the Board.

At the time of writing, where Directors have external appointments, the Board is satisfied that they do not impact on the time they need to devote to the Group.

Board administration

The Board held twelve scheduled meetings during the year which included six meetings dedicated to reviewing strategic progress. During the year the Board also met on a number of other occasions, as circumstances required. There is a rolling programme of Board meetings throughout the year and there are twelve Board meetings scheduled for FY23, six of which will also be dedicated to reviewing strategic progress. Meetings of the Board are usually held at the Group's head office or local to a showroom, to afford the Board, particularly the Non-Executive Directors, the opportunity to meet with local management.

All Board and Committee members receive sets of Board packs in advance of the Board and Committee meetings. For scheduled Board meetings this includes updates on strategy, current trading, stakeholder KPIs, management accounts and detailed papers on other matters where Board approval is required.

At each Board meeting, the Executive Directors discuss the reports included in the Board packs in more detail with the Board. In addition, members of the Executive Board are often invited to present to the Board to inform Directors of issues of importance affecting the Group. This not only allows the Board to maintain an awareness of the Group's activities but also allows Directors to assess the ability of the senior management team. For Board meetings which are held as circumstances require, the Board packs reflect the agenda of the meeting.

Directors' attendance

All Directors are expected to attend all Board and relevant Committee meetings. If Directors are unable to attend a meeting they will review the relevant papers in advance and provide their comments to the Chair of the Board or Committee. Minutes of the meeting will be sent to any Director who was not in attendance for reference.

	PLC	Audit Committee	Remuneration Committee	Nomination Committee
Total no. of meetings	**12**	**3**	**4**	**7**
Steve Carson	12	–	–	–
Chris Muir	12	–	–	–
Alan Smith	12	–	4	7
Ron McMillan	12	3	4	7
George Adams*	4	1	1	2
Angela Luger	11	2	3	6

* Until his sudden passing in November 2021.

Further meetings of the Board and Audit, Remuneration and Nomination Committees have also been held since the year end.

Shareholders

↓

Chair

↓

The Board

↓

Board Committees

Nomination Committee

- Reviews the structure, size and composition of the Board, including the balance of Executive and Non-Executive Directors;
- Considers succession planning for Directors and senior management positions;
- Oversees the development of a diverse pipeline for succession, having regard to diversity of gender, social and ethnic backgrounds, cognitive and personal strengths; and
- Identifies and nominates candidates for the approval of the Board, to fill Board vacancies when they arise.

See Committee report on pages 75 to 76.

Audit Committee

- Monitors the quality and effectiveness of the external and internal auditors;
- Reviews and monitors the integrity of the financial statements and any formal announcements relating to financial performance;
- Assists the Board with the development and execution of a risk management strategy, risk policies and current and emerging risk exposures, including the maintenance of the Group's risk register; and
- Monitors the adequacy and effectiveness of the Group's internal financial controls and internal control and risk management systems.

See Committee report on pages 77 to 83.

Remuneration Committee

- Determines the policy for the Group on executive remuneration and sets remuneration for the Chair, the Executive Directors and senior management;
- Reviews workforce remuneration and related policies and the alignment of incentives and rewards with culture, and taking these into account when setting the policy for Executive Director remuneration;
- Reviews the design of all share incentive plans for approval by the Board and/or shareholders; and
- Determines and monitors any share ownership requirements for the Executive Directors and senior management including post-employment requirements.

See Committee report on pages 84 to 97.

Chief Executive Officer

Responsible for the day-to-day management of the Group and the implementation of strategy.

Executive Board - Assists the Chief Executive Officer in the performance of his duties including:

- Progress against strategy and budgets;
- Monitoring of operating and financial performance; and
- Allocation of resource.

Composition, succession and evaluation

Composition of the Board
The Board currently comprises of the Non-Executive Chair, two Executive Directors and three independent Non-Executive Directors.

The Board's composition is compliant with the 2018 Corporate Governance Code ('The Code').

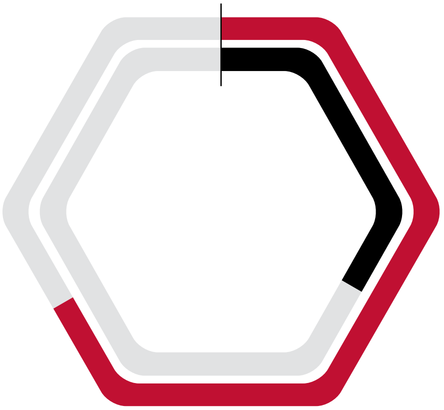
The Code recommends that at least half of the Board, excluding the Chair, should be Non-Executive Directors whom the Board considers to be independent. The Group has met this requirement as Ron McMillan (Senior Independent Director), appointed 22 October 2014, Angela Luger, appointed 16 May 2019 and Carol Kavanagh appointed 26 September 2022 are all considered by the Group to meet the definition of an independent Director. Each of them is considered by the Board to be independent in character and judgement and free from relationships or circumstances which may affect, or could appear to affect, their judgement. Independence is determined by ensuring that the Non-Executive Directors do not have any material business relationships or arrangements (apart from their fees for acting as Non-Executive Directors) with the Group or its Directors which in the opinion of the Board could affect their independent judgement.

All Directors have service agreements or letters of appointment in place and the details of the terms of these are set out in the Directors' remuneration report on pages 96 to 97.

The Chair has met with each of the Non-Executive Directors during the year on a one-to-one basis, without the Executive Directors being present. In addition, the Senior Independent Director holds a private meeting of the Non-Executive Directors without the Chair being present to assess his performance.

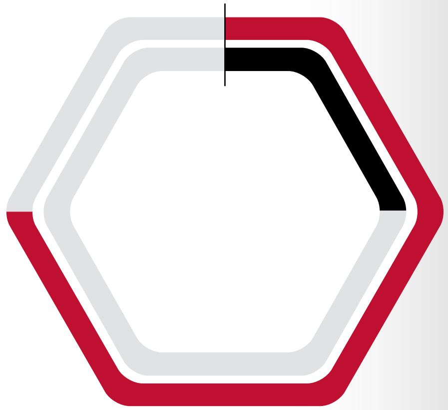
Board development
The Chair believes the current Board and its Committees have an appropriate balance of skills and experience to enable them to discharge their responsibilities effectively. The development of the Group's Directors is regularly reviewed and the Chair discusses training requirements with each Director.

Board gender diversity



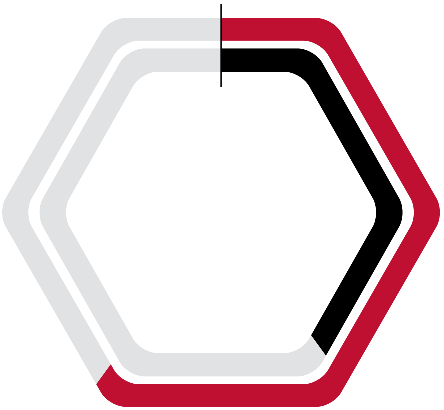
Male (67%) Female (33%)

Executive Board gender diversity



Male (75%) Female (25%)

Executive Board and senior management team diversity



Male (60%) Female (40%)

All employees diversity

Male (70%) Female (30%)

Composition, succession and evaluation continued

Board effectiveness evaluation

During the year the Board took part in an externally facilitated evaluation by Sam Allen Associates Ltd. In accordance with the UK Corporate Governance Code, the Board will continue to undertake annual evaluations and at least once every three years with an external consultant facilitating the evaluation.

The external evaluation offers an independent review of the effectiveness of the Board, its Committees and Directors. The evaluation process took place in July 2022. Each of the Directors and the Company Secretary completed a questionnaire, on an anonymised basis, which was prepared to elicit their views on all aspects of the effectiveness of the Board and its Committees, including its composition, diversity and how effectively members work together to achieve the Group's purpose and strategic aims. The facilitator also held one-to-one meetings with Directors and group discussions to gain further insights.

In considering the feedback from the above process, Sam Allen Associates Ltd concluded that the Board and its Committees were performing well and highlighted the following strengths:

- There is a strong alignment in the views of the Board of Directors on the Group's purpose and strengths.
- Addition of strategy focused Board sessions have created greater engagement and debate amongst the Board.
- Governance and compliance amongst the Board and its members is strongly adhered to.
- The Board has a strong focus on creating value for shareholders and wider stakeholder relationships are good and have been strengthened in the past year.
- There is a culture of openness and transparency between Executive and Non-Executive Directors.

The main areas identified for continued focus and the actions taken were as follows:

Area of focus	Actions taken
Increasing the focus on succession planning and the need for increased diversity	With both Alan Smith and Ron McMillan due to step down from the Board in late 2023, appointments have been made to ensure a smooth transition. Carol Kavanagh joined the Board on 26 September 2022, together with Andy Kemp and John Walden who are due to join the Board in February 2023 and March 2023 respectively.
Opportunity to improve stakeholder engagement	The Board have planned a visit to one of the Group's suppliers and scheduled Director listening sessions for FY23.
To ensure that ESG priorities are continuously reviewed whilst ensuring they provide sustainable commercial value	The Board will continue to monitor progress against the ESG targets and objectives.

Nomination Committee report

Dear Shareholder,
I am pleased to present the 2022 report of the Nomination Committee.

The primary purpose of the Committee is to lead the process for Board appointments, ensure plans are in place for orderly succession for both the Board and senior management and oversee the development of a diverse pipeline for succession.

The responsibilities of the Committee, as delegated by the Board, are set out in the terms of reference which are published on the Group's corporate website at www.scsplc.co.uk, which in summary include:

- Reviewing the structure, size and composition of the Board, including the balance of Executive and Non-Executive Directors;
- Setting measurable objectives and targets for diversity and inclusion in relation to the Board and senior management positions;
- Putting in place plans for the orderly succession of appointments to the Board and to senior management positions;
- Overseeing the development of a diverse pipeline for succession, having regard to diversity of gender, social and ethnic backgrounds, cognitive and personal strengths;
- Identifying and nominating candidates for the approval of the Board, to fill Board vacancies when they arise; and
- Reviewing and evaluating the performance of the Board, each Board Committee, the Chair of the Board and each individual Director.

Member and meetings attended in 2022	Member since	Meetings attended
Alan Smith	2014	7
Ron McMillan	2014	7
George Adams*	2015	2
Angela Luger	2019	6

* George Adams was also a member of the Committee until his sudden death in November 2021.

The Executive Directors also attend Committee meetings by invitation. The Committee is supported by the Company Secretary.

There are two scheduled Committee meetings annually, but with additional meetings or calls held on an as required basis. During the year, there were an additional five Committee meetings and a number of informal calls and discussions, largely reflective of the recruitment process for new Non-Executive Directors. The majority of the meetings were held in person.

Committee activities in 2022

Non-Executive Director positions

Myself and Ron McMillan are each due to step down from the Board in late 2023, both having completed nine years as Board members. As a result of this and George Adams' passing in November 2021, we commenced a recruitment process to appoint three new Non-Executive Directors in early 2022.

With the assistance of Sam Allen Associates Ltd we agreed comprehensive role specifications and aligned these to the desired Board composition with reference to diversity, inclusion and a Board skills matrix. We also appointed Sam Allen Associates Ltd to facilitate the annual evaluation of the Board's performance. Taking into account feedback from Board members, the role specifications and the key skills, knowledge and experience of the shortlisted candidates, the Committee recommended the appointment of three Non-Executive Directors which were approved by the Board. Upon joining the Board they will also be appointed as a member of the Audit Committee, the Remuneration Committee and the Nomination Committee.

Carol Kavanagh's appointment was announced in August 2022 and she joined the Board on 26 September 2022. Carol has over 20 years of experience working in senior public company human resource roles and her Non-Executive Director experience began in the financial services sector with Leeds Building Society where she was a member of the Remuneration Committee. Whilst at Travis Perkins, Carol served as a Non-Executive Director with Verona Stone, which at the time was part owned by the TP Group. Carol is also currently a Non-Executive Director of Speedy Hire PLC and an independent Remuneration Committee member for British Swimming.

Andy Kemp's appointment was announced in June 2022 and he is due to join the Board as a Non-Executive Director on 1 February 2023. Andy is a Non-Executive Director of The Berkeley Group Holdings plc, where he is a member of the Audit Committee and the Chairman of the Remuneration Committee. Andy was the former Chairman of PwC's Non-Executive Director advisory programme and previously sat on PwC's Audit and Risk Assurance executive board.

John Walden's appointment was announced in September 2022 and he is due to join the Board as Non-Executive Chair Designate on 1 March 2023 and the intention is that he will become Non-Executive Chair of the Group on 30 November 2023 upon my retirement. John is currently Non-Executive Chair of Motorpoint plc and SnowFox Topco Ltd. John has held a number of senior roles including Chair of Naked Wines and Chair of Holland & Barrett International. John was previously Executive Director at FTD Companies and CEO of Argos and its parent company Home Retail Group plc.

Board effectiveness evaluation

The Committee oversees the Board effectiveness review which evaluates the performance of the Board and its Committees, the Chair and individual Directors. During the year, the review was externally facilitated by Sam Allen Associates Ltd. The evaluation included a review of the time commitment required by each of the Company's Non-Executive Directors and the size, structure and composition of the Board and its Committees. The Committee also undertook a review of the actions that arose from the effectiveness review to track progress. Full details are provided on page 74.

In accordance with the UK Corporate Governance Code, the Board will continue to undertake annual evaluations and at least once every three years with an external consultant facilitating the evaluation. Given the significant changes to the composition of the Board in 2023 an external evaluation will be carried out in 2024.

Succession planning

During the year, the Committee considered the succession arrangements for the Board and for the senior management team, comprising the operational directors below Board level. We reviewed immediate, mid-term and long-term succession planning and arrangements and the Board skills matrix. Our succession arrangements are directly aligned to the long-term strategy of the Group.

This process informs the Group's framework for the skills we wish to focus on when preparing role specifications, evaluating potential new candidates and developing a diverse and inclusive pipeline.

This year the succession arrangements for the Board have been in particular focus, as we are addressing the need to recruit an additional three new Non-Executive Directors due to the planned retirements of Alan Smith and Ron McMillan in 2023 and the sudden death of George Adams in November 2021.

Diversity and inclusion

The Committee recognises the need to monitor and review diversity and inclusion, including gender, social and ethnic backgrounds and cognitive and personal strengths in relation to how the Group is led and represented. During the year the following targets have been set to increase accountability in this area:

- To increase the number of females in management retail roles by 25% by July 2023.
- To increase the percentage of women on the PLC Board to over 30% by Dec 2022. This target has been achieved upon the appointment of Carol Kavanagh in September 2022.

Employment positions throughout the Group are filled with the candidates who possess the most appropriate skills and competencies relevant for the particular job role. We have a policy to treat all employees fairly and equally regardless of gender, sexual orientation, marital status, race, colour, nationality, religion, ethnic or national origin, age, disability or union membership status. All employees are required to perform mandatory annual training on diversity and inclusion.

Ensuring that our future Board and senior management team better reflects the diversity of the communities we serve and the people we employ is a key objective of our 'Outstanding team' strategy pillar. Similarly to other businesses, we are starting this journey by focusing on a plan to drive gender diversity within our teams and in the succession pipeline. See page 73 for further detail of the gender balance across the Group. We recognise that diversity is much broader than gender but believe that achieving sustainable traction in this critical area of talent will help us develop strategies that can be applied more widely.

We welcome the new Listing Rule on diversity and inclusion and will continue to use our best endeavours to increase the diversity of our Board over the coming years.

Our people are our greatest asset and key to our success, incorporating their views into Board decision making is essential to achieving our business objectives and creating a workplace which treats everyone equally.

Alan Smith
Chairman of the Nomination Committee
10 October 2022

Audit Committee report

'The Committee exercises oversight of the Group's financial policies and reporting, monitors the integrity of the financial statements and reviews and considers significant financial and accounting estimates and judgements.'

The Audit Committee has oversight of the external financial reporting of the Group, risk management and mitigation, the internal audit framework and the effectiveness of internal and external audit.

Dear Shareholder,
The Audit Committee is integral to the Group's governance framework and continues to keep its activities under review to reflect regulatory developments and best practice. The Audit Committee advises the Board on financial reporting, viability and going concern and whether the Annual Report provides shareholders with the information necessary to assess the Group's performance. It also monitors risks, risk mitigation and internal control.

The Committee exercises oversight of the Group's financial policies and reporting, monitors the integrity of the financial statements and reviews and considers significant financial and accounting estimates and judgements.

The Committee satisfies itself that the disclosures in the financial statements about these estimates and judgements are appropriate and obtains from the external auditor an independent view of the key disclosure issues and risks.

Whilst risk management is a Board responsibility, the Committee has continued to work closely with the Board and senior management to ensure that all significant risks are considered on an ongoing basis and that all communications with shareholders are properly considered. In relation to risks and controls, the Committee ensures that these have been identified and that appropriate responsibilities and accountabilities have been set.

A key responsibility of the Committee is to review the scope of work undertaken by the internal and external auditors and to consider their effectiveness.

During the year, the Committee again oversaw the process used by the Board to assess the viability of the Group, the stress testing of key trading assumptions and the preparation of the Viability statement which is set out on page 60 of the Strategic report.

The Committee has considered the narrative in the Strategic report and whether the 2022 Annual Report is fair, balanced and understandable and whether it provides the necessary information to shareholders to assess the Group's performance, business model and strategy. The Committee considered management's assessment of items included in the financial statements and the prominence given to them. The Committee, and subsequently the Board, were satisfied that, taken as a whole, the 2022 Annual Report and Accounts is fair, balanced and understandable.

During the year and as part of their normal cycle of work, the Financial Reporting Council (FRC) reviewed the Group's Annual Report for the year ended 31 July 2021. The FRC raised a query in relation to the accounting for warranty sales under IFRS 15 as explained on page 130. The changes that have been made have no impact on reported profit, cash flows or in the consolidated statement of financial position.

The Committee reviewed, on behalf of the Board, the Group's compliance with the Modern Slavery Act and its policies in relation to money laundering and anti-bribery. The Committee has also given consideration to the development of climate-related reporting and the Group has reported in line with the Task Force on Climate-related Financial Disclosures (TCFD) requirements in the year, see pages 32 to 39 for further detail.

The meetings at which the above and certain other matters were discussed were as follows:

Member and meetings attended in 2022	Member since	Meetings attended
Ron McMillan (Chairman)	2014	3
George Adams*	2015	1
Angela Luger	2019	2

The Audit Committee met three times during the year.

* George Adams was a member of the Committee until his sudden death in November 2021 which reduced the membership of the Committee to below the minimum required by the 2018 UK Corporate Governance code. Upon Carol Kavanagh's appointment in September 2022, the Audit Committee is again compliant with provision 24.

Going forward, I shall ensure that the Committee continues to acknowledge and embrace its role of protecting the interests of shareholders in regards to the integrity of published financial information and the effectiveness of audit. I am available to speak with shareholders at any time and shall be available at the Annual General Meeting (AGM) in November to answer any questions you may have on this report. I would like to thank my colleagues on the Committee for their help and support during the year.

Ron McMillan
Chair of the Audit Committee
10 October 2022

Committee composition

Until the untimely death of George Adams in November 2021, the Committee comprised three members, all of whom were Non-Executive Directors. Two members constitute a quorum and the Committee must include one financially qualified member with recent and relevant financial experience. The Committee Chair fulfils this requirement. All members are expected to have an understanding of financial reporting, the Group's internal control environment, relevant corporate legislation, the roles and functions of Internal Audit and external audit and the regulatory framework of the business.

The members of the Committee during the year were Ron McMillan, George Adams and Angela Luger. Details of Committee meetings and attendance are set out in the Corporate governance statement on page 72. In November 2023 Ron McMillan will step down from the Board, and as Chair of the Audit Committee, having served the maximum nine-year tenure for an independent non-executive director. As noted in the Chair's report, Andy Kemp will be joining the Board and the Audit Committee as a Non-Executive Director on 1 February 2023 and, following the end of Ron's tenure, will assume the Audit Committee Chair role. Andy is financially qualified with recent and relevant financial experience. The timing of Committee meetings is set to accommodate the dates of releases of financial information and the approval of the scope of and outputs from work programmes executed by the internal and external auditors. The biographies of the members of the Committee can be found on page 63 and reflect the significant experience that the Committee members have of working in or with companies in the retail and consumer goods sectors.

Although not members of the Committee, Alan Smith, as Group Chairman, Steve Carson, as CEO, and Chris Muir, as CFO, attend meetings, together with representatives from the Internal Audit function and the external auditors.

In addition to scheduled meetings, the Committee Chairman met with the Head of Audit, Risk & Compliance, the external auditors and the CFO during the year, and the Head of Audit, Risk & Compliance and the external auditors are provided with the opportunity to raise any matters of concern that they may have in the absence of the Executive Directors whether at the Committee meetings, or more informally, outside of them.

The Committee critically evaluates its own performance on an annual basis and considers where improvements can be made. During the year the Committee was also externally evaluated as part of a review conducted by Sam Allen Associates Ltd, further details of which can be found on pages 74 to 75.

Board reporting

The Committee provides an update of matters discussed to the Board and the minutes of Audit Committee meetings are circulated to the Board.

Responsibilities

The responsibilities of the Committee, as delegated by the Board, are set out in the terms of reference which are published on the Group's corporate website. They include the following:

- Reviewing the integrity of the financial statements and other price sensitive financial releases of the Group and the significant financial judgements and estimates related thereto;
- Monitoring the scope of work and the quality, effectiveness and independence of the external auditors and approving their reappointment and fees;
- Monitoring the independence and activities of the Internal Audit function;
- Assisting the Board with the development and execution of a risk management strategy, risk policies and current risk exposures, including the maintenance of the Group's risk register; and
- Keeping under review the adequacy and effectiveness of the Group's internal financial controls and the Group's risk management and compliance system.

Activities

In discharging its oversight of the matters referred to above and in the introductory letter to this report, the Committee was assisted by management and both the internal and external auditors.

The recurring work of the Committee comprised:

- Review of the Annual Report and Financial statements of the Group;
- Review and approval of the statements to be included in the Group's Annual Report concerning internal controls and risk management;
- Review of the Interim Results report and non-statutory financial statements of the Group for the half year;
- Consideration of the significant areas of accounting estimation or judgement;
- Consideration of the principal risks included in the Annual Report;
- Consideration of going concern and viability issues and the related disclosures;
- Consideration of the Group's compliance with the European Single Electronic Format (ESEF) tagging requirements to facilitate comparison and analysis of financial data across markets;
- Approval of the external auditors' terms of reference, audit plan and fees; and
- Approval of the Internal Audit Plan.

The meetings at which the above and certain other matters were discussed were as follows:

	September 2021	March 2022	July 2022
Review of Interim Results		●	
Review of Annual Report; approval of Audit Committee report, consideration of significant areas of accounting estimation or judgement and whether the Annual Report is fair, balanced and understandable	●		
Review of management representations	●	●	
Review and approval of Internal Audit Plan, reports and updates	●	●	●
Approval of the external audit strategy and fees			●
Update on the provision of any non-audit services and fees provided by the external auditors	●	●	
Effectiveness of the Internal Audit function		●	
Effectiveness of the external audit	●		
Risk management update and review of related disclosures	●	●	●
Review of internal control processes and related disclosures	●	●	●
Review of disaster recovery practices	●	●	●
Update on the Group Data Protection compliance including policy review	●	●	●
Reviewed and agreed the structure and annual plan for compliance function			●
Effectiveness of procedures for detecting fraud			●
Consideration of the 2018 UK Corporate Governance Code and disclosure regulations	●	●	
Year-end final review of related party transactions	●		
Accounting policies and disclosures in relation to:			
– IFRS 16	●	●	●
– Corporation tax and VAT	●	●	
– Supplier rebates	●	●	●
– Stock and related provisions	●	●	●
– Impairment assessment for loss making stores	●	●	●
– Dilapidations	●	●	●
– Accounting for warranties		●	●
– Parent company investment			●
Going concern and viability issues and disclosures, including the impact of COVID-19	●	●	●
Reviewed TCFD reporting requirements			●

In considering the above accounting matters the Committee had regard to papers and reports prepared by the Group finance team and the external auditors and the explanations and disclosures made in the Annual Report.

FRC review of the Group's 2021 Annual Report

During the year the Group's 2021 Annual Report was reviewed by the FRC as part of its routine monitoring of corporate reporting. In March 2022, the FRC's Corporate Reporting Review team requested further information in relation to the Group's accounting for the sale of warranties.

As a result of subsequent communication with the FRC, the Group has amended its accounting policy for transactions involving the sale of warranties, and a prior year adjustment to gross sales, revenue and cost of sales has been disclosed as set out in note 29 to the financial statements. There was no impact on the reported profit for the prior year or cash flows and no impact on the prior year consolidated statement of financial position.

The FRC also suggested some changes to the disclosures within the Annual Report. Revenue has been disaggregated into additional categories as explained in note 3 to the financial statements, the classification of interest paid in the statement of cash flows has been adjusted from within operating activities to within financing activities and the prominence given to alternative performance measures (APMs) over statutory measures has been reassessed. All communications with the FRC were closed prior to the signing of this year's Annual Report.

When reviewing the Group's 2021 Annual Report and Accounts, the FRC has made clear the limitations of its review as follows:

- Its review is based on the 2021 Annual Report and Accounts only and does not benefit from a detailed knowledge of the Group's business or an understanding of the underlying transactions entered into;
- Communications from the FRC provide no assurance that the Group's 2021 Annual Report and Accounts are correct in all material respects and are made on the basis that the FRC (and its officers, employees and agents) accepts no liability for reliance on them by the Group or any third party, including but not limited to investors and shareholders; and
- The FRC's role is not to verify information provided but to consider compliance with reporting requirements.

The Committee reviewed the disclosures and amendments proposed by management and concluded that they are appropriate.

Climate change and risk reporting

During the year, the Group prepared its first report in line with the TCFD requirements which can be found on pages 32 to 39. The report outlines the progress made in understanding, identifying and managing the business's climate-related risks and opportunities. We acknowledge that climate-related reporting is a rapidly advancing topic and that we are relatively early on in our journey. We will continue to monitor this area and strive to make further improvements.

Significant issues and judgements relating to the financial statements

The Committee monitors the integrity of the annual and interim reports, including a review of the key accounting issues, areas of judgement and related disclosures contained in them.

Area of focus	Committees response
Impairment Management reviews the carrying amount of property, plant and equipment and right-of-use assets every year to determine if there are any indications of impairment. The estimate of the recoverable amount is based on value in use calculations which requires management to estimate future cash flows and an appropriate discount rate. The prior year impairment assessment is also taken into consideration and where it is identified that the impairment has reduced, a reversal of the impairment is recorded.	The Committee discussed with management and the external auditors the validity of cash flow projections and the significant financial assumptions used, including the selection of appropriate discount and growth rates used over the remaining lease period. The Committee satisfied itself that the principles and judgements applied were appropriate and that no impairment charge or reversal was required.
IFRS 16 discount rate In calculating the present value of lease payments, the Group's policy is to use its incremental borrowing rate. However, currently, the Group has no borrowings. It, therefore, uses an approximation based on UK government gilt rates of an appropriate duration, adjusted by an indicative credit premium.	The Committee discussed with management and the external auditors how an approximate rate had been derived. The Committee considers that the judgements made are appropriate to the Group's particular circumstances.
Parent company investment The ultimate parent company of the Group, ScS Group plc, holds a £70m investment in the subsidiary companies of the Group. The carrying value of this investment is reviewed by management to determine if there are any indications of impairment. A value in use model is used to estimate the recoverable amount. Cash flow projections are based on the Group's internal budgets, which are then extrapolated into perpetuity and discounted using the Group's cost of capital.	The Committee discussed with management and the external auditors the validity of cash flow projections and the significant financial assumptions used, including the selection of appropriate discount and growth rates used. The Committee satisfied itself that the principles and judgements applied were appropriate and that no impairment charge or reversal was required.
Supplier rebates The Group receives volume rebates from suppliers which are pre-negotiated and split between suppliers with rebate 'hurdle' rates dependent on spend and those that have a flat rate. Where rebate arrangements were not coterminous with the year end, judgements were required but the amounts involved were not material.	The Committee gained an understanding of these arrangements, discussed them with management and the external auditors and satisfied itself with the controls that are in place to ensure that amounts received and receivable from suppliers are properly accounted for on a monthly basis and that the related judgements are limited.
Stock provisions The Group's policy in relation to stock provisioning is to provide for obsolete, slow moving and defective stock.	The Committee has discussed with management and the external auditors how the policy has been applied in practice so as to ensure that stock is held at the most appropriate estimate of net realisable value. The Committee satisfied itself that stock was not materially misstated.
Dilapidation provision The Group's policy is to ensure a suitable dilapidations provision is in place to utilise to cover costs when a site is exited at the end of a lease. Historical data is used to estimate future liabilities; therefore, a degree of judgement is required.	The Committee has reviewed management's dilapidations calculation and assumptions, and satisfied itself that an appropriate provision is in place.

Going concern

The Board and the Committee have discussed going concern issues on a number of occasions and have satisfied themselves that the underlying assumptions continue to be reasonable and support the conclusion that the Group has adequate resources to continue to operate for a period of at least 12 months from the date on which the financial statements are signed. Accordingly, they continue to adopt the going concern basis in preparing the financial statements (see note 2 to the financial statements on pages 113 to 114).

Viability statement

The Board is required to consider whether the Group can continue to operate and meet its liabilities, taking into account its current position and principal risks in the longer term, having considered severe but plausible risks and risk combinations. The Committee reviewed the process undertaken by management and considered management's scenario modelling and the stress testing of these models. The Committee reviewed and challenged the assumptions used and concluded that the Board is able to make the Viability statement on page 60 of the Strategic report.

Fair, balanced and understandable

The Committee considered whether the 2022 Annual Report and Accounts is fair, balanced and understandable and whether it provides the necessary information to shareholders to assess the Group's performance, business model and strategy. Also considered was management's assessment of items included in the financial statements and the prominence given to them. The Committee and subsequently the Board were satisfied that, taken as a whole, the 2022 Annual Report and Accounts is fair, balanced and understandable.

Risk management and internal control

The Board has overall responsibility for ensuring that the Group maintains a sound system of internal control. There are inherent limitations in any system of internal control and no system can provide absolute assurance against material misstatements, loss or failure. Equally, no system can guarantee elimination of the risk of failure to meet the objectives of the business. Against that background, the Committee has helped the Board develop and maintain an approach to risk management which incorporates risk appetite, the framework within which risk is managed and the responsibilities and procedures pertaining to the application of the policy.

Audit Committee report continued

The Group is proactive in ensuring that corporate and operational risks are identified and managed. A corporate risk register is maintained which details:

1. The risks and the impact they may have;
2. Actions to mitigate risks;
3. Risk scores to highlight the implications of occurrence;
4. Ownership of risks; and
5. Target dates for actions to mitigate risks.

A description of the principal risks is set out on pages 50 to 59.

The Board has confirmed that it has carried out a robust assessment of the principal risks facing the Group, including those which threaten its business model, future performance, solvency or liquidity.

The Board considers that the processes undertaken by the Committee are appropriately robust and effective and in compliance with the guidelines issued by the FRC. During the year, the Board has not been advised by the Committee nor has it identified itself, any failings, frauds or weaknesses in internal control which it has determined to be material in the context of the financial statements.

The Committee continues to believe that appropriate controls are in place throughout the Group, and that the Group has a well-defined organisational structure with clear lines of responsibility and a comprehensive financial reporting system. The Committee also believes that the Company complies with the FRC guidance on risk management, internal control and related financial business reporting. Furthermore, the Internal Audit function has carried out an assessment of the effectiveness of actions taken by management to mitigate significant risks.

Internal Audit

The Head of Audit, Risk & Compliance has a direct reporting line to the Committee and attends every Committee meeting to present Internal Audit and risk management reports. During the financial year, Internal Audit has undertaken a programme of work which was discussed and agreed with both management and the Committee and which was designed to address both risk management and areas of potential financial loss. All of the agreed work has been performed and the Committee is comfortable that all key areas of risk have been covered. Internal Audit has also established procedures within the business to ensure that new risks are identified, evaluated and managed, and that necessary changes are made to the risk register.

During the year, the Committee reviewed reports from Internal Audit in relation to:

- Fraud risk and related internal controls;
- Anti-money laundering;
- Anti-bribery and corporate crime;
- Compliance with the Modern Slavery Act;
- Compliance with data protection;
- Compliance assessments of the Group's operating processes in relation to retail outlets and distribution centres;
- Risk management, including the effectiveness of mitigating actions in relation to the Group's principal risks, including IT systems, business continuity and cyber-risk;
- E-commerce processes;
- Compliance processes;
- Central customer experience processes;
- Merchandise processes;
- Estates management;
- Motor fleet management;
- Strategy implementation;
- Supply chain;
- Third-party and outsourced contract processes;
- Flooring sales processes; and
- Health and safety processes.

In relation to each of the above, Internal Audit made recommendations for improvement, the vast majority of which were agreed by management and either have been or are being implemented.

The Committee has evaluated the performance of Internal Audit during the year and concluded it is a function which has a strategic plan developed in collaboration with the Committee, and which provides constructive challenge and demonstrates a realistic and commercial view of the business.

External auditors

Following a tender process in 2019, PricewaterhouseCoopers LLP (PwC) were re-appointed as the Group's external auditors. The audit partner is Andy Ward, who is a partner in PwC's Leeds office and has been the audit partner for two years. PwC have been the Group's auditors for 12 years.

The Committee has established policies in relation to the provision of non-audit services by the auditors. The external auditors are not permitted to perform any work that they may be later required to audit or which might affect their objectivity and independence or create a conflict of interest. Furthermore, the external auditors may not perform any work prohibited by the Ethical Standards published by the FRC.

All fees for non-audit work require pre-authorisation by the Chief Financial Officer and the Audit Committee, and non-audit fees paid to the auditors are not permitted to exceed 70% of average audit fees over a three-year period. During the year other non-audit services provided by PwC included £25,000 for their review of the interim financial statements. No other non-audit services were provided by the external auditor. Fees paid to PwC for audit work were £226,000.

The Group is in compliance with the requirements of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Responsibilities) Order 2014, which relates to the frequency and governance of external audit tenders and the setting of a policy on the provision of non-audit services.

In accordance with International Standards on Auditing (UK & Ireland) 260 and Ethical Statement 1 issued by the Accounting Practices Board, and as a matter of best practice, the external auditors have confirmed their independence as auditors of the Group.

The Committee is responsible for assessing the effectiveness of the external audit process and does so in a number of ways:
1. The Committee, together with the CFO, met with the senior members of PwC, prior to both the interim review and year end audit, as they presented their plan for discussion;
2. The Committee, together with the CFO and other members of the Board, met with PwC to assess the execution of the review/audit and reporting of their findings; and
3. The Committee considered the matters set out in PwC's 2021 Transparency Report dealing with audit quality monitoring and remediation. It considered the results of internal and external engagement reviews and the steps taken by PwC to address findings. Within PwC, audit quality is monitored at a global level and at an engagement level, with all engagement partners being reviewed at least once in a three-year cycle.

In reviewing PwC's 2021 Transparency Report, the Committee noted the firm's commitment to quality and risk management. The Committee also discussed with PwC the results of the FRC Audit Quality Inspection of the UK firm. During PwC's attendance at Committee meetings, the Committee also met privately with the auditors and, as Chair of the Committee, I had regular dialogue with the audit partner.

The Committee considered in detail PwC's audit planning documentation and satisfied itself that the audit work to be carried out by PwC covered all significant aspects of the Annual Report and Accounts and, therefore, did not feel it was necessary to ask PwC to look at any additional areas specifically. PwC's report to the Audit Committee at the conclusion of the audit confirmed that the audit had been carried out in accordance with the planning documentation and the Audit Committee considered the findings of PwC as reflected in their audit opinion and their year end report to the Board. PwC's audit opinion set out the key matters that, in their opinion were of most significance in this audit. These were consistent with the key matters considered and agreed with the Audit Committee when the audit was planned. PwC's report describes how these matters were addressed in the audit and the scope and nature of their work reflects the thoroughness of their approach and the degree of scepticism applied.

The Committee reviews annually the performance of PwC with feedback from management, the Group's finance team, the Internal Audit function and the Board. As part of this review, the Committee met with members of the audit team to understand the experience of the wider team and their understanding of the Group, the retail sector and the extent of challenge to management on areas which required judgement. The conclusions reached were that PwC has continued to perform the audit in a professional and efficient manner with the necessary objectivity and challenge to demonstrate independence and it is, therefore, the Committee's recommendation to the Board that PwC be re-appointed auditors at the AGM on 25 November 2022. The Board has no present plans to consider an audit tender process.

The Committee reviewed the reports prepared by PwC on key audit findings as well as the recommendations made by PwC to improve processes and controls together with management's responses to those recommendations. PwC did not highlight any material internal control weaknesses and management has committed to making appropriate changes in controls in the areas highlighted by PwC.

Ron McMillan
Chair of the Audit Committee
10 October 2022

'Our strategic priorities are reflected in our pay and incentive arrangements for the wider workforce.'

The Committee has decided to incorporate environmental, social and governance (ESG) metrics in the form of employee engagement and waste reduction measures into the annual bonus.

Dear Shareholder,
I am pleased to present this year's Directors' remuneration report on behalf of the Remuneration Committee ('the Committee').

In January 2022, I stepped into the role of Remuneration Committee Chair, following the sudden death of the former Remuneration Committee Chair, George Adams. We were all saddened to hear this news. I would like to thank the members of the Committee, both past and present, for all their support and guidance.

This report provides context and insight into our pay arrangements for Non-Executive Directors and Executive Directors including the assessment of FY22 performance and pay, and our focus on fairness of pay across the Group, as well as our plans for FY23.

We continue to strengthen our core business, focus on growing our market share and embed sustainability in every decision we make, all while operating as efficiently as possible. These ambitions and strategic priorities are reflected in our pay and incentive arrangements for the wider workforce.

The team continued to react to challenging conditions (post COVID-19 impacts) and produced a strong financial result in the face of ongoing disruption to demand in our supply chain and cost inflation. In recognition of our teams' hard work and resilience, in August 2021 we awarded a minimum 2% pay increase (excluding the Directors) and in August 2022 we awarded a minimum 3% increase in pay to all colleagues. This was in addition to a £400 (full time equivalent) one-off payment to all colleagues, to support the current cost of living crisis.

Voting outcome at last year's Annual General Meeting (AGM) and communication with shareholders
Our Remuneration policy was approved by shareholders at the 2021 AGM.

Prior to the AGM, George, our previous Remuneration Committee Chair, engaged with many of our shareholders to discuss changes we were looking to make and also to get their views on LTIP and bonus arrangements.

We received 79.8% approval for the Directors' remuneration report. George

then continued to communicate with shareholders post the AGM to understand the reasons for any votes against. After the AGM we reconfirmed our intention for Executive Director salary increases to be aligned to the wider workforce. We also committed to review the LTIP targets for awards vesting in 2025 and to incorporate an ESG element into the remuneration packages going forward. We have kept to this commitment and will be incorporating ESG into the annual incentive in FY23 as detailed below.

FY22 incentives

The Executive Directors were eligible for annual bonus incentives with a maximum opportunity of 140% of salary. The annual bonus scheme is solely based on underlying EBITDA, and despite all the challenges faced we continued to deliver strong results. The threshold target for EBITDA was set at £44.0m and actual achievement was in excess of this at £48.4m. Therefore, the bonus will pay out at 48.1% of the maximum.

Long-term incentives

The FY20 award is due to vest in October 2022, however, the performance period ended 30 July 2022 and so the vesting percentage can be determined. The Remuneration Committee has applied judgement to calculate EPS using the original accounting basis, number of shares and statutory tax rate that applied at the date of grant; this results in an adjusted EPS of 33.8p. The award had a minimum EPS performance target of 31.6p before any award can vest; as such the EPS achievement has resulted in the award vesting at 48.2% of the maximum.

Remuneration in FY23

The CEO and CFO have received increases of 3% of salary in line with the increases applied to the wider workforce. Benefit and pension provisions remain unchanged for the forthcoming year.

The Committee has decided to incorporate ESG metrics in the form of employee engagement and waste reduction measures into the annual bonus. These metrics will account for 10% of the overall bonus with the remainder being subject to EBITDA targets. The maximum bonus opportunity for the CEO and CFO remains unchanged at 140% of salary.

A strong senior leadership team is in place at ScS, selected to deliver our future growth plans. Long term incentives play a key role in the motivation and retention of this team. This is a resilient business with good prospects, however, recent economic factors, particularly the slow down in the housing market linked to mortgage costs and the real decline in consumer disposable income, have created some short-term uncertainty.

As a consequence we want to review our long-term incentive targets, ensuring they are appropriately stretching and motivational. As part of this process we will consult with our executive remuneration advisers, to receive independent advice, and seek feedback from a range of our key shareholders before finalising our FY23 LTIP award. Our aim is to conclude this process by the end of November 2022.

Fees for our Chairman and Non-Executive Directors remain unchanged for the forthcoming year.

Colleague input

We have actively engaged with our colleagues from across the business through face to face feedback sessions, where they were able to openly raise any topics. These sessions, combined with our annual employee engagement survey, provided insight to help shape future People strategy for the business.

From March 2023, Carol Kavanagh will be taking the role of Remuneration Committee Chair; I will remain on the Committee as a member.

On behalf of the Committee, I would like to thank shareholders for their input and engagement in the year, and we welcome any comments. I will be available at the Annual General Meeting in November to answer any questions you may have on this report.

Angela Luger
Chair of the Remuneration Committee
10 October 2022

Remuneration principles

The key aims of the Remuneration Policy are to:

- Attract, retain and motivate high-calibre senior management;
- Focus senior management on the delivery of the Group's business objectives;
- Promote a strong and sustainable performance culture;
- Incentivise profitable growth; and
- Align the interests of the Executive Directors and senior management with those of the shareholders.

In promoting these objectives, the Committee's aims are to implement the Remuneration Policy in a simple, transparent and understandable way, supporting the principles set out in Provision 40 of the 2018 UK Corporate Governance Code ('the Code'):

Clarity	The Remuneration Policy is closely aligned to the business, purpose and strategy and has a clear link between performance and reward.
Simplicity	The Policy has operated largely unchanged since IPO, with the most significant change being our formal commitment to align executive pension contribution with the wider workforce.
Risk	Performance targets are set to ensure the delivery of sustainable profitable growth and appropriate safeguards are in place to ensure that overall outcomes are aligned with underlying business performance and the stakeholder experience.
Predictability	The range of possible rewards for variable pay are set and disclosed.
Proportionality	Remuneration levels are periodically benchmarked against other similar sized companies and actual rewards are closely linked to the delivery of the strategy and the long-term performance of the Company.
Alignment to culture	The incentive schemes are focused on our strategy of sustainable profitable growth and are designed to encourage behaviours that are consistent with ScS' purpose, culture and values.

Annual remuneration report

Single figure table of total remuneration Executive Directors – audited

The audited table below shows the aggregate remuneration of the Directors of the Group during FY22 and FY21:

	Salary[1] £	Benefits[2] £	Bonus £	LTIP[3] £	Pension[4] £	Total £	Total fixed remuneration £	Total variable remuneration £
Steve Carson								
FY22	400,000	21,534	269,360	–	20,000	710,894	441,534	269,360
FY21	227,692	11,718	326,667	–	11,384	577,461	250,794	326,667
Chris Muir								
FY22	320,000	18,534	215,488	131,985	16,000	702,007	354,534	347,473
FY21	286,667	19,035	401,334	438,051	29,335	1,174,422	335,037	839,385

1. Salary increase for Chris Muir effective from 1 January 2021. Steve Carson's appointment effective from 6 January 2021.
2. Taxable benefits of the Directors are discussed in detail below: Executive Directors received a car allowance and private medical insurance.
3. Estimated value of the 2020 LTIP award, using the average of the closing mid-market share price in the three-month period ending 31 July 2022, being 160.9p. The value of the FY19 LTIP has been restated to reflect actual vesting of awards based on a share price of 268.0p on the date of vesting. The share price on the date of grant was 222.6p, therefore £65,567 of the CFO's 2019 awards were due to share price appreciation. LTIP participants are not entitled to any dividends (or any other distribution) of shares subject to an award until the award vests. The value of the dividend equivalents paid on the CFO's 2019 award was £51,003, taken as shares (19,031 shares).
4. Steve Carson and Chris Muir opt to receive part of their pension contributions as a cash allowance. The pension was aligned to that of the wider workforce (5%) for Chris Muir effective 1 January 2021.

Elements of remuneration

Salary

Steve Carson joined the Group as CEO in January 2021 on a basic salary of £400,000, which was reviewed and increased to £412,000 effective 1 August 2022. The basic salary of Chris Muir, CFO, was also reviewed based on the same principles and increased from £320,000 to £329,600 effective 1 August 2022. This is in line with the wider workforce basic salary increase.

Pension and other benefits – audited

Having reviewed our pension arrangements, Executive Directors are eligible to pension benefits equating to 5% of their basic salary, which are non-contributory. This change aligns to the pension rate applicable to the wider workforce.

Steve Carson, CEO, received £4,000 of pension benefits and Chris Muir, CFO, received £3,458. The balance was paid as a cash allowance.

Any new Executive Director appointments will have a pension contribution in line with that provided to the wider workforce.

The Executive Directors received a car allowance which was as follows:

- Steve Carson, CEO: £20,000
- Chris Muir, CFO: £17,000

The Executive Directors are also provided with private medical insurance and life assurance that provides cover of up to four times taxable earnings.

Annual bonus – audited

The Executive Directors were eligible to receive annual bonuses for performance in 2022 with a maximum bonus opportunity of 140% of salary. The annual bonus is solely based on underlying EBITDA* performance, which is adjusted for exceptional items. A pre-bonus EBITDA of £48.4m was above the minimum target set for the year; as a result, 48.1% of the maximum bonus opportunity was paid. The Committee considers that this fairly reflects the results for the year. The details of the targets and how the bonus was calculated are set out below:

Pre-bonus EBITDA	£44.0m	£48.7m	£50.4m	£52.2m
% maximum	12.5%	50%	75%	100%
Steve Carson	£70,000	£280,000	£420,000	£560,000
Chris Muir	£56,000	£224,000	£336,000	£448,000

* Underlying EBITDA is defined in the alternative performance measures section on pages 46 to 47.

Long-term incentives

Awards vesting in 2022 – audited

The LTIP granted on 14 October 2019, which vests in 2022, has exceeded the minimum performance conditions set (a minimum EPS of 31.6p) and will result in an award of 48.2% of maximum. The initial award provided vesting conditions on a straight-line basis between 25% and 100% based on an EPS in 2022 from 31.6p to 38.7p.

The underlying EPS as reported under IFRS 16 for the year is 36.2p, which would result in 73.9% award under the terms of the LTIP. The Remuneration Committee are, however, conscious that the award was granted before transition to IFRS 16, at a time when there were 40,009,109 shares in issue, and that the Group has benefited during the year from an effective tax rate lower than the rate assumed when setting the LTIP target.

As a consequence, the Remuneration Committee have recalculated EPS using the same accounting basis, number of shares and tax rate as at the date of the grant and based the vesting calculation on the adjusted EPS of 33.8p. As such, the award will vest at 48.2% of the maximum.

Awards granted during the year – audited

During the year, the Executive Directors were granted a Long-Term Incentive Plan award with a face value of 150% of salary. The awards were made in the form of nil-cost options and were for 223,797 and 179,038 shares respectively for Steve Carson, CEO, and Chris Muir, CFO. The awards have a three-year vesting period, plus a two-year hold period. Details of the award are set out in the table below:

	Max. award (% of salary)	Max award[1] £	No. shares	Performance measures	Holding period
Steve Carson	150%	£600,000	223,797	100% EPS	2 years
Chris Muir	150%	£480,000	179,038	100% EPS	2 years

1. The 5 day average share price prior to the date of grant, 18 October 2021, was 268.1p.

As disclosed in last year's Annual Report, the following EPS targets were applied:

EPS figure (in 2024)	Percentage of award that vests
Less than 19.0p	Nil
19.0p	25%
Greater than 19.0p but less than 33.2p	Straight-line basis between 25% and 100%
33.2p	100%

The EPS targets of the FY20 and FY21 LTIP were set before taking into account the impact of IFRS 16 or changes in effective tax rate. Whilst we have all the data we require with regards to property and vehicle leases, the final impact of IFRS 16 will not be known until we reach the relevant year. Furthermore, specific differences between the effective and statutory tax rates would impact EPS, and can only be adjusted when they are known. The Committee, therefore, intends to adjust future EPS targets when these items have crystallised. The adjustment will purely be to reflect the technical changes created as a result of IFRS 16, share buybacks and differences in the effective and statutory tax rate and are not an amendment to the agreed targets per se.

All-employee share plans

The Group offers an all-employee UK Share Incentive Plan (SIP). All employees on completion of six months service become eligible to join. Under the SIP employees may elect to acquire up to £150 worth of shares in the Group every month or pay a maximum one-off lump sum of up to £1,800 in a tax year.

The Executive Directors are eligible to participate in the SIP on the same basis as other employees.

Directors' shareholding and share interests – audited

The table below sets out the number of shares held or potentially held by Directors (including connected persons or related parties where relevant) as at the financial year ended 30 July 2022.

Director	Shares held beneficially	Unvested
Alan Smith	18,096	–
Ron McMillan	–	–
George Adams	–	–
Angela Luger	–	–

	Shares held beneficially	Nil cost options subject to performance[1]	Option awards vested but unexercised[2]	Total
Steve Carson				
Number	75,000	223,797	–	298,797
Value at year end	£120,668	£360,067	–	£480,734
Chris Muir				
Number	137,104	359,625	82,034	578,763
Value at year end	£220,587	£578,601	£131,985	£931,172

1. Awards vest subject to EPS performance over a three-year period. This relates to awards granted in FY21 and FY22.
2. Option awards vested (but unexercised) is inclusive of the FY20 EPS LTIP award and dividend equivalents.

The value of share interests at the year-end is based on the average share price in the three months ending on 30 July 2022 of 160.9p. There have been no changes to share interests as at the date of this report.

The Executive Directors are required to build and maintain a shareholding equivalent to 200% of base salary. The beneficial shareholding for Steve Carson and Chris Muir is currently 29.3% and 66.9% of salary respectively, but they are required to continue to build up a shareholding, which will be achieved by the retention of share options awarded under the LTIP.

Payments to past Directors – audited

David Knight left the Board on his retirement on 31 July 2021. He retired with the agreement of the Board and worked his full 12-month notice period. As such the Committee determined that he should be treated as a good leaver, and therefore his unvested conditional shares awarded under the FY20 and FY21 LTIPs will be time pro-rated to 31 July 2021. The LTIP award granted in FY19 vested in October 2021 at 89.3%, resulting in the award value of £562,033. The LTIP award granted in FY20 will vest in October 2022 at 48.2%, resulting in an award of 69,730 shares (inclusive of dividend equivalents) with a value of £112,189 (using the average of the closing mid market share price in the three-month period ending 31 July 2022, being 160.9p). (FY21: none).

Payments for loss of office – audited

There were no payments to past directors in the year ended 30 July 2022. (FY21: payments to retiring CEO, David Knight).

Fees retained for external non-executive directorships

Executives may hold external non-executive directorships in non-competing businesses with the express consent of the Board. Fees may be retained for those roles with Board consent. There are no remunerated non-executive roles currently held by either the CEO or CFO.

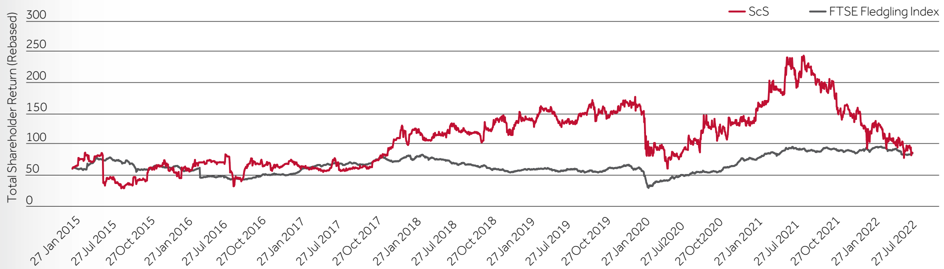
Relative importance of the spend on pay

The table below shows the movement in spend on pay for all employees compared with the distributions to shareholders.

	FY22 £'000	FY21 £'000	% Change
Total pay for employees	65,420	65,602	(0.3%)
Distributions to shareholders	4,443	1,133	292.1%

Performance graph and pay table

The chart below illustrates the Group's Total Shareholder Return (TSR) performance against the performance of the FTSE Fledgling Index, from the date of the IPO of the Group. This index was selected as it represents a broad equity market index which includes companies of a comparable size.



Source: Datastream (Thomson Reuters).

This graph shows the value, by 30 July 2022, of £100 invested in ScS Group plc on 26 January 2015 compared with the value of £100 invested in the FTSE Fledgling Index.

Changes in the remuneration of the CEO

The Committee believes that the Remuneration Policy and remuneration structure clearly aligns with the Group's strategic objectives and performance. The table shows the remuneration data for directors undertaking the role of CEO in the last 10 years.

	CEO single figure £	Annual bonus payment (% of maximum)	LTIP vesting (% of maximum)
Steve Carson			
FY22	710,894	48.1%	N/A
FY21[1]	577,461	100.0%	N/A
David Knight			
FY21[2]	1,382,077	100.0%	89.3%
FY20	388,027	0.0%	0.0%
FY19	1,094,972	99.3%	56.3%
FY18	815,408	99.8%	0.0%
FY17	591,303	39.2%	0.0%
FY16	801,290	100.0%	N/A
FY15	380,183	0.0%	N/A
FY14	557,786	42.3%	N/A
FY13	587,375	79.1%	N/A

1. Remuneration relates to seven months of employment. Shown for illustration only. Comparisons in this report to are made against David Knight's full year remuneration.
2. David Knight's FY21 single figure value has been restated to reflect actual vesting value of the FY19 LTIP award, based on a share price of 268.0p on the date of vesting.

Changes in the remuneration of the Directors

The table below shows the percentage changes in the Executive and Non-Executive Directors' remuneration over the last 3 years, compared to the amounts for full-time employees of the Group for each of the following elements of pay:

	Percentage change from FY21			Percentage change from FY20			Percentage change from FY19		
	Salary	Benefits	Bonus	Salary	Benefits	Bonus	Salary	Benefits	Bonus
Executive Directors									
Steve Carson[1]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Chris Muir[2]	11.60%	(2.6)%	(46.3)%	19.40%	–	100%	–	2.30%	(100)%
Non-Executive Directors									
Alan Smith	–	N/A	N/A	–	N/A	N/A	–	N/A	N/A
Ron McMillan	–	N/A	N/A	–	N/A	N/A	–	N/A	N/A
George Adams[3]	N/A	N/A	N/A	–	N/A	N/A	–	N/A	N/A
Angela Luger[4]	10.82%	N/A	N/A	–	N/A	N/A	–	N/A	N/A
Average per employee (excluding Directors)	8.8%	(6.1)%	(49.1)%	1.6%	(10.6)%	221%	1.2%	7.3%	(56.3)%

1. Steve Carson has had no increase in salary or benefits from FY21 to FY22, as he was appointed in January 2021.
2. Chris Muir received a salary increase in January 2021.
3. George Adams received no change in salary, and no figures are provided as they do not provide a meaningful comparison as full-year equivalent values.
4. Angela Luger was appointed Chair of the Remuneration Committee during FY22 and therefore received an additional payment for this role for part of the year.

CEO pay ratio

The table below shows the ratio of CEO pay for FY22 comparing the sum of the single total figures of remuneration for Steve Carson to the full-time equivalent total reward of those colleagues whose pay is ranked at the 25th, 50th and 75th percentile in our UK workforce.

We have adopted Methodology Option A to calculate the ratio, as we believe it provides the best comparison of colleague pay with that of our CEO by using a consistent methodology to value remuneration and identify our employees ranked at the 25th, 50th and 75th percentiles.

Colleague pay was calculated based on actual pay and benefits for the 12 monthly payrolls in respect of the full financial year to 30 July 2022. We can confirm that none of the three individuals received additional or exceptional pay within the year and no adjustments were made to the calculation of the total remuneration for these employees from the methodology set out for the CEO's single total figure remuneration. The ratios as set out below:

Year	Method	25th percentile	50th percentile	75th percentile
FY22 – Steve Carson	Option A	35:1	27:1	21:1
FY21 – David Knight[1]	Option A	70:1	55:1	43:1
FY20 – David Knight	Option A	21:1	16:1	12:1

1. David Knight's FY21 single figure value has been restated to reflect actual vesting value of the FY19 LTIP award, based on a share price of 268.0p on the date of vesting.

The difference in the ratios from FY21 to FY22 is predominantly the result of the reduction in the CEO single figure value. The CEO was not eligible to receive an LTIP vest in FY22 due to his start date and the change in incumbent CEOs'. In addition, the FY22 annual bonus resulted in lower bonus payment, We anticipate further volatility in the CEO pay ratio over the next couple of years until the CEO LTIPs begin to vest on an annual basis.

The table below provides the individual remuneration information in relation to our employees ranked at the 25th, 50th and 75th percentiles:

Year	Method	25th percentile	50th percentile	75th percentile
FY22	Salary	£19,898	£25,549	£33,381
	Total pay and benefits	£20,241	£26,082	£34,138
FY21	Salary	£17,213	£24,483	£27,898
	Total pay and benefits	£19,641	£25,095	£32,190
FY20	Salary	£17,601	£24,259	£19,727
	Total pay and benefits	£18,190	£24,259	£31,412

Gender pay gap

The Group continues to focus on our people and have an opportunity to make improvements across a number of areas when it comes to our gender pay gap.

We are pleased that a number of senior females have been hired over the last two financial years and will continue to focus on female representation across all areas of our business. This will be a particular focus in retail.

Our people-focused strategy projects include work focused on talent, reward and employer brand. This work will help us to make sure we're supporting and representing our female colleagues at every level. Within our learning and development programmes, we will ensure a fair proportion of female colleagues are included to help provide a supportive environment to develop further.

As part of our ESG strategy, we will be reporting and monitoring numbers of females in management roles in retail, with the aim of increasing numbers by 25% by the end of FY23.

For further information and to view the full report, please visit www.scsplc.co.uk

Remuneration of the Chairman and Non-Executive Directors – audited

The structure of Non-Executive Directors fees, and their levels, were set by the Board on admission. No review is expected during FY23.

The fees of the Non-Executive Directors are set by the Board and take account of the chairmanship of Board Committees and the time and responsibility of the roles of each Director.

The fees paid during FY22 to the Non-Executive Directors were as follows:

	FY22	FY21
Alan Smith	£125,000	£125,000
Ron McMillan	£60,000	£60,000
Angela Luger	£55,410	£50,000
George Adams	£20,000	£60,000

Our Non-Executive Directors (excluding the Chair) have a base fee of £50,000. Ron McMillan, Angela Luger and George Adams each received an additional £10,000 per annum for chairing the Audit and Remuneration Committees respectively. Angela Luger was appointed as Remuneration Committee Chair on 12 January 2022. George Adams was paid to up to 30 November 2021.

There were no other amounts disclosable for the Non-Executive Directors for the year.

Implementation of the Remuneration Policy in FY23

Salary, pension and other benefits

As anticipated, increases in FY23 were aligned to that of the wider workforce with average increases of 3%. The current basic salaries as at 10 October 2022 are:

- Steve Carson: £412,000
- Chris Muir: £329,600

The Executive Directors will continue to receive pension contributions of 5% of salary in line with the rate available for the wider workforce. They will also continue to receive a car allowance, private medical insurance and life assurance.

Approach for FY23 annual bonus

For FY23, the maximum bonus opportunity is unchanged at 140% of base salary for both the CEO and CFO.

To further align with the strategy, the Committee has proposed to introduce non-financial ESG performance measures into the bonus with a total weighting of 10%. The measures are:

- Social – employee engagement
  Measured via an independent colleague engagement survey, the measure is to increase the colleague positive response to the statement 'ScS takes a genuine interest in my wellbeing' Target score of 65 before the end of FY23 (Scored 62 in FY21).
- Environmental – Waste reduction across the business
  Target of a 5% reduction on waste volume to landfill.

The remaining 90% of the bonus is based on the achievement of stretching EBITDA targets. The Committee does not disclose the EBITDA targets in advance as they are commercially sensitive. Retrospective disclosure of the EBITDA targets will be included in next year's report.

Long-term incentives

Due to economic uncertainty, which is having a substantial impact on the housing market, we are reviewing the long-term incentive targets for our senior leadership team to ensure they are appropriately stretching and motivational. As part of this process we will receive independent advice on executive remuneration, and seek feedback from a range of our key shareholders before finalising our FY23 LTIP award. Our aim is to conclude this process by the end of November 2022.

The Remuneration Committee intends that the FY23 grants would be maintained at the normal levels (150% of base salary for the Executive Directors). However, the Committee has full discretion, under the plan rules, to ensure that the final vesting outcomes are justified based on the performance of the Group, including consideration of any windfall gains.

Chairman and Non-Executive Director fees

Fees for the Chairman and Non-Executive Directors remain unchanged as below.

Role	Fee
Chairman	£125,000
Non-Executive Directors base fee	£50,000
Audit and Remuneration Committee Chair	£10,000

Remuneration Committee

The members of the Committee for the 2022 financial year were Angela Luger (Committee Chair from January 2022, previously a Committee member), George Adams (Committee Chair until November 2021), Alan Smith and Ron McMillan. All of the current members are independent Non-Executive Directors.

The responsibilities of the Committee are set out in the Corporate Governance section of the Annual Report on pages 71 to 72.

The Committee may invite the Executive Directors or other members of the senior management team to attend meetings and assist the Committee in its deliberations as appropriate. No person is present during any deliberations relating to their own remuneration or involved in determining their own remuneration. During the course of the year, Steve Carson, Chris Muir, and Lucy Clough, People Director, were in attendance as required.

The attendance of members of the Committee at meetings was as follows:

Member and meetings attended in FY22	Member since	Meetings attended
Angela Luger	2019	3
George Adams (until November 2021)	2015	1
Alan Smith	2014	4
Ron McMillan	2014	4

Advisors to the Committee

During the year, the Committee received independent advice on executive remuneration matters from Mercer Ltd.

Mercer Ltd are members of the Remuneration Consultants Group and, as such, voluntarily operate under the code of conduct in relation to executive remuneration consulting in the UK. The Committee has received advice provided by Mercer Limited during the year and is comfortable that they have been objective and independent. Total fees received by Mercer Limited in relation to remuneration advice provided to the Committee during FY22 amounted to £14,000, excluding VAT, based on the required time commitment.

Shareholder voting

At the AGM on 26 November 2021, the total number of shares issued with voting rights was 38,012,655. The resolution to approve the Annual remuneration report from the 2021 AGM and the resolution to approve the Remuneration Policy from the 2021 AGM received the following votes from shareholders.

Resolution	Votes for	Percentage of votes cast in favour	Votes against	Percentage of votes cast against	Votes withheld	Total votes cast	Percentage of issued share capital voted
To approve the Annual remuneration report (2021 AGM)	21,011,956	79.8%	5,331,618	20.2%	2,383	26,343,574	69.4%
To approve the Remuneration Policy (2021 AGM)	21,118,213	80.2%	5,225,361	19.8%	2,383	26,343,574	69.4%

This report has been approved by the Board of Directors of the Group and signed on behalf of the Board by:

Angela Luger
Chair of the Remuneration Committee
10 October 2022

Remuneration Policy report

Remuneration Policy overview

Total remuneration packages for the Executive Directors established at the time of the IPO will provide the basis for the structure of Director Remuneration for the Group. Variable elements of reward including performance-based annual bonuses and long-term incentives will form a significant part of the overall remuneration package for Executive Directors and senior management.

How the views of shareholders are taken into account

The Committee recognises that developing a dialogue with shareholders is constructive and informative in developing and applying the Remuneration Policy. The Committee monitors the feedback received from shareholders during the year, feedback was pro actively sought and shareholders accounting for over 69% of total equity responded. The Committee takes into account the best practice guidance issued by institutional shareholders and their representative bodies.

The Directors' Remuneration Policy

The Directors' Remuneration Policy was last approved by shareholders at the 2021 AGM and is due to be renewed at the 2024 AGM. This report has been prepared on behalf of, and has been approved by, the Board. It complies with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

The most significant changes made last year are our formal commitment to reduce executive pension contribution rates to align more closely to the wider workforce rate and the implementation of bonus deferral when it is felt appropriate to do so.

Remuneration element	Purpose	Operation	Maximum	Performance measures
Base salary	This is the basic pay and reflects the individual's role, responsibilities and contribution to the Group; critical to help attract and retaining the right talent.	Base salaries are reviewed annually with changes typically taking effect from the beginning of the relevant financial year. When reviewing, consideration is given by the Committee to a range of factors, including the Group's overall performance, market conditions and individual responsibility of executives and the level of salary increases given to employees across the Group. Higher increases may be awarded where there has been an increase in responsibility. If a new Executive Director's salary is set on appointment below the median market rate, phased increases (as a percentage of salary) above those granted generally to other employees may be awarded subject to the individual's performance and development.	Base salaries will be benchmarked periodically against companies that are both main and AIM listed, who are of a similar size, sector and complexity. Salaries will generally be set at the mid-market levels; however, the Committee remains mindful of the need to attract, recruit and retain talent within the team.	N/A
Benefits	To provide benefits which are valued by the individual and assist them in carrying out their duties and to support wellness and engagement.	The Group will provide market competitive benefits, which may periodically be reviewed. Executives will generally be eligible to receive those benefits on similar terms to other senior executives and those available to the broader workforce. Executives are entitled to a car allowance or a company car, car insurance, other running costs and fuel, death in service life assurance, private medical care and any other Group-wide benefits including employee discount. Business travel and associated hospitality are provided in the normal course of business. The Committee has the discretion to add or remove benefits to remain market competitive or to meet the needs of the business including where new benefits are introduced for the wider workforce. In addition, where the Committee considers it appropriate to do so, additional relocation expenses may be paid.	No explicit maximum. We ensure that benefits offered are in line with the market and review their cost from time to time in the context of the wider workforce provision.	N/A

Remuneration element	Purpose	Operation	Maximum	Performance measures
Pension	To provide a market competitive pension contribution (or equivalent cash allowance).	Executive Directors may take pension benefits as a contribution to defined contribution personal pension plans or receive cash in lieu.	A total maximum value of 5%, which aligns closely to the workforce rate. The Committee reserves the right to increase the rate if changes are made for the workforce – no such increase is planned at the present time.	N/A
Bonus	To provide an incentive linked to the financial performance of the Group and any other appropriate individual or business measures. Deferral provides further alignment to shareholders' long-term interests for achievement of stretching targets.	Bonuses are normally paid in cash. Payments are made subject to meeting pre-determined targets set at the start of the year and approved by the Committee. Malus and clawback rules apply to cash and deferred awards; see explanatory notes for more information. The Committee will consider the introduction of bonus deferral arrangements for any bonus earned in excess of 100% of salary.	The current annual bonus potential for the CEO and CFO is 140% of base salary. The threshold bonus levels will be no more than 25% of their respective maxima. As the regulations require a formal cap for a three-year period, future bonus potential will only increase where appropriate against market data and, in any event, will be subject to an overall maximum of 200% of salary for any Executive Director.	The Committee intends for the majority of the bonus to be based on financial measures, but has the discretion to introduce operational, corporate, divisional and/or individual performance measures if appropriate to the business including measures relating to the Group's ESG objectives. Performance conditions, once set, will generally remain unaltered, but the Committee has the right in its absolute discretion to make adjustments during any performance period to reflect any events arising which were unforeseen when the performance conditions were originally set by the Committee, for example, related to transactions. Any amended targets should be no more or less difficult to achieve than the original targets were considered to be when set.
Long-term incentives	To align the Directors with the long-term performance of the business and the returns received by shareholders.	Awards may be made annually as options (including nil cost options) or as conditional share awards based on performance conditions. The Committee may set performance conditions typically over a three-year period. The current intention is to use conditional shares or nil cost options for awards. Dividend equivalents will be made as either a cash payment or delivery of plan shares in an amount equal in value to the dividends that would have been payable on the number of vested plan shares under the award in respect of the period between the award date and the date on which the award vested or, where the award is an option and a holding period applies, to the date of expiry of the holding period or exercise (if earlier). A two-year post-vesting holding period shall apply to LTIP awards granted to Executive Directors and may apply (at the discretion of the Committee) in relation to LTIP awards granted to others. Malus and clawback rules apply to vested awards; see explanatory notes for more information.	The policy is to award Executive Directors nil cost share options equating to no more than 150% of their basic salary in respect of each financial year. No more than 25% of an award can be earned for a threshold performance.	Performance is normally based on earnings per share targets, but different measures and targets may be used alongside or instead of earnings per share for future awards at the discretion of the Committee. Performance conditions, once set, will generally remain unaltered, but the Committee has the right in its absolute discretion to substitute or vary the performance conditions during any performance period in case of events arising which were unforeseen when the performance conditions were first set by the Committee, provided that such substitution or variation is reasonable and produces a fairer measure of performance and is not materially less difficult to satisfy.

Remuneration element	Purpose	Operation	Maximum	Performance measures
Shareholding guidelines	Executive Directors are expected to maintain their minimum shareholding levels once they have been obtained.	The Committee will review shareholding annually against the Policy. The Committee reserves the right to alter the shareholding guidelines during the period of the Policy but without making the guidelines any less onerous overall.	The minimum required level of shareholding is 200% of base salary of the relevant Executive Director. We encourage Executive Directors to meet this requirement within five years of the date of appointment. Executive Directors are expected to retain vested LTIP awards (after tax) until the minimum shareholding level is attained.	N/A
Employee share plan	To encourage share ownership by employees and participation in the long-term success of the Group, the Group operates an employee share incentive plan for UK employees which was adopted in April 2015.	Executive Directors can participate in the employee Share Incentive Plan (SIP) on the same terms as other employees of the Group in the UK. Executive Directors will also be eligible to participate in any replacement or new all employee share plan that is introduced on the same terms as other employees.	Under the rules of the SIP employees can purchase shares from their pre-tax and pre-national insurance salary through a resident SIP trust. Although the Group has no current intention to do so, the Group may also award matching shares (in proportion to the number of shares an employee chooses to purchase), or make an award of free shares. The maximum amount that can be purchased, offered as a match or awarded for free under the SIP is subject to the published HMRC annual limits.	N/A

Payment of statutory entitlements and settlement of claims

The Group may pay any statutory entitlements to which an Executive Director is entitled, or settle or compromise any claims made in connection with the termination of employment of the Executive Director where the Committee considers such claims to have a reasonable prospect of success and that it is in the best interests of the Group to do so.

Remuneration Policy and other employees

As well as the Executive Directors, other senior management will also participate in the performance-based annual incentive. Around 82% of our colleagues are eligible for either a sales commission or bonus, based broadly on the same metrics of sales and profit as the Executive Directors. A small group of senior management also participates in the Long-Term Incentive Plan for performance share awards.

The Group is committed to widespread share ownership. The Group employee SIP, which was adopted prior to admission, has been launched. Under the SIP, Executive Directors are eligible to participate on a basis consistent with all other employees. Currently, 63 employees participate in the scheme.

In setting the Remuneration Policy going forward, the Committee will also have regard to pay structures across the broader Group. The Committee takes into account the general base salary increase for the broader workforce when undertaking annual salary reviews for the Executive Directors and will consider consultation with the wider workforce should it be felt appropriate to do so.

Operation of variable pay

Annual incentive plan

The Committee will set the performance targets annually under the annual incentive plan to take account of the Group's strategic plan and financial performance. The performance targets are set by the Committee based on a range of factors including against the budget for the financial year. The metrics adopted by the Committee and the weighting of them may vary in relation to the Group's strategy each year.

The Committee sets a threshold on-target and maximum pay-out target under the plan.

Long-Term Incentive Plan (LTIP)

The Committee will regularly review the performance targets in relation to the LTIP to take account of the Group's strategic plan and financial performance. Targets will be set by the Committee at the time of the grant of each award.

The Committee will operate the scheme in accordance with the plan rules which were approved by shareholders in January 2015. Under the plan rules the Committee has authority to vary the terms of an existing award in certain circumstances. This includes the ability to:

- Settle awards in cash in extremis;
- Make adjustments to the number of shares, in the event of a change in the share capital of the Group; and
- Permit the early vesting of awards in the event of a change in control of the Group or, if appropriate to do so, on cessation of employment (see policy on service contracts and payments for loss of office).

Clawback

The annual incentive plan and the LTIP rules include provisions for malus and clawback within a three-year period following payment or vesting if the Committee concludes that there has been a material misstatement of financial results; an error has been made in assessing any performance targets; conduct of the individual amounts to fraud or gross misconduct; events or behaviour of the individual leads to censure of the Group by a regulatory authority which has an impact on the reputation of the Group which justifies clawback being operated; or where the Committee discovers information from which it concludes that a bonus or award was paid or vested to a greater extent than it should have been. Malus and clawback provisions have applied to awards made since January 2015.

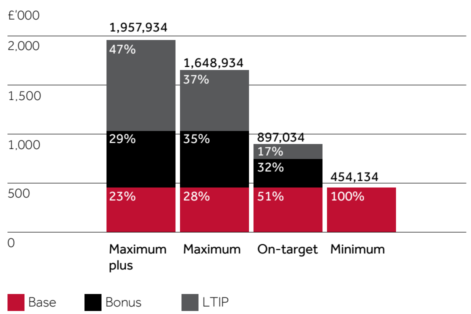
Potential reward scenarios

The graphs opposite show an estimate of the Executive Directors' remuneration package as it will be implemented for FY23.

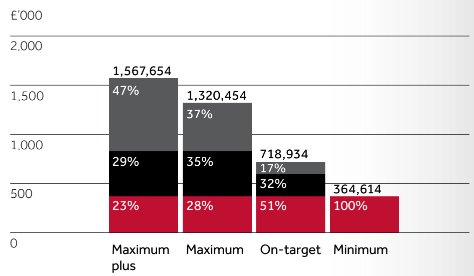
Assumptions

- The minimum scenario reflects fixed remuneration only which is base salary, pension and benefits.
- The on-target scenario reflects the fixed remuneration plus 50% of the maximum annual bonus under the annual incentive plan, which is 140% of base salary, and 25% vesting under the LTIP being the threshold level (assuming an award of 150% of salary to Executive Directors under the LTIP).
- The maximum scenario reflects fixed remuneration plus 100% of the maximum annual bonus under the annual incentive plan, which is 140% of base salary and 100% vesting under the LTIP (assuming an award of 150% of salary under the LTIP).
- The maximum plus scenario is the same above but shows the impact of a 50% increase in the share price on the value of the LTIP award (the on-target and maximum scenarios exclude the impact of share price increase).

Steve Carson (Chief Executive Officer)



Chris Muir (Chief Financial Officer)



Discretions retained by the Committee in operating variable pay schemes

The Committee operates the Group's various incentive plans according to their respective rules and (in the case of the SIP in accordance with relevant legislation and HMRC guidance. In order to ensure efficient administration of these plans, certain operational discretions are reserved to the Committee. These include:

- Determining who may participate in the plans;
- Determining the timing of grants of awards and/or payments under the plans;
- Determining the quantum of any awards and/or payments (within the limits set out in the Policy table above);
- In exceptional circumstances, determining that a share-based award shall be settled (in full or in part) in cash;
- Determining the performance measures and targets applicable to an award (in accordance with the statements made in the Policy table above);
- Where a participant ceases to be employed by the Group or relocates abroad, determining whether 'good leaver' status shall apply;

- Determining the extent of vesting of an award based on assessment of the performance conditions, including discretion as to the basis on which performance is to be measured if an award vests in advance of normal timetable (on cessation of employment as a 'good leaver' or on the occurrence of corporate events);
- Whether, and to what extent, pro ration shall apply in the event of cessation of employment as a 'good leaver' or on the occurrence of corporate events;
- Whether malus and/or clawback shall be applied to any award and, if so, the extent to which they shall apply; and
- Making appropriate adjustments to awards on account of certain events, such as major changes in the Group's capital structure.

Recruitment and promotions

The remuneration package for a new Executive Director would be set in accordance with the terms of the Group's Remuneration Policy at the time of the appointment.

Additionally, on appointment of any new Executive Director (whether by external recruitment or internal promotion) the Remuneration Policy will permit the following:

- Variable pay will be capped at the limits set out in the Policy for existing Directors.
- On pensions, the intention is to limit the pension provision (provided either through a Company contribution to a defined contribution scheme or paid as a cash allowance in lieu of pension) to the same level as the wider workforce for all new Executive Directors and members of the senior management team.
- The Group may compensate a new Executive Director for amounts forgone from the individual's former employer in addition to ongoing remuneration provided under the Policy (as permitted under Listing Rules) taking account of the amount forfeited, the extent of any performance conditions, the nature of the award and the time period for vesting.
- The annual incentive plan would operate in accordance with its terms pro-rated for the period of employment, and depending on the appointment timing, different performance targets might be set as the Committee considers appropriate.
- On an internal appointment, any variable pay element awarded in respect of the individual's former role would be allowed to pay out according to its terms, with any relevant adjustment to take account of the appointment. Any other ongoing remuneration obligations existing prior to the appointment would also continue.
- On any appointment, the Committee may agree that the Group will meet any appropriate relocation expenses.

Service contract and payments for loss of office

Main provisions on termination

The service contract for the CEO is indefinite but terminable either by the Company or the CEO on 9 months' notice. The service contract for the CFO is indefinite but terminable either by the Company or the CFO on 12 months' notice. The service contract for the CEO is dated 24 November 2020 and for the CFO, 8 January 2016.

An Executive Directors' service contract can also be terminated without notice or payment of compensation except for pay accrued up to the termination date on the occurrence of certain events such as gross misconduct.

Payment in lieu of notice equal to the base salary only for the unexpired period of notice can be paid under the Executive Directors' service agreements.

Ordinarily, an Executive Director shall not be entitled to receive any benefits or allowances following their cessation of employment. However, the Committee may in exceptional circumstances allow an Executive Director to continue to receive appropriate benefits or allowances (such as reasonable outplacement or legal fees) for a limited period following cessation.

There are no enhanced provisions on a change of control under the Executive Directors' service contracts. Should a change of control event occur then awards under the bonus and long-term incentive plans shall become payable as soon as practicable after the event date. The awards will be pro-rated to reflect the extent to which the relevant performance targets have been met at the date of the relevant event, and on a time-apportioned basis, although the Committee has discretion to disapply time-apportionment if it considers it appropriate to do so.

Any new contracts will be on similar terms.

The service contracts of the Executive Directors are available for inspection at the registered office of the Company.

Annual bonus on termination

There is no contractual entitlement to annual bonus on termination or if an Executive Director is under notice. Under the annual incentive plan, the Committee has absolute discretion to permit a bonus to be paid to a 'good leaver' based on the full or part-year performance, subject to consideration by the Committee. A full or pro-rata time-based bonus may be awarded, and this may be paid either at or before the normal payment date.

Good leavers include individuals who leave due to ill health, death or redundancy, or in other circumstances at the discretion of the Committee.

Performance share plans on termination

Share-based awards made under the Group's share plans are governed by the relevant plan rules. Under the rules of the LTIP, unvested awards shall ordinarily lapse on the individual giving or being given notice of termination of employment, except in certain prescribed 'good leaver' scenarios. Good leavers include individuals who leave due to retirement, ill health, death or redundancy, or in other circumstances at the discretion of the Committee.

In determining the extent of any vesting, the Committee will take into account the achievement of any applicable performance targets. A pro-rata reduction would normally be applied on a time-apportioned basis, although the Committee has discretion to disapply this requirement in exceptional circumstances if it considers it appropriate to do so. Awards will typically vest at the usual date but early vesting of outstanding awards may be permitted at the discretion of the Committee.

Awards which may have vested before giving or receiving notice of termination of employment remain exercisable for a period of six months after leaving or (if later) the expiry of any holding period which the award was subject to. The Committee has the discretion to extend this period.

Chair and Non-Executive Directors

Fees

The level and structure of fees for the Non-Executive Directors was set by the Board from admission. The fees of the Non-Executive Directors are set by the Board taking account of the chairmanship of Board Committees and the time and responsibility of the roles of each of them. The fees are paid in cash. The Committee has responsibility for determining fees paid to the Chair of the Board. All fees are subject to the aggregate fee cap for Directors in the Articles of Association, which is currently £400,000 per annum.

Details of the fees paid to the Non-Executive Directors are set out in the Directors' remuneration report. The Chair and the Non-Executive Directors are entitled to be reimbursed for all expenses reasonably incurred by them in the performance of their duties. The Chair and Non-Executive Directors do not participate in any bonus or share plans of the Company.

The Non-Executive Directors do not have service contracts. They are appointed for an initial three-year period subject to being re-elected by members annually.

Remuneration element	Purpose	Operation	Maximum
Non-Executive Directors' fees	Helps recruit and retain high quality, experienced individuals. Reflects time commitment and role.	The level and structure of fees was set by the Board at admission. The fees consist of an annual basic fee plus additional fees paid for the chairmanship of Board Committees. Limited benefits relating to travel and accommodation may be provided in relation to the performance of any Director's duties. Non-Executive Directors' fees are set by the Executive Directors with reference to external data on fee levels in similar businesses, having taken account of the responsibilities of individual Directors and their expected annual time commitment.	The aggregate amount of Directors' fees is limited by the Group's Articles of Association.

Letters of appointment

Alan Smith and Ron McMillan have letters of appointment dated 22 October 2014 for an initial period of three years and are subject to three months' notice of termination by either side at any time and subject to annual re-appointment as a Director by the shareholders. Angela Luger's letter of appointment is dated 16 May 2019. Alan Smith and Ron McMillan were re-appointed for a further term of three years commencing 22 October 2020. George Adams was re-appointed for a further term of three years commencing 9 July 2021, but sadly passed suddenly in November 2022. Carol Kavanagh's letter of appointment is dated 26 September 2022.

The appointment letters provide that no other compensation is payable on termination.

Insurance

All of the members of the Board have the benefit of Directors and Officers Liability Insurance which gives them cover for legal action which may arise against them personally.

Directors' report

Activities and results
The Directors present their Annual Report, together with the audited consolidated financial statements for the year ended 30 July 2022. ScS is one of the UK's leading furniture and flooring retailers, operating from 98 ScS stores principally located in modern retail park locations across the country.

Management report
The Directors' report, together with the Strategic report, set out on pages 1 to 61, form part of the Management report for the purposes of Disclosure Guidance and Transparency Rule (DTR) 4.1.5R.

Statutory information contained elsewhere in the Annual Report
As permitted by legislation, the Group has chosen to include certain matters in its Strategic report that would otherwise be required to be included in the Directors' report, as the Board considers them to be of strategic importance. The Strategic report can be found on pages 1 to 61.

Other information that is relevant to the Directors' report, and which is incorporated by reference into this report, can be located as follows:

Information	Page(s)
Future developments	14 to 19
Colleague engagement	27 to 28
Stakeholder engagement	27 to 31
Greenhouse gas emissions	37 to 38
Section 172 statement	40 to 41
Risk and risk management	48 to 49
Viability statement	60 to 61
Going concern	113 to 114
Corporate governance statement	64 to 74
Statement of Directors' responsibilities	102
Post balance sheet events	Not applicable

Disclosures required pursuant to Listing Rule 9.8.4R can be found on the following pages:

Listing Rule	Listing Rule requirement	Disclosure
9.8.4(1)	Interest capitalised by the Group and any related tax relief	Not applicable
9.8.4(2)	Unaudited financial information (LR 9.2.18R)	Strategic report, page 1 to 61
9.8.4(4)	Long-term incentive schemes (LR 9.4.3R)	Directors' remuneration report, pages 86 to 87
9.8.4(5)	Directors' waivers of emoluments	Not applicable
9.8.4(6)	Directors' waivers of future emoluments	Not applicable
9.8.4(7)	Non pre-emptive issues of equity for cash	Not applicable
9.8.4(8)	Non pre-emptive issues for cash by any unlisted major subsidiary undertaking	Not applicable
9.8.4(9)	Parent company participation in a placing by a listed subsidiary	Not applicable
9.8.4(10)	Contract of significance in which a Director is or was materially interested	Not applicable
9.8.4(11)	Contract of significance between the Company (or one of its subsidiaries) and a controlling shareholder	Not applicable
9.8.4(12)	Waiver of dividends by a shareholder	Directors' report, page 99
9.8.4(13)	Waiver of future dividends by a shareholder	Directors' report, page 99
9.8.4(14)	Board statement in respect of relationship agreement with the controlling shareholder	Not applicable

Non-financial information statement
In addition to the above referenced sections of the Annual Report, the Section 172 statement and non-financial information sections of the Annual Report set out on pages 40 to 41 are intended to help stakeholders understand the Group's development, performance and impact of its activities, information relating to the environment, employee, social, respect for human rights, anti-corruption and anti-bribery matters in accordance with the non-financial reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006.

Results and dividend

The financial statements set out the Group's results for the year ended 30 July 2022 and are contained in pages 109 to 130. The Group's profit after tax for the financial year ended 30 July 2022 of £13.6m (2021: £19.1m) is reported in the consolidated statement of comprehensive income on page 109.

The Group continues to maintain a strong balance sheet which, coupled with the strategic progress to date provides further confidence in the Group's future and as a consequence the Board announced an interim dividend of 4.5p per share paid in May 2022. The Board is also recommending a final dividend of 9.0p per ordinary share which, together with the interim dividend, results in a full-year dividend of 13.5p. This dividend, if approved, will be paid on 9 December 2022 to shareholders on the register on 11 November 2022. The ex-dividend date is 10 November 2022.

Movements in reserves are shown in the consolidated statement of changes in equity on page 111.

Articles of Association

The Company's Articles of Association may only be amended by special resolution at a general meeting of the shareholders.

Share capital

Details of the Company's issued share capital are shown in note 9 to the financial statements on page 136.

The Company has one class of ordinary shares which carry no fixed income. Each share carries the right to one vote at general meetings. The ordinary shares are listed on the Official List and are traded on the London Stock Exchange. No person has any special rights over the Company's share capital and all issued shares are fully paid. There are no restrictions on voting rights or the transfer of securities in the Company and the Directors are not aware of any agreements between holders of the Company's shares that may result in such restrictions.

Details of outstanding employee share options and the operation of relevant schemes are shown in note 21 to the financial statements on pages 126 to 128.

Share buyback programme

On 22 March 2022, the Company announced the commencement of a share buyback programme with a value of up to £7m. The purpose of the share buyback programme is to return capital to shareholders. During the year the Company bought back 1,317,140 ordinary shares with a nominal value of £0.001 each through market purchases on the London Stock Exchange. This represents 3.6% of the issued share capital of the Company as at 30 July 2022. The total consideration paid for the shares was £2,281,000 and associated expenses totalled £36,000. All shares purchased under the share buyback programme are subsequently cancelled.

Employee benefit trust

The Company established the ScS Group plc Employee Benefit Trust (EBT) with Sanne Fiduciary Services Limited as the Trustees in Jersey in January 2015. The purpose of the EBT continues to be to hold shares in trust in connection with the Group's share incentive schemes. During the financial year to 30 July 2022, the Trust purchased 624,453 ordinary shares of 0.1 pence each in the Group at an average price of 236.4 pence per ordinary share, and 554,204 ordinary shares were used to satisfy management incentive awards. The EBT has waived any dividends which it may be entitled to receive in respect of ordinary shares held by it and has also agreed to waive voting rights to such shares. 327,663 ordinary shares in the Company remained held as treasury shares at 30 July 2022.

Significant agreements – change of control

The Group is not party to any significant agreements that would take effect, alter or terminate upon a change in control of the Company following a takeover. The Directors are not aware of any agreements between any member of the Group and its Directors and employees that provide for compensation for loss of office or employment that occurs following a takeover bid, except that provisions of the Group's share plans may cause options and awards granted under such plans to vest on a takeover.

Directors and their interests

Details of the Directors of the Company as at 30 July 2022 are shown on pages 62 to 63 and their interests in shares and share awards made to them under share incentive schemes in respect of the Company's shares are shown in the Directors' remuneration report on page 87, all of which form part of this report. Subsequent to 30 July 2022, Carol Kavanagh was appointed to the Board on 26 September 2022.

The Directors of the Company who were in office during the year and up to the date of signing the financial statements unless otherwise stated were:

Alan Smith	Non-Executive Chair
George Adams	Non-Executive Director (appointment terminated following his death on 30 November 2021)
Ron McMillan	Non-Executive Director
Angela Luger	Non-Executive Director
Carol Kavanagh	Non-Executive Director (appointed on 26 September 2022)
Steve Carson	Chief Executive Officer
Chris Muir	Chief Financial Officer

Subject to provisions of the Companies Act 2006, the Company's Articles of Association, and to any directions given by special resolution, the business of the Company shall be managed by the Board, which may exercise all the powers of the Company.

Appointment and replacement of Directors

The appointment and replacement of Directors is governed by the Company's Articles of Association, the UK Corporate Governance Code, the Companies Act 2006 and related legislation. All the Directors will seek re-election at the Annual General Meeting (AGM). A Director may be appointed by ordinary resolution of the shareholders or by the Board. The Board may from time to time appoint a Director to fill a vacancy or as an additional Director, provided that the individual seeks election at the next AGM.

Directors' indemnities

As permitted by the Company's Articles of Association, the Directors have the benefit of an indemnity which is applicable in certain circumstances. The Company also purchased and maintains Directors' and Officers' liability insurance. Both the insurance and indemnities applied throughout the financial year ended 30 July 2022 and through to the date of this report.

Employment policies

The Group's policy is to actively involve its employees in the business and to ensure that matters of concern to them, including the aims and objectives and the financial and economic factors which impact thereon, are communicated in an open and regular manner.

The Group is committed to providing equality of opportunity to employees and potential employees. This applies to recruitment, training, career development and promotion for all employees, regardless of disability (including colleagues who may have become disabled during service), gender, sexual orientation, pregnancy or maternity, race, religion or age. See page 76 for more information on our diversity and inclusion policy.

All of our applicants and colleagues are treated fairly and we have a zero-tolerance approach, not only to harassment but also to discrimination and bullying of any kind. Full and fair consideration is given to employment applications by disabled persons wherever suitable opportunities exist, having regard to their particular aptitudes and abilities. Training and career development support is provided where appropriate. Should an employee become disabled, efforts are made to ensure their continued employment with the Group, with re-training being provided if necessary.

We also encourage colleagues to become involved in the financial performance of our business through a variety of share and bonus schemes. Employee engagement is considered further within the Section 172 statement on pages 40 to 41.

Our Code of Conduct which applies across the Group sets out the standard of behaviour expected of all of our people and includes guidance on policies such as anti-bribery, conflicts of interest and whistle-blowing procedures. We have a zero-tolerance approach to bribery and provide our colleagues with the ability to raise concerns regarding misconduct via an independent and confidential whistle-blowing service.

Charitable and political donations
During the year, the Group made charitable donations of £64,000 (2021: £60,000). No political donations, expenditure or contributions have been made or incurred (2021: £nil).

Major interest in shares
As at 12 September 2022 the following shareholders have notified the Company of their interest in 3% or more of the Company's issued share capital:

	Number of shares held	% of issued share capital
M&G Investment Management	4,589,139	12.64
Huntington Management	4,196,904	11.56
Artemis Investment Management	3,937,043	10.85
Stadium Capital Management	1,816,063	5.00
Premier Miton Investors	1,719,766	4.74
Mr David Knight	1,528,615	4.21
Fidelity International	1,450,860	4.00
Tellworth Investments	1,340,851	3.69

Annual general meeting (AGM)
At the last AGM on 26 November 2021 resolution 2 (the Directors' remuneration report (excluding the Directors' Remuneration Policy)) was passed. However, just over 20% of the votes cast were against the resolution. George Adams, the Chair of the Remuneration Committee at that time, met with the shareholder accounting for the majority of the votes against the resolution to understand the reason for the vote and to further explain the Committee's rationale for the actions detailed in the 2021 Annual Report.

The Committee reviewed the LTIP targets for awards to vest in 2025 and consideration was given to both the lower and upper limit targets, aimed at ensuring that both the window is wide enough to act as a retention mechanism, whilst the upper target rewards stretching performance. An ESG element has also been incorporated into the executive remuneration packages. As noted in the 2021 Annual Report, the Remuneration Committee intends that any future increases in salary for the Executive Directors will be aligned with the wider workforce.

A notice convening the Company's upcoming AGM on 25 November 2022 will be issued to shareholders separately.

Independent auditors
The Group's independent auditors, PricewaterhouseCoopers LLP (PwC), have indicated their willingness to continue in office and the Audit Committee has recommended that PwC remain in office. A resolution to re-appoint PwC as auditors will be put to the members at the AGM.

Disclosure of information to the auditors
So far as the Directors are aware, there is no relevant audit information of which the auditors are unaware. The Directors have taken all steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

By order of the Board

Richard Butts
Company Secretary
10 October 2022

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with UK-adopted international accounting standards and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law).

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- State whether applicable UK-adopted international accounting standards have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- Make judgements and accounting estimates that are reasonable and prudent; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' remuneration report comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

Each of the Directors, whose names and functions are listed in the Board of Directors section confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the Company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101, give a true and fair view of the assets, liabilities and financial position of the Company; and
- the Directors' report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

In the case of each Director in office at the date the Directors' report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group's and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's and Company's auditors are aware of that information.

By order of the Board

Richard Butts
Company Secretary
10 October 2022

Independent auditors' report to the members of ScS Group plc

Report on the audit of the financial statements

Opinion

In our opinion:

- ScS Group plc's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 30 July 2022 and of the group's profit and the group's and company's cash flows for the 52 week period then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated and Company statements of financial position as at 30 July 2022; the Consolidated statement of comprehensive income, the Consolidated and Company statements of changes in equity; and the Consolidated and Company statements of cash flows for the period then ended; and the notes to the consolidated and company financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 4 to the financial statements, we have provided no non-audit services to the company in the period under audit.

Our audit approach

Overview

Audit scope

- We performed an audit of the complete financial information of the Group's trading entity A Share & Sons Limited and the Company.
- The timing of the audits for the statutory accounts for the Group, Company and the subsidiary company took place at the same point in time and, as such, as at the date of this opinion we have audited all material balances across the Group.

Key audit matters

- Impairment of assets in relation to loss making stores (group)
- Carrying value of investment (parent)

Materiality

- Overall group materiality: £3,250,000 (2021: £2,650,000) based on 1% of revenue capped at 20% of profit before tax (2021: 1% of revenue, capped at 20% of three year average profit/(loss) before tax).
- Overall company materiality: £708,000 (2021: £705,000) based on 1% of total assets.
- Performance materiality: £2,437,500 (2021: £1,987,500) (group) and £531,000 (2021: £529,000) (company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditors' report to the members of ScS Group plc continued

Key audit matters continued

This is not a complete list of all risks identified by our audit.

Carrying value of investment is a new key audit matter this year. Impact of COVID-19, which was a key audit matter last year, is no longer included because COVID-19 has not had a significant impact on the Group in the current year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Impairment of assets in relation to loss making stores (group)	
Refer to pages 81 (Audit Committee Report) and 118 (Critical accounting estimates and assumptions – Impairment of property, plant and equipment and right of use assets). ScS Group plc has 98 stores at year end (100 stores at the prior year end). The directors are required to consider if there has been any indicators of impairment on a store by store basis. Where there is an indicator of impairment in a store's value management test the carrying value of assets by reference to the future discounted cash flows that the store is expected to generate. There are a number of judgements involved in the impairment of asset calculation, including forecasting of future results, length of leases, allocation of costs and use of an appropriate discount rate. As such, the judgements involved in the impairment of asset calculation were an area of focus for our audit.	We obtained the impairment workings from management and checked their arithmetical accuracy. We have agreed the inputs to the workings to board approved budgets. We agreed the allocation of fixed assets on a sample basis by vouching to invoice for any new additions and fixed asset register for owned assets. We assessed the store by store allocation of revenue and direct costs for reasonableness by comparing to previous year actual's. We agreed that central costs had been allocated on a reasonable basis to the underlying stores, and all material costs had been allocated on a reasonable basis to the underlying stores, and all material costs have been allocated. We agreed that the rental charge was correctly excluded from the stores cash flows. There were no issues noted with the underlying data used in calculating the impairment provision. Management's assessment of which stores were at risk of impairment were based on the forecasted future performance of individual stores in the group's portfolio. We agreed the FY23 forecasted results used in the asset impairment calculation were consistent with board approved budgets. We assessed the reasonableness of the assumptions used in the calculation and performed sensitivities where appropriate. This included, but was not limited to, assessment of discount rate and store growth rates with reference to the macro-economic and industry predictions. We concluded that the level of impairment of fixed assets and right of use assets in the store portfolio was materially correct. We have assessed the completeness and accuracy of the related disclosures within the financial statements. We are satisfied the assumptions made by management in determining the asset carrying value and the related disclosures in the financial statements are appropriate.

Key audit matter	How our audit addressed the key audit matter
Carrying value of investment (parent)	
Refer to pages 81 (Audit Committee Report) and 134 (Critical accounting estimates and assumptions – carrying value of investments). ScS Group plc (parent) has a £70.0m investment balance held on the Company's balance sheet and as at the date of our testing the market capitalisation of the Group was below the carrying value of the investment. Management concluded that this was an impairment trigger and therefore have prepared an assessment of the recoverable amount of the investment. There are a number of judgements involved in the recoverable amount calculation, including forecasting of future results and use of an appropriate discount rate. As such, the judgements involved in the calculation were an area of focus for our audit.	We agreed with management's assessment that there was an impairment trigger based on market capitalisation being significantly lower than the carrying value of investments. We obtained management's impairment assessment which included a value in use model based on discounted cash flows. We tested the inputs to the model by assessing forecast cash flows through comparing these to board approved budgets. We also tested the integrity of the model and its mathematical accuracy. We assessed the reasonableness of the assumptions used in the calculation and performed sensitivities where appropriate. We have assessed the completeness and accuracy of the related disclosures within the financial statements. We are satisfied the assumptions made by management in determining the asset impairment and the related disclosures in the financial statements are appropriate.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – group	Financial statements – company
Overall materiality	£3,250,000 (2021: £2,650,000).	£708,000 (2021: £705,000).
How we determined it	1% of revenue capped at 20% of profit before tax	1% of total assets
Rationale for benchmark applied	Based on our professional judgement and our knowledge of the client, materiality was based on 1% of revenue which is a standard materiality benchmark particularly in low margin businesses such as ScS Group Plc. However it is important that we are mindful of our materiality level in the context of the business's profitability. Consequently we capped the materiality level applied at 20% of the profit before tax. This is a change to the benchmark used in the prior year. Previously, we calculated materiality as 1% of revenue which was then capped to the materiality level applied at 20% of the three year average profit/(loss) before tax. We used an average in previous years due to the volatility of results caused by COVID-19 which no longer applies in the current year.	Based on our professional judgement and our knowledge of the client our materiality was based on 1.0% (2021: 1.0%) of total assets. We used this as the benchmark for our materiality calculations due to the entity being a holding company with limited activity and our judgement around what would affect the decisions of the members.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was £2,900,000 to £708,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 75%) of overall materiality, amounting to £2,437,500 (2021: £1,987,500) for the group financial statements and £531,000 (2021: £529,000) for the company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £162,500 (group audit) (2021: £132,500) and £35,000 (company audit) (2021: £35,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining management forecasts for the period to July 2024 and evaluating management's downside scenario, being a severe but plausible scenario, and challenging their appropriateness and underlying assumptions.
- Testing the mathematical accuracy of the models.
- Evaluating the level of forecast liquidity and forecast compliance with the bank facility covenants.
- Reviewing the disclosures relating to going concern in the Annual Report.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Independent auditors' report to the members of ScS Group plc continued

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information, which includes reporting based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the period ended 30 July 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Directors' Remuneration

In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the group's and company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the group and company and their environment obtained in the course of the audit.

Corporate governance statement continued

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006, the Listing Rules and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to overstate revenue or the company's EBITDA and management bias through judgements and assumptions in significant accounting estimates. Audit procedures performed by the engagement team included:

- Discussion with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Review of board minutes;
- Review of legal expenditure in the year to identify potential non-compliance with laws and regulation;
- Evaluation of management's controls designed to prevent and detect irregularities;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations which enhance EBITDA; and
- Challenging assumptions and judgements made by management in their accounting estimates, in particular stock provisions and impairment of assets.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

Independent auditors' report to the members of ScS Group plc continued

Auditors' responsibilities for the audit of the financial statements continued
A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report
This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Other required reporting

Companies Act 2006 exception reporting
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment
Following the recommendation of the Audit Committee, we were appointed by the directors on 3 November 2009 to audit the financial statements for the year ended 31 July 2009 and subsequent financial periods. The period of total uninterrupted engagement is 14 years, covering the years ended 31 July 2009 to 30 July 2022. The audit went out to competitive tender for the year end 27 July 2019 and we were reappointed as auditors on 21 November 2018.

Other matter
In due course, as required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements will form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report will be prepared using the single electronic format specified in the ESEF RTS.

Andy Ward (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
10 October 2022

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

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

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

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

Consolidated statement of financial position
As at 30 July 2022

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

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

The financial statements on pages 109 to 130 were approved by the Board and authorised for issue on 10 October 2022 and signed on its behalf by:

Steve Carson
Chief Executive Officer
ScS Group plc: Registered number 03263435

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

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

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

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

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

Notes to the consolidated financial statements

1. General information

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

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

2. Accounting policies

Basis of preparation

The financial statements are prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. The Group's financial statements are presented in sterling and all values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated. They are prepared on the historical cost basis, except for share-based payments that have been measured at fair value. The financial statements for the year have been prepared for the 52 weeks ended 30 July 2022 (2021: 53 weeks ended 30 July 2021). The accounting policies which follow have been applied in preparing the financial statements for the year ended 31 July 2021. These policies have been consistently applied to all of the years presented, unless otherwise stated.

Change in accounting policy

Gross sales and revenue

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

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

Consolidated statement of cash flows

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

Going concern

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

Liquidity

The most significant factor in considering whether current resources are adequate is to consider the Group's liquidity. At 30 July 2022, the Group's cash balance totalled £70.8m and £18.4m was owed as trade payables for goods delivered. The Group has no drawn down debt, and further liquidity is available through the £12.0m revolving credit facility (RCF) granted on 6 October 2022. This facility is committed for a term of 36 months and would be renegotiated well in advance of this maturity date. The RCF is subject to certain covenants in respect of fixed charge cover, liquidity and leverage.

Cash flows

As part of the Group's ongoing review of going concern, the Directors have reviewed the results for the 12 months to 30 July 2022 and have modelled cash flow forecasts under the following scenarios:

- A 'base case' scenario to July 2025 which reflects the challenging economic environment whilst also recognising the impact of our strategic progress on the Group's results. We assume no further lockdown periods or direct impact on our store and distribution operation.
- A minor sensitivity which sees a reduction in revenue due to a downturn in consumer confidence whilst being able to maintain our assumed gross margin as per the 'base case' scenario.
- A moderate sensitivity which sees a reduction in gross margin versus 'base case' with a compounding annual increase in fuel and utility costs representing an increasingly challenging economic environment.
- A 'severe but plausible' downside sensitivity which models much more significant reductions in sales and margin, together with the assumption that our suppliers have the credit insurance they use to support their payment terms with the Group withdrawn, seeing our suppliers request earlier payment dates to alleviate their working capital challenges.

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

2. Accounting policies continued

Going concern continued

Throughout the 'severe but plausible downside' scenario, the Group would have significant cash headroom. Including the withdrawal of supplier credit insurance, the cash low point at the end of July 2023 remains substantial at £34.5m. Forecasts show there is no requirement for any additional sources of financing throughout the extended viability period.

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

New standards, amendments and interpretations

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

Basis of consolidation

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

The financial year represents the 52 weeks ended 30 July 2022 (prior financial year 53 weeks ended 31 July 2021).

Subsidiaries

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

Transactions eliminated on consolidation

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

Exceptional items

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

Gross sales and revenue

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

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

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

The Group operates a negative working capital model whereby customers pay a deposit at the point of order and, unless the order is to be financed using consumer credit, settle outstanding balances before delivery. Payment of part of the consideration is often, therefore, taken before the Group has fulfilled its performance obligation. These deposits taken from customers are referred to as contract liabilities under IFRS 15, and are presented as payments received on account within current liabilities, until the goods or services are delivered. A very small number of deposits are refunded without delivery of product, and therefore, materially, the value of customer deposits will be realised within 12 months. Where the outstanding balance is settled subsequent to the delivery of goods via consumer credit, the full financed balance is received within two working days of delivery from our third-party finance providers, who are then responsible for collecting subsequent payments from the customer. There has been no significant changes to the methodology in recognising contract liabilities in the current year.

2. Accounting policies continued

Gross sales and revenue continued

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

Segmental reporting

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

Intangible assets

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

Computer software	20-33% straight-line per annum

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

Property, plant and equipment

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

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

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

Leases

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

Lease liabilities

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

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

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

Right-of-use assets

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

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

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

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

2. Accounting policies continued

Inventories
Inventories are stated at the lower of cost and net realisable value and consist of finished goods held for resale. Where necessary, provision is made for obsolete, slow-moving and defective stocks. Cost comprises the purchase price of goods and other directly attributable costs incurred in bringing the product to its present location and condition. Net realisable value is the estimated selling price less any further costs to be incurred to disposal.

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

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. As a requirement of applying IFRS 9, the Group has applied an expected credit loss (ECL) model when calculating impairment losses on its trade and other receivables. The majority of the trade receivables are due from finance houses with which there is a very low likelihood, and no previous history, of default, and therefore, there has been no material impact of the ECL model.

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

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

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

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

Treasury shares
The Employee Benefit Trust (EBT) provides for the issue of shares to Group employees, principally under share option schemes. Shares in the Company held by the EBT are included in the balance sheet as treasury shares at cost, including any directly attributable incremental costs. Subsequent consideration received for the sale of such shares is also recognised in equity, with any difference between the sale proceeds and the original cost being taken to retained earnings. No gain or loss is recognised in the financial statements on transactions in treasury shares.

The number of such shares is also deducted from the number of shares in issue when calculating the earnings per share.

Share capital
Ordinary shares are classified as equity.

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

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

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

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

Supplier rebates
Rebates receivable from suppliers are based upon the volume of business with each supplier and are recognised in the income statement in cost of sales or credited to stock as appropriate on an earned basis, by reference to the supplier revenue.

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

2. Accounting policies continued

Taxation

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

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

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

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

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

Foreign currency

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

Share-based payments

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

Dividends

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

Provisions

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

Critical accounting judgements and estimates

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

Critical accounting estimates and assumptions

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

Stock provisions

The Group holds £19.8m of inventory at the year end, and the majority of this stock is held for display in our showrooms. Due to the nature of this stock, it will often be subject to the wear and tear associated with use in a showroom environment, and some items may have also been in our showroom for an extended period of time. As such, this stock is often unable to achieve the same margin as the 'special order' stock purchased and delivered directly to our customers, and may occasionally be sold at a level lower than cost following a business decision to refresh the range or better utilise the space. The Group's policy in relation to stock provisioning is, therefore, to provide for obsolete, slow-moving and defective stock, and therefore, ensure that stock is held at the most appropriate estimate of net realisable value.

2. Accounting policies continued

Critical accounting estimates and assumptions continued

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

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

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

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

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

3. Segment analysis

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

The Board consider that the Group operates one type of business generating gross sales and revenue from the retail of furniture and flooring. All gross sales and revenue profit before taxation, assets and liabilities are attributable to the principal activity of the Group and other related services. All gross sales and revenues are generated in the United Kingdom.

An analysis of gross sales and revenue is as follows:

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

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

4. Operating profit

Operating profit is stated after charging/(crediting):

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

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

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

5. Operating exceptional items included within administrative expenses

In order to provide a clearer understanding of underlying profitability, underlying operating profit excludes exceptional items, which relate to costs that, either by their size or nature, require separate disclosure in order to give a fuller understanding of the Group's financial performance. Exceptional items, booked to operating costs, comprised the following:

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

Impairment reversal

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

Impairment reversal

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

6. Employees and Directors

6.1 Staff costs

The aggregate remuneration of all employees including Directors comprises:

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

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

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

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

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

6. Employees and Directors continued

6.2 Key management compensation

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

The key management compensation is as follows:

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

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

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

7. Finance costs

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

8. Finance income

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

9. Income tax charge

(a) Analysis of tax charge in the year

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

(b) Factors affecting tax charge for the year

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

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

(c) Factors that may affect future tax charges

The Finance Act 2021 maintained the main rate of UK corporation tax at 19% until 31 March 2023, before increasing it to 25% from 1 April 2023. These changes were substantively enacted at the balance sheet date, 30 July 2022, and hence have been reflected in the measurement of deferred tax balances, resulting in deferred tax being calculated using an effective rate of 25% as at 30 July 2022.

9. Income tax charge continued

(c) Factors that may affect future tax charges continued

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

10. Earnings per share

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

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

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

11. Intangible assets

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

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

Amortisation is charged through the administration expenses line.

12. Property, plant and equipment

	Freehold land and buildings £'000	Leasehold improvements £'000	Computer equipment £'000	Fixtures and fittings £'000	Total £'000
Cost					
At 1 August 2021	159	55,172	5,003	34,675	95,009
Additions	–	1,323	395	2,139	3,857
Disposals	–	(1,902)	(1,747)	(1,998)	(5,647)
At 30 July 2022	**159**	**54,593**	**3,651**	**34,816**	**93,219**
Accumulated depreciation and impairment					
At 1 August 2021	100	43,546	4,295	28,687	76,628
Charge for the year	3	2,217	521	1,421	4,162
Depreciation on disposals	–	(1,902)	(1,747)	(1,998)	(5,647)
At 30 July 2022	**103**	**43,861**	**3,069**	**28,110**	**75,143**
Net book amount					
At 30 July 2022	**56**	**10,732**	**582**	**6,706**	**18,076**
At 31 July 2021	59	11,626	708	5,988	18,381

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

12. Property, plant and equipment continued

The net book value of leasehold improvements is as follows:

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

Impairment of property, plant and equipment

In the prior year the impairment review which compared the value in use of each CGU based on the Group's budget and forecast cash flows to the carrying values as at 31 July 2021 resulted in a reversal of £1,310,000 against property, plant and equipment and was recognised as an exceptional item (see note 5).

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

13. Leases

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

Consolidated statement of financial position

The consolidated statement of financial position as at 30 July 2022 shows the following amounts relating to leases.

Right-of-use assets

	Leasehold property £'000	Motor vehicles £'000	Total £'000
Cost			
At 1 August 2021	138,802	6,602	145,404
Additions[1]	15,179	710	15,889
Disposals	(1,514)	(529)	(2,043)
At 30 July 2022	**152,467**	**6,783**	**159,250**
Accumulated depreciation			
At 1 August 2021	39,766	3,008	42,774
Charge for the year	19,677	1,846	21,523
Depreciation on disposals	(1,514)	(529)	(2,043)
At 30 July 2022	**57,929**	**4,325**	**62,254**
Net book amount			
At 30 July 2022	**94,538**	**2,458**	**96,996**
At 31 July 2021	99,036	3,594	102,630
Cost			
At 26 July 2020	137,675	5,808	143,483
Additions[1]	1,127	1,221	2,348
Disposals	–	(427)	(427)
At 31 July 2021	**138,802**	**6,602**	**145,404**
Accumulated depreciation			
At 26 July 2020	23,478	1,506	24,984
Charge for the year	19,220	1,929	21,149
Depreciation on disposals	–	(427)	(427)
Impairment reversal (note 5)	(2,932)	–	(2,932)
At 31 July 2021	**39,766**	**3,008**	**42,774**
Net book amount			
At 31 July 2021	**99,036**	**3,594**	**102,630**
At 25 July 2020	114,197	4,302	118,499

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

13. Leases continued

Impairment of right-of-use assets

In the prior year the impairment review which compared the value in use of each CGU based on the Group's latest budget and forecast cash flows to the carrying values as at 31 July 2021 resulted in a reversal of £2,932,000 against right-of-use assets and was recognised as an exceptional item (see note 5).

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

Lease liabilities

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

	As at 30 July 2022 £'000	As at 31 July 2021 £'000
Current	**19,721**	22,693
Non-current	**87,012**	93,368
	106,733	116,061

Maturity analysis – contractual undiscounted lease payments:

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

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

Consolidated statement of comprehensive income

The Group has recognised depreciation and interest costs in respect of leases, rather than rental charges of £24,403,000 (2021: £25,609,000). During the year, the Group recognised £21,523,000 (2021: £21,149,000) of depreciation charges and £3,438,000 (2021: £3,741,000) of interest costs in respect of these leases. Leases of low value assets and short-term leases of 12 months or less are expensed to the Group income statement.

14. Inventories

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

The cost of inventories before cash discounts and volume rebates, as an expense and included in cost of sales relating to continued operations amounted to £180,827,000 (2021: £164,795,000).

Inventories include a provision of £2,945,000 (2021: £3,213,000). Write-downs of inventories to net realisable value amounted to £931,000 (2021: £874,000). These were recognised as an expense during the period and were included in cost of sales in the consolidated statement of comprehensive income.

15. Trade and other receivables

	As at 30 July 2022 £'000	As at 31 July 2021 £'000
Trade receivables	**314**	808
Other receivables	**3,092**	1,859
Prepayments	**2,605**	2,280
	6,011	4,947

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

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

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

The bad debt provision is not considered material for disclosure.

16. Trade and other payables – current

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

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

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

17. Deferred tax asset

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

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

Deferred taxation has been fully recognised in respect of:

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

The deferred tax assets include an amount of £1,464,000 which relates to carried-forward tax losses. The Group has concluded that the deferred assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets. The Group expects to continue generating taxable income. The losses can be carried forward indefinitely and have no expiry date. There is £99,000 of historic unused losses in the Group's none trading subsidiaries which have not been recognised due to uncertainty that there will be eligible taxable income to offset the losses against. Deferred tax assets are expected to be utilised in more than 12 months from 30 July 2022.

18. Provisions

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

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

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

19. Share capital and share premium

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

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

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

20. Dividends

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

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

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

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

21. Share-based payments

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

Post-admission incentive arrangements

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

(i) Market value options under an HMRC approved Company Share Option Plan (CSOP) conditional on the IPO taking place (approved on 21 January 2015).

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

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

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

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

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

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

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

21. Share-based payments continued

Fair value of awards

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

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

	LTIP (CSOP market value options)		2020, 2021 and 2022 LTIP (Directors' awards)		LTIP (all awards)	
	Share awards	Average exercise price	Share awards	Average exercise price	Share awards	Average exercise price
Outstanding as at 26 July 2020	47,513	£1.75	1,551,302	£0.000001	1,598,815	£0.05
Granted	–	–	627,163	£0.000001	627,163	£0.000001
Lapsed	–	–	(452,004)	£0.000001	(452,004)	£0.000001
Forfeited	–	–	(319,047)	£0.000001	(319,047)	£0.000001
Exercised	(19,861)	£1.75	–	£0.000001	(19,861)	£1.75
Outstanding as at 31 July 2021	**27,652**	**£1.75**	**1,407,414**	**£0.000001**	**1,435,066**	**£0.033**
Granted	–	–	584,670	£0.000001	584,670	£0.000001
Lapsed	–	–	(59,998)	£0.000001	(59,998)	£0.000001
Forfeited	–	–	(81,342)	£0.000001	(81,342)	£0.000001
Exercised	(22,772)	£1.75	(500,728)	£0.000001	(523,500)	£0.08
Outstanding as at 30 July 2022	**4,880**	**£1.75**	**1,350,016**	**£0.000001**	**1,354,896**	**£0.006**
Exercisable at 30 July 2022	**4,880**	**£1.75**	**–**	**–**	**4,880**	**£1.75**
Exercisable at 31 July 2021	27,652	£1.75	–	–	27,652	£1.75
Weighted average remaining contractual life (months)	–	–	16	–	16	–
Weighted average share price at exercise	–	£1.75	–	–	–	£1.75

As at 30 July 2022, 430,567 of the outstanding LTIP share options relate to the 2020 LTIP, which vested as at the year end date. Due to the Group's EPS being higher than the minimum target set, a proportion of these options will be awarded. Further information on the LTIP is available in the Directors' remuneration report on pages 86 to 87.

21. Share-based payments continued

Fair value of awards continued

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

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

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

The total charge for the year relating to employee share-based payment plans was £153,000 (2021: £1,450,000) which is in relation to equity-settled share-based payment transactions. There are no liabilities arising from share-based payment transactions.

22. Capital commitments

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

23. Pension commitments

The Group operates several defined contribution pension schemes for the benefit of its staff. The assets of the schemes are held separately from those of the Group in independently administered funds. The pension charges represent contributions payable by the Group to these funds and are shown in note 6. Amounts outstanding at the year end were £353,000 (2021: £211,000) and are held in accruals.

24. Financial instruments – risk management

Financial risk management policy

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

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

Credit risk

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

Cash and deposits are invested with Lloyds Bank plc.

Liquidity risk

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

At 30 July 2022, the Group's cash balance totalled £70.8m, and £18.4m was owed as trade payables for goods delivered. The Group has no drawn down debt, and further liquidity is available through the £12.0m RCF granted on 6 October 2022. This facility is committed for a term of 36 months and would be renegotiated well in advance of this maturity date. The RCF is subject to certain covenants in respect of fixed charge cover, liquidity, leverage and capital spending.

24. Financial instruments – risk management continued

Financial instruments by category

Financial assets and liabilities are classified in accordance with IFRS 9. No financial instruments have been reclassified or derecognised in the year. There are no financial assets which are pledged or held as collateral. The Group does not hold any financial assets or liabilities held as fair value through the income statement, defined as being in a hedging relationship or any available for sale financial assets.

The Group's main financial assets comprise cash and cash equivalents and trade receivables (note 15) arising from the Group's activities. These financial assets all meet the conditions to be recognised at amortised cost under IFRS 9.

Other than trade and other payables (note 16) and lease liabilities (note 13), the Group had no financial liabilities within the scope of IFRS 9 as at 30 July 2022 (2021: £nil). Balances within trade and other payables will mature within one year and lease liabilities are measured at amortised cost.

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

Capital management

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

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

25. Related parties

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

26. Contingent liabilities

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

27. Treasury reserve

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

During the year, the Group's Employee Benefit Trust purchased a further 624,453 ordinary shares of 0.1 pence each in the Group at an average price of 236.4 pence per ordinary share, and 554,204 ordinary shares were used to satisfy management incentive awards.

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

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

28. Net debt

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

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

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

29. Prior year restatement

Accounting for the sale of warranty products

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

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

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

Classification of interest paid

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

Company statement of financial position
As at 30 July 2022

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

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

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

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

Steve Carson
Chief Executive Officer

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

	Called-up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Treasury reserve £'000	Retained earnings £'000	Total equity £'000
At 26 July 2020	**38**	**16**	**15**	**(182)**	**57,726**	**57,613**
Profit and total comprehensive income	–	–	–	–	176	176
Purchase of treasury shares (note 12)	–	–	–	(410)	–	(410)
Sale of treasury shares (note 12)	–	–	–	43	(8)	35
Dividend paid (note 10)	–	–	–	–	(1,133)	(1,133)
At 31 July 2021	**38**	**16**	**15**	**(549)**	**56,761**	**56,281**
At 1 August 2021	**38**	**16**	**15**	**(549)**	**56,761**	**56,281**
Profit and total comprehensive income	–	–	–	–	3,451	3,451
Repurchase of own shares (note 9)	–	–	–	–	(2,201)	(2,201)
Cancellation of repurchased shares (note 9)	(1)	–	1	–	–	–
Purchase of treasury shares (note 12)	–	–	–	(1,476)	–	(1,476)
Issue of treasury shares to employees (note 12)	–	–	–	1,344	(1,304)	40
Dividend paid (note 10)	–	–	–	–	(4,443)	(4,443)
At 30 July 2022	**37**	**16**	**16**	**(681)**	**52,264**	**51,652**

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

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

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

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

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

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

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

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

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

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

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

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

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

New standards, amendments and interpretations
For the latest amendments and interpretations, please refer to page 114 in the Group financial statements.

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

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

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

2. Accounting policies continued

Treasury shares

The Employee Benefit Trust (EBT) provides for the issue of shares to Group employees, principally under share option schemes. Shares in the Company held by the EBT are included in the balance sheet as treasury shares at cost, including any directly attributable incremental costs. Subsequent consideration received for the sale of such shares is also recognised in equity, with any difference between the sale proceeds and the original cost being taken to retained earnings. No gain or loss is recognised in the financial statements on transactions in treasury shares.

Taxation

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

Related parties

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

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

3. Income statement exemption

The Company has elected to take the exemption under section 408 of the Companies Act 2006 from presenting the Income Statement or a Statement of Comprehensive Income for the Company. Total comprehensive income for the Company for the year was £3,451,000 (2021: £176,000).

4. Directors' emoluments

No Executive Directors received any remuneration for their services to the Company (2021: £nil). All Executive Directors' remuneration was borne by another Group company, A. Share & Sons Limited. These costs have been consolidated into the Group's financial statements and are disclosed, along with the Non-Executive Directors' fees, within the Directors' remuneration report on pages 84 to 97.

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

5. Investments

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

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

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

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

All shares carry equal voting rights and are deemed to be controlled by ScS Group plc.

The Directors believe that the carrying value of the investments is supported by management's value in use model (see note 2).

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

6. Trade and other receivables

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

7. Deferred tax asset

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

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

Deferred taxation has been fully recognised in respect of:

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

8. Trade and other payables

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

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

9. Share capital and share premium

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

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

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

10. Dividends

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

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

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

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

11. Financial instruments

The Company has financial instruments, being trade receivables and trade payables that arise directly from its operations. The financial instruments – risk management policy has been included in note 24 of the Group financial statements.

12. Treasury share reserve

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

Company information

Registered office

ScS Group plc
45-49 Villiers Street
Sunderland
SR1 1HA
Tyne and Wear

Tel: 0191 731 3000
www.scsplc.co.uk

Company number

Registered in England: 03263435

Listing

Ordinary shares of ScS Group plc are listed with a premium listing on the London Stock Exchange.

Share registrar

Equiniti
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

Tel: 0371 384 2468
www.equiniti.com

Independent auditor

PricewaterhouseCoopers LLP
5th & 6th Floor
Central Square South
Orchard Street
Newcastle Upon Tyne
NE1 3AZ

Tel: 0191 232 8493
www.pwc.co.uk

Brokers

Shore Capital Group Ltd
Cassini House
57 St James's Street
London
SW1A 1LD

Tel: 020 7408 4050
www.shorecap.co.uk

Principal bankers

Lloyds Banking Group PLC
10 Gresham Street
London
EC2V 7AE

Tel: 020 7616 1500
www.lloydsbankinggroup.com

Financial PR

Buchanan
107 Cheapside
London
EC2V 6DN

Tel: 020 7466 5000
scs@buchanan.uk.com

Notes

MIX
Paper from responsible sources
FSC® C020659
FSC
www.fsc.org

Planting trees to catch carbon
21089900755
Printed on Carbon Captured paper

Printed on paper made of material from well-managed, FSC®-certified forests and other controlled sources.

This publication was printed by an FSC®-recognised printer that holds an ISO 14001 certification and has been manufactured using 100% renewable energy.

100% of the inks used are HP Indigo ElectroInk which complies with RoHS legislation and meets the chemical requirements of the Nordic Ecolabel (Nordic Swan) for printing companies, 95% of press chemicals are recycled for further use and, on average 99% of any waste associated with this production will be recycled and the remaining 1% used to generate energy.

In partnership with the paper supplier, the carbon emissions are calculated & captured by the planting of trees in new native woodland here in the UK, through the Woodland Trust's Government backed Woodland Carbon Scheme.

The outer cover of this report has been laminated with a biodegradable film. Around 20 months after composting, an additive within the film will initiate the process of oxidation.

Designed and produced by **emperor**
Visit us at **emperor.works**