For Immediate Release **21 March 2017**

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

Interim Results for the 26 weeks ended 28 January 2017

ScS, one of the UK's largest retailers of upholstered furniture and floorings, is pleased to announce its Interim Results for the 26 weeks ended 28 January 2017.

Financial Highlights:

- Gross sales up 14.1% to £165.9m (2016: £145.4m)
- Revenue up 14.6% to £157.9m (2016: £137.7m)
- Like-for-like order intake up 2.7%
- Two year like-for-like order intake up 12.5%
- Gross profit increased 12.4% to £72.9m (2016: £64.8m)
- EBITDA improved by £1.1m to £0.1m (2016: negative £1.0m)
- Operating loss of £2.6m (2016 loss: £3.4m)
- Loss per share 5.6p (2016 loss: 7.1p)
- Strong cash inflow from operating activities of £22.5m (2016: £17.3m)
- Strong balance sheet with cash of £36.8m (2016: £32.2m)
- Interim dividend of 4.90p per share (2016: 4.67p per share)

Operational Highlights:

- Four new stores opened in Aberdeen (September 2016), Thanet, Straiton (Edinburgh) and Plymouth (all Boxing Day 2016). The Group now trades from 100 ScS stores and operates 28 House of Fraser concessions
- House of Fraser concession gross sales up 22.9% to £12.8m (2016: £10.4m) as we continue to build consumer awareness
- Further development of the ScS e-commerce platform with online gross sales up 25.0% to £5.4m (2016: £4.3m)
- "Excellent" rating continued on Trustpilot

David Knight, Chief Executive Officer of ScS commented:

"For the 33 weeks ended 18 March 2017, like-for-like order intake growth was 0.9%. This is a pleasing performance against very strong prior year comparatives, and represents a two year like-for-like order intake growth of 12.5%.

Trading in February was challenging, largely driven by reduced footfall. However, we have seen an improvement since the start of March.

We remain mindful that the Group still faces the key Easter and May bank holiday trading periods and faces very strong comparatives during the remainder of the year. The Board believes the business remains in a strong position to maximise opportunities as they arise and to grow market share.

Given the year to date performance of the business, the Board currently expects results for the financial year to be in line with expectations."

Enquiries:

ScS Group PLC	**c/o Buchanan +44 (0)20 7466 5000**
David Knight, Chief Executive Officer	
Chris Muir, Chief Financial Officer	
Buchanan	**Tel: +44 (0)20 7466 5000**
Richard Oldworth	**scs@buchanan.uk.com**
Jane Glover	
Madeleine Seacombe	

Investor and Analyst Meeting

A meeting for analysts will be held at the office of Buchanan, 107 Cheapside, London, EC2V 6DN on 21 March 2017 commencing at 9.30am. ScS Group plc's Interim Results 2017 are available at www.scsplc.co.uk

An audio webcast will be available on:

http://vm.buchanan.uk.com/2017/scs210317/registration.htm

Notes to Editors

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

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

In 2014 ScS began to operate the furniture and carpet concession ranges for House of Fraser. ScS currently operates in 28 House of Fraser stores across the UK.

BUSINESS REVIEW

Following the very strong performance in the year ended 30 July 2016, momentum continued in the first half of the current year with further good progress being made in the period.

Performance

The first half of the financial year saw the Group trade in line with the Board's expectations and continue to make progress with its strategy for growth. The Group achieved like-for-like order intake growth of 2.7% for the first half of the financial year, a pleasing performance against particularly strong comparatives. Two year like-for-like order intake grew 12.5%. Trading over the key Christmas and January sales period was also in line with the Board's expectations.

Our four new stores in Aberdeen, Thanet, Straiton (Edinburgh) and Plymouth have seen strong trading since opening. Following these openings, the Group now trades from 100 ScS stores and operates 28 House of Fraser concessions.

In the first half of the financial year, the business has seen growth in revenue and gross profit, as well as a reduction in operating costs as a percentage of revenue. Total gross sales increased from £145.4m to £165.9m, an increase of £20.5m or 14.1%, and gross profit increased from £64.8m to £72.9m, an increase of £8.1m or 12.4%.

Total administrative expenses increased from £61.0m to £67.2m an increase of 10.2%. This includes an increase in marketing expenditure of £3.7m, which is typically larger in the first half of the financial year due to seasonal holidays, with revenue from orders booked during the Boxing Day and Winter Sale period recognised in the second half of the financial year.

Financial and strategic objectives

The Company continues to pursue the following objectives:

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

These objectives are underpinned by the pursuit of our strategy for growth, which includes four key areas:

Area 1 - Increase sales densities

Sales density per square foot at our ScS stores for the last twelve months has increased to £232. This represents an increase of £31 or 15.4% on that achieved in the 12 months ended 23 January 2016. This increase was achieved by the continued focus on the following:

- The ongoing targeting and maximisation of a branded range of products, including both third party brands and ScS private label brands have led to an increase in the proportion of branded product sales in the period;
- The continued development of our flooring offering, which saw a gross sales increase of £2.6m (14.9%) in the period;
- Maximising average order prices, which have increased in our flooring business, with the Group targeting improving returns as we become more established in the flooring market. Furniture average order price reduced marginally due to product mix;
- Ongoing investment in our online capability and offer;
- Increasing footfall quality (both physically and digitally via our websites) by raising brand awareness;
- Improving sales conversion at our stores; and
- Improving the customer journey, experience and confidence, evidenced by an improved Trustpilot satisfaction score. The Group has over 51,000 reviews and is proud to have maintained its maximum 5-star rating.

Marketing spend increased to £16.6m in the first half of the financial year (2016: £12.9m) as the Group invested in brand awareness, targeting increased footfall and website hits. Increases were also noted in sales conversion, being the proportion of customers who purchased a product after entering a store.

Area 2 - Maximise the opportunity with House of Fraser customers

Continued analysis demonstrates that certain customers prefer to shop in department stores and town centres and have a different expectation of the product being offered. The Group targets this market by operating as a concession within 28 House of Fraser stores. Whilst still a relatively new part of the Group, with the full roll out being completed by July 2014, the Group has been encouraged by trading performance to date.

The arrangement has delivered a gross sales increase of £2.4m (22.9%) in the first half of the financial year to £12.8m (2016: £10.4m). The relationship continues to develop, with both ScS and House of Fraser management teams recognising the potential that exists.

Area 3 - Optimise online presence

Given the big-ticket and bespoke nature of the items we sell, we have found that a high proportion of our customers will visit our stores before they make their final purchase decision. It is clear from research that having a high quality, responsive web platform is critical as customers are increasingly researching online prior to making a purchase and our websites are an integral tool to support our customers.

Accordingly, the Group has continued to improve its online offering and significantly increased website marketing spend. This has driven improvements in our website visitor count and conversion.

Online gross sales increased 25.0% to £5.4m (2016: £4.3m).

Area 4 - Achieve strong financial returns from new store openings

During the first half of the financial year, the Group opened four new stores in Aberdeen (September 2016) and Thanet, Straiton (Edinburgh) and Plymouth (all on Boxing Day 2016). As expected, due to initial setup costs and the timing of the new store openings, this has had a negative impact on EBITDA in the period of £0.5m. All four stores continue to trade in line with expectations and are therefore expected to make a positive contribution to EBITDA by the end of the current financial year.

We now operate from 100 stores across the UK, almost all of which are in modern out of town retail parks, often alongside competing furniture and floorcoverings retailers.

Current Trading and Outlook

For the 33 weeks ended 18 March 2017, like-for-like order intake growth was 0.9%. This is a pleasing performance against very strong prior year comparatives, and represents a two year like-for-like order intake growth of 12.5%.

Trading in February was challenging, largely driven by reduced footfall. However, we have seen an improvement since the start of March.

We remain mindful that the Group still faces the key Easter and May bank holiday trading periods and faces very strong comparatives during the remainder of the year. The Board believes the business remains in a strong position to maximise opportunities as they arise and to grow market share.

Given the year to date performance of the business, the Board currently expects results for the financial year to be in line with expectations.

FINANCIAL REVIEW

	26 weeks ended 28 January 2017 £m	26 weeks ended 23 January 2016 £m	53 weeks ended 30 July 2016 £m
Gross sales	165.9	145.4	334.7
Revenue	157.9	137.7	317.3
Gross profit	72.9	64.8	149.1
Distribution costs	(8.3)	(7.3)	(15.5)
Administration expenses	(67.2)	(60.9)	(122.6)
Total operating expenses	(75.5)	(68.2)	(138.1)
Operating (loss)/profit	(2.6)	(3.4)	11.0
Net finance costs	-	-	(0.1)
(Loss)/profit before tax	(2.6)	(3.4)	10.9
Tax	0.4	0.6	(2.2)
(Loss)/profit after tax	(2.2)	(2.8)	8.7
EBITDA	0.1	(1.0)	16.0

Gross sales and revenue

Gross sales increased by £20.5m (14.1%) to £165.9m (2016: £145.4m) and is attributable to:

- An increase in upholstered furniture sales in ScS stores of 12.8% to £127.6m;
- An increase in flooring sales in ScS stores of 14.9% to £20.1m;
- An increase in online sales of 25.0% to £5.4m; and
- An increase in sales from the House of Fraser concession of 22.9% to £12.8m.

Gross sales in the first half of the financial year benefited from four main factors:

- The increased order intake seen at the end of the previous financial year (which was delivered in this period);
- The increased sales order intake seen in the first half of the current year;
- A timing benefit created by the 53-week period in the year ended 30 July 2016, with the current period including a higher delivery week at the end of January 2017 as opposed to a lower delivery week at the end of July 2016. The impact of this was £5.5m and will reverse in the second half of the financial year, and
- Four new stores, with gross sales of £1.1m.

Revenue, which represents gross sales less charges relating to interest free credit sales (see note 5 – Segmental Information), increased by 14.6% to £157.9m (2016: £137.7m).

Gross profit

Gross margin (as a percentage of gross sales) in the first half of the financial year was 43.9% (2016: 44.6%). The margin decreased by 70 bps when compared to the first half of the prior year due to a change in the mix of product sold. Encouragingly, the Group has seen an improving gross margin in the second half of the period. Quality of earnings remains a key area of focus.

The increased revenue resulted in an increase in gross profit of £8.1m or 12.4%.

Operating profit

Operating loss for the first half of the financial year reduced to £2.6m (2016: £3.4m).

Distribution costs

Distribution costs comprise the total cost of the in-house distribution function and includes employment costs, the cost of leasing vehicles and related running costs and property costs (principally rent, rates and utilities) for the ten distribution centres, as well as costs of third party delivery services contracted to support peak delivery periods. Distribution costs expressed as a percentage of revenue for the period were 5.3%, in line with the prior period.

Administrative expenses

Administrative expenses comprise:

- Store operating costs, principally employment costs and property related costs (rent and rates, utilities, store repairs and depreciation of capital investment) and costs associated with the concession agreement with House of Fraser;
- Marketing expenditure, and
- General administrative expenditure which includes the employment costs for the directors, senior management and all head office based functions (customer call centre, finance, human resources, IT, merchandising, online sales support, flooring administration, administrative support for House of Fraser concession), company pension contributions, legal and professional costs, insurance, company car costs, IT systems support and telecommunications.

Administration costs for the period totalled £67.2m, compared to £61.0m in the prior period. Administrative costs as a percentage of revenue were 42.6%, compared to 44.3% in the prior period.

The period saw an increase in administrative costs of £6.2m, with the majority of the increase being driven by the following:

- £3.7m increase in marketing investment to £16.6m (including £0.2m in relation to new store openings), and
- £1.4m increase in payroll costs, reflecting a cost of living pay increase, additional new stores and increased commissions following the strong sales performance.

The total increase in administrative costs driven by the four new stores openings was £1.0m.

EBITDA

An analysis of EBITDA is as follows:

	26 weeks ended 28 January 2017	26 weeks ended 23 January 2016	53 weeks ended 30 July 2016
	£m	£m	£m
Operating (loss)/profit	(2.6)	(3.4)	11.0
Depreciation	2.3	2.2	4.5
Amortisation	0.4	0.2	0.5
EBITDA	0.1	(1.0)	16.0

EBITDA has historically been negative in the first half of the financial year, reflecting the seasonal nature of our business. Higher revenue and lower media costs result in higher profits occurring in the second half. The year on year movement reflects the strong growth in sales and gross profit whilst retaining good control over costs.

The new store openings in the current period reduced EBITDA by £0.5m.

Taxation

The tax credit for the first half of the financial year is lower than if the standard rate of corporation tax had been applied, mainly due to charges not deductible for tax purposes, principally depreciation on capital expenditure that does not qualify for capital allowances.

Cash and cash equivalents

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

- For cash/card sales, customers pay deposits at the point of order and settle outstanding balances before delivery;
- For consumer credit sales, the loan provider pays ScS approximately 7 days after delivery, and
- The majority of product suppliers are paid at the end of the month following the month of delivery into the distribution centres.

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

	26 weeks ended 28 January 2017	26 weeks ended 23 January 2016	53 weeks ended 30 July 2016
	£m	£m	£m
Cash generated from operations	22.3	18.0	13.2
Net capital expenditure	(4.1)	(1.7)	(3.4)
Net taxation and interest payments	0.2	(0.7)	(2.2)
Free cash flow	18.4	15.6	7.6
Dividends	(3.9)	(4.4)	(6.3)
Net cash generated	14.5	11.2	1.3

Net capital expenditure in the first half of the financial year includes £3.0m on four new stores (2016: £0.7m on one new store).

Dividend

The Group remains in a strong financial position, with good cash generation and a balance sheet that is growing in resilience. This, coupled with the Board's continued confidence in the outlook for the Group, means we are announcing an interim dividend of 4.90p per ordinary share (2016: 4.67p). This reflects an anticipated one third and two thirds split between the interim and final dividend respectively. This dividend will be payable on 11 May 2017 to shareholders on the register on 21 April 2017. The ex-dividend date is 20 April 2017.

Principal risks and uncertainties

The principal risks and uncertainties for the remainder of the financial year are unchanged from those detailed on pages 23 to 25 of the Annual Report 2016 dated 3 October 2016, available from the ScS Group plc website: www.scsplc.co.uk.

David Knight
Chief Executive Officer
21 March 2017

STATEMENT OF DIRECTORS RESPONSIBILITIES

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

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

The directors of ScS Group plc are listed on pages 30 and 31 of the Annual Report 2016 dated 3 October 2016.

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

By order of the Board

Chris Muir
Company Secretary
21 March 2017

Independent review report to ScS Group plc

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed ScS Group plc's condensed consolidated interim financial statements (the "interim financial statements") in the interim results of ScS Group plc for the 26 week period ended 28 January 2017. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the condensed consolidated balance sheet as at 28 January 2017;
- the condensed consolidated statement of comprehensive income for the period then ended;
- the condensed consolidated cash flow statement for the period then ended;
- the condensed consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

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

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

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

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

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

What a review of interim financial statements involves

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

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

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

PricewaterhouseCoopers LLP
Chartered Accountants
Newcastle upon Tyne
21 March 2017

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

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

ScS Group plc

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Unaudited 26 weeks ended 28 January 2017	Unaudited 26 weeks ended 23 January 2016	Audited 53 weeks ended 30 July 2016
		£'000	£'000	£'000
Gross Sales	5	165,921	145,354	334,660
Revenue	5	157,872	137,743	317,305
Cost of sales		(84,976)	(72,912)	(168,177)
Gross profit		**72,896**	**64,831**	**149,128**
Distribution costs		(8,318)	(7,268)	(15,491)
Administrative expenses		(67,227)	(60,978)	(122,622)
Operating (loss)/profit		**(2,649)**	**(3,415)**	**11,015**
Finance costs		(48)	(72)	(217)
Finance income		24	37	86
Net finance costs		**(24)**	**(35)**	**(131)**
(Loss)/profit before taxation		**(2,673)**	**(3,450)**	**10,884**
Taxation	9	445	617	(2,155)
(Loss)/profit for the year		**(2,228)**	**(2,833)**	**8,729**
Attributable to:				
Owners of the parent		(2,228)	(2,833)	8,729
(Loss)/profit attributable and total comprehensive income for the year		**(2,228)**	**(2,833)**	**8,729**

(Loss)/earnings per share (expressed in pence per share):

	Note	Unaudited 26 weeks ended 28 January 2017	Unaudited 26 weeks ended 23 January 2016	Audited 53 weeks ended 30 July 2016
Basic (loss)/earnings per share	10	(5.6)p	(7.1)p	21.8p
Diluted (loss)/earnings per share	10	(5.6)p	(7.1)p	21.3p

There are no other sources of comprehensive income.

ScS Group plc

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent					
	Share capital	Share premium	Capital Redemption Reserve	Merger Reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 26 July 2015	**37**	**-**	**13**	**25,511**	**1,219**	**26,780**
Shares issued/proceeds	3	16	-	-	-	19
Loss for the period	-	-	-	-	(2,833)	(2,833)
Share-based payment expense	-	-	-	-	130	130
Dividend Paid	-	-	-	-	(4,481)	(4,481)
Balance at 23 January 2016	**40**	**16**	**13**	**25,511**	**(5,965)**	**19,615**
Balance at 24 January 2016	**40**	**16**	**13**	**25,511**	**(5,965)**	**19,615**
Profit for the period	-	-	-	-	11,562	11,562
Share-based payment expense	-	-	-	-	307	307
Dividend paid	-	-	-	-	(1,868)	(1,868)
Balance at 30 July 2016	**40**	**16**	**13**	**25,511**	**4,036**	**29,616**
Balance at 31 July 2016	**40**	**16**	**13**	**25,511**	**4,036**	**29,616**
Loss for the period	-	-	-	-	(2,228)	(2,228)
Share-based payment expense	-	-	-	-	155	155
Dividend paid	-	-	-	-	(3,933)	(3,933)
Balance at 28 January 2017	**40**	**16**	**13**	**25,511**	**(1,970)**	**23,610**

ScS Group plc

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited As at 28 January 2017	Unaudited As at 23 January 2016	Audited As at 30 July 2016
		£'000	£'000	£'000
Non-current assets				
Intangible assets		968	1,198	1,145
Property, plant and equipment		25,116	24,356	23,501
Total non-current assets		26,084	25,554	24,646
Current assets				
Inventories		23,791	22,423	23,188
Trade and other receivables		9,823	10,662	9,014
Cash and cash equivalents		36,834	32,244	22,379
Total current assets		70,448	65,329	54,581
Total assets		**96,532**	**90,883**	**79,227**
Capital and reserves attributable to the equity shareholders of the parent				
Share capital		40	40	40
Share premium		16	16	16
Capital redemption reserve		13	13	13
Merger reserve		25,511	25,511	25,511
Retained earnings		(1,970)	(5,965)	4,036
Equity shareholder's funds		23,610	19,615	29,616
Total equity		23,610	19,615	29,616
Non-current liabilities				
Trade and other payables		7,032	5,937	6,068
Deferred tax liability		739	167	1,101
Total non-current liabilities		7,771	6,104	7,169
Current liabilities				
Current income tax liabilities		357	-	210
Trade and other payables	11	64,794	65,164	42,232
Total current liabilities		65,151	65,164	42,442
Total liabilities		72,922	71,268	49,611
Total equity and liabilities		**96,532**	**90,883**	**79,227**

ScS Group plc

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited 26 weeks ended 28 January 2017	Unaudited 26 weeks ended 23 January 2016	Audited 53 weeks ended 30 July 2016
Cash flows from operating activities	£'000	£'000	£'000
(Loss)/profit before taxation	(2,673)	(3,450)	10,884
Adjustments for:			
Depreciation	2,338	2,185	4,478
Amortisation of intangible assets	367	245	556
Share-based payment charge	155	130	437
Finance costs	48	72	217
Finance income	(24)	(37)	(86)
	211	(855)	16,486
Changes in working capital:			
Increase in inventories	(603)	(1,719)	(2,483)
Increase in trade and other receivables	(809)	(1,545)	(127)
Increase/(decrease) in trade and other payables	23,526	22,143	(658)
Cash generated from operations	22,325	18,024	13,218
Interest paid	(48)	(72)	(217)
Tax received/(paid)	230	(651)	(2,049)
Net cash inflow from operating activities	22,507	17,301	10,952
Cash flows from investing activities			
Purchase of property, plant and equipment	(3,953)	(1,525)	(2,974)
Purchase of intangible assets	(190)	(162)	(410)
Interest received	24	37	86
Net cash outflow from investing activities	(4,119)	(1,650)	(3,298)
Cash flows from financing activities			
Dividends paid	(3,933)	(4,481)	(6,349)
Proceeds of share issue	-	19	19
Net cash outflow from financing activities	(3,933)	(4,462)	(6,330)
Net increase in cash and cash equivalents	14,455	11,189	1,324
Cash and cash equivalents at beginning of period	22,379	21,055	21,055
Cash and cash equivalents at end of period	**36,834**	**32,244**	**22,379**

Notes to the unaudited condensed consolidated financial statements

1. General information

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

The 2016 audited financial statements for the Group have been filed with Companies House.

2. Basis of preparation

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

The condensed consolidated financial statements for the 26 weeks ended 28 January 2017 should be read in conjunction with the Annual Report 2016 dated 3 October 2016 (the "Annual Report 2016").

The report of the auditors for the financial statements for the 53 weeks ended 30 July 2016, included in the Annual Report 2016, was unqualified, did not contain an emphasis of matter paragraph and did not include a statement under Section 498 of the Companies Act 2006.

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

These condensed interim financial statements were approved for issue on 21 March 2017.

3. Going concern

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

4. Accounting policies

The Group's principal accounting policies used in preparing this information are as stated in note 2 to the Consolidated Financial Statements on pages 62 to 65 of the Annual Report 2016. There has been no change to any accounting policy from the date of the Annual Report.

5. **Segmental Information**

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

The directors consider the business to be one main type of business generating revenue; the retail of upholstered furniture and flooring. All segment revenue, (loss)/profit before taxation, assets and liabilities are attributable to the principal activity of the Group and other related services. All revenues are generated in the United Kingdom. There have been no changes to the director's determination of segments since those disclosed in the Annual Report 2016.

Analysis of gross sales is as follows:

	26 weeks ended 28 January 2017	26 weeks ended 23 January 2016	53 weeks ended 30 July 2016
	£'000	£'000	£'000
Sale of goods	156,033	135,995	312,776
Associated warranties	9,888	9,359	21,884
Gross Sales	**165,921**	**145,354**	**334,660**

Charges associated with interest-free credit are deducted from gross sales in arriving at revenue. Charges for interest-free credit in the 26 weeks ended 28 January 2017 were £8.0m (26 weeks ended 23 January 2016: £7.6m; 53 weeks ended 30 July 2016: £17.4m).

6. **Estimates**

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

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

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

7. **Financial risk management**

The Groups activities expose it to a variety of financial risks which include funding and liquidity risk, credit risk, interest rate risk and other price risk. The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements and they should be read in conjunction with the Annual Report 2016. There has been no change to the risk management procedures or the accounting policies from those included in the Annual Report 2016.

8. **Seasonality of Operations**

Due to the seasonal nature of this retail segment, higher revenues and operating profits are usually expected in the second half of the year than the first half. In the 26 weeks ended 23 January 2016, 43% of revenues accumulated in the first half of the year and an operating loss (before exceptional items) of £3.4m was incurred. In the second half of 53 weeks ended 30 July 2016, 57% of total revenue was earned and an operating profit of £14.4m was generated.

9. Taxation

The tax credit for the 26 weeks ended 28 January 2017 is based on an estimated effective tax rate for the period of 16.6% (26 weeks ended 23 January 2016: tax credit 17.9%; 53 weeks ended 30 July 2016: tax charge 19.8%). The tax credit is lower than if the standard rate of corporation tax had been applied, mainly due to charges not deductible for tax purposes, principally depreciation on capital expenditure that does not qualify for capital allowances.

10. (Loss)/earnings per share

	26 weeks ended 28 January 2017	26 weeks ended 23 January 2016	53 weeks ended 30 July 2016
	£'000	£'000	£'000
(Loss)/profit attributable to owners of the Company	**(2,228)**	**(2,833)**	**8,729**
Weighted average number of shares in issue for the purposes of basic earnings per share	40,009,109	40,004,104	40,006,654
Effect of dilutive potential Ordinary shares:			
- share options	-	-	965,889
Weighted average number of Ordinary shares for the purpose of diluted earnings per share	40,009,109	40,004,104	40,972,543
Basic (loss)/earnings per share	(5.6)p	(7.1)p	21.8p
Diluted (loss)/earnings per share	(5.6)p	(7.1)p	21.3p

A total of 1,440,014 (26 weeks ended 23 January 2016: 1,016,682) potential ordinary shares have not been included within the calculation of diluted earnings per share for the 26 weeks ended 28 January 2017 as they are antidilutive.

11. Trade and other payables current

	As at 28 January 2017	As at 23 January 2016	As at 30 July 2016
	£'000	£'000	£'000
Trade payables	24,315	23,115	14,430
Payments received on account	22,785	22,685	12,825
Other tax and social security payable	7,401	6,224	4,862
Accruals	10,293	13,140	10,115
	64,794	**65,164**	**42,232**

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

12. Dividend

The Board has declared an interim dividend of 4.90p per share. It will be paid on 11 May 2017 to shareholders on the register on 21 April 2017. The interim dividend, amounting to £2.0m has not been recognised as a liability in this interim financial information. It will be recognised in shareholders' equity in the year to 29 July 2017.