



## Initial Public Offering Prospectus



This document comprises a prospectus (“**Prospectus**”) relating to ScS Group plc (“**Company**”) prepared in accordance with the Prospectus Rules of the UK Financial Conduct Authority (“**FCA**”) (“**Prospectus Rules**”) made under section 73A of the Financial Services and Markets Act 2000 as amended (“**FSMA**”). This Prospectus has been approved by the FCA in accordance with section 87A of FSMA and made available to the public as required by Rule 3.2 of the Prospectus Rules.

An application has been made to the FCA for all of the ordinary shares of 0.1 pence each in the capital of the Company (“**Ordinary Shares**”) to be admitted to the premium listing segment of the Official List maintained by the FCA (“**Official List**”) and to the London Stock Exchange plc (“**London Stock Exchange**”) for all of the Ordinary Shares to be admitted to trading on the London Stock Exchange’s main market for listed securities (together, “**Admission**”). Admission to trading on the London Stock Exchange’s main market for listed securities constitutes admission to trading on a regulated market. It is expected that Admission will become effective, and that unconditional dealings in the Ordinary Shares will commence at 8.00 a.m., on 28 January 2015. Dealings on the London Stock Exchange before Admission will only be settled if Admission takes place. **All dealings in Ordinary Shares before the commencement of unconditional dealings will be of no effect if Admission does not take place and such dealings will be at the sole risk of the parties concerned. No application has been or is currently intended to be made for the Ordinary Shares to be admitted to listing or trading on any other stock exchange.**

The directors of the Company, whose names appear on page 35 of this Prospectus, and the Company accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect the import of such information.

**Prospective investors should read the whole of this Prospectus. In particular, attention is drawn to the “Risk Factors” section of this Prospectus for a description of certain important factors, risks and uncertainties that should be considered in connection with an investment in the Ordinary Shares. Prospective investors should be aware that an investment in the Company involves a degree of risk and that, if certain of the risks described in this Prospectus occur, investors may find their investment materially adversely affected. Accordingly, an investment in the Ordinary Shares is only suitable for investors who are particularly knowledgeable in investment matters and who are able to bear the loss of the whole or part of their investment.**



## ScS Group plc

*(Incorporated under the Companies Act 1985 and registered in England and Wales with registered number 03263435)*

**Offer of 20,400,000 Ordinary Shares at an Offer Price of 175 pence per Ordinary Share  
and  
admission to the premium listing segment of the Official List  
and to trading on the main market of the London Stock Exchange**

**Investec Bank plc**  
*Bookrunner and Sponsor*

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**Issued and fully paid ordinary share capital immediately following Admission  
of 40,000,000 Ordinary Shares of 0.1 pence each**

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The Selling Shareholder is offering 20,400,000 Ordinary Shares under the Offer. The Company will not receive any of the proceeds of the Offer. The net proceeds of the Offer will be paid to the Selling Shareholder.

This Prospectus does not constitute an offer of, or the solicitation of an offer to buy or to subscribe for, Ordinary Shares to any person in any jurisdiction to whom or in which jurisdiction such offer or solicitation is unlawful and, in particular, is not for distribution in Australia, Canada, the Republic of South Africa, Japan or the United States. The Ordinary Shares have not been and will not be registered under the US Securities Act of 1933 (“**Securities Act**”) or any US State securities laws. The Ordinary Shares may not be offered, sold, pledged or otherwise transferred, directly or indirectly, within the US (as defined in Regulation S under the Securities Act (“**Regulation S**”)) unless the Offer and sale of the Ordinary Shares has been registered under the Securities Act or pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act. The Ordinary Shares are being offered and sold solely outside the US, in reliance on Regulation S.

The distribution of this Prospectus and the offer, sale and/or issue of Ordinary Shares in jurisdictions other than the United Kingdom may be restricted by law. No action has been or will be taken by the Company or the Directors to permit a public offer of Ordinary Shares or possession or distribution of this Prospectus (or any other offering or publicity material or application form relating to the Ordinary Shares) in any jurisdiction, other than in the UK. Persons into whose possession this Prospectus comes are required by the Company and the Directors to inform themselves about and to observe any such restrictions. This Prospectus does not constitute or form part of an offer to sell, or the solicitation of an offer to buy, Ordinary Shares to any person in any jurisdiction to whom or in which such offer or solicitation is unlawful.

The date of this Prospectus is 23 January 2015.

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## PART I:

### SUMMARY

Summaries are made up of disclosure requirements known as “Elements”. The Elements are numbered in Sections A – E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for these types of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of these types of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case, a short description of the Element is included in the summary with the mention of “not applicable”.

Section A – Introduction and warnings		
<b>A.1</b>	Introduction and warnings	This summary should be read as an introduction to this Prospectus only. Any decision to invest in Ordinary Shares should be based on consideration of the Prospectus as a whole. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member State, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in the Ordinary Shares.
<b>A.2</b>	Subsequent resale of securities or final placement of securities through financial intermediaries	Not applicable. No consent has been given by the Company or any person responsible for drawing up this Prospectus to the use of the Prospectus for subsequent resale or final placement of securities by financial intermediaries.

Section B – Issuer		
<b>B.1</b>	Legal and commercial name	The Company's legal and commercial name is ScS Group plc. The Group trades under the brands ScS and <i>Sofa Carpet Specialist</i> .
<b>B.2</b>	Domicile and legal form, applicable legislation and country of incorporation	The Company is a public limited company. It was incorporated on 15 October 1996 as a private company limited by shares in England and Wales and reregistered as a public limited company on 22 January 2015. The Company's registered office is situated in England. The Company operates under the Companies Act and is subject to the Takeover Code.
<b>B.3</b>	Current operations, principal activities and markets	ScS is one of the UK's largest retailers of upholstered furniture and floorings, promoting itself as the “ <i>Sofa Carpet Specialist</i> ”. The Group seeks to offer value and choice through a wide range of upholstered furniture and flooring products. The product range is designed to appeal to a broad customer base with a mid-market priced offering. ScS does not undertake any manufacturing activity itself but rather sources products from suppliers based principally in the UK. In the financial year ended 26 July 2014, the Operating Group generated adjusted EBITDA of £13.7 million (2013: £11.9 million) on revenue of £258.2 million (2013: £245.6 million).

		<p>The Group's business is split between the following key segments:</p> <ul style="list-style-type: none"> <li>● the upholstered furniture business – which represented approximately 88 per cent. of total Operating Group revenues in the financial year ended 26 July 2014 and specialises primarily in the retail of fabric and leather sofas and chairs; and</li> <li>● the flooring business – which represented approximately 12 per cent. of total Operating Group revenues in the financial year ended 26 July 2014 and focuses on the retail of carpets, as well as laminate and vinyl flooring.</li> </ul> <p>ScS currently operates from 97 stores, 94 of which are in out of town retail park locations. For each of these 94 out of town retail park locations, a mezzanine floor has been added in order to increase retail space whilst not incurring additional rent. By utilising the additional retail space provided by these mezzanine levels, a typical store has an average retail space of approximately 14,700 square feet and the ScS store estate's total aggregate retail space is approximately 1.4 million square feet. All except one of ScS's stores are leasehold and as at 26 July 2014 the average lease length remaining across the store portfolio was approximately ten years. The Group also operates an online sales offering which seeks to provide similar product value and choice to customers to that available in-store with some additional value ranges.</p> <p>The Group's recent growth strategy has been to expand the breadth and quality of its branded offering in order to attract a wider customer base and target higher transaction values. ScS's product range includes brands such as La-Z-Boy, G Plan and more recently, Parker Knoll and Duresta, with certain models being supplied to the Group on an exclusive basis. As part of the Group's growth strategy, in March 2014, an agreement was signed with House of Fraser, a premium department store chain, to operate furniture and carpet concessions in 30 of their stores in the UK under the House of Fraser "<i>For Living</i>" brand. Following a trial run in 2013, 30 concessions were rolled out between May 2014 to July 2014.</p>
<b>B.4a</b>	Recent trends	<p>ScS operates in the UK retail market for upholstered furniture and floorings. The market has contracted significantly in recent years and since 2008, there has been consolidation in the upholstered furniture and flooring retail sector as businesses in this sector have closed or merged. The industry experienced a slight recovery in 2013 linked to improvements in the UK housing market. This recovery is expected to continue with upholstered furniture sales achieving a steady growth of 3.2 per cent. CAGR from 2014 projected through to 2019 (Source: Verdict) and flooring sales achieving growth of 2.4 per cent. CAGR projected through to 2019 (Source: Verdict). Consumer confidence is also expected to continue to improve, supported by improvements in wider economic conditions as fears over unemployment subside.</p> <p>The upholstered furniture market is competitive and highly fragmented with retailers outside of the top 7 in terms of revenue (2013) accounting for 43.5 per cent. of the market by value (Source: Verdict). The flooring market is also highly fragmented with 48.6 per cent. of the market being accounted for by independent floorcoverings specialists and DIY retailers (Source: Verdict). The Group had a market share by value of approximately 7.9 per cent. of the upholstered furniture market (Source: Verdict) and a market share by value of approximately 1.9 per cent. of the flooring market, in the year ended 31 December 2013 (Source: Verdict).</p> <p>The Directors believe that ScS experiences competition principally from other national retailers such as DFS, Harveys Furniture, Furniture Village, Sofaworks, Carpetright, a large number of small local high street retailers, the home furnishing departments of large department stores and online retailers.</p> <p>Following the acquisition of the business by Sun Capital in 2008, ScS began to implement a strategy aimed at growing sales, limiting fixed costs and expanding the customer base in order to provide support for further growth and greater resilience against adverse economic conditions. This strategy has seen the Group improve sales and increase its share of the upholstered furniture</p>

		<p>market by value from approximately 6.5 per cent. in the year ended 31 December 2010 (Source: Verdict) to a market share of approximately 7.9 per cent. in the year ended 31 December 2013 (Source: Verdict) and develop a flooring business that had a market share by value of approximately 1.9 per cent. in the year ended 31 December 2013 (Source: Verdict). This strategy has focused on the:</p> <ul style="list-style-type: none"><li>● introduction of a branded range of furniture products, covering both Group owned brands sold under registered trade marks and third party brands;</li><li>● introduction of a range of complementary products;</li><li>● extension of the interest free credit offering to all products;</li><li>● development of an online capability;</li><li>● development of a flooring offering; and</li><li>● introduction of the House of Fraser concession arrangement.</li></ul>																																																																	
B.5	Description of Issuer's group	Following the Reorganisation, the Company is the holding company of the Group. The principal operating subsidiary is A. Share & Sons Limited which trades as a retailer of upholstered furniture and flooring products in the UK.																																																																	
B.6	Shareholders	<p>The interests of the Directors and the Senior Managers, and (so far as is known to the Directors and the Senior Managers having made appropriate enquiries of all such persons connected with the Directors and the Senior Managers) in the issued ordinary share capital of the Company are as follows:</p> <table><thead><tr><th></th><th colspan="2">Immediately following Admission</th><th colspan="2">Immediately following exercise of the share options subject to the Option Agreements<sup>(3)</sup></th></tr><tr><th></th><th>Number of ordinary shares <sup>(1)</sup></th><th>Percentage of issued ordinary share capital</th><th>Number of ordinary shares <sup>(2)</sup></th><th>Percentage of issued ordinary share capital if the options had been exercised immediately following Admission</th></tr></thead><tbody><tr><td colspan="5"><b>Director</b></td></tr><tr><td>David Knight</td><td>171,428</td><td>0.4%</td><td>1,441,958</td><td>3.6%</td></tr><tr><td>Ron Turnbull</td><td>114,286</td><td>0.3%</td><td>622,498</td><td>1.6%</td></tr><tr><td>Alan Smith</td><td>11,429</td><td>0.0%</td><td>11,429</td><td>0.0%</td></tr><tr><td>Ron McMillan</td><td>—</td><td>—</td><td>—</td><td>—</td></tr><tr><td>Paul Daccus</td><td>—</td><td>—</td><td>—</td><td>—</td></tr><tr><td colspan="5"><b>Senior Manager</b></td></tr><tr><td>Kevin Royal</td><td>—</td><td>—</td><td>399,309</td><td>1.0%</td></tr><tr><td>Sacha Beere</td><td>—</td><td>—</td><td>272,256</td><td>0.7%</td></tr><tr><td>Gary Kemp</td><td>257,277</td><td>0.64%</td><td>257,277</td><td>0.6%</td></tr><tr><td>Marie Liston</td><td>—</td><td>—</td><td>272,256</td><td>0.7%</td></tr></tbody></table> <p><b>Notes:</b></p> <p>(1) Pursuant to the Offer, David Knight has agreed to purchase 171,428 Ordinary Shares, Ron Turnbull has agreed to purchase 114,286 Ordinary Shares and Alan Smith has agreed to purchase 11,429 Ordinary Shares, in each case at the Offer Price.</p> <p>(2) Immediately following Admission, the Executive Directors and Senior Managers (other than Gary Kemp) will retain an interest in B ordinary shares and D ordinary shares in the capital of Parlour Product Topco Limited, the former holding company of the Operating Group. These B ordinary shares and D ordinary shares are exchangeable for Ordinary Shares in the capital of the Company pursuant to the terms of the Option Agreements entered into with each Executive Director and Senior Manager (other than Gary Kemp).</p> <p>(3) The figures in these columns do not include options granted conditionally upon Admission pursuant to the LTIP.</p> <p>Pursuant to the Offer, David Knight will purchase 171,428 Ordinary Shares, Ron Turnbull will purchase 114,286 Ordinary Shares and Alan Smith will purchase 11,429 Ordinary Shares, in each case at the Offer Price. These Ordinary Shares are shown in column 1 of the table above.</p>		Immediately following Admission		Immediately following exercise of the share options subject to the Option Agreements <sup>(3)</sup>			Number of ordinary shares <sup>(1)</sup>	Percentage of issued ordinary share capital	Number of ordinary shares <sup>(2)</sup>	Percentage of issued ordinary share capital if the options had been exercised immediately following Admission	<b>Director</b>					David Knight	171,428	0.4%	1,441,958	3.6%	Ron Turnbull	114,286	0.3%	622,498	1.6%	Alan Smith	11,429	0.0%	11,429	0.0%	Ron McMillan	—	—	—	—	Paul Daccus	—	—	—	—	<b>Senior Manager</b>					Kevin Royal	—	—	399,309	1.0%	Sacha Beere	—	—	272,256	0.7%	Gary Kemp	257,277	0.64%	257,277	0.6%	Marie Liston	—	—	272,256	0.7%
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Prior to Admission, each of the Executive Directors and Senior Managers acquired B ordinary shares, C ordinary shares and D ordinary shares in the capital of Parlour Product Topco Limited, a wholly owned subsidiary of the Company (“PPT”) (together, the “**Management PPT Shares**”) pursuant to share incentive arrangements established by PPT.

As part of the orderly winding down of these pre-Admission incentive arrangements by the Executive Directors and Senior Managers that involves the exchange of their Management PPT Shares for Ordinary Shares, Gary Kemp transferred his Management PPT Shares to the Company in exchange for Ordinary Shares in the Company and each other Executive Director and Senior Manager has entered into, as part of the Reorganisation, an Option Agreement with the Company. Pursuant to the Option Agreements, each such Executive Director and Senior Manager has an option to acquire Ordinary Shares in exchange for their Management PPT Shares, and the Company has an equivalent option for itself or a nominated person to acquire their Management PPT Shares in exchange for Ordinary Shares. The Ordinary Shares in the Company which such Executive Directors and Senior Managers can acquire on exercise of such option will be issued to the EBT at Admission and the EBT has agreed to transfer such Ordinary Shares on exercise of the option. The number of Ordinary Shares which each such Executive Director and Senior Manager will acquire pursuant to the Option Agreements are shown in columns 3 and 4 in the table above, except that the numbers shown for David Knight and Ronald Turnbull also include the Ordinary Shares which they will purchase pursuant to the Offer. The numbers for each of the Executive Directors and Senior Managers do not include options granted conditionally upon Admission pursuant to the LTIP.

At the date of this Prospectus, the Company is controlled by Parlour Product Holdings (Lux) S.à r.l. (“Selling Shareholder” and also following Admission the “Principal Shareholder (as the context dictates)”) which owns 41.6 per cent. of the Ordinary Shares. Immediately following Admission, insofar as is known to the Directors and the Company, the following persons will directly or indirectly be interested in three per cent. or more of the Company’s issued ordinary share capital or voting rights:

	<b>Number of issued Ordinary Shares immediately prior to Admission</b>	<b>Percentage of issued Ordinary Shares immediately prior to Admission</b>	<b>Number of issued Ordinary Shares immediately following Admission</b>	<b>Percentage of issued Ordinary Shares immediately following Admission</b>
Parlour Products Holdings (Lux) S.à r.l.	37,020,160 <sup>(1)</sup>	92.6%	16,620,160	41.6%
Sanne Fiduciary Services Limited (as trustee of the EBT)	–	–	2,722,563 <sup>(2)</sup>	6.8%
River & Mercantile Threadneedle	–	–	3,428,572	8.6%
Investec Asset Management	–	–	2,428,572	6.1%
Miton	–	–	1,926,664	4.8%
Henderson Global Investors	–	–	1,682,285	4.2%
Artemis	–	–	1,645,714	4.1%
Old Mutual Asset Management	–	–	1,462,857	3.7%
			1,280,000	3.2%

**Notes:**

- (1) 20,400,000 Ordinary Shares will be sold by the Principal Shareholder pursuant to the Offer.
- (2) Of these Ordinary Shares, David Knight has an interest in 1,270,530 Ordinary Shares held by the EBT, pursuant to his Option Agreement, representing approximately 3.2 per cent. of the issued Ordinary Share capital existing on Admission. When aggregated with the Ordinary Shares Mr Knight will acquire pursuant to the Offer, immediately prior to and on Admission, Mr Knight has an interest in 1,441,958 Ordinary Shares, representing approximately 3.6 per cent. of the issued Ordinary Share capital existing on Admission. David Knight has not been included in the table above to avoid double counting of the Ordinary Shares held by the EBT.

The Ordinary Shares owned by the Company’s major shareholders rank *pari passu* with the other Ordinary Shares in all respects.

	<p>Pursuant to the Reorganisation, the Company created and holds, as at the date of this Prospectus, 37,020,160 Deferred Shares of £0.00035064246 each in treasury. The Deferred Shares have no voting or dividend rights attached to them.</p> <p>The Offer will provide the Selling Shareholder with a partial realisation of its investment in the Company. Parlour Products Holdings (Lux) S.à r.l. is a company ultimately owned by Sun Capital. Pursuant to the Offer, the Selling Shareholder will, in aggregate, sell 20,400,000 Ordinary Shares (“<b>Offer Shares</b>”) representing 51.0 per cent. of the issued share capital existing on Admission. Immediately following completion of the Offer and Admission, the Selling Shareholder will retain and own, directly or indirectly, 41.6 per cent. of the issued share capital existing on Admission.</p> <p>On 23 January 2015, the Company entered into the Relationship Agreement with the Principal Shareholder and the Sun Advisor, which will come into force on Admission. The Relationship Agreement has been put in place to regulate the on-going relationship between the Company and the Principal Shareholder. The Board believes that the terms of the Relationship Agreement will permit the Company to carry on its business independently from the Principal Shareholder.</p> <p>Pursuant to the Relationship Agreement, the Principal Shareholder has the right to:</p> <ul style="list-style-type: none"><li>● (in circumstances where the Principal Shareholder (and/or any affiliate of the Principal Shareholder) holds (individually or jointly) in excess of 15 per cent. of the total voting shares in the Company), nominate for appointment one director as its representative on the Board and one observer to attend meetings of the Board; and</li><li>● (in circumstances where the Principal Shareholder (and/or any affiliate of the Principal Shareholder) holds (individually or jointly) in excess of 30 per cent. of the total voting shares in the Company), nominate that the director appointed as its representative to the Board, be appointed to act as Chairman.</li></ul> <p>At Admission, all of the Ordinary Shares will have the same voting rights.</p>																																																																								
<b>B.7</b>	<div>Selected historical key financial information</div> <div><p>The selected financial information set out below has been extracted without material adjustment from the audited accounts of the Operating Group for the financial periods ended 28 July 2012, 27 July 2013 and 26 July 2014:</p><p><b>Consolidated Statement of Comprehensive Income</b></p><p><b>For the 52 weeks ended 28 July 2012, 27 July 2013 and 26 July 2014</b></p><table><tr><th></th><th><b>2012</b> <b>£'000</b></th><th><b>2013</b> <b>£'000</b></th><th><b>2014</b> <b>£'000</b></th></tr><tr><td>Revenue</td><td>208,284</td><td>245,647</td><td>258,206</td></tr><tr><td>Cost of sales</td><td>(114,499)</td><td>(138,258)</td><td>(145,204)</td></tr><tr><td><b>Gross profit</b></td><td><b>93,785</b></td><td><b>107,389</b></td><td><b>113,002</b></td></tr><tr><td>Distribution costs</td><td>(10,774)</td><td>(12,337)</td><td>(12,303)</td></tr><tr><td>Administrative expenses</td><td>(82,032)</td><td>(88,937)</td><td>(94,091)</td></tr><tr><td><b>Group operating profit</b></td><td><b>979</b></td><td><b>6,115</b></td><td><b>6,608</b></td></tr><tr><td>Finance costs</td><td>(3,457)</td><td>(2,730)</td><td>(1,967)</td></tr><tr><td>Finance income</td><td>50</td><td>60</td><td>2,515</td></tr><tr><td>Net finance (costs)/income</td><td>(3,407)</td><td>(2,670)</td><td>548</td></tr><tr><td><b>(Loss)/profit before taxation</b></td><td><b>(2,428)</b></td><td><b>3,445</b></td><td><b>7,156</b></td></tr><tr><td>Taxation</td><td>516</td><td>(820)</td><td>(1,243)</td></tr><tr><td><b>(Loss)/profit for the year</b></td><td><b>(1,912)</b></td><td><b>2,625</b></td><td><b>5,913</b></td></tr><tr><td><b>Attributable to:</b></td><td></td><td></td><td></td></tr><tr><td>Owners of the parent</td><td>(1,912)</td><td>2,625</td><td>5,913</td></tr><tr><td><b>(Loss)/profit attributable and total Comprehensive (loss)/income for the year</b></td><td><b>(1,912)</b></td><td><b>2,625</b></td><td><b>5,913</b></td></tr><tr><td><b>(Loss)/earnings per share (expressed in pence per share):</b></td><td></td><td></td><td></td></tr><tr><td>Basic (loss)/earnings per share</td><td>(1,912)p</td><td>2,625p</td><td>5,913p</td></tr></table></div>		<b>2012</b> <b>£'000</b>	<b>2013</b> <b>£'000</b>	<b>2014</b> <b>£'000</b>	Revenue	208,284	245,647	258,206	Cost of sales	(114,499)	(138,258)	(145,204)	<b>Gross profit</b>	<b>93,785</b>	<b>107,389</b>	<b>113,002</b>	Distribution costs	(10,774)	(12,337)	(12,303)	Administrative expenses	(82,032)	(88,937)	(94,091)	<b>Group operating profit</b>	<b>979</b>	<b>6,115</b>	<b>6,608</b>	Finance costs	(3,457)	(2,730)	(1,967)	Finance income	50	60	2,515	Net finance (costs)/income	(3,407)	(2,670)	548	<b>(Loss)/profit before taxation</b>	<b>(2,428)</b>	<b>3,445</b>	<b>7,156</b>	Taxation	516	(820)	(1,243)	<b>(Loss)/profit for the year</b>	<b>(1,912)</b>	<b>2,625</b>	<b>5,913</b>	<b>Attributable to:</b>				Owners of the parent	(1,912)	2,625	5,913	<b>(Loss)/profit attributable and total Comprehensive (loss)/income for the year</b>	<b>(1,912)</b>	<b>2,625</b>	<b>5,913</b>	<b>(Loss)/earnings per share (expressed in pence per share):</b>				Basic (loss)/earnings per share	(1,912)p	2,625p	5,913p
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Administrative expenses	(82,032)	(88,937)	(94,091)																																																																						
<b>Group operating profit</b>	<b>979</b>	<b>6,115</b>	<b>6,608</b>																																																																						
Finance costs	(3,457)	(2,730)	(1,967)																																																																						
Finance income	50	60	2,515																																																																						
Net finance (costs)/income	(3,407)	(2,670)	548																																																																						
<b>(Loss)/profit before taxation</b>	<b>(2,428)</b>	<b>3,445</b>	<b>7,156</b>																																																																						
Taxation	516	(820)	(1,243)																																																																						
<b>(Loss)/profit for the year</b>	<b>(1,912)</b>	<b>2,625</b>	<b>5,913</b>																																																																						
<b>Attributable to:</b>																																																																									
Owners of the parent	(1,912)	2,625	5,913																																																																						
<b>(Loss)/profit attributable and total Comprehensive (loss)/income for the year</b>	<b>(1,912)</b>	<b>2,625</b>	<b>5,913</b>																																																																						
<b>(Loss)/earnings per share (expressed in pence per share):</b>																																																																									
Basic (loss)/earnings per share	(1,912)p	2,625p	5,913p																																																																						

<b>Consolidated Balance Sheet</b>				
<b>As at 28 July 2012, 27 July 2013 and 26 July 2014</b>				
	<b>2011 £'000</b>	<b>2012 £'000</b>	<b>2013 £'000</b>	<b>2014 £'000</b>
<b>Assets</b>				
<b>Non-current assets</b>				
Intangible assets	715	580	530	1,407
Property, plant and equipment	30,121	28,846	27,470	25,524
<b>Total non-current assets</b>	<b>30,836</b>	<b>29,426</b>	<b>28,000</b>	<b>26,931</b>
<b>Current assets</b>				
Inventories	15,436	18,122	18,558	20,001
Trade and other receivables	8,426	10,078	9,935	8,316
Cash and cash equivalents	12,572	21,159	21,192	18,794
<b>Total current assets</b>	<b>36,434</b>	<b>49,359</b>	<b>49,685</b>	<b>47,111</b>
<b>Total assets</b>	<b>67,270</b>	<b>78,785</b>	<b>77,685</b>	<b>74,042</b>
<b>Capital and reserves attributable to the equity shareholders of the parent</b>				
Share capital	–	–	–	–
Share premium	–	–	–	–
Retained earnings	4,099	2,187	4,839	4,253
<b>Equity shareholder funds</b>	<b>4,099</b>	<b>2,187</b>	<b>4,839</b>	<b>4,253</b>
<b>Total equity</b>	<b>4,099</b>	<b>2,187</b>	<b>4,839</b>	<b>4,253</b>
<b>Non-current liabilities</b>				
Provisions for other liabilities and charges	80	260	260	–
Trade and other payables	10,547	10,009	9,491	5,332
Deferred tax liability	2,240	1,532	1,430	1,569
<b>Total non-current liabilities</b>	<b>12,867</b>	<b>11,801</b>	<b>11,181</b>	<b>6,901</b>
<b>Current liabilities</b>				
Current income tax liabilities	–	112	124	227
Trade and other payables	50,304	64,685	61,541	62,661
<b>Total current liabilities</b>	<b>50,304</b>	<b>64,797</b>	<b>61,665</b>	<b>62,888</b>
<b>Total liabilities</b>	<b>63,171</b>	<b>76,598</b>	<b>72,846</b>	<b>69,789</b>
<b>Total equity and liabilities</b>	<b>67,270</b>	<b>78,785</b>	<b>77,685</b>	<b>74,042</b>

# **Consolidated Statement of Cash Flow**

**For the years ended 28 July 2012, 27 July 2013 and 26 July 2014**

	<b>2012 £'000</b>	<b>2013 £'000</b>	<b>2014 £'000</b>
<b>Cash flows from operating activities</b>			
(Loss)/profit before taxation	(2,428)	3,445	7,156
Adjustments for:			
Depreciation	4,506	4,221	3,938
Amortisation of intangible assets	445	266	225
Impairment	117	–	–
Share-based payment charge	–	27	56
Finance costs	3,457	2,730	1,967
Finance income	(50)	(60)	(2,515)
<b>Cash flows from operating activities</b>	<b>6,047</b>	<b>10,629</b>	<b>10,827</b>
<b>Changes in working capital:</b>			
Increase in inventories	(2,686)	(436)	(1,443)
(Increase)/decrease in trade and other receivables	(1,732)	145	1,619
Increase/(decrease) in trade and other payables	10,646	(1,122)	4,267
Increase/(decrease) in provisions	180	–	(260)
Cash generated from operations	12,455	9,216	15,010
Interest paid	(195)	(206)	(189)
Tax paid	–	(910)	(1,000)
<b>Net cash inflow from operating activities</b>	<b>12,260</b>	<b>8,100</b>	<b>13,821</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	(3,348)	(2,845)	(1,992)
Purchase of intangible assets	(310)	(216)	(1,102)
Interest received	50	60	13
<b>Net cash outflow from investing activities</b>	<b>(3,608)</b>	<b>(3,001)</b>	<b>(3,081)</b>
<b>Cash flows from financing activities</b>			
Repayments of loan from a parent company	(65)	(5,066)	(6,583)
Dividends paid	–	–	(6,555)
<b>Net cash outflow from financing activities</b>	<b>(65)</b>	<b>(5,066)</b>	<b>(13,138)</b>
Net increase/(decrease) in cash and cash equivalents	8,587	33	(2,398)
Cash and cash equivalents at beginning of year	12,572	21,159	21,192
<b>Cash and cash equivalents at end of year</b>	<b>21,159</b>	<b>21,192</b>	<b>18,794</b>

Certain significant changes to the Operating Group's financial condition and results of operations occurred during the years ended 28 July 2012, 27 July 2013 and 26 July 2014.

The Operating Group's revenues for the years ended 28 July 2012, 27 July 2013 and 26 July 2014 were £208.3 million, £245.6 million and £258.2 million, respectively. This is due principally to significant growth in branded upholstered furniture revenue (excluding core range sales) and flooring revenue, increase in online revenue and revenue from the "pilot" concession in three House of Fraser stores.

	<p>Cost of sales increased from £114.5 million for the year ended 28 July 2012 to £138.3 million for the year ended 27 July 2013, an increase of £23.8 million, or 20.8 per cent., and further increased to £145.2 million for the year ended 26 July 2014, an increase of £6.9 million, or 5.0 per cent.. Increases in cost of sales were in line with the increases in sales.</p> <p>Administrative expenses increased from £88.9 million for the year ended 27 July 2013 to £94.1 million for the year ended 26 July 2014. The increase includes increased store costs, principally employment costs reflecting increased headcount, advertising costs to generate the increase in sales and £1.5 million of costs incurred in setting up the concession in an additional 27 House of Fraser stores during May 2014 to July 2014. Administrative expenses for the year ended 28 July 2012 were £82.0 million.</p> <p>As a result of the factors described above, operating profit increased from £1.0 million for the year ended 28 July 2012 to £6.1 million for the year ended 27 July 2013, an increase of £5.1 million or 510 per cent.. Operating profit further increased to £6.6 million for the year ended 26 July 2014, an increase of £0.5 million or 8 per cent. but this result includes net costs of £1.4 million incurred in setting up the concession in the additional 27 House of Fraser stores.</p> <p>Net finance costs principally comprise the interest payable on the Operating Group's debt, which is influenced by foreign exchange movements as the debt is denominated in US\$, offset by nominal interest received on the Operating Group's net cash balances. The Operating Group debt is denominated in US\$ and its foreign exchange gains or losses are reflected in net finance costs. The foreign exchange gain was £2.5 million for the year ended 26 July 2014 and is included in finance income. The foreign exchange loss was £0.4 million for the year ended 27 July 2013 and is included in finance costs. The foreign exchange loss was £1.1 million for the year ended 28 July 2012 and is included in finance costs.</p> <p>In the years ended 28 July 2012, 27 July 2013 and 26 July 2014, the Operating Group generated net cash from operating activities of £12.3 million, £8.1 million and £13.8 million respectively. The decrease in net cash generated from operating activities of £4.2 million from 28 July 2012 to 27 July 2013 was principally due to a tax payment and changes in the phasing of customer orders over the summer period. The increase in net cash generated from operating activities of £5.7 million for the year ended 26 July 2014 compared to the year ended 27 July 2013 reflects the improved trading position of the Operating Group and earlier repayment of receivables.</p> <p>The Operating Group's liquidity requirements arise primarily from the need to fund working capital and capital expenditure for the continued growth of the Operating Group's business and to repay debt. The Operating Group's principal source of funding is its cash from operations, cash and cash equivalents and borrowings.</p> <p>As at 28 July 2012, 27 July 2013 and 26 July 2014, the Operating Group's total borrowings from Operating Group undertakings were £28.7 million, £26.1 million and £22.5 million respectively, and cash and cash equivalents were £21.2 million, £21.2 million and £18.8 million, respectively, resulting in net borrowings of £7.5 million, £4.9 million and £3.7 million respectively.</p> <p>On 16 January 2015, Parlour Product Topco Limited and A. Share &amp; Sons Limited (amongst others) entered into a £12.0 million revolving credit facility with Lloyds Bank plc to be used for the working capital and general business purposes of the Operating Group. Provision of the facility is conditional upon Admission taking place.</p> <p>Save in connection with the Reorganisation, there has been no significant change in the financial condition or operating results of the Company since 15 October 1996, being the date of its incorporation.</p> <p>Save in connection with the Reorganisation, there has been no significant change in the financial condition or operating results of the Operating Group subsequent to the period covered by the Historical Financial Information.</p>
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B.8

Selected key pro  
forma financial  
information

The following unaudited consolidated pro forma statement of net assets as at 26 July 2014 is based on the audited historical financial consolidated statement of net assets of the Operating Group as at 26 July 2014.

The unaudited consolidated pro forma statement of net assets set out below has been prepared to illustrate the effect of Admission, the Offer and the Reorganisation as if they had taken place as at 26 July 2014.

	Operating Group as at 26 July 2014 £'000 (Note 1)	Unaudited Adjustments £'000 (Note 2)	Unaudited Pro Forma Total £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	1,407	–	1,407
Property, plant and equipment	25,524	–	25,524
<b>Total non-current assets</b>	26,931	–	26,931
<b>Current assets</b>			
Inventories	20,001	–	20,001
Trade and other receivables	8,316	–	8,316
Cash and cash equivalents	18,794	(4,329)	14,465
<b>Total current assets</b>	47,111	(4,329)	42,782
<b>Total assets</b>	74,042	(4,329)	69,713
<b>Non-current liabilities</b>			
Provisions for other liabilities and charges	–	–	–
Trade and other payables	5,332	–	5,332
Deferred tax liability	1,569	–	1,569
<b>Total non-current liabilities</b>	6,901	–	6,901
<b>Current liabilities</b>			
Current income tax liabilities	227	–	227
Trade and other payables	62,661	(22,526)	40,135
Total current liabilities	62,888	(22,526)	40,362
<b>Total liabilities</b>	69,789	(22,526)	47,263
<b>Net assets</b>	4,253	18,197	22,450

**Notes:**

- The financial information has been extracted, without material adjustment, from the historical financial information of the Operating Group for the year ended 26 July 2014.
- This column reflects the net impact of the following adjustments relating to the proposed Admission, Offer and Reorganisation.

Admission and the Offer
  - All of the proceeds from the Offer are to be received by the Selling Shareholder and no new Ordinary Shares are to be issued by the Company pursuant to the Offer.
  - The aggregate estimated expenses of the Offer, including fees, taxes and expenses of, or incidental to, Admission and the Offer, to be borne by the Operating Group are £2.0 million. Further, an arrangement fee of approximately £0.5 million is payable under the Revolving Credit Facility being 4 per cent. of the total facility amount of £12.0 million. In addition, a termination payment of £1.1 million has been paid by the Company to the Sun Advisor prior to Admission in compensation for the termination of the management consultancy agreement entered into with the Sun Advisor.

Reorganisation
  - The Company was incorporated on 15 October 1996 and immediately prior to the Reorganisation was a dormant subsidiary within the Operating Group with share capital of £1, comprising 1 ordinary share, which was fully paid or credited as fully paid.
  - In connection with Admission, the Reorganisation took place which resulted in the Company becoming the ultimate holding company of the Group and the Operating Company becoming the Company's direct subsidiary. On 14 November 2014, the Principal Shareholder acquired the entire issued share capital of the Company for £1. The share capital of the Company was then divided into 100,000 ordinary shares at £0.00001 each. In addition, the Principal Shareholder subscribed for an additional

		<p>4,999,900,000 ordinary shares at £0.00001 each for an amount of £50,000, which was funded by a loan received by the Principal Shareholder from the Operating Group. This loan was subsequently repaid to the Operating Group as part of the Reorganisation.</p> <p>e. On 21 January 2015, the Company entered into a share for share exchange pursuant to which the Company acquired the issued share capital of the Operating Company. On 22 January, the Company consolidated, subdivided and redesignated its share capital and as a result, immediately following completion of the Reorganisation and further allotment to the EBT, the Company will have in issue 40,000,000 ordinary shares of 0.1 pence each. The insertion of a new holding company constitutes a group reorganisation and will be accounted for using merger accounting principles. The Reorganisation will be effective prior to, or with effect, from Admission, and the consolidated financial statements of ScS Group plc will be presented as if ScS Group plc had always been the ultimate holding company of the Group.</p> <p>f. As at 26 July 2014, the Operating Group had an outstanding loan balance with Parlour Products Holdings (Lux) S.à r.l of £22,526,000, all of which was classified as a current liability. In connection with the Reorganisation, £748,163 of the loan balance was settled in cash and the remaining amount of the loan balance, with the exception of an amount of £50,000, was capitalised. This remaining £50,000 loan was subsequently repaid by the Group as part of the Reorganisation. This repayment was funded through the use of the £50,000 balance that was paid to the Company in exchange for their ordinary shares as described in paragraph d above.</p> <p>3. The unaudited pro forma statement of net assets does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006.</p> <p>4. No adjustment has been made to take account of trading results or other transactions undertaken by the Operating Group since 26 July 2014.</p>
<b>B.9</b>	Profit forecast/estimate	Not applicable. No profit forecasts or estimates are included in this Prospectus.
<b>B.10</b>	Audit report – qualifications	Not applicable. The report from PricewaterhouseCoopers LLP on the historical financial information included in this Prospectus does not contain any qualifications.
<b>B.11</b>	Explanation in respect of insufficient working capital	Not applicable. The Company is of the opinion that, taking into account the bank and other facilities available to the Group, the working capital available to it is sufficient for the present requirements of the Group, that is, for at least twelve months from the date of this Prospectus.

<b>Section C – Securities</b>		
<b>C.1</b>	Type and class of the securities being offered and admitted to trading, including the security identification number	<p>The Selling Shareholder is selling 20,400,000 Ordinary Shares (“<b>Offer Shares</b>”) for an aggregate amount of approximately £35.0 million, net of aggregate commissions and amounts in respect of stamp duty or SDRT, payable by the Selling Shareholders in connection with the Offer.</p> <p>The Offer Shares to be sold under the Offer will represent 51.0 per cent. of the issued share capital of the Company immediately following Admission. No new Ordinary Shares will be issued by the Company under the Offer. When admitted to trading, the Ordinary Shares will be registered with ISIN number GB00BRF0TJ56 and SEDOL number BRF0TJ5. It is expected that the Ordinary Shares will be traded under the ticker SCS.</p>
<b>C.2</b>	Currency of the securities issue	United Kingdom pounds sterling.
<b>C.3</b>	Shares issued/ value per share	On Admission, the nominal value of the issued Ordinary Share capital of the Company will be £40,000 divided into 40,000,000 Ordinary Shares of 0.1 pence each, all of which will be fully paid. In addition, the nominal value of the issued Deferred Share capital of the Company will be £12,980.84 divided into 37,020,160 Deferred Shares of £0.00035064246 pence each, which are fully paid and will be held in treasury by the Company for the foreseeable future.
<b>C.4</b>	Rights attached to the securities	The rights attaching to the Ordinary Shares are uniform in all respects and they will form a single class for all purposes, including with respect to voting and for all dividends and other distributions declared, made or paid on the Ordinary Shares. The Ordinary Shares rank equally for voting purposes. On a show of hands each Shareholder has one vote, and on a poll each Shareholder has one vote per Ordinary Share held. Each Ordinary Share ranks equally for any dividend declared. Each Ordinary Share ranks equally for any distribution made on a winding up of the Company.

<b>C.5</b>	Restrictions on the free transferability of the securities	<p>The Board may decline to register any transfer of certificated Ordinary Shares if it is not fully paid up (provided that the refusal does not prevent dealings in the Company's shares from taking place on an open and proper basis).</p> <p>There are no other restrictions on the free transferability of the Ordinary Shares, save that: (i) the Ordinary Shares have not been and will not be registered under the Securities Act or any US State securities laws and may not be otherwise offered or sold in breach of securities laws of other jurisdictions. The Ordinary Shares may not be offered, sold, pledged or otherwise transferred, directly or indirectly, within the US (as defined in Regulation S under the Securities Act) unless the offer and sale of the Ordinary Shares has been registered under the Securities Act or pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act. The Ordinary Shares are being offered and sold solely outside the US in reliance on Regulation S; and (ii) other laws may limit or restrict the free transferability of the Ordinary Shares in certain circumstances (i.e. the Offer has not been, and will not be, registered under the applicable securities laws of Canada, Australia, the Republic of South Africa or Japan and, subject to certain exceptions, the Ordinary Shares may not be offered or sold directly or indirectly within these jurisdictions or to, or for the account or benefit of, any persons within these jurisdictions).</p> <p>This Prospectus does not constitute an offer of, or the solicitation of an offer to buy or to subscribe for, Ordinary Shares to any person in any jurisdiction to whom, or in which jurisdiction, such offer or solicitation is unlawful.</p>
<b>C.6</b>	Admission/regulated markets where the securities are traded	<p>Application has been made to the FCA for all of the Ordinary Shares to be admitted to the premium listing segment of the Official List and to the London Stock Exchange for all of the Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. Admission to trading on the London Stock Exchange's main market for listed securities constitutes admission to trading on a regulated market. It is expected that Admission will become effective, and that dealings in Ordinary Shares on the London Stock Exchange will commence, at 8.00 a.m. on 28 January 2015. No application has been made or is currently intended to be made for the Ordinary Shares to be admitted to listing or trading on any other exchange and no application has been made or is currently intended to be made for the Deferred Shares to be admitted to the Official List of the FCA or to be admitted to trading on the London Stock Exchange or any other investment exchange.</p>
<b>C.7</b>	Dividend policy	<p>The Board has adopted a progressive dividend policy, subject to the discretion of the Board and subject to the Company having sufficient distributable reserves. The Directors intend that the Company will pay an interim and a final dividend to be announced at the time of the interim and preliminary results of the Company. The Directors' intention is to target an 8.0 per cent. dividend yield for the year ended 25 July 2015, calculated by reference to the Offer Price. The Company may revise its dividend policy from time to time. There are no guarantees that the Company will pay dividends or the amount of any such dividends.</p>

## Section D – Risks

<b>D.1</b>	Key information on the key risks specific to the Issuer or its industry	<ul style="list-style-type: none"> <li>● A deterioration in the performance of the UK economy would adversely affect the Group's financial condition, operations and business prospects. In particular, the Directors consider that ownership levels of upholstered furniture are high compared with many other household durables and the market is therefore heavily dependent on replacement demand. Demand is to an extent related to the strength of the UK residential housing market, as moving house can be an incentive to customers to replace their furniture and floorings. The UK residential housing market could be adversely impacted by, among other things, increased interest rates, further restrictions on the availability of credit, rising unemployment, inflation, declining real income, increases in tax rates and changes in government regulation or policy.</li> <li>● The Group operates in an industry which is competitive and highly fragmented. The Group's closest competitors are all competitors present in the UK, being the only geographical market in which the Group</li> </ul>
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		<p>conducts its business. The Directors believe that the Group experiences competition principally from other national retailers such as DFS, Harveys Furniture, Furniture Village, Sofaworks, Carpetright, a large number of small local retailers, the home furnishing departments of large department stores and online retailers.</p> <ul style="list-style-type: none"> <li>● A large proportion of the Group's products are supplied by a small number of key manufacturers. There is potential for the Group to be exposed to adverse operational (including for example the inability to source spare or replacement parts for products) and financial constraints should there be a deterioration in the relationship with its key suppliers.</li> <li>● Despite the Group's efforts to ensure the quality and safety of its products, it may be subject to product liability claims from customers or government penalties, including with respect to furniture or other products that are recalled, defective or otherwise alleged to be harmful.</li> <li>● The Group's business is dependent on the sale of furniture and floorings supplied to it by third-party suppliers. The Directors believe that the Group's third-party suppliers have traditionally taken out credit insurance to protect their receivables against the risk of bad debt, insolvency or protracted default of their buyers, including the Group. If there is a significant decrease in the availability, or the withdrawal in its entirety, of credit insurance to the Group's suppliers, and such suppliers are unwilling or unable to take credit risk themselves or find alternative credit sources, they may choose to take actions to reduce their credit exposure to the Group, including seeking to change their credit terms or refusing to contract with the Group.</li> <li>● In order to competitively attract customers to its stores and promote its products throughout the year, the Group offers long term interest free credit to its customers to finance the purchase of its products. The financing for all of the Group's credit sales are currently provided by external financing companies who bear the risk of customer defaults on repayments. Notwithstanding this, the level of credit losses the external financing companies experience could exceed their expectations and adversely affect their ability or willingness to finance further credit sales by the Group or could require the Group to pay increased finance costs for the provision of such facilities which, in turn, could put pressure on margins. In addition, the fees paid by the Group pursuant to the credit agreements with the external financing companies generally reference 12 month LIBOR. As such, any increase in LIBOR would increase the costs incurred by the Group in connection with such credit sales.</li> <li>● The success of the Group's business depends on its in-house distribution capability with distribution centres positioned regionally to transport goods to its customers in a timely and cost-effective manner. Any unexpected delivery delays could materially adversely affect the Group's business. Although the Group delivers the majority of its goods from its distribution centres directly to its end customers, it occasionally relies on third-party transportation providers during peak seasons to provide additional capacity. The Group's use of third-party delivery services is subject to risks associated with those third parties, such as labour shortages and work stoppages, as well as the Group having less control over the quality of customer delivery service.</li> <li>● The Group is highly dependent upon key senior management personnel who have extensive experience and knowledge of the Group, the Group's brands, products and target markets, and the upholstered furniture and floorings industry generally. If members of the Group's senior management depart, the Group may not be able to find effective replacements in a timely manner, or at all, and the Group's business may be disrupted or damaged. In addition, the loss of key members of senior management to competitors could have a material adverse effect on the Group's competitive position within the UK upholstered furniture and flooring retail industry.</li> <li>● The Group relies to a significant degree on the uninterrupted operation of its computer and communications systems, as well as the equivalent systems of third parties, for the efficient running of its business, including</li> </ul>
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		<p>with respect to sales processing, inventory, merchandising, finance, human resources, distribution and logistics and store operations. These systems may be vulnerable to damage or interruption from fire, telecommunication failures, floods, physical or electronic break-ins, computer viruses, power outages and other malfunctions or disruptions.</p> <ul style="list-style-type: none"> <li>● The Group is subject to consumer protection measures imposed by a number of regulators, including the FCA. A. Share &amp; Sons Limited previously held a license issued by the Office of Fair Trading which allowed the company to arrange consumer credit. In April 2014, regulation of the consumer credit sector was transferred from the Office of Fair Trading to the FCA. To comply with the changes to the regulatory regime, A. Share &amp; Sons Limited obtained an interim permit to continue carrying on its consumer credit activities. A. Share &amp; Sons Limited is required under the new regime to apply for authorisation or a variation of permission in order to continue its consumer credit activities. This application is required to be submitted prior to 28 February 2015 and as at the date of this Prospectus, the Group is in the process of finalising its application. The interim permit will last until such time as the FCA has considered the Group's application which it is understood could take six months. The Directors are not aware of any reason why such an application would not be successful. Nonetheless, any failure or delay in obtaining such authorisation within the application period would mean that the Group would no longer be permitted to arrange consumer credit, which in turn, could result in a substantial lessening of the Group's competitive offering as interest free credit could not be arranged in-store for the benefit of customers or be available across the Group's product range.</li> </ul>
<b>D.3</b>	Key information on the key risks specific to the Ordinary Shares	<ul style="list-style-type: none"> <li>● There is no existing market for the Ordinary Shares and an active market for the Ordinary Shares may not develop or be sustained.</li> <li>● Following Admission, the Principal Shareholder will be interested in approximately 41.6 per cent. of the Company's issued ordinary share capital. As a result, the Principal Shareholder will be able to exercise a significant degree of influence over the outcome of certain matters to be considered by Shareholders and the interests of the Principal Shareholder may not always be aligned with those of other Shareholders. In addition, the Ordinary Shares held by the Principal Shareholder on Admission will be subject to lock-up arrangements. Sales of substantial numbers of Ordinary Shares by the Principal Shareholder if the lock-up was relaxed or following the expiration of the lock-up period or sales by other holders of Ordinary Shares could adversely affect the prevailing market price of the Ordinary Shares.</li> <li>● The share price of publicly traded companies can be highly volatile, including for reasons related to differences between expected and actual operating performance, corporate and strategic actions taken by such companies or their competitors, speculation about the business and management of such companies, general market conditions and regulatory changes (some unrelated to the Company or its operating performance).</li> </ul>

## Section E – Offer

<b>E.1</b>	Total net proceeds and estimate of total expenses of the issue/offer, including estimated expenses charged to investors	<p>The Offer comprises the sale by the Selling Shareholder of 20,400,000 Ordinary Shares at the Offer Price of 175 pence per Offer Share. Through the sale of Offer Shares by the Selling Shareholder, the Company expects the Selling Shareholder to receive net proceeds from the Offer of approximately £35.0 million (after deducting commissions and amounts in respect of stamp duty or SDRT payable by the Selling Shareholder).</p> <p>The Company will not receive any proceeds from the sale of Ordinary Shares by the Selling Shareholder.</p> <p>The aggregate expenses of the Offer, including fees, taxes and expenses of, or incidental to, Admission and the Offer incurred and to be borne by the Operating Group are estimated to be approximately £2.0 million, which the Company intends to pay out of its existing cash resources. No expenses will be charged by the Company or the Selling Shareholder to any investor who purchases Offer Shares pursuant to the Offer.</p>
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E.2a	Reasons for the offer, use of proceeds and estimated net amount of proceeds	<p>The Directors believe that the Offer and Admission will:</p> <ul style="list-style-type: none"><li>● enable the Selling Shareholder to partially monetise its holding whilst also allowing for a liquid market for its retained Ordinary Shares going forward;</li><li>● diversify the shareholder base;</li><li>● provide the Company with access to the capital markets if necessary in the future;</li><li>● enhance the Group's public profile and status with customers, investors and business partners;</li><li>● create a liquid market in the Ordinary Shares; and</li><li>● assist in the recruitment, incentivisation and retention of key management and employees.</li></ul>																																																							
E.3	Terms and conditions of the Offer	<p>The Offer comprises an offer of 20,400,000 Ordinary Shares to be sold by the Selling Shareholder. The Offer comprises an offer to certain institutional and professional investors in the United Kingdom and elsewhere outside the United States in reliance on Regulation S.</p> <p>Pursuant to the Offer, all Offer Shares will be sold at the Offer Price, which has been determined by the Company and the Selling Shareholder in consultation with Investec. A number of factors have been considered in deciding the Offer Price and the basis of allocation under the Offer, including the level and nature of demand for Offer Shares and the objective of encouraging the development of an orderly after-market in the Ordinary Shares.</p> <p>The Offer Shares allocated under the Offer have been underwritten, subject to certain conditions, by Investec pursuant to the terms of the Sponsor and Underwriting Agreement.</p> <p>It is expected that Admission will take place and unconditional dealings in the Ordinary Shares will commence on the London Stock Exchange at 8.00 a.m. on 28 January 2015.</p> <p>None of the Ordinary Shares may be offered for subscription, sale or purchase or be delivered, or be subscribed for, sold or delivered, and this Prospectus and any other offering material in relation to the Ordinary Shares may not be circulated, in or into any jurisdiction (including, without limitation, the US) where to do so would breach any securities laws or regulations of any such jurisdiction or give rise to an obligation to obtain any consent, approval or permission, or to make any application, filing or registration.</p>																																																							
E.4	Interests material to the issue/offer, including conflicting interests	<p>The Board considers that the Principal Shareholder has interests that are material to the Offer by virtue of the size of its shareholding in the Company. Immediately following Admission, each of the following persons are expected to be interested in three per cent. or more of the Company's issued ordinary share capital.</p> <table><thead><tr><th></th><th>Number of issued Ordinary Shares immediately prior to Admission</th><th>Percentage of issued Ordinary Shares immediately prior to Admission</th><th>Number of issued Ordinary Shares immediately following Admission</th><th>Percentage of issued Ordinary Shares immediately following Admission</th></tr></thead><tbody><tr><td>Shareholders</td><td></td><td></td><td></td><td></td></tr><tr><td>Parlour Products Holdings (Lux) S.à r.l.</td><td>37,020,160<sup>(1)</sup></td><td>92.6%</td><td>16,620,160</td><td>41.6%</td></tr><tr><td>Sanne Fiduciary Services Limited (as trustee of the EBT)</td><td>–</td><td>–</td><td>2,722,563<sup>(2)</sup></td><td>6.8%</td></tr><tr><td>River &amp; Mercantile Threadneedle</td><td>–</td><td>–</td><td>3,428,572</td><td>8.6%</td></tr><tr><td>Investec Asset Management</td><td>–</td><td>–</td><td>2,428,572</td><td>6.1%</td></tr><tr><td>Miton</td><td>–</td><td>–</td><td>1,926,664</td><td>4.8%</td></tr><tr><td>Henderson Global Investors</td><td>–</td><td>–</td><td>1,682,285</td><td>4.2%</td></tr><tr><td>Artemis</td><td>–</td><td>–</td><td>1,645,714</td><td>4.1%</td></tr><tr><td>Old Mutual Asset Management</td><td>–</td><td>–</td><td>1,462,857</td><td>3.7%</td></tr><tr><td></td><td></td><td></td><td>1,280,000</td><td>3.2%</td></tr></tbody></table>		Number of issued Ordinary Shares immediately prior to Admission	Percentage of issued Ordinary Shares immediately prior to Admission	Number of issued Ordinary Shares immediately following Admission	Percentage of issued Ordinary Shares immediately following Admission	Shareholders					Parlour Products Holdings (Lux) S.à r.l.	37,020,160 <sup>(1)</sup>	92.6%	16,620,160	41.6%	Sanne Fiduciary Services Limited (as trustee of the EBT)	–	–	2,722,563 <sup>(2)</sup>	6.8%	River & Mercantile Threadneedle	–	–	3,428,572	8.6%	Investec Asset Management	–	–	2,428,572	6.1%	Miton	–	–	1,926,664	4.8%	Henderson Global Investors	–	–	1,682,285	4.2%	Artemis	–	–	1,645,714	4.1%	Old Mutual Asset Management	–	–	1,462,857	3.7%				1,280,000	3.2%
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		<p><b>Notes:</b></p> <p>(1) 20,400,000 Ordinary Shares will be sold by the Principal Shareholder pursuant to the Offer.</p> <p>(2) Of these Ordinary Shares, David Knight has an interest in 1,270,530 Ordinary Shares held by the EBT, pursuant to his Option Agreement, representing approximately 3.2 per cent. of the issued Ordinary Share capital existing on Admission. When aggregated with the Ordinary Shares Mr Knight will acquire pursuant to the Offer, immediately prior to and on Admission, Mr Knight has an interest in 1,441,958 Ordinary Shares, representing approximately 3.6 per cent. of the issued Ordinary Share capital existing on Admission. David Knight has not been included in the table above to avoid double counting of the Ordinary Shares held by the EBT.</p> <p>The Company does not consider that these are conflicting interests or that there are any other interests that are material to the Offer.</p>										
E.5	Name of the offerors/lock-up agreements	<p>Pursuant to the Offer, 20,400,000 Ordinary Shares will be sold by or on behalf of the Selling Shareholder. The interests in Ordinary Shares of the Selling Shareholder (also referred to in this document as the Principal Shareholder) immediately prior to Admission, together with its interest in Ordinary Shares immediately following Admission, is set out in the table below:</p> <table><tr><th>Shareholder</th><th>Number of issued Ordinary Shares immediately prior to Admission</th><th>Percentage of issued Ordinary Shares immediately prior to Admission</th><th>Number of issued Ordinary Shares immediately following Admission</th><th>Percentage of issued Ordinary Shares immediately following Admission</th></tr><tr><td>Parlour Products Holdings (Lux) S.à r.l.</td><td>37,020,160</td><td>92.6%</td><td>16,620,160</td><td>41.6%</td></tr></table> <p>Pursuant to the terms of the Sponsor and Underwriting Agreement, the Company has agreed to be subject to a 90 day lock-up period following Admission, during which time it may not issue or dispose of any new Ordinary Shares without the consent of Investec.</p> <p>The Selling Shareholder has entered into lock-up arrangements for a six month period during which time it may not dispose of any interest in Ordinary Shares held by it without the consent of Investec. The Selling Shareholder has also agreed that for a further nine month period following the initial 6 month lock-up period, it will only transfer Ordinary Shares through Investec.</p> <p>David Knight, Ron Turnbull and Alan Smith have each agreed to be subject to a 12 month lock-up period following Admission in relation to the 297,143 Ordinary Shares which they will, in aggregate, acquire pursuant to the Offer. The Executive Directors and Senior Managers have agreed to be subject to a 12 month lock-up period in relation to the Ordinary Shares which they will acquire, in the case of Gary Kemp, pursuant to the Reorganisation, and in the case of the Executive Directors and other Senior Managers, pursuant to the Option Agreements. This lock-up period will run from the date when the put or call option is exercised or, in the case of Gary Kemp, from Admission. During the lock-up periods, the Directors and Senior Managers may not dispose of any interest in Ordinary Shares held by them without the consent of Investec. The Executive Directors and Senior Managers have also agreed that for a further six month period following the initial 12 month lock-up period, they will only transfer Ordinary Shares through Investec.</p> <p>All lock-up arrangements are subject to certain customary exceptions.</p>	Shareholder	Number of issued Ordinary Shares immediately prior to Admission	Percentage of issued Ordinary Shares immediately prior to Admission	Number of issued Ordinary Shares immediately following Admission	Percentage of issued Ordinary Shares immediately following Admission	Parlour Products Holdings (Lux) S.à r.l.	37,020,160	92.6%	16,620,160	41.6%
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Parlour Products Holdings (Lux) S.à r.l.	37,020,160	92.6%	16,620,160	41.6%								
E.6	Dilution	Not applicable. No new Ordinary Shares are being issued as part of the Offer.										
E.7	Estimated expenses charged to investors by the Company	Not applicable. No commissions, fees or expenses will be charged to investors by the Company or the Selling Shareholder in respect of the Offer or Admission.										

## PART II:

### RISK FACTORS

***Any investment in Ordinary Shares would be subject to a number of risks. Prior to investing in Ordinary Shares, prospective investors should consider carefully the factors and risks associated with any investment in Ordinary Shares, the Group's business and the industry in which it operates, together with all other information contained in this Prospectus including, in particular, the risk factors described below. Additional risks and uncertainties that are not currently known to the Group, or that it currently deems immaterial, may also have an adverse effect on the Group's business, financial condition and operating results. If this occurs, the price of Ordinary Shares may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in Ordinary Shares is suitable for them in light of the information in this Prospectus and their personal circumstances.***

***Prospective investors should note that the risks relating to the Company, its industry and the Ordinary Shares summarised in Part I (Summary) are the risks that the Directors believe to be the most essential to an assessment by a prospective investor of whether to consider an investment in Ordinary Shares. However, as the risks which the Company faces relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in Part I (Summary) but also, among other things, the risks and uncertainties described below.***

***The following is not an exhaustive list or explanation of all risks that prospective investors may face when making an investment in Ordinary Shares and should be used as guidance only. The order in which risks are presented is not necessarily an indication of the likelihood of the risks actually materialising, of the potential significance of the risks or of the scope of any potential harm to the Company's business, prospects, results of operation and financial position.***

#### **RISKS RELATING TO THE GROUP AND ITS BUSINESS**

##### ***The Group may face increased competition in its target market***

The Group operates in an industry which is competitive and highly fragmented. The Group's closest competitors are all competitors present in the UK, being the only geographical market in which the Group conducts its business. In comparison with the other specialist retailers of upholstered furniture and floorings, the Group views itself as positioned in the middle of the market, neither competing on price alone nor aiming exclusively at the higher end of the market, but seeking to offer a service and style with which all types of customers may feel comfortable. The Directors believe that the Group experiences competition principally from other national retailers such as DFS, Harveys Furniture, Furniture Village, Sofaworks, Carpetright, a large number of small local retailers, the home furnishing departments of large department stores and online retailers. The Group's business, results, operations and financial condition could be materially adversely affected by the actions of its competitors (including their marketing strategies and product development) or new competitors entering the market.

In addition, the UK market is, on a comparative basis, a free, open and fair market. New domestic and foreign retailers may enter the market resulting in increased competition. Such competitors may operate from foreign jurisdictions that inherently have lower variable and fixed costs in comparison to the Group which may result in a pricing advantage. This may affect how the Group currently benchmarks its products against its closest competitors. Therefore, competition from new entrants may lead to operating on less favourable margins on certain products. The inability of the Group to maintain its competitiveness may have a material adverse effect upon the Group's financial condition, operations and business prospects.

##### ***The Group may not be able to obtain credit from its suppliers, or its suppliers may be unable to obtain credit insurance***

The Group's business is dependent on the sale of furniture and floorings supplied to it by third-party suppliers. The Directors believe that the Group's third-party suppliers have traditionally taken out credit insurance to protect their receivables against the risk of bad debt, insolvency or protracted default of their customers, including the Group.

If there is a significant decrease in the availability, or the withdrawal in its entirety, of credit insurance to the Group's suppliers, and such suppliers are unwilling or unable to take credit risk themselves or find alternative credit sources, they may choose to take actions to reduce their credit exposure to the Group, including seeking to change their credit terms or refusing to contract with the Group. Any such actions could have a material adverse effect on the Group's cash position and lead to an increase in the Group's indebtedness, which could have a material adverse effect on its business, financial condition and results of operations.

For the avoidance of doubt, the statements in this risk factor do not qualify the opinion of the Directors that, taking into account the bank and other facilities available to the Group, the working capital available to the Group is sufficient for its present requirements, that is, for at least the 12 months following the date of publication of this document (as set out in paragraph 18 of Part XV (*Additional Information*) of this document).

***The Group's ability to offer interest-free credit to consumers who purchase the Group's products may be impaired as a result of defaults by consumers on their payment obligations, higher interest rates, withdrawal of the credit facilities by the Group's external financing companies or their refusal to provide such credit facilities on competitive terms***

In order to be competitive in attracting customers to its stores and promoting its products throughout the year, the Group offers long term interest-free credit to its customers to finance the purchase of its products. The financing for all of the Group's credit sales are currently provided by external financing companies who bear the risk of customer defaults on repayments. Notwithstanding this, there is still potential for the Group to be exposed to the possibility of loss from a customer's failure to make payments according to contract terms. The level of credit losses the external financing companies experience could exceed their expectations. In addition, new or increased credit, consumer, or data protection or other regulations may also result in higher costs and/or additional financing restrictions on such external financing companies. These factors could adversely affect their ability or willingness to finance further credit sales by the Group and could also require the Group to pay increased fees for the provision of such facilities which, in turn, could put pressure on margins. Any withdrawal of credit facilities by the external financing companies is likely to significantly reduce sales of the Group's products which could have a material adverse effect on the Group's business, results of operations and financial condition. Furthermore, the fees payable by the Group pursuant to such credit arrangements are based on periodically agreed pricing matrices which generally reference a number of factors including 12 month LIBOR. As such, any increase in interest rates may result in the Group incurring additional costs with respect to its credit sales which could also have a material adverse effect on the Group's business, results of operations and financial condition.

***Failure to identify consumer demands could impact on the Group's revenues and profits as well as the goodwill of the business***

The Group seeks to offer its customers a wide range of upholstered furniture products and floorings. The Directors believe it is important for the Group to keep ahead of changes in fashion in upholstered furniture and floorings which is important if the Group is to retain and increase its market position. If the Group fails to identify and react to the fashion and preferences of consumers in its target market, this could result in lower sales, lower profits and would impact on the Group's customer goodwill and brand image negatively. Such negative impact may have a material adverse effect upon the Group's financial condition, operations and business prospects.

***The Group's business could suffer as a result of weak sales during peak selling seasons, or extreme or unseasonal weather conditions***

The Group's business is subject to seasonal peaks. Traditionally, the most important trading periods for the business in terms of sales, operating results and cash flow has been the period beginning mid-September and ending mid-November in each year and the period beginning 26 December (Boxing Day) and ending 31 January. Approximately 52 per cent. of annual sales occur during these periods. The Group also has seasonal peaks associated with annual bank holidays, such as Easter, May and August. Approximately 22 per cent. of annual sales occur during bank holiday trading periods. The Group commits to significant advertising and other expenses in advance of, and during, these peak trading periods in anticipation of higher sales during these periods. These expenses include the cost of hiring additional employees or temporary staff.

The Group's sales are also sensitive to periods of extreme weather conditions. The Group operates its business from 97 stores nationwide, 94 of which are in out of town retail park locations. A substantial amount of the Group's revenue is derived from customers who visit these stores. The Group's results may be adversely affected by periods of abnormal, severe or unseasonal weather conditions that may deter customers from traveling to out of town retail park locations. Prolonged unseasonal weather conditions such as extended warm, sunny periods or periods of excessive snow and ice may therefore have a material adverse effect on the Group's business, operating profit and overall financial condition.

***The Group's business requires that it leases substantial amounts of retail space and it may be unable to secure suitable locations or leases on favourable terms or renew its leases***

All but one of the Group's stores are leased from third parties and, therefore, the Group is subject to risks, as is typical for retailers, associated with periodically negotiating or re-negotiating lease terms. The Group's results of operations may be affected in the future by changes in the property rental market, such as a decrease in available sites or increases in market rents. Any inability to renew existing leases may result in, among other things, significant alterations to rental terms, the closure of stores in desirable locations or failure to secure sufficient real estate in attractive locations. The location of the Group stores, their design (both internally and externally), store surroundings and the other types of retailers adjacent to the Group's store locations are among the variety of factors that impact the quality of the Group's store portfolio in the eyes of customers and thus their level of sales. Furthermore, if the Group chooses to close one of its stores prior to the expiry of its lease, it would need to terminate the lease or assign the lease to a third-party if permitted, either of which might take a long time and may require the payment of a financial penalty. Any of these factors could have a material adverse effect on the Group's business, results of operations and financial condition.

In addition, the Directors' plan to implement a controlled new store opening programme targeting two to three store openings per annum in selective locations, primarily targeting the South East of England. The Group's ability to obtain appropriate real estate for both new stores and any new distribution centre depends upon the availability of sites that meet its criteria, its ability to negotiate terms that meet its financial targets and its ability to obtain planning consent for the use of its stores on satisfactory terms with the local planning authorities or, in the case of leasehold assignments, superior landlord consent. In addition, in modernising or refurbishing its existing stores the Group may require consents from its landlords or local authorities. If any such works are carried out, or have been carried out, without such consents, disputes may arise which may result in the Group having to undertake reinstatement works or face liability for dilapidations, or the landlord may seek forfeiture of the relevant lease.

Furthermore, in the event of a significant reduction in the profitability of some or all of its stores, the Group's ability to reduce its costs through the negotiation of lease terminations or modifications on acceptable terms or at all may be limited. To the extent the Group remains obligated under leases for unprofitable or vacant stores, or to the extent that the termination or modification of leases results in significant costs, the Group's ability to manage its costs and margins will be impacted and its business, results of operations, financial condition, or prospects may be adversely affected.

***The Group's success is dependent on its logistics and distribution infrastructure***

The success of the Group's business depends on its in-house distribution capability with distribution centres positioned regionally to transport goods to its customers in a timely and cost-effective manner. Any unexpected delivery delays, such as due to severe weather or disruptions to the national or international transportation infrastructure, or increases in transportation costs, such as due to increased fuel costs, could materially adversely affect the Group's business. Although the Group delivers the majority of its goods from its distribution centres directly to its end customers, it occasionally relies on third-party transportation providers during peak seasons to provide additional capacity. The Group's use of third-party delivery services is subject to risks associated with those third parties, such as labour shortages and work stoppages, as well as the Group having less control over the quality of customer delivery service. Any disruption or any increase in costs related to distribution could have a material adverse effect on the Group's business, results of operations and financial condition.

***The Group is dependent upon senior management and other skilled personnel and the inability to attract and retain such management or personnel could adversely affect its business***

The Group is highly dependent upon key senior management personnel who have extensive experience and knowledge of the Group, the Group's brands, products and target markets, and the upholstered furniture and floorings industry generally. The successful implementation of the Group's strategy depends on the continuing availability of senior management and the Group's ability to continue to attract, motivate and retain other highly qualified employees. If members of the Group's senior management depart, the Group may not be able to find effective replacements in a timely manner, or at all, and the Group's business may be disrupted or damaged. In addition, the loss of key members of senior management to competitors could have a material adverse effect on the Group's competitive position within the UK upholstered furniture and flooring retail industry.

The Group also faces the challenge of attracting, developing and retaining the right calibre of staff for its stores and distribution centres while controlling its labour costs. The turnover rate in the retail and distribution industry is relatively high, and individuals of the required quality to fill positions may be in short supply in some areas. The Group's ability to support its strategy may be limited by its ability to employ, train, motivate and retain sufficient skilled personnel to staff each store, in particular store managers. There can be no assurance that any of these key personnel will continue to be employed by the Group or that it will be able to attract and retain qualified personnel in the future. The Group's ability to meet its labour needs, while controlling its labour costs, is subject to many external factors, including competition for and availability of qualified personnel in a given market, unemployment levels within those markets, prevailing wage rates, minimum wage laws, health and other insurance costs, union membership levels and activity among its employees and changes in employment and labour laws or other workplace regulation. The failure to recruit and retain key senior management and other skilled or semi-skilled personnel could adversely impact the Group's sales performance, increase its wage costs, and adversely affect the Group's business, results of operations, financial condition or prospects.

***Relationships with the Group's employees may break down or the Group may be subject to employee related litigation***

The Group is also reliant on its employees for the operation and success of the business. Should the Group be unable to recruit or adequately replace, retain and motivate suitably qualified and experienced employees, this may have a material adverse effect upon the Group's financial condition, operations and business prospects. The Directors believe that the Group has a good relationship with its employees and currently the Group does not recognise any union. However, should this change, the Directors cannot guarantee that negotiation surrounding the terms and conditions of employment relating to its employees will not escalate to strikes or other forms of industrial action.

***The Group is subject to risks in connection with the construction of employment laws including in relation to the calculation of employee holiday pay***

Case law regarding the interpretation and application of the Working Time Regulations in the UK, which govern the statutory holiday entitlement and the minimum amount of statutory holiday pay to which employees are entitled, is creating a potential cost exposure for all employers throughout the country. Two recent UK court judgments have decided that certain elements of overtime pay and some variable pay components, such as most types of commission, should be included in the calculation of statutory minimum holiday pay. Clarification from the UK courts on how commission should be reflected in holiday pay due in February/March 2015. There was a concern that backdated claims could go back many years but the most recent decision, which is not being appealed, indicates that in most cases claims can only relate to the current holiday year and this means that any potential liability is limited, however it is possible that there will be other cases which challenge that part of the decision and therefore this remains a risk factor, in common with other businesses across the UK.

***Relationships with the Group's suppliers may break down and/or the Group may not be able to contract with its suppliers on favourable terms and/or such supplier terms may be uncertain***

A large proportion of the Group's products are supplied by a small number of key manufacturers. The Group has developed good working relationships with its key suppliers over many years. There is potential for the Group to be exposed to adverse operational (including the inability to source spare or replacement parts for products) and financial constraints should there be a deterioration in the relationship with its key suppliers.

This may be a significant risk with third party suppliers, in particular La-Z-Boy which is the most popular brand sold by the Group. If a dispute arose between the Group and any or all of the Group's key suppliers it could have a significant impact on the Group's sales. In addition, the Group may be pressured into accepting terms and conditions less favourable than would otherwise be the case if a deterioration with the Group's existing suppliers had not occurred.

***Any interruption or failure of the Group's information technology or communications systems could have a material adverse effect on the Group's business, results of operations and financial condition***

The Group relies to a significant degree on the uninterrupted operation of its computer and communications systems, as well as the equivalent systems of third parties, for the efficient running of its business, including with respect to sales processing, inventory, merchandising, finance, human resources, distribution and logistics and store operations. These systems may be vulnerable to damage or interruption from fire, telecommunication failures, floods, physical or electronic break-ins, computer viruses, power outages and other malfunctions or disruptions. Any significant disruption to these systems could have an adverse effect on the proper functioning of its stores and distribution centres, particularly with regard to store ordering and distribution activities, which can be impacted even by short-term system failures, and on the Group's ability to manage its operations. In the event of a failure of, or disruption to, one or more of these systems, the Group's disaster recovery and contingency procedures may not be adequate or effective, which could have a material adverse effect on the Group's business, results of operations and financial condition. In addition, the Group's inability to upgrade or install technology in a timely manner, train its employees effectively in the use of its technology or obtain the anticipated benefits of its technology could adversely impact the Group's operations or profitability.

The Group also relies on the integrity of its computer and communications systems to protect customer data for transactions it processes through its website. Cyber-attacks could result in a loss of customer confidential data, or that data could otherwise be lost, stolen, or processed in breach of applicable data protection regulation. If this were to occur, it could have an adverse effect on the Group's reputation, business, financial condition, results of operations and prospects.

***Some of the Group's products are manufactured overseas***

Approximately 34 per cent. of total products sold by the Group are manufactured in factories in the Far East, the purchase of which is contracted by ScS through its UK suppliers. It is beyond the Group's control to ensure that all of the manufacturers who supply to its suppliers will comply with all laws and regulations. This being the case, the Group could be potentially exposed to adverse publicity directly or indirectly resulting from the actions or inactions of one its manufacturers or suppliers which, amongst other things, may devalue the Group's brand and reputation, detract from day-to-day operation of the business and the retention and recruitment of employees and senior management, or cause a material adverse effect upon the Group's financial condition, operations and business prospects.

The Group is also subject to the risks associated with international trade, particularly those risks which are common in the manufacturing and import of goods from developing countries, including:

- the imposition of taxes or other charges on imports;
- compliance with, and changes to, import restrictions and regulations; and
- exposure to different legal standards and the burden of complying with a variety of foreign laws and changing foreign government policies.

Some of the Group's imported products are subject to customs duties. If customs duties were to increase substantially, it could harm the Group's profitability. The UK and the countries in which the Group's products are manufactured could impose new quotas, duties, tariffs or other restrictions, or adversely adjust prevailing quota, duty or tariff levels, any of which could have a material adverse effect on the Group's business, operating profit or overall financial condition to the extent such costs cannot be passed on to customers.

The Group is also subject to more general risks associated with conducting business in developing countries, including:

- expropriation or nationalisation of the assets of foreign manufacturers or suppliers;

- political instabilities and unrest, international hostilities and war on terrorism;
- changes to foreign government regulation, political unrest, work stoppages, shipment disruption or delays; and
- changes to economic conditions in the countries in which the manufacturers of products sourced by the Group's suppliers are located.

If any of these risks were to affect the Group's ability to source goods, it could affect the Group's business, profit and overall financial condition.

***The Group is subject to the risk of product liability claims and product recalls which could adversely affect its business, reputation and financial performance***

Despite the Group's efforts to ensure the quality and safety of its products, it may be subject to product liability claims from customers or government penalties, including with respect to furniture or other products that are recalled, defective or otherwise alleged to be harmful. Although the Group generally seeks contractual protection from its suppliers, it may not have adequate contractual indemnification and/or insurance available, which in certain cases may result in the Group being exposed to liabilities arising from claims or complaints from customers. Even with adequate insurance and indemnification, such claims could significantly damage the Group's reputation and consumer confidence in the products it offers. The Group's litigation and insurance expenses could also increase, which could have a materially negative impact on its results of operations even if a product liability claim is unsuccessful or is not fully pursued.

***The Group may not be able to protect its intellectual property rights and the Group may infringe the intellectual property rights of others***

The Group seeks to offer variety and choice to its customers through a wide range of branded products including third-party brands. The Group's trade marks, designs and other intellectual property rights, which are registered in the UK and/or the EU, are central to the value of the Group's own brands. Third parties may in the future try to challenge the ownership of and/or validity of the Group's intellectual property. The Group may not always be successful in securing protection for its intellectual property rights. There can be no guarantee that current or future actions of the Group will not result in litigation. Defence and settlement costs can be substantial, even with respect to claims which are without merit. The Group may need to resort to litigation in the future (as it has on occasions in the past) to enforce its intellectual property rights. Any litigation could result in substantial costs and a diversion of resources. Conversely, while the Directors take all appropriate and necessary precautions, they cannot guarantee that any action or inaction by the Group may not inadvertently infringe the intellectual property rights of others. The Group's failure to protect and enforce its intellectual property rights or the infringement of the intellectual property rights of others could have a material adverse impact upon the Group's financial condition, operations and business prospects.

***The Group may not be able to pursue its strategy and new business opportunities in full or in a prompt manner***

The Directors believe that there are several elements to the Group's strategy, including increasing like-for-like sales, expanding stores, opening new stores delivering margin gains, optimising the product range and continued growth in own and private brand products and the House of Fraser concessions. A number of factors, including the other risk factors described in this Prospectus, could prevent one or more of the Group's strategies from being met in full or in a prompt manner and could prevent or restrict the Group from pursuing new business opportunities or meeting the demand for its products from its existing customers. As a result of these factors, the Group may be unable to pursue and fulfil its strategy in full or in a prompt manner and any material failures could have a material adverse effect on the Group's business, results of operations or financial condition.

***Effectiveness of advertising expenditure may be limited***

The Group's advertising expenditures constitute a significant cost of its business. The Group's operating performance and profitability will be dependent in part on the effectiveness and efficiency of the Group's advertising expenditures, including the ability of the Group to create greater awareness of the Group's products and brand name, to determine the appropriate creative message and media mix for future advertising expenditures, and to effectively manage its advertising costs.

The Group's sales are positively or adversely affected by the Group's ability to direct its advertising efforts to the right target market, focus its efforts on the right products or product categories at the right price, and to execute such efforts at the right time and through the most effective advertising medium.

The Group books a significant part of its advertising in advance at agreed prices for specific time periods, especially for its peak selling seasons. If such pre-booked time periods are affected by events that have a significant impact on sales, such as adverse weather conditions, this can have a significant impact on the effectiveness of the Group's advertising efforts in these periods and have a positive or adverse effect on the Group's results.

***Any failure to protect customers' confidential information could harm the Group's reputation and expose the Group to litigation***

The Group must comply with restrictions on the use of customer data and ensure that confidential information (such as credit or debit card numbers) is transmitted in a secure manner over public networks. Despite controls to ensure the confidentiality and integrity of customer data, the Group may breach restrictions or may be subject to attack from computer programmes that attempt to penetrate the network security and misappropriate confidential information. Any such breach or compromise of security could adversely impact the Group's reputation with current and potential customers, lead to litigation or fines, and as a result, have a material adverse effect on its business, results of operations and financial condition.

***Inability to obtain commercial insurance at acceptable prices may have a negative impact on the Group's business***

The Directors believe that its commercial insurance coverage is appropriate for risk management purposes. Although the Group has historically been able to obtain insurance coverage that it believes is appropriate, it is possible that insurance costs may increase substantially in the future or that the availability of insurance coverage for certain risks may be withdrawn completely or increase significantly in cost. In these circumstances, the Group may be unwilling or unable to obtain commercial insurance either at acceptable prices or at all and, as such, may have to forego or limit its purchase of relevant commercial insurance. In addition, although commercial insurance may be obtained by the Group, not all losses may be covered by the relevant policies and the terms of the policies may exclude the Group from recovering for losses in certain circumstances, including as a result of customary deductibles and exclusions. The Group is not insured against certain terrorist acts and war related events, radioactive contamination, and electronic risks. If the Group was unwilling or unable to obtain suitable commercial insurance, or to claim for certain losses under its commercial insurance policies, it could be forced to bear the losses of uninsured events and this could have a material adverse effect on its business, results of operations, financial condition and prospects.

***The Group is subject to the potential influence of a significant shareholder***

Following the Offer and upon Admission, the Principal Shareholder will continue to legally and beneficially own approximately 41.6 per cent. of the Ordinary Shares. The Principal Shareholder is ultimately owned by Sun Capital. As a result, the Principal Shareholder, through the votes the Principal Shareholder will be able to exercise at general meetings of the Company, will be able to exercise significant influence over matters requiring shareholder approval. The interests of the Principal Shareholder may not always be aligned with those of other Shareholders.

The Company has entered into the Relationship Agreement with the Principal Shareholder which is intended to regulate the relationship between the Company and the Principal Shareholder after Admission and the terms of which are set out in paragraph 11 of Part XV (*Additional Information*) of this document. Details of other related party agreements between the Group and the Principal Shareholder and other Sun Capital entities are set out in paragraph 10 of Part XV (*Additional Information*) of this document.

## **RISKS RELATING TO THE INDUSTRY**

***Macroeconomic conditions in the United Kingdom may deteriorate***

The Group's financial performance and position are impacted by macroeconomic factors such as real disposable income, unemployment rates, gross domestic product, interest rate fluctuations, fuel and other energy costs, inflation, availability of credit, consumer confidence, consumer perceptions of market conditions and changes in fiscal and monetary policy. In the 52 weeks ended 26 July 2014, all of the

Operating Group's revenue was generated in or derived from the UK. This being the case, a deterioration in the performance of the UK economy would adversely affect the Group's financial condition, operations and business prospects. In addition, the Directors consider that ownership levels of upholstered furniture are high compared with many other household durables and the market is therefore heavily dependent on replacement demand. Demand is to an extent related to the strength of the UK residential housing market, as moving house can be an incentive to customers to replace their furniture and floorings. The current UK residential housing market could be adversely impacted by, among other things, increased interest rates, further restrictions on the availability of credit, rising unemployment, inflation and declining real income, increases in tax rates and changes in government regulation or policy. Global or national political unrest or uncertainty may impact on the price paid by consumers for goods, services and commodities, reduce consumer spending and confidence and reduce the Group's sales or profitability. The Group may experience declines in sales or margins or changes in the types of products sold during economic downturns. The success of the Group's business depends in part on its ability to identify and respond to evolving trends in demographics and consumer preferences. Failure to identify or effectively respond to changing consumer tastes, preferences and spending patterns could adversely affect the Group's business. Adverse conditions in or sustained uncertainty in the UK residential housing market or the UK economy could adversely affect spending on upholstered furniture and flooring, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

In addition, of particular significance in the UK has been severe difficulties experienced since 2008 in the global financial system, resulting in unpredictable levels of liquidity. In 2008, ScS Upholstery plc, the previous UK listed holding company of A. Share & Sons Limited, experienced difficulties from having insufficient working capital due to the withdrawal of credit insurance from the market and was subsequently placed into administration on 3 July 2008. See paragraph 2 of Part VII (*Information on the Group*) of this document for further details on the administration. Government economic and fiscal policy since that time has resulted in the prevention of another systematic failure, however, periods of volatility and disruption in the equity and debt markets cannot be ruled out. Risks directly or indirectly relating to or otherwise associated with prolonged economic uncertainty are outside of the control of the Group.

For the avoidance of doubt, the statements in this risk factor do not qualify the opinion of the Directors that, taking into account the bank and other facilities available to the Group, the working capital available to the Group is sufficient for its present requirements, that is, for at least the 12 months following the date of publication of this document (as set out in paragraph 18 of Part XV (*Additional Information*) of this document).

***The Group is subject to complex laws and regulations that could materially and adversely affect the cost, manner and feasibility of doing business***

The industry in which the Group operates is materially affected by government regulation in the form of national and local laws and regulations in relation to health and safety, the conduct of operations and taxation. The Group is subject to consumer protection measures imposed by a number of regulators, including the FCA and the UK Competition and Markets Authority. Although the Group continues to operate in accordance with the applicable regulations for the industry, as well as historic commitments made regarding reference pricing (where the Group committed to offer the same prices for a product in all stores (either physically or online) and ensure that promotional periods for a product will not, in aggregate over any calendar year, exceed the length of time that a product is offered at the standard price), any future regulatory investigations by the Competition and Markets Authority into the sector could result in interruption to the Group's business and the requirement to implement further changes to business practice. This in turn could adversely affect the Group's business, prospects, financial condition and results of operation. The Group's operations are also subject to various laws and regulations relating to health and safety, employment, environmental and other matters. If the Group fails to comply with any such laws or regulations, it could be subject to sanctions such as mandatory shut-downs, damages, criminal prosecutions and injunctive action. Changes in governmental regulations, as well as maintaining compliance with required standards, may also significantly increase costs, which in turn could materially and adversely affect the Group's business, prospects, financial condition and results of operations.

Furthermore, A. Share & Sons Limited previously held a licence issued by the Office of Fair Trading ("OFT") which allowed the company to arrange consumer credit. In April 2014, regulation of the consumer credit sector was transferred from the OFT to the FCA. To comply with the changes to the regulatory regime, A. Share & Sons Limited obtained an interim permit to continue carrying out its consumer credit activities. A. Share & Sons Limited is required under the new regime to apply for authorisation or a variation of permission

in order to continue its consumer credit activities. This application is required to be submitted prior to 28 February 2015 and as at the date of this Prospectus, the Group is in the process of finalising its application. The interim permit will last until such time as the FCA has considered the Group's application which it is understood could take six months. The Directors are not aware of any reason why such an application would not be successful. Nonetheless, any failure or delay in obtaining such authorisation within the application period would mean that the Group would no longer be permitted to arrange consumer credit and such failure or delay could result in a substantial lessening of the Group's competitive offering as interest-free credit could not be arranged for the benefit of customers or be available across the Group's product arrange. This would be particularly the case in circumstances where the Group's competitors had successfully obtained applicable licences for consumer credit activities. The FCA may also levy substantial monetary fines or other sanctions (including public reprimands) on the Group for breaches of FCA rules and other legal requirements, including the Consumer Credit Act 1974 and the Financial Services and Markets Act 2000. In each case, the inability to arrange consumer credit and any such regulatory sanctions or proceedings could have a material adverse effect on the Group's business prospects, financial condition and result of operations.

***Natural disasters, pandemic outbreaks, terrorist acts, global political events and other unforeseen circumstances could decrease customer traffic, cause permanent or temporary store closures, or impair the Group's ability to purchase, receive or replenish inventory, any of which could result in lost revenue and otherwise materially and adversely affect the Group's business, results of operations, financial condition or prospects***

The occurrence of one or more natural disasters, such as floods, pandemic outbreaks, weather conditions, such as major or extended winter storms, terrorist acts or disruptive global political events, in the UK or in countries in which the Group's suppliers are located, or other disruptions, could materially and adversely affect the Group's business, results of operations, financial condition or prospects. Such events could result in physical damage to, or the complete loss of, one or more of the Group's properties, the closure of one or more of the Group's stores or distribution centres, the lack of an adequate work force in a given market, the inability of customers and the Group's employees to reach or have transportation to the Group's stores directly affected by such events, the evacuation of the populace from areas in which the Group's stores are located, changes in the purchasing patterns of consumers and consumers' disposable income, the temporary or long-term disruption in the Group's supply chain, the reduction in the availability of certain products in the Group's stores, the disruption of utility services to the Group's stores and distribution centres and disruption in the Group's communications with its stores. In addition, these events can have indirect consequences such as increases in the cost of insurance if they result in significant loss of, or damage to property or other insurable damage. Such activities may cause disruption, adversely affect operations in the areas in which these events occur and/or a reduction of customer footfall at the Group's stores and could therefore adversely affect the Group's business, results of operations, financial condition or prospects.

## **RISKS RELATING TO THE OFFER AND THE ORDINARY SHARES**

***The Principal Shareholder will retain a significant interest in the Company following Admission and its interests may differ from those of other Shareholders***

Following the Offer and upon Admission, it is expected that the Principal Shareholder will hold approximately 41.6 per cent. of the voting rights attaching to the issued ordinary share capital of the Company. The Principal Shareholder entered into the Relationship Agreement with the Company to regulate the relationship between the Company and the Principal Shareholder so that the Company will, at all times, be capable of carrying on business independently of the Principal Shareholder and its associates. The Relationship Agreement includes undertakings that the Principal Shareholder will not take any action which would have the effect of preventing the Company or any other member of the Group from complying with its obligations under the Listing Rules or engage in any conduct which is intended to prejudice any member of the Group from carrying on its business independently of the Principal Shareholder. However, the interests of the Principal Shareholder may not necessarily be aligned with those of other Shareholders following Admission. In particular, the Principal Shareholder may hold interests in, or may make acquisitions of or investments in, other businesses that may be, or may become, competitors of the Group. The Relationship Agreement remains in force as long as the Principal Shareholder and its associates (together with persons acting in concert with it) holds an interest, directly or indirectly, in excess of 15 per cent. of the aggregate voting rights in the Company. The Principal Shareholder is a company ultimately owned by Sun Capital.

***The price of the Ordinary Shares may fluctuate significantly and investors could lose all or part of their investment***

The share price of quoted companies can be highly volatile, which may prevent Shareholders from being able to sell their Ordinary Shares at or above the price they paid for them. The Offer Price may not be indicative of prices that will prevail in the trading market and investors may be unable to resell the Ordinary Shares at or above the price they paid for them. The market price for the Ordinary Shares could fluctuate significantly for various reasons, many of which are outside the Company's control. These factors could include large purchases or sales of the Ordinary Shares, legislative changes and general economic, political or regulatory conditions.

***A liquid market for the Ordinary Shares may fail to develop***

Admission should not be taken as implying that there will be a liquid market for the Ordinary Shares. Although the Company has applied for Admission, the Company can give no assurance that an active trading market for the Ordinary Shares will develop or, if developed, can be sustained. If an active trading market is not developed or maintained, the liquidity and trading price of the Ordinary Shares could be adversely affected.

***Substantial future sales of Ordinary Shares could impact the market price of Ordinary Shares***

As noted in paragraph 15.4 of Part XV (*Additional Information*) of this document, the Principal Shareholder will be restricted from selling its Ordinary Shares for a period of 6 months following Admission, the Executive Directors will be restricted from selling the Ordinary Shares acquired pursuant to the Offer for a period of 12 months following Admission and the Executive Directors and Senior Managers will be restricted from selling the Ordinary Shares acquired on exercise of the put or call option referred to in paragraph 9.6 of Part XV (*Additional Information*) of this document for a period of 12 months from the date when such put or call option is exercised, in each case without Investec's prior written consent, such consent not to be unreasonably withheld or delayed. On the expiry of the relevant lock-up periods, the Executive Directors and Senior Managers will be required to trade in the Ordinary Shares through Investec for a further six months and the Principal Shareholder will be required to trade in the Ordinary Shares through Investec, for a further nine months, in each case for the purposes of preserving an orderly market in the Ordinary Shares. Thereafter, these Shareholders will be permitted to sell their respective Ordinary Shares freely. Sales of substantial numbers of Ordinary Shares following any relaxation of the lock-up or time expiration of the lock-up periods or sales by other holders of Ordinary Shares could adversely affect the prevailing market price of the Ordinary Shares and/or impair the Company's ability to raise capital through future sales of equity securities.

***Further issuances of Ordinary Shares may be dilutive***

The Company may decide to offer additional shares in the future for capital raising or other purposes. Shareholders who do not take up or who are not eligible to participate in such an offer will find their proportionate ownership and voting interests in the Company reduced. An additional offering could also have a material adverse effect on the market price of the Ordinary Shares as a whole and/or impair the Company's ability to raise capital through future sales of equity securities.

***There is no guarantee to Shareholders of the payment of dividends***

Notwithstanding the statement set out in paragraph 8 of Part VII (*Information on the Group*) of this document describing the Directors' intentions regarding the payment of dividends, any dividend on the Ordinary Shares will ultimately be limited by the underlying growth in the Group's business. As a holding company, the Company's ability to pay dividends in the future is affected by a number of factors, including the receipt of sufficient dividends from its operating subsidiaries. The Company's subsidiaries may be precluded from paying dividends by various factors, such as their own financial condition, restrictions in existing or future financing documents to which they are party, tax considerations or applicable law. Under English law, a company can pay cash dividends only to the extent that it has distributable reserves and cash available for such purpose. In addition, the Company may not pay dividends if the Directors believe this would cause the Company to be inadequately capitalised or if, for any other reason, the Directors conclude that it would not be in the best interests of the Company. Any of the foregoing could restrict the payment of dividends to Shareholders or, if the Company does pay dividends, reduce the amount of such dividends.

***Changes in tax legislation or the interpretation of tax legislation could affect the Company's ability to provide returns to Shareholders***

Any change in tax legislation or the interpretation of tax legislation could affect the Company's ability to provide returns to Shareholders. Statements in this document concerning the tax position of Shareholders are based on current tax law and practice in the UK, which are subject to change. The taxation of an investment in the Company depends on the individual circumstances of the relevant investor.

***Shareholders outside the UK may not be able to participate in future issues***

Under English law, Shareholders enjoy pre-emption rights on any issue by the Company of equity securities for cash, unless such rights are disapplied in accordance with the Companies Act. However, securities laws of certain jurisdictions may restrict the Company's ability to allow participation by Shareholders in future equity issues. In particular, Shareholders in the United States may not be entitled to exercise their pre-emption rights unless such an equity offering is registered under the Securities Act or made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Any Shareholder who is unable to participate in future equity issues may suffer dilution.

***If securities or industry analysts do not publish research or reports about the Group's business, or if they downgrade their recommendations, the market price of the Ordinary Shares and their trading volume could decline***

The trading market for the Ordinary Shares will be influenced by the research and reports that industry or securities analysts publish about the Group and its business. If any of the analysts that cover the Group or its business downgrade it or them, the market price of the Ordinary Shares would likely decline. If analysts cease coverage of the Group or fail to regularly publish reports on it, the Group could lose visibility in the financial markets, which in turn could cause the market price of the Ordinary Shares and their trading volume to decline.

***Overseas shareholders may be subject to exchange rate risk***

The Ordinary Shares are, and any dividends to be paid in respect of them will be, denominated in pounds sterling. An investment in Ordinary Shares by an investor whose principal currency is not pounds sterling exposes the investor to foreign currency exchange rate risk. Any depreciation of pounds sterling in relation to such foreign currency will reduce the value of the investment in the Ordinary Shares or any dividends in foreign currency terms.

## PART III:

### IMPORTANT INFORMATION

#### 1. GENERAL

The information below is for general guidance only and it is the responsibility of any person or persons in possession of this Prospectus to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction.

Prospective investors should only rely on the information contained in this Prospectus. No person has been authorised to give any information or make any representations other than those contained in this Prospectus and, if given or made, no such information or representation may be relied upon for any purpose. In particular, the contents of the websites of members of the Group do not form part of this Prospectus and prospective investors should not rely on them. The Company will comply with its obligations to publish a supplementary prospectus pursuant to section 87G of FSMA and Rule 3.4 of the Prospectus Rules containing further updated information required by law or by any regulatory authority but, except as required by the Listing Rules, the Prospectus Rules, the Disclosure and Transparency Rules or any other applicable law, the Company assumes no further obligation to publish additional information. Without prejudice to the Company's legal or regulatory obligations to publish a supplementary prospectus, neither the delivery of this Prospectus nor Admission shall, under any circumstances, create any implication that there has been no change in the affairs of the Group since the date of this Prospectus or that the information is correct as of any time subsequent to the date of this Prospectus.

Prior to making any decision as to whether to invest in Ordinary Shares, prospective investors should read this Prospectus in its entirety. In making an investment decision, each prospective investor must rely on his, her, or its own examination, analysis and enquiry of the Company, the Ordinary Shares and the terms of the Offer, including the merits and risks associated with such an investment. Investors who purchase Ordinary Shares in the Offer will be deemed to have acknowledged that: (i) they have not relied on any of Investec or any person affiliated to Investec in connection with any investigation of the accuracy of any information contained in this Prospectus or their investment decision; (ii) they have relied only on the information contained in this Prospectus; and (iii) no person has been authorised to give any information or to make any representation concerning the Group or the Ordinary Shares (other than as contained in this Prospectus) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company or Investec.

None of the Company, the Directors, Investec or any of their respective affiliates, officers, employees, or representatives makes or will make any representation to any prospective investor in the Ordinary Shares regarding the legality or tax implications of an investment in the Ordinary Shares by any such prospective investor under the laws applicable to any such prospective investor. The contents of this Prospectus should not be construed as legal, financial or tax advice. Each prospective investor should consult his, her or its own legal, financial or tax adviser for legal, financial or tax advice in relation to an investment in the Ordinary Shares.

Investec, which is authorised in the United Kingdom by the Prudential Regulation Authority ("**PRA**") and regulated by the PRA and the FCA, is acting exclusively for the Company and the Selling Shareholder in connection with Admission and the Offer and will not be responsible to anyone other than the Company and the Selling Shareholder for providing the protections afforded to its clients, nor for providing advice or otherwise in relation to the contents of this document or on any transaction or arrangement referred to in this document.

Apart from the responsibilities and liabilities, if any, that may be imposed on Investec by FSMA or the regulatory regime established under it, or under the regulatory regime of any jurisdiction where the exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, Investec accepts no responsibility whatsoever for, and makes no representation or warranty, express or implied, as to the contents of this Prospectus or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Ordinary Shares, Admission or the Offer and nothing in this Prospectus will be relied upon as a promise or representation in this respect, whether or not to the past or future. Investec accordingly disclaims all and any responsibility or liability, whether arising in tort, contract or otherwise (save as referred to above), which it might otherwise have in respect of this Prospectus or any such statement.

## 2. FORWARD-LOOKING STATEMENTS

This document contains statements that are or may be forward-looking statements. All statements other than statements of historical facts included in this Prospectus may be forward-looking statements, including statements that relate to the Company's future prospects, developments and strategies.

Forward-looking statements are identified by their use of terms and phrases such as "believe", "target", "expect", "aim", "anticipate", "projects", "would", "could", "envisage", "estimate", "intend", "may", "plan", "will" or the negative of those, variations or comparable expressions, including references to assumptions. They appear in a number of places throughout this document and include statements regarding the intentions, beliefs or current expectations of the Directors and the Group concerning among other things, the dividend policy of the Group, the results of operations, financial condition, prospects, growth and strategies of the Group and the industry in which it operates. The forward-looking statements in this Prospectus are based on current expectations and are subject to known and unknown risks and uncertainties that could cause actual results, performance and achievements to differ materially from any results, performance or achievements expressed or implied by such forward-looking statements. Factors that may cause actual results to differ materially from those expressed or implied by such forward-looking statements include, but are not limited to, those described in the risk factors. These forward-looking statements are based on numerous assumptions regarding the present and future business strategies of the Group and the environment in which the Group will operate in the future. All subsequent oral or written forward-looking statements attributed to the Group or any persons acting on its behalf are expressly qualified in their entirety by the cautionary statement above.

Each forward-looking statement speaks only as at the date of this Prospectus. Except as required by law, regulatory requirement, the Prospectus Rules, the Listing Rules and the Disclosure and Transparency Rules, neither the Company nor any other party intends to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise. The information contained within this Prospectus will be updated as required by the Prospectus Rules.

You are advised to read this Prospectus in its entirety and, in particular, Part I (*Summary*), Part II (*Risk Factors*), Part VII (*Information on the Group*) and Part IX (*Operating and Financial Review*) of this document for a further discussion of the factors that could affect the Company's future performance and the industries and markets in which it operates. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this Prospectus may or may not occur. Investors should note that the contents of these paragraphs relating to forward-looking statements are not intended to qualify the statements made as to sufficiency of working capital in this Prospectus.

## 3. PRESENTATION OF FINANCIAL INFORMATION

The Company and the Operating Group publish their financial statements in pounds sterling. The abbreviation "£m" represents millions of pounds sterling, and references to "pence" and "p" represent pence in the UK. References to "dollars", "USD" or "\$" are to the lawful currency of the US.

The financial information presented in a number of tables in this document have been rounded to the nearest whole number or the nearest decimal place. Therefore, the sum of the numbers in a table may not conform exactly to the total figure given for that table and percentages in certain tables may not add up to 100 per cent.. In addition, certain percentages presented in the tables in this Prospectus reflect calculations based upon the underlying information prior to rounding, and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

The Company and the Operating Group present their annual accounts as of the final Saturday of July in each year which will occasionally result in a 53 week financial year. The Operating Company did not have a 53 week financial year in the historical numbers presented in this document.

Certain non-IFRS measures such as earnings before interest, tax, depreciation and amortisation (referred to in this document as "**EBITDA**") and adjusted earnings before interest, tax, depreciation and amortisation ("**adjusted EBITDA**") has been included in the financial information, as the Directors believe that these provide important alternative measures with which to assess the Operating Group's performance. Adjusted earnings are calculated by removing the impact of certain non-recurring items and management fees and expenses charged by the Sun Advisor, contained within the Operating Group's operating profit. These non-

recurring items include net costs incurred in setting up concessions in House of Fraser stores in 2014 and advertising costs related to the launch of the flooring business in 2012. You should not consider EBITDA or adjusted EBITDA as an alternative for revenue or operating profit which are IFRS measures. Additionally the Company's calculation of EBITDA or adjusted EBITDA may be different from the calculation used by other companies and therefore comparability may be limited.

#### **4. INTERNATIONAL FINANCIAL REPORTING STANDARDS**

The financial statements of the Company are prepared in accordance with IFRS as endorsed and adopted by the European Union and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as endorsed and adopted by the European Union.

The Operating Group's consolidated historical financial information included in Section B of Part XI (*Historical Financial Information*) of this Prospectus has been prepared in accordance with the requirements of the PD Regulation and the Listing Rules and in accordance with IFRS as adopted by the EU. The significant accounting policies are set out within note 2 (*Accounting Policies*) of the Operating Group's consolidated historical financial information in Section B of Part XI (*Historical Financial Information*).

#### **5. DISTRIBUTION OF THIS PROSPECTUS**

This document does not constitute, and may not be used for the purposes of, an offer to sell or issue or the solicitation of an offer to buy or subscribe for any Ordinary Shares to or from any person in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

The distribution of this Prospectus and the offer and sale of Ordinary Shares in certain jurisdictions may be restricted by law and regulation. Other than in the United Kingdom, no action has been taken or will be taken by the Company or Investec that would permit a public offering of the Ordinary Shares, or possession or distribution of this Prospectus (or any other offering or publicity materials or application form(s) relating to the Ordinary Shares) in any jurisdiction where action for that purpose may be required or doing so is restricted by law. Accordingly, neither this Prospectus, nor any advertisement, nor any other offering material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus comes are required to inform themselves about and to observe such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities law of any such jurisdictions.

Prospective investors must inform themselves as to:

- (a) the legal requirements of their own countries for the purchase, holding, transfer or other disposal of Ordinary Shares;
- (b) any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of Ordinary Shares which they might encounter; and
- (c) the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer or other disposal of Ordinary Shares.

#### **6. ADVICE**

Nothing contained in this Prospectus is intended to constitute investment, financial, legal, tax, accounting or other professional advice. This document is for information purposes only and nothing in this Prospectus is intended to endorse or recommend a particular course of action. Prospective investors must rely upon their own professional advisers, including their own legal, tax and financial advisers and accountants, as to legal, tax, investment or any other related matters concerning the Company and an investment therein. Statements made in this Prospectus are based on the law and practice currently in force in England and Wales, and are subject to change.

#### **7. CERTAIN NON-UNITED KINGDOM RECIPIENTS**

This document is not for distribution into the US, Australia, Canada, the Republic of South Africa or Japan. The issue of the Ordinary Shares has not been, and will not be, registered under the applicable securities

laws of the US, Australia, Canada, the Republic of South Africa or Japan and the Ordinary Shares may not be offered or sold directly or indirectly within the US, Australia, Canada, the Republic of South Africa or Japan or to, or for the account or benefit of, any persons within the US, Australia, Canada, the Republic of South Africa or Japan.

No document in relation to the issue of the Ordinary Shares has been, or will be, lodged with, or registered by, the Australian Securities and Investments Commission. No securities commission or similar authority in Canada has in any way passed on the merits of the securities offered hereunder and any representation to the contrary is an offence. No registration statement has been, or will be, filed with the Japanese Ministry of Finance in relation to the issue of the Ordinary Shares. The relevant clearances have not been, and will not be, obtained from the South African Reserve Bank.

The Ordinary Shares have not been and will not be registered under the Securities Act or any US State securities laws. The Ordinary Shares may not be offered, sold, pledged or otherwise transferred, directly or indirectly, within the US (as defined in Regulation S under the Securities Act) unless the offer and sale of the Ordinary Shares has been registered under the Securities Act or pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act. The Ordinary Shares are being offered and sold solely outside the US in reliance on Regulation S.

The Ordinary Shares have not been approved or disapproved by the SEC, any US state securities commission or any other US regulatory authority nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Ordinary Shares or the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the US.

## **8. NO INCORPORATION OF WEBSITE INFORMATION**

The contents of the Group's website or any website directly or indirectly linked to this website have not been verified and do not form any part of the Prospectus, and prospective investors should not rely on such information.

## **9. MARKET AND ECONOMIC DATA**

This Prospectus contains information regarding the Group's business and the market in which it operates and competes, which the Company has obtained from third party sources. All information from a third party is sourced where it appears. Information and data sourced from Verdict was extracted from the Verdict Retail Service website <https://service.verdictretail.com> on 16 January 2015. Verdict is a retail information specialist focused on market, competitor and trend insight across seven core retail sectors including DIY & Home, which in turn covers furniture and floorcoverings. Where information has been sourced from a third party it has been accurately reproduced as at the date of extraction, and so far as the Company is aware and is able to ascertain from the information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading as at the date of extraction. Such information has not been audited or independently verified by the Company or any other third party and can be updated by such third party.

## **10. REFERENCES TO DEFINED TERMS**

Capitalised terms used in this Prospectus are defined in Part XVI (*Definitions*).

## **11. LONDON TIME**

All references to time in this document are to London time, unless otherwise stated.

## **12. REORGANISATION**

Except where the context otherwise requires, all of the information in this document is presented as if the Reorganisation had already taken place as at the date of this document. All steps associated with the Reorganisation will be completed prior to, or with effect from, Admission.

## **PART IV:**

### **EXPECTED TIMETABLE OF PRINCIPAL EVENTS**

Publication of this Prospectus	23 January 2015
Admission and commencement of unconditional dealings in Ordinary Shares on the London Stock Exchange	8.00 a.m. on 28 January 2015
CREST accounts credited with uncertificated shares	8.00 a.m. on 28 January 2015
Despatch of definitive share certificates (where applicable)	By 5 February 2015

**Notes:**

- (a) *The times and dates in the table above, except the date of publication of this Prospectus, are indicative only and are subject to change. All times are London times.*
- (b) *No temporary documents of title will be issued.*

## PART V:

### OFFER STATISTICS

Offer Price	175 pence
Number of Offer Shares to be sold by the Selling Shareholder	20,400,000
Number of Ordinary Shares in issue immediately following Admission	40,000,000
Percentage of the Company's issued share capital being sold pursuant to the Offer	51.0 per cent.
Estimated net proceeds of the Offer receivable by the Selling Shareholder <sup>(1)</sup>	£35.0 million
Expected market capitalisation of the Company at the Offer Price immediately following Admission <sup>(2)</sup>	£70.0 million
Ticker symbol	SCS
ISIN	GB00BRF0TJ56
SEDOL Code	BRF0TJ5

**Notes:**

- (1) *The estimated net proceeds receivable by the Selling Shareholders are stated after deduction of the estimated commissions and amounts in respect of stamp duty or SDRT, payable by the Selling Shareholder in connection with the Offer.*
- (2) *The market capitalisation of the Company at any given time will depend on the market price of the Ordinary Shares at that time. There can be no assurance that the market price of an Ordinary Share will equal or exceed the Offer Price.*

## PART VI:

### DIRECTORS, SECRETARY, REGISTERED OFFICE AND ADVISERS

<b>Directors</b>	Alan Smith ( <i>Non-Executive Chairman</i> ) David Knight ( <i>Chief Executive Officer</i> ) Ronald (Ron) Turnbull ( <i>Chief Financial Officer</i> ) Ronald (Ron) McMillan ( <i>Non-Executive Director</i> ) Paul Daccus ( <i>Non-Executive Director</i> )
<b>Company secretary</b>	Ron Turnbull
<b>Registered Office and Business Address</b>	45-49 Villiers Street Sunderland SR1 1HA
<b>Bookrunner and Sponsor</b>	Investec Bank plc 2 Gresham Street London EC2V 7QP
<b>Legal advisers to the Company as to English law</b>	DLA Piper UK LLP 3 Noble Street London EC2V 7EE
<b>Legal advisers to Investec as to English law</b>	Wragge Lawrence Graham & Co LLP 4 More London Riverside London SE1 2AU
<b>Reporting Accountants</b>	PricewaterhouseCoopers LLP Benson House 33 Wellington Street Leeds LS1 4JP
<b>Auditors</b>	PricewaterhouseCoopers LLP 5th and 6th Floor Central Square South Orchard Street Newcastle upon Tyne NE1 3AZ
<b>Registrar</b>	Equiniti Limited Aspect House Spencer Road Lancing West Sussex BN99 6DA

## **PART VII:**

### **INFORMATION ON THE GROUP**

#### **1. INTRODUCTION**

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. ScS does not undertake any manufacturing activity itself but rather sources products from suppliers based principally in the UK.

ScS's upholstered furniture business, which represented approximately 88 per cent. of total revenues in the year ended 26 July 2014, specialises primarily in the retail of fabric and leather sofas and chairs. ScS sells a core range of branded products which are not sold under registered trade marks (such as the Lotti, the Danni and the Zamba) 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). This offering is complemented by a limited range of dining and occasional furniture.

The Group's flooring business, which represented approximately 12 per cent. of total revenues in the year ended 26 July 2014, focusses on the retail of carpets, as well as laminate and vinyl flooring. These are sold to order from samples in-store; thereby alleviating the need for stock to be held in store, or for substantial amounts of stock to be held at the Group's distribution centres.

The Group currently operates from 97 stores, 94 of which are in out of town retail park locations. ScS also provides an online sales offering which seeks to provide similar product value and choice to customers to that available in-store with some additional value ranges.

As part of the Group's growth strategy, in March 2014, an agreement was signed with House of Fraser, a premium department store chain, to operate furniture and carpet concessions in 30 of their stores in the UK under the House of Fraser "*For Living*" brand. Following a trial run in 2013, 30 concessions were rolled out between May 2014 to July 2014.

ScS has developed a diverse product range encompassing furniture and flooring products, that seeks to target a broad customer base in out of town retail parks as well as in selected House of Fraser department stores. The Directors believe that this recent strategic shift in targeting both the mid-market and the premium market segments could provide scope for further growth.

The Group's business typically has a negative working capital position. In periods of growth, the negative working capital model allows the business to benefit from cash inflows from its customers and, in relation to credit sales, finance houses, prior to the Group being required to pay its supplier creditors.

The senior management team, which is led by the Group's Chief Executive Officer David Knight, has extensive experience with ScS and the furniture and flooring retail sector and has driven the development of ScS's strategy of expanding the customer base in order to provide support for further growth and greater resilience against adverse economic conditions.

In the year ended 26 July 2014, the Operating Group generated adjusted EBITDA of £13.7 million (2013: £11.9 million) on revenues of £258.2 million (2013: £245.6 million).

#### **2. HISTORY AND DEVELOPMENT**

The Group's business commenced trading in Sunderland around the 1890s as a family owned general home furnishings store. By the 1980s, the business operated from eight stores in the North East of England under the ScS name, specialising in selling upholstered furniture. Following a management buyout in 1993, the business began to expand outside of the North East of England, focused on establishing ScS as a major UK upholstered furniture retailer operating from larger and more modern stores in out of town retail park locations. To further pursue this growth strategy, in 1997, the business listed on the Official List and was

admitted to trading on the London Stock Exchange's main market for listed securities (as ScS Upholstery plc). At that time, the business operated from twelve stores and three distribution centres.

The store expansion programme saw the store estate grow, and by 2007, the store estate had increased to 95 stores supported by nine distribution centres. A number of operational initiatives were also undertaken, including, upgrades to business processes, management information and information technology systems. David Knight was appointed Chief Executive Officer in 2002, Kevin Royal was appointed Sales Director in 2003 and Ron Turnbull was appointed Finance Director in 2004.

During 2007 and 2008, the business was adversely affected by the prolonged economic downturn which contributed to constraints on consumer lending and pressure on disposable incomes. The economic downturn impacted negatively on consumer confidence and demand generally, in particular, for "big ticket" items (i.e. items that are of high retail value). The underlying trading difficulties and pressure upon ScS's cash resources and working capital facilities were compounded by the sudden withdrawal of credit insurance, which provided cover to suppliers against ScS's debt to suppliers. The withdrawal of credit insurance meant that a significant, immediate and long term cash investment was required. In order to secure ScS's future, and to protect customers, the business was sold to Sun Capital. The sale was completed on 3 July 2008 through a pre-pack administration whereby ScS Upholstery plc was placed into administration and the entire business and assets of ScS Upholstery plc were sold immediately thereafter by the administrators for £1. Sun Capital subsequently injected £15 million of cash into the Operating Group to satisfy immediate working capital requirements, which was followed by a further cash injection of £5 million on 26 September 2008 to further stabilise the business.

With Sun Capital's support, the Directors have implemented a strategy aimed at increasing sales while limiting fixed costs and expanding the customer base in order to provide support for further growth and greater resilience against adverse economic conditions. This strategy has seen the Operating Group improve sales and increase its share of the upholstered furniture market by value from approximately 6.5 per cent. in the year ended 31 December 2010 (Source: Verdict) to a market share by value of approximately 7.9 per cent. in the year ended 31 December 2013 (Source: Verdict) and develop a flooring business that had a market share by value of approximately 1.9 per cent. in the year ended 31 December 2013 (Source: Verdict). This strategy has focused on the following:

- Introduction of a branded range of furniture products, covering both owned brands sold under registered trade marks and third party brands
  - ScS introduced established third party brands to the product range, adding La-Z-Boy branded products in 2009, and G Plan in 2010.
  - In 2013, ScS launched its own brand, Endurance, complementing its existing own brand, SiSi Italia (launched in 2010), which offers a range of leather sofas and chairs. These are both sold under registered trade marks owned by the Group.
  - In 2014, ScS added a range of products from the up-market brand Parker Knoll.
  - Total branded furniture sales (excluding core range sales) amounted to approximately £75 million for the year ended 26 July 2014 (33 per cent. of total upholstered furniture sales).
- Introduction of a range of complementary products
  - In 2010, ScS added a number of tables, lamps and dining furniture to its product offering with the aim of increasing footfall, transaction values and repeat custom to its stores.
- Extending the interest-free credit offering to all products
  - Since 30 July 2011, ScS has offered interest-free credit on all products in every store (subject to terms and conditions, including credit checks).
  - The Directors believe that this helps the business to compete more effectively against competitors with a similar consumer credit offering, as well as supporting higher transaction values and attracting a wider range of customers.

- Development of an online capability
  - The Group introduced its first transactional online platform in 2009, which operates both as a direct selling channel as well as a marketing tool.
  - Online sales have grown to approximately £6.7 million in the year ended 26 July 2014 (2.6 per cent. of total Operating Group sales).
  - In 2014, ScS invested in a new platform and website which aims to provide an enhanced online shopping experience for customers.
- Development of a flooring offering
  - Following a pilot programme in ten stores in the North East of England, the flooring offering was rolled out nationally by March 2012.
  - The addition of carpets was intended to further differentiate ScS from competitors as well as to drive incremental footfall and repeat custom. The Directors believe that the flooring offering may attract a different demographic to the Group's core sofa customer.
  - ScS's brand was further enhanced by a £1.0 million investment in new store signage promoting ScS as the "*Sofa Carpet Specialist*".
  - Flooring sales (including sales attributed to the House of Fraser concessions) have grown to approximately £30.1 million in the year ended 26 July 2014 (12 per cent. of total Operating Group sales).
- Introduction of the House of Fraser concession arrangement
  - In March 2014, ScS entered into a concession agreement to operate a furniture and carpet business in 30 House of Fraser stores under the House of Fraser "*For Living*" brand.
  - This offers ScS the opportunity to establish a presence in new markets in the UK as well as the ability to target a different, more affluent, customer base.
  - The commission payable to House of Fraser under the agreement is directly linked to the sales performance of these concessions. The rollout of 30 House of Fraser concessions commenced in May 2014 and was completed by the end of July 2014 and included the clearance of pre-existing House of Fraser stock.
  - ScS has introduced the luxury Duresta brand into selected House of Fraser stores.

### 3. THE GROUP'S BUSINESS

#### 3.1 Sales Channels

##### **Store estate**

ScS currently has a portfolio of 97 stores located in the UK with a concentration in the North of England and the Midlands.

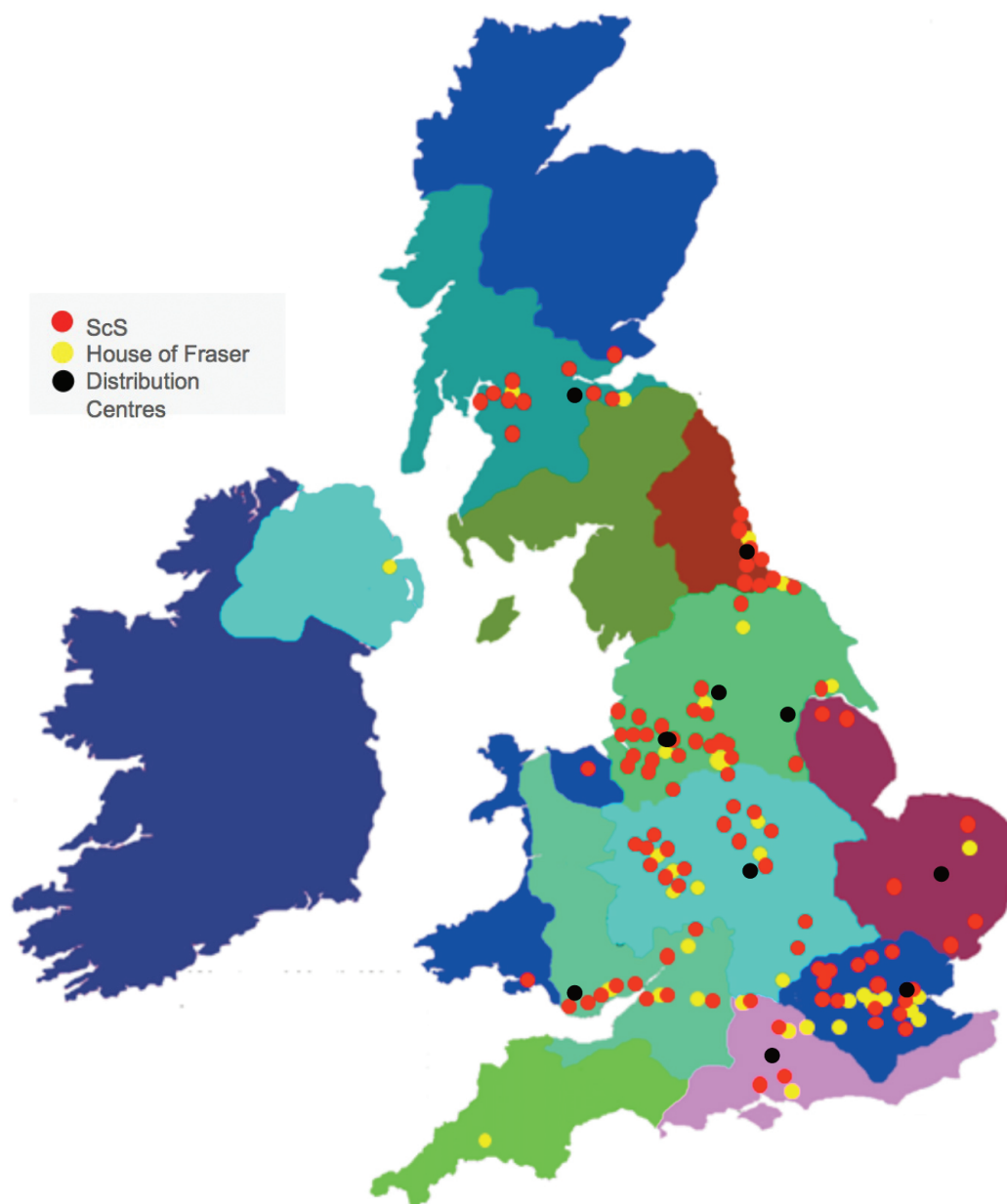
The Group's stores are predominantly located in out of town locations, with 94 stores located on out of town retail parks selected due to such locations having either a strong anchor tenant (such as a major grocer or DIY chain) or being where a competitor of ScS is also located. The Directors believe that these retail sites are attractive to consumers, resulting in a good level of customer footfall and expect these locations would continue to maintain good footfall in the future. The Directors also believe that it is advantageous to be located on the same retail park as other furniture retailers, as customers may often visit similar retailers on the same park whilst considering purchasing options.

The other three stores are located in town centre locations in the North East of England. In the financial year ended 26 July 2014, two of the stores have been profitable and one has been loss-making. ScS's intention is to vacate the loss-making store at the end of the lease term when it expires in June 2015 and to redeploy staff to other stores in the area.

The store network has been developed in regional clusters located within major UK TV regions. The aim of this location-centric strategy is to maximise the number of ScS's stores that could benefit from

targeted TV advertising campaigns within these regions. Organising stores into these regional clusters also facilitates effective logistics management, with ten distribution centres located within these regional clusters to support specific store groups. The Directors believe that this approach reduces distribution costs by optimising delivery capacity in a relatively localised area without the need to transport goods overnight. The model also seeks to reduce the number of times the products are handled in order to reduce the risk of delivery damage.

### ScS network



The Directors believe that the store portfolio is well invested, with approximately £2.5 million spent across the estate over the last three years. This spend is in addition to a further £1.0 million which has been spent within the same period in updating the signage promoting ScS as the “*Sofa Carpet Specialist*”. This expenditure has allowed the Group to refresh the majority of the store estate. The Directors believe that these refreshes not only ensure that the store offers a well presented and attractive retailing environment, but are also expected to reduce the future maintenance capital expenditure and the energy costs of running the store estate. ScS intends to complete the planned programme of refreshes on the remaining estate over the next two years.

For each of the Group’s 94 out of town retail park locations, a mezzanine floor has been added in order to increase retail space whilst not incurring additional rent. The mezzanine levels are designed with

retail space on the cascade, which the Directors believe encourages customers to circulate around the store. Stores are laid out to include concession style areas, which allows certain brands that the Group sells to be presented in a single area, with the surrounding fit out designed to suit each specific brand. By incorporating retail space provided by these mezzanine levels, a typical store has an average retail space of approximately 14,700 square feet and the ScS store estate's total aggregate retail space is approximately 1.4 million square feet. Given ScS's regional logistics network, the business generally stores its products in its distribution centres and not in retail stores. A typical store has one store manager, a sales manager, five sales staff and two administration staff.

All but one of the Group's stores are leasehold and, as at 26 July 2014, the average lease length remaining across the store portfolio was approximately ten years. The rental cost of the store estate has been relatively stable over the past five years, with the majority of rent reviews, during that period, resulting in no increase. When considering entering into new leases, the Directors seek to balance flexibility over the ability to make adjustments to the retail space within the leased property with security of tenure. The Directors anticipate that, going forward, the Group will typically enter into new leases that are for a period not exceeding 15 years.

### **Online**

The Directors believe that ScS's trading website ([www.scs.co.uk](http://www.scs.co.uk)) is important to the Group, not only as a complementary sales channel, but also as a marketing tool providing customers with the option to view and research product ranges before visiting a physical store location.

The original website was launched as a transactional site in April 2009. Sales and profits attributable to the site have seen a steady increase, particularly over the past three years. For the year ended 26 July 2014, online sales represented approximately 2.6 per cent. of total Operating Group sales, reflecting the fact that a majority of the "big ticket" items (i.e. items that are of higher retail value) are sold in-store rather than online. Whilst the Directors expect that the proportion of online sales will continue to grow relative to total Group sales, this channel is not expected to exceed five per cent. in the medium term. The Directors believe that the prime objective of the Group's online strategy is to promote ScS to potential sofa and carpet customers and encourage them to visit a ScS store.

As part of the Group's online strategy, its online capability has been supplemented by the investment of approximately £0.6 million over the past six months to develop a new platform and website applying Cloud based technology. This has been designed in order to:

- drive store footfall;
- enable customers who choose not to return to stores to enjoy an improved experience when buying online; and
- support customers who wish to make purchases online without visiting a store.

The products available on ScS's website generally mirror the in-store offering but include a small range of additional "web exclusive" fabric ranges which typically have a lower price point and faster delivery time. The online customer demographic is broadly similar to that of the in-store customer, with a bias towards a younger customer demographic as well as customers located in more rural locations. The online offering is currently available only to customers within the UK and utilises ScS's existing distribution network to deliver to customers.

### **House of Fraser**

In 2013, ScS entered into an arrangement to conduct a three store trial with House of Fraser whereby ScS managed an agreed specified area within the upholstered furniture department of each House of Fraser store. ScS's scope of work included decision-making with respect to visual merchandising and the employment of sales staff. These products were advertised and sold under the House of Fraser "For Living" brand. In addition, ScS was also contracted to provide a flooring offering, which aims to offer comparable quality to other department stores, such as, John Lewis.

The House of Fraser sofa, carpet and furniture ranges are predominantly branded, with key third party brands including La-Z-Boy, G Plan and Parker Knoll being sold alongside some of ScS's own brands sold under registered trade marks including SiSi Italia. ScS's brand name is not used within the House of Fraser stores.

Following a trial period, and the extension of the agreement to cover 30 House of Fraser stores in total, ScS invested approximately £1.4 million rolling out the new concessions and ScS now operates an agreed specified area within House of Fraser's upholstered furniture departments in 30 of its UK stores. These new concessions were rolled out during 2014 with 30 concessions being open by the end of July 2014, in time for a national launch of the new offering in the Autumn. The Directors believe that given the start-up nature of the House of Fraser concession, it will contribute a loss in the start-up phase before moving into profitability.

The agreement with House of Fraser is structured in a similar style to a concession agreement, whereby sales are attributed to ScS with House of Fraser retaining a commission on the products sold. The agreement has a two year termination notice period, although individual stores can be terminated on 6 months' notice. Under the agreement, all responsibility for stock up to the point of sale and sales staff rests with ScS. Sales within House of Fraser are generally on a "made to order" basis (unless they are clearly identified as "stock furniture"), and are delivered to customers via ScS's existing distribution network. Deliveries are usually segregated to ensure the House of Fraser customer receives a House of Fraser branded delivery. The retail team are supported by a central administration team based at the Group's Head Office and a customer service team, with service repairs being outsourced to a third party that has an established working relationship with House of Fraser.

The Group has also been contracted to manage House of Fraser's own brand range of furniture in these stores and an additional five House of Fraser stores where ScS does not operate the full branded upholstered furniture offering as described in the preceding paragraph. In these stores, the concession product range is sold under House of Fraser's own in-house brands and is sourced by a ScS merchandising team acting in partnership with House of Fraser.

The Directors believe that the agreement with House of Fraser offers ScS a low capital-intensive way of increasing retail selling space and national coverage. The agreement with House of Fraser adds approximately 123,060 square feet of retail space and 30 additional retail spaces which sell ScS products to the Group's total store portfolio. In addition, the Directors believe that retailing within the House of Fraser department stores will allow ScS to move into new markets and target new customers located within town-centres away from ScS's more traditional focus of out of town retail parks. Given the predominantly branded offering, the Directors also believe that sales within House of Fraser may record a higher average transaction value when compared to the Group's own store portfolio.

Although a number of brands offered within House of Fraser overlap with ScS's own store offerings, the Directors do not believe that there was a material decrease in sales in stores located near to the House of Fraser trial stores during the trial period.

### **3.2 Product range**

The Group sells a range of furniture and flooring products. The furniture products include sofas, chairs, corner groups and dining ranges as well as occasional furniture. Approximately 90 per cent. of products sold are "made to order" for customers, with lead times for delivery varying between four and twelve weeks. The remaining 10 per cent. of sales are discontinued floor stock and customer returns which are generally sold at a discount to retail price that may reflect the stock's condition. In 2009, in order to differentiate ScS from its competitors and diversify its product offering, ScS introduced other branded products in addition to its core range. The branded products comprise third party brands, such as, La-Z-Boy and G Plan as well as ScS's own developed brands, which include Endurance and SiSi Italia. The flooring products include carpets, rugs, and laminate and vinyl flooring. The Directors believe that the introduction of flooring provides customers with more reasons to visit a ScS store and has the potential to encourage repeat business within stores.

At the point of purchase, customers can select one of the interest-free finance payment options. If customers select a finance option, a deposit of 10 per cent. of the average sale price is typically provided. However, customers can also either pay in full at the point of purchase, or elect to pay a deposit and then complete payment prior to delivery. In this case, an average deposit would represent approximately 70 per cent. of the total purchase price.

ScS also sells extended warranty and care products on behalf of Castelan Limited. Sales staff are encouraged to sell these at the point of sale. The extended warranty is administered by Castelan

Limited and underwritten by a third party insurance provider appointed by Castelan Limited from time to time.

ScS works with a range of suppliers to develop the product range. The ScS buying team seeks to work closely with suppliers and undertakes research into trends in the furniture and flooring markets.

### 3.2.1 **Core range (branded products which are not sold under registered trade marks)**

Total core range furniture sales amounted to approximately £152.9 million or approximately 67 per cent. of total furniture sales in the year ended 26 July 2014.

ScS offers a wide core range of fabric and leather sofas, seeking to appeal to a broad customer base. The Directors believe that the majority of ScS's core customers are in the C1 to E demographic category (as further described in paragraph 3.4 below). Over the past three years approximately 75 per cent. of core range orders have been for fabric products and approximately 25 per cent. for leather products. The ScS buying team seeks to monitor the market to ensure the offering reflects current customer preferences. In recent years, the Directors believe that the market has shifted back towards a preference for fabric models, and that ScS's product range has been updated to reflect this trend.

### 3.2.2 **Branded products sold under registered trade marks**

Total branded furniture sales (excluding core range sales) amounted to approximately £75.3 million or approximately 33 per cent. of total furniture sales in the year ended 26 July 2014. This includes third party brands as well as branded products sold under registered trade marks owned by ScS:

#### 3.2.2.1 **Third Party Brands (branded products which are sold under trade marks owned by third parties)**

ScS's growth strategy has been to expand the breadth and quality of its branded offering in order to attract a wider customer base and higher transaction values. ScS's product offering includes third party brands such as La-Z-Boy, G Plan and more recently, Parker Knoll and Duresta, with certain models supplied to ScS on an exclusive basis. The concessions in House of Fraser have an exclusive La-Z-Boy range, which differs from the range sold within ScS's own store estate due to its different target customer base.

The brands are displayed in-store with a dedicated point of sale to provide a concession look and feel. There are no current plans to further expand the range of brands, but the Directors believe there is further opportunity to increase the sales of the current range of branded products through targeted advertising and product placement. Key brands include:

- **La-Z-Boy**

La-Z-Boy has been established for over 85 years and is a popular recliner sofa/chair product range, appealing mainly to more affluent, suburban, customers. This product contains a "slouch" mechanism which differentiates it from many other products in the market. Models are generally available in luxury fabric or leather with a choice of static, manual and power sofas and chairs.

- **G Plan**

Established for over 60 years, G Plan products are known for being handcrafted in the UK. G Plan products seek to appeal across age ranges but particularly target the older and more affluent demographic categories. ScS currently sells six model ranges which are generally available in fabric and leather, comprising a choice of static, manual and power sofas and chairs.

- **Parker Knoll**

Parker Knoll is an upmarket brand known for being handcrafted in Derbyshire, England. The products combine classic styles with modern designs. ScS currently sells three fabric models with some leather and recliner options.

### 3.2.3 **Own Brands (branded products which are sold under trade marks owned by ScS)**

Over the past two years, ScS has developed its own in-house brands; Endurance and SiSi Italia, both of which are trademarked in UK. These are also displayed in store with a 'concession' ambience similar to those of the third party brands.

- **SiSi Italia**

SiSi Italia comprises six groups of leather sofa products targeting the "young professionals" demographic.

- **Endurance**

Endurance was introduced into ScS's stores in 2013. The Directors believe that Endurance differentiates itself as a product range by using an eco-friendly alternative material to leather. The material seeks to replicate the look and feel of natural leather and is marketed as being highly durable, with 70 per cent. reconstituted leather content. Seeking to appeal to all demographics, Endurance's range of six models is developed in the UK exclusively for ScS.

### 3.2.4 **Flooring**

Carpets comprise the majority of ScS's flooring sales, complemented by a range of rugs and laminate and vinyl flooring. Total flooring sales for ScS (including sales attributed to the House of Fraser concessions) were approximately £30.1 million in the year ended 26 July 2014.

The Group's flooring offering was introduced nationwide in 2012 and now includes over 5,000 different options, mainly carpets, which are displayed in-store. In comparison with the space dedicated in-store to the sale of furniture products, the space dedicated to flooring is relatively limited. The Directors believe that the range offered is comparable to other UK specialist flooring retailers, with the exception that ScS does not typically retail the lower value ranges of carpets. Similar to the retail model for furniture, ScS does not carry substantial stock in store and carpets are ordered for each specific customer order with an average lead time of five weeks.

The flooring offering complements the furnishing offering which the Directors believe has resulted in an increased the number of sales and higher transaction values where a customer has made an upholstery purchase. The range targets a similar demographic as the furnishing business, and seeks to attract a more affluent customer base.

The range includes third party carpet brands such as Hugh Mackay and Associated Weavers. In addition, ScS's Endurance brand includes a carpet offering as well.

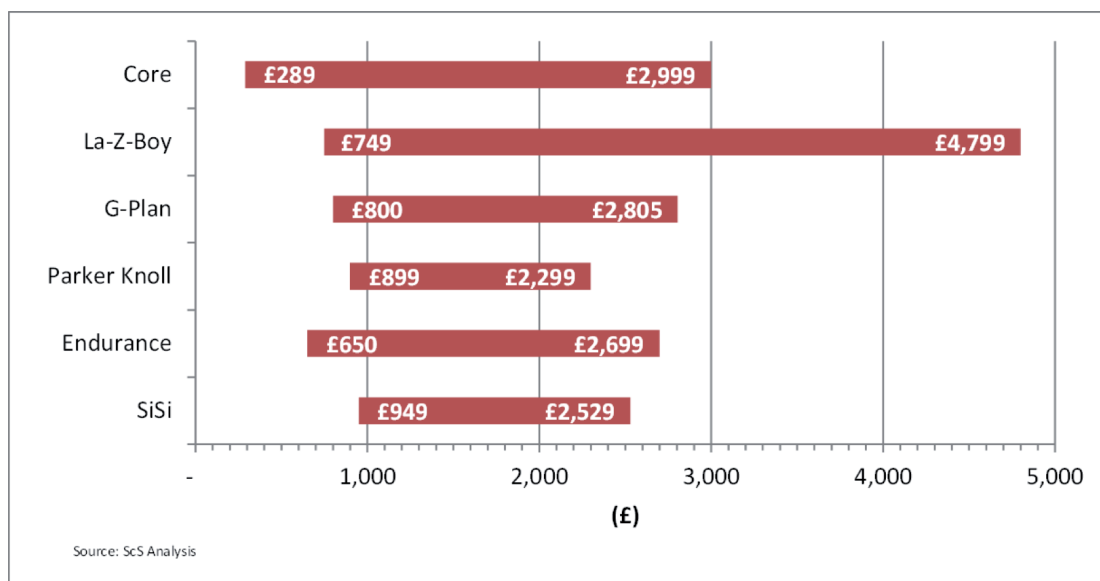
## 3.3 **Pricing**

### **Furniture**

The Group offers a wide range of products designed to appeal to the broadest possible customer demographic, which is complemented by its potentially competitive pricing strategy. The pricing structure extends, from entry-level products such as a core range fabric product, which may retail for approximately £300, to a top end offering which may retail at up to £4,799. This pricing model, combined with promotions and marketing campaigns, have the objective of targeting a wide range of customers and may maximise profitability.

All prices are set centrally with no variation between stores, although there is typically a limited range of online only special offers at more budget prices.

The chart below details the entry and exit prices for the Group's key furniture lines.



### Flooring

The Group offers a wide variety of products designed to suit a range of budgets and which aims to complement the furniture range. Pricing is progressive, from entry level polypropylene, stain resistant carpets (approximately £6.00 per square metre) to 100 per cent. wool carpets (approximately £58.00 per square metre). The core carpet range retails at approximately £13.30 per square metre.

### 3.4 Customer Demographics

The profile of the Group's customers have been analysed by Experian and is based upon the National Readership Survey (NRS) demographic categories which are as follows:

Social Grade Social Status Occupation

- A Upper middle class higher managerial, administrative or professional.
- B Middle class intermediate managerial, administrative or professional.
- C1 Lower middle class supervisory or clerical, junior managerial, administrative or professional.
- C2 Skilled working class skilled manual workers.
- D Working class semi and unskilled manual workers.
- E Those at lowest level of subsistence state pensioners or widows (no other earner), casual or lowest grade workers.

The Directors believe that ScS's products and pricing range seek to appeal to a broad customer base. The majority of ScS's customers are in the C1 to E demographic. 94 of 97 stores are located in out of town retail parks, attracting local customers with approximately 50 per cent. of the Group's customers travelling up to 14 minutes to visit a store and approximately 80 per cent. travelling up to 25 minutes. The House of Fraser and online strategies are designed to enable ScS to reach additional customers located further away from out of town stores and outside of these regions.

The core ScS customer tends to have the following characteristics:

- is employed full time (this is a requirement of the consumer credit providers where a customer requires consumer credit financing to fund a purchase);
- low to middle income;
- has a family;
- lives in a semi detached house with a property value between £60,000 and £160,000; and
- has lived in the same property for 11 or more years.

Typically online customers come from the same area as those visiting shops with 64 per cent. of online customers living within 10 miles of a ScS store and 76 per cent. within 15 miles.

The overall profile of ScS online customers is similar to ScS customers buying in a physical store.

When ScS online customers are compared with ScS in store customers the online shopper is more likely to be rural or younger.

### 3.5 Customer Finance

As part of the Group's marketing strategy and customer service offering, ScS seeks to offer customers the opportunity to purchase any ScS product (subject to credit checks) by paying for them in instalments through interest-free finance options. Approximately 50 per cent. of ScS customers use this interest-free credit offer, with the remainder of customers paying by cash, by cheque or through a credit or debit card. The Directors believe that the interest-free credit offering is an important factor in supporting sales of the Group's products.

All ScS products are currently available for purchase using interest-free credit, with the most popular offer being "four years interest free credit with no deposit".

The interest-free finance options are provided by consumer credit providers for a fee payable by ScS. Although ScS does not suffer from direct credit exposure in relation to customers who elect to use the interest-free finance options, a higher rate of default by ScS customers could affect the willingness of the consumer credit providers to finance further credit sales and could also result in the imposition of higher fees. The Group's consumer credit providers charge ScS a fee for each credit agreement, based on periodically agreed pricing matrices, which generally references the lenders' cost of borrowing, the level of bad debts, turnover volume, the cost of borrowing and the length of the financing term. ScS currently works with two consumer credit providers, Barclays Partner Finance (Barclays Partner Finance is a trading name of Clydesdale Financial Service Limited, a wholly owned subsidiary of Barclays Bank plc) and Creation Consumer Finance Limited (trading as LaSer UK). The credit approval process for customers utilising interest-free financing is undertaken directly by the consumer credit providers, with customers being able to submit the application in store.

When a customer takes delivery of their purchase, the consumer credit providers would then credit ScS directly with the balance of the purchase price due on the customer's order (less the cost of finance). Customers may choose the level of deposit they wish to pay, however, with the exception of website sales, it is possible for a customer to make an application and pay no deposit.

In addition, when a customer purchases a product from ScS they are also offered the opportunity to purchase an extended warranty as well as care products and kits. The extended warranty is administered by Castelan Limited and underwritten by a third party insurance provider appointed by Castelan Limited from time to time.

### 3.6 Marketing and Advertising

The marketing strategy is to drive brand awareness and customer visits to stores through the use of a combination of TV, national press and regional press and radio marketing campaigns. The response to advertising is monitored through in-store footfall, as well as sales performance.

Approximately 6 per cent. of Group sales was spent on advertising in 2014. Spend on TV is focused on national television and the majority of spend is with ITV1, a UK television broadcaster, and focused on its mass audience programs. This is complemented by spend on the digital channels provided by Sky, a UK satellite broadcasting, broadband and telephone services company, and Freeview, a free-to-air digital terrestrial television service in the UK. Press marketing campaigns are typically focused on broad appeal national newspapers such as the Sun, the Daily Mail, the Daily Express, the Star and the Mirror.

To promote higher priced branded products and the House of Fraser "*For Living*" concession, campaigns using ITV1 and Channel 4 digital channels as well as a broader range of Sky channels and local and national papers have been implemented.

Promotional campaigns are a key driver of customer orders, the key sales periods being the period beginning mid-September and ending mid-November in each year, the period beginning 26 December (Boxing Day) and ending 31 January and annual bank holidays, such as Easter, May and August. The advertising spend is generally weighted to support sales campaigns through those periods.

### 3.7 After Sales Service

Customer service is a key focus of the business, from point of sale through to delivery by ScS's in-house delivery resource and thereafter in the form of after sales support. ScS maintains a customer service centre and a nationwide team of qualified service technicians with the aim of addressing customer enquiries and concerns quickly and professionally. The service teams are trained to possess sufficient levels of product knowledge and repair techniques allowing them to identify problems and deliver the appropriate solution to the customer.

The customer service team may use data and knowledge from dealing with customers to provide feedback during regular performance reviews with the Group's suppliers using this feedback to promote new product development, to enhance product quality and thereby aiming to improve the customer experience.

The Customer Service Team has established strong relationships with leading industry bodies such as the Furniture Industry Research Association (FIRA), the British Leather Confederation (BLC) and British Retail Consortium (BRC) and is actively engaged in the development of best practice guidelines and product research. ScS's Head of After Sales Service has recently been appointed to the Council for FIRA.

Carpet after sales issues tend to be relatively minor, given the nature of the product. In addition, fitting services are generally provided by self-employed fitters who typically contract directly with the customer. Any fitting issues are therefore usually resolved with the flooring fitter directly.

ScS's customers have provided feedback on ScS through the "Trustpilot" website, an online review platform for ecommerce. ScS monitors feedback on the site and aims to respond publicly to comments placed by customers on the service it provides. ScS also responds to feedback left on ScS's Facebook and Twitter pages.

### 3.8 Suppliers and Sourcing

#### ***Furniture***

The Group has no manufacturing operations and sources all products from suppliers based principally in the UK. The Directors believe that ScS has developed good working relationships with suppliers over many years, which provides a reliable supply chain, exclusivity of certain upholstered furniture products and customer support, if needed. Working with suppliers, ScS aims to become a market leader in new product ranges as fashion and/or trends change.

Upholstered furniture is supplied by a core of eight manufacturers who between them represented approximately 88 per cent. by value of product sold in the financial year ended 26 July 2014. Included within this are products made in factories in the Far East (representing approximately 34 per cent. of total products sold), the purchase of which is contracted by ScS through UK suppliers. ScS does not take responsibility for the condition of the product until it is delivered to one of ScS's distribution centres. Accordingly, ScS has recourse to its UK suppliers if product quality is not satisfactory. Factories in the Far East and the UK are regularly visited by management to approve new products and to gain first hand assurance of the quality of production.

Lead times for delivery of products range from four weeks to twelve weeks, depending principally on the locations where the products are manufactured. High volume lines may be ordered in advance in anticipation of sale to reduce lead times and to offer a limited range of products on express delivery for customers.

Approximately 90 per cent. of upholstered furniture orders may be made to customer specification and, other than the purchase of floor stock for stores, there are no minimum purchase commitments

with any of the Group's suppliers. Consequently, ScS seeks to hold minimal stock, reducing the risk of out of date or obsolete product and at the same time creating a negative working capital cycle given that ScS will receive customer deposits at the time of ordering (with the outstanding balance paid before delivery in the case of a non-credit customer), whilst ScS would typically settle with its suppliers at the end of the month following receipt of product into one of its distribution centres. All purchases from suppliers and sales to customers are contracted in pounds sterling and currency risk should therefore remain with any suppliers who do not contract in pounds sterling with third party manufacturers.

As referred to above, ScS has historically been adversely impacted when credit insurance has been withdrawn from the supply chain. The Directors believe that ScS's dependence on credit insurance today is reduced in comparison with its position in 2008. Based on information provided by the Group's suppliers, the amount of cover held by suppliers with respect to products supplied to ScS was approximately £20.6 million in 2008 (which represented approximately 11.0 per cent. of sales) and the amount of cover currently held by suppliers with respect to products supplied to ScS is approximately £12.6 million (which represents approximately 4.9 per cent. of sales in 2014). The Directors believe that the Group's suppliers may have developed alternative means of supporting their own working capital, through their own banking facilities and supplier arrangements.

### **Flooring**

Carpets are sourced from a core of six suppliers who supplied approximately 85 per cent. of products purchased by ScS in the year ended 26 July 2014. Purchases are generally cut to order and are delivered to ScS by suppliers approximately three days prior to the arranged fitting date. This seeks to minimise wastage and reduces ScS's stock inventory at any point in time.

## **3.9 Distribution and Logistics**

The Directors believe that meeting customer agreed delivery dates and retaining control of final in-home delivery, is central to the Group's strategy of seeking to provide the best customer experience. Delivery to customers is undertaken by ScS's own network of regional distribution centres with each distribution centre supporting stores in its locality and providing benefits from economies of scale. Suppliers are generally liable up to the point of receipt of goods into the distribution centre from which ScS arranges and executes delivery to customers.

The current network operates from ten distribution centres, totalling approximately 435,000 square feet of storage capacity, with a fleet of approximately 64 leased vehicles. Each distribution centre services deliveries for an average of thirteen branches (including both ScS and House of Fraser stores). This allows for geographically focused customer service. This infrastructure provides sufficient capacity for all but the peak delivery periods in July and December, which are supported by external contractors on a short term basis.

With the launch of the "*For Living*" concession with House of Fraser, the tenth distribution centre in West Thurrock, England, was commissioned in May 2014 and has been fully operational since August 2014. This distribution centre not only provides additional capacity to support the Group's largest concentration of concession stores but also seeks to provide additional capacity to support any further expansion by ScS in the South East of England.

## **3.10 Information Technology**

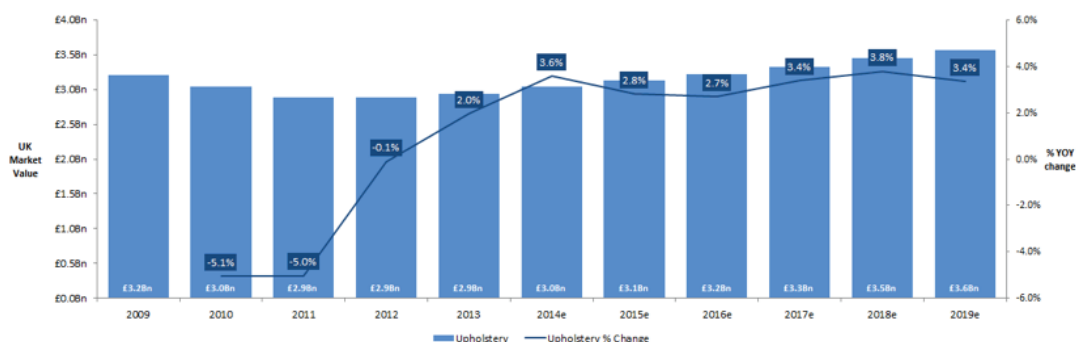
Significant investment totalling approximately £2.0 million was undertaken with respect to ScS's IT systems during 2007 to support improvements in business processes and management information with the implementation of Microsoft's Dynamics Nav ERP system, a computer software program. The Directors believe that this is a fully integrated system including financial ledgers, which has supported the growth of the business, including the introduction of flooring, by reducing the risk of losing computer data as well as providing potentially scalable and flexible reporting capabilities.

## 4. THE MARKET

### 4.1 Upholstered Furniture

#### Overview

The market has contracted significantly in recent years with the industry experiencing a slight recovery in 2013 linked to improvements in the UK housing market. This recovery is expected to continue with upholstered furniture sales achieving a steady growth of 3.2 per cent. CAGR from 2014 projected through to 2019 (Source: Verdict). Consumer confidence is also expected to continue to improve, supported by improvements in wider economic conditions as fears over unemployment subside. The number of housing transactions, which is forecast to increase, is also expected to support increased sales in this sector.



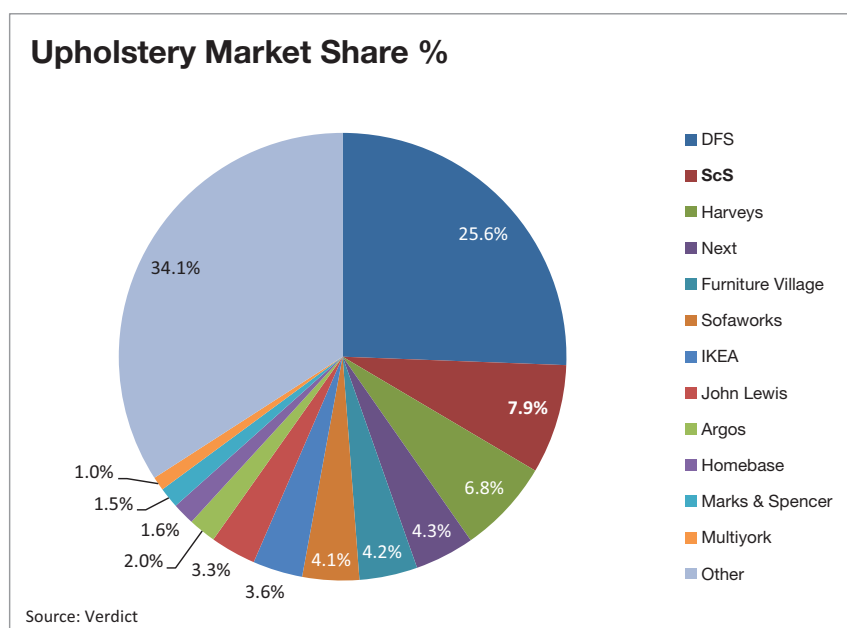
Source: Data sourced from Verdict.

ScS has increased its market share by value in the upholstered furniture sector, growing from approximately 6.5 per cent. in the year ended 31 December 2010 (Source: Verdict) to a market share of approximately 7.9 per cent. by value in the year ended 31 December 2013 (Source: Verdict). Over this same period, there had been consolidation in the sector as other businesses in this sector have closed or merged.

#### Competitors

##### Market Share – Upholstered Furniture Market

This information is taken from Verdict and reflects results for the year ended 31 December 2013.

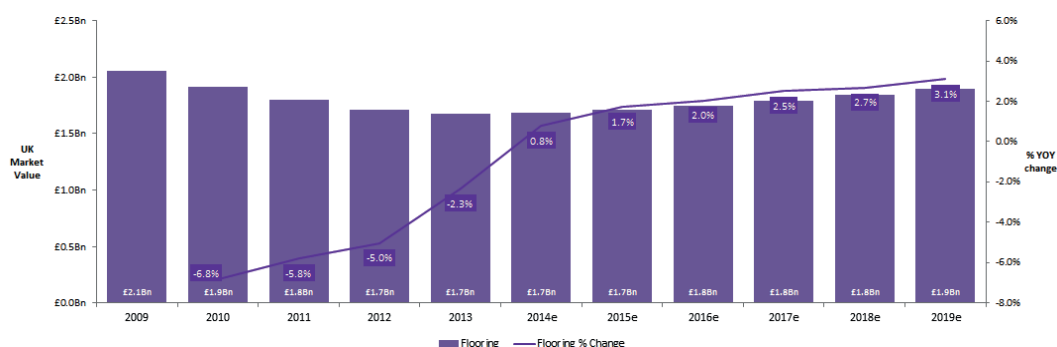


Whilst the Group's main competition is from other specialist national retailers, the market is highly fragmented with retailers outside of the top 7 in terms of revenue (2013) accounting for 43.5 per cent. of the market by value. (Source: Verdict).

## 4.2 Flooring

### Overview

The flooring market's performance has seen a similar pattern to that of the upholstered furniture market, with significant declines in recent years, but with growth of 2.4 per cent. CAGR expected between 2014 and 2019. (Source: Verdict).



Source: Data sourced from Verdict.

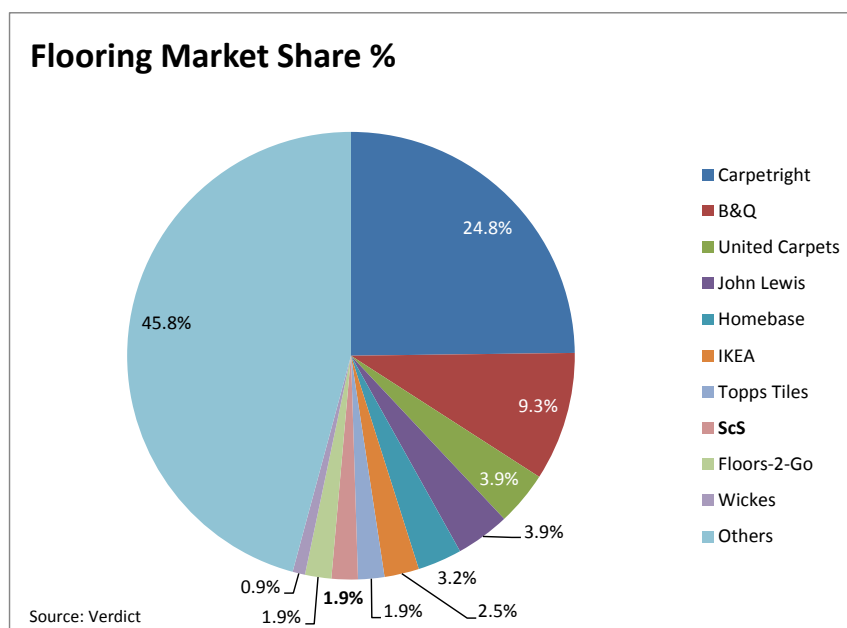
Carpets continue to dominate the sector with approximately a 68 per cent. share of the flooring market by value in the year ended 31 December 2013 (Source: Verdict), due to its wider usage through the house, especially in personal areas such as bedrooms and living rooms. An expected continued growth in the number of house moves underpins the market growth projection.

ScS launched its carpet business nationally in March 2012 and has developed a flooring business that had a market share by value of approximately 1.9 per cent. in the year ended 31 December 2013 (Source: Verdict). ScS has grown flooring sales (including sales attributed to the House of Fraser concessions) to approximately £30.1 million in the year ended 26 July 2014. A hard flooring offer has also been developed to capitalise on the opportunity presented by growth in the kitchen and bathroom replacement market. Due to the breadth of the flooring range offered by the Group, the Directors believe ScS is well-placed to benefit from the projected growth in house moves as ScS is able to provide floor coverings for the entire home in addition to upholstery, dining and occasional furniture.

### Competitors

#### Market Share – Flooring Market

This information is taken from Verdict and reflects results for the year ended 31 December 2013.



As with the upholstered furniture market, this market is highly fragmented with 48.6 per cent. of the market by value occupied by independent floorcovering specialists and DIY retailers (Source: Verdict).

## 5. KEY STRENGTHS

The Directors believe that ScS has a number of key strengths that have supported the growth in sales and profits in the last three years and which provide a firm base for further growth.

### One of the largest UK retailers of sofas and floorings

The Directors believe that ScS is one of the UK's largest retailers of sofas and floorings and selling this combination of products and positioning the business as the "*Sofa Carpet Specialist*" provides the following benefits:

- develops the current customer base;
- provides further "sell-on" opportunities to current customers; and
- broadens the offer to customers.

Operating from 97 stores throughout the UK, ScS offers a range of upholstered furniture and floorings. In the year ended 31 December 2013, ScS had a market share by value in the upholstered furniture sector of approximately 7.9 per cent. (Source: Verdict) and a market share by value in the flooring business of approximately 1.9 per cent. (Source: Verdict).

### Store portfolio

ScS currently operates from 97 stores in the UK, 94 of which are in out of town retail park locations. Each ScS store provides a quality fit out and for each of the 94 out of town retail park locations, a mezzanine floor has been added in order to increase retail space. The mezzanine levels are generally designed with retail space on the cascade, which the Directors believe encourage customers to circulate around the store.

Investment in the store portfolio amounted to approximately £2.5 million in the last three years to ensure each store remains well presented, attractive and modern with a fashionable look and feel. This investment included "rebranding" ScS as the "*Sofa Carpet Specialist*" through investing approximately £1.0 million on new, modern external store signage. The quality of the portfolio and the location of the stores is expected to support further sales growth.

### Growing online capability

Having grown online sales from approximately £0.5 million in 2009 to approximately £6.7 million in the year ended 26 July 2014, the website currently generates more sales than ScS's leading store. A new website was launched in July 2014, with ScS having invested approximately £0.6 million in a new platform which is expected to underpin further online sales growth as well as act as a marketing tool to drive customer in-store visits.

### Diverse and focused product range

ScS seeks to offer a diverse product offering at a range of price points in order to appeal to a wide national customer base. This diversified product range and customer base seeks to provide scope for growth as well as greater resilience in the event of an economic downturn. A wide core range of sofas is complemented by a range of popular third party branded products (including La-Z-Boy, G Plan and Parker Knoll, with certain models supplied to the Group on an exclusive basis) and own branded product (Endurance and SiSi Italia, which are both trademark protected). The Directors believe that ScS's approach through "concession style" visual merchandising provides an attractive product offering compared to other retailers in the UK.

The entry into the carpet market in 2012 from within the existing store base has increased flooring sales (including sales attributed to the House of Fraser concessions) to approximately £30.1 million in the year ended 26 July 2014. The Directors believe that ScS distinguishes itself from other national carpet retailers by offering four year interest-free credit on all carpet purchases. The addition of the flooring business further diversifies the business both in terms of product and customer base, which the Directors believe could provide additional protection to the business in the event of a future economic downturn.

### Negative working capital business model

The Group operates a negative working capital business model with low on-going capital expenditure requirements. At the point of order customers pay deposits and, in the case of customers who do not take

up the consumer credit offering, settle outstanding balances before delivery. For sales under finance options, the final balance is usually received from the financing company around 7-10 days after delivery. The majority of product suppliers are paid at the end of the month following the month in which the furniture was delivered into the Group's distribution centres.

### **IT systems**

The Group has invested in IT systems which seek to support ScS's growth by offering business insights and consistent reporting data. At the business core of the ScS IT infrastructure is a Microsoft Dynamics Nav ERP system, a computer software program that is fully integrated with Microsoft Dynamics Nav ledgers, computerised ledgers that may be used for accounting purposes in keeping track of expenses and managing a budget. This provides a stable and potentially scalable platform capable of supporting business expansion by possessing an ability to adapt to business needs and developments. The Microsoft Dynamics Nav ERP system is compatible with the centralised Microsoft SQL database, a computer software program utilised by ScS, which fits with the consistent use of Microsoft products across ScS's PCs, servers, reporting software and email. This may allow for easy and consistent "real-time" sharing of data and reporting across a company-wide computer network.

This infrastructure is supported both by a professional IT team and support contracts that aim to ensure that ScS's stores, distribution centres and head office experience minimal disruption.

### **Trained staff with a focus on customer service**

ScS places emphasis on the provision of high levels of service throughout the customer experience from the point of sale through to delivery and providing appropriate after sales service if required.

Sales staff are trained to operate to high standards, supported by in-house training and external materials such as videos of mystery shop exercises. The Directors believe that detailed product knowledge is essential and training is carried out at manufacturers' factories as well as in-store, both with involvement from product manufacturers.

Customer delivery is largely executed by the Group's own experienced workforce who are required to operate in accordance with ScS's established operating procedures and standards that are applied throughout the network of distribution centres. Approximately 91 per cent. of deliveries are completed by ScS's own delivery workforce.

The Group has established a customer service centre and a nationwide team of qualified service technicians who are trained to resolve customer issues. Both teams are trained to possess a sufficient level of product knowledge and repair techniques allowing them to identify problems and deliver the appropriate solution to the customer.

### **Experienced management team**

Led by David Knight, ScS's Chief Executive Officer, the senior management team has many years of combined experience both in their respective areas of expertise and with ScS's business. The senior management team has assisted in driving the growth of the business since its acquisition by Sun Capital in July 2008 and has developed a business strategy which has seen the introduction of the flooring business, the agreement to run the House of Fraser "*For Living*" concessions and the continued development of ScS's online offering. The Directors believe that a combination of these measures has increased sales by approximately £71.9 million since 2011, to approximately £258.2 million in 2014, an increase of approximately 38.6 per cent. and adjusted EBITDA by approximately £12.4 million since 2011, to approximately £13.7 million in 2014.

## **6. STRATEGY**

The Directors have developed a strategy focused on growing sales and profits on a like for like basis and expanding ScS's store estate. This includes adding new floor space and diversifying the product range and target customer. The strategy is founded on the following key areas:

### **Continued growth in existing portfolio**

The Group had an approximately 7.9 per cent. share of the upholstered furniture market by value in the year ended 31 December 2013 (Source: Verdict), a market which had an estimated total aggregate sales value of approximately £2.9 billion (Source: Verdict). The market is projected to grow at 3.2 per cent. CAGR from 2014 projected through to 2019 (Source: Verdict). The core product range seeks to appeal to a wide customer demographic and, given the geographic spread of ScS stores within the UK, the Directors expect to continue to gain market share through cost effective media spend, principally focused on TV and National press, and promoting special offers such as “free carpet with a sofa purchase”.

### **Development of brands**

Since the introduction of the first branded product range (La-Z-Boy) in 2009, sales of branded products (excluding core range sales) have grown to approximately £75 million in the year ended 26 July 2014. With the recent introduction of Parker Knoll, the Directors believe the Group has a portfolio of high-profile brands available in-store including certain products exclusive to ScS. The strategy is to continue to promote these brands, both individually and in conjunction with the Group’s own brands and to grow sales.

### **Continued gain in market share of flooring market**

Since the launch of a flooring business in 2012, ScS has grown flooring sales (including sales attributed to the House of Fraser concessions) to approximately £30.1 million in the year ended 26 July 2014. ScS had approximately a 1.9 per cent. share of the estimated £1.7 billion flooring market in the UK in the year ended 31 December 2013 (Source: Verdict). Growth in the flooring market is projected at 2.4 per cent. CAGR from 2014 projected through to 2019 (Source: Verdict) and as the ScS “*Sofa Carpet Specialist*” brand develops, the Directors believe that the Group’s market share of the flooring market will increase. The Directors aim to double the Group’s share of the flooring market over the next five years.

### **Online**

The Directors believe the online platform and recently improved website may offer further opportunities to drive customers to visit and shop at ScS stores, as well as to purchase directly online (after visiting a store or without visiting a store). Online purchases through ScS’s website have increased from approximately £0.5 million in 2009 to approximately £6.7 million in the year ended 26 July 2014.

The Directors believe that ScS’s website delivers a scalable and stable e-commerce platform that seeks to improve user experience, visual merchandising, search engine optimisation and delivers a responsive mobile solution. The Directors believe these capabilities will support the Group’s plans to increase customer conversion and sales online.

### **New store openings**

The Directors believe there are opportunities to open new ScS stores to further drive sales growth and profitability. ScS opened a new store in Abbotsinch in Glasgow in August 2014, Croydon in October 2014 and Slough in December 2014. The Directors believe as the ScS brand gains profile, the attractiveness of ScS as a tenant in prime retail space will improve.

The Directors plan to implement a controlled new store opening programme targeting two to three store openings per annum in selected locations, primarily targeting the South East of England where ScS has lower market penetration. When formally assessing a potential new store, the Directors will look for a site that will perform in the top quartile for both sales and EBITDA and will payback on average over two years. Customer demographic research undertaken by Experian for ScS has identified 30 potential sites where it would be viable for ScS to open new sites.

### **Concession partner to House of Fraser**

The Directors believe the roll-out of the House of Fraser concession provides an opportunity for ScS to target a more diverse customer base, in more urban locations, supplemented by the House of Fraser ‘*For Living*’ website ([www.houseoffraserforliving.co.uk](http://www.houseoffraserforliving.co.uk)) which is linked with the House of Fraser website but has been developed and is operated by ScS. It is believed that ScS’s relationship with House of Fraser will

support ScS's expansion both demographically and geographically without the up-front costs or medium to long-term commitment of leases for new floor space. The Directors believe this to be an exciting and significant opportunity for medium term growth. The Directors also believe that similar concession agreements could also be possible with other retailers in UK in the medium term.

## **7. CURRENT TRADING**

The Operating Group is trading in line with management expectations for the 23 weeks ended 3 January 2015, sales order intake for the ScS store portfolio are up 8.1 per cent. on a like-for-like basis. The House of Fraser concessions are also trading in line with expectations but as noted earlier are expected to contribute a loss in the start-up phase before moving into profitability in the medium term.

## **8. DIVIDEND POLICY**

The Board has adopted a progressive dividend policy, subject to the discretion of the Board and subject to the Company having sufficient distributable reserves. The Directors intend that the Company will pay an interim and a final dividend to be announced at the time of the interim and preliminary results of the Company. The Directors' intention is to target an 8.0 per cent. dividend yield for the year ended 25 July 2015, calculated by reference to the Offer Price. The Company may revise its dividend policy from time to time. There are no guarantees that the Company will pay dividends, or if a dividend is paid, what the amount of such dividend will be.

## PART VIII:

### DIRECTORS, SENIOR MANAGEMENT AND CORPORATE GOVERNANCE

#### 1. DIRECTORS

The following table lists the names, positions and ages of the Directors:

Name	Age	Position
Alan Smith	68	Non-Executive Chairman
David Knight	56	Chief Executive Officer
Ron Turnbull	58	Chief Financial Officer
Ron McMillan	62	Non-Executive Director
Paul Daccus	42	Non-Executive Director

The business address of each of the Directors (excluding Paul Daccus) is 45-49 Villiers Street, Sunderland, Tyne & Wear SR1 1HA. Mr Daccus's business address is at 2 Park Street, 1st Floor, London W1K 2HX.

The management expertise and experience of each of the Directors is set out below:

##### 1.1 Executive Directors

###### 1.1.1 David Knight – *Chief Executive Officer*

David Knight joined ScS in 1988 as a General Manager from Wades Department Stores, which he joined in 1978. He progressed to become the Branch Manager of the Group's flagship store, located at the Metro Centre in Gateshead. He became National Sales Manager in October 1995 and was appointed to the Board in November 1997 as Merchandising Director. In October 1999 he was promoted to the position of Managing Director, then to Chief Executive Officer in January 2002.

###### 1.1.2 Ronald (Ron) Turnbull – *Chief Financial Officer*

Ronald (Ron) Turnbull joined ScS in 2004 as Finance Director and Company Secretary from Pubmaster Limited. He was with Pubmaster for 12 years where he held various financial positions, including that of Finance Director from March 1999, until he was appointed Chief Operating Officer in May 2003. Mr Turnbull's early career comprised 13 years with KPMG where he qualified as a Chartered Accountant and progressed to Audit Manager before joining Price Waterhouse as Senior Audit Manager in 1988.

##### 1.2 Non-Executive Directors

###### 1.2.1 Alan Frank Smith – *Non-Executive Chairman*

Alan Smith has held a number of roles for retail companies across the private equity and quoted sector previously including Chairman and Chief Executive Officer of Robert Dyas, Chief Executive Officer of Somerfield, Non-Executive Director of Flybe Group and Managing Director of B&Q plc.

###### 1.2.2 Ronald (Ron) Thomas McMillan – *Non-Executive Director*

Ronald (Ron) McMillan is the Senior Independent Director and Chairman of the Audit Committee of N Brown Group plc and holds Non-Executive Director positions at 888 Holdings plc and B&M European Value Retail. Mr McMillan spent the whole of his career with PricewaterhouseCoopers where he was a partner for 28 years until his retirement on 31 March 2013. In addition to acting as the engagement leader on a number of major listed companies, Mr McMillan was the Global Finance Partner, Northern Regional Chairman of the UK firm and Deputy Chairman and Head of Assurance for the Middle East firm.

###### 1.2.3 Paul David Daccus – *Non-Executive Director (Non-Independent)*

Paul Daccus is Managing Director of Sun European Partners, LLP. He has more than a decade of experience in mergers and acquisitions, specialising in private equity and acquisition finance. Prior to joining Sun European Partners in 2005, Mr Daccus served as a Director on corporate

finance teams at Deloitte and Touche LLP and Arthur Andersen LLC. He received his Bachelor of Accountancy degree with Honours from Dundee University.

## 2. SENIOR MANAGERS

The following table lists the names, positions and ages of the Senior Managers:

<i>Name</i>	<i>Age</i>	<i>Position</i>
Kevin Royal	55	Sales Director
Gary Kemp	53	Logistics Director
Sacha Beere	48	Operations Director
Marie Liston	41	HR Director

The business address of each of the Senior Managers is 45-49 Villiers Street, Sunderland, Tyne & Wear SR1 1HA.

The management expertise and experience of each of the Senior Managers is set out below:

### 2.1 Senior Managers

#### 2.1.1 Kevin Royal – Sales Director

Kevin Royal joined ScS in 1981 as a trainee Branch Manager, after qualifying as a Marine Engineer within the ship building industry. He has progressed through the business, managing a number of stores (including the Metro Centre Gateshead flagship store) before being promoted to Regional Manager. He was promoted to the board of ScS's main operating company A. Share & Sons Limited in 1999 and promoted again to the position of Sales Director in 2003.

#### 2.1.2 Gary George Kemp – Logistics Director

Gary Kemp joined ScS in April 2009 as Head of Logistics and was subsequently appointed Logistics Director in January 2011. He previously worked in the third party logistics sector (Wincanton and Excel) for 27 years, during which time he worked in the UK, USA and central Europe in general manager roles.

#### 2.1.3 Howard (Sacha) Alexander Dominic Beere – Operations Director

Howard (Sacha) Beere joined ScS in 1996 as Financial Controller. He is a Chartered Accountant by training. He was appointed to the board of ScS's main operating company A. Share & Sons Limited in March 1999, becoming Finance Director in June 1999. In June 2004 he took up the newly created role of Operations Director to manage the Group's business reporting, information technology and e commerce functions.

#### 2.1.4 Marie Liston – HR Director

Marie Liston joined ScS in 2000 as HR Manager and was appointed HR Director in 2003. Mrs Liston is a Chartered Fellow of the Institute of Personnel and Development and has over 18 years' experience in Senior HR roles having held HR management positions with Ernst & Young LLP and Fenwick Ltd.

## 3. CORPORATE GOVERNANCE

### 3.1 UK Corporate Governance Code

3.1.1 The Board is committed to the highest standards of corporate governance and monitoring a sound framework for the control and management of the business corporate governance regime. Save as set out in this paragraph 3, as of the date of this Prospectus, and on and following Admission, the Board intends to comply with the requirements of the UK Corporate Governance Code published in September 2014 by the Financial Reporting Council ("**UK Corporate Governance Code**"). The Company will report to its Shareholders on its compliance with the UK Corporate Governance Code in accordance with the Listing Rules.

3.1.2 The UK Corporate Governance Code recommends that, on appointment, the chairman of a company with a premium listing on the Official List should meet the independence criteria set out in the UK Corporate Governance Code. The Chairman is Alan Smith.

- 3.1.3 The UK Corporate Governance Code recommends that at least half the board of directors of a UK listed company, excluding the chairman, should comprise Non-Executive Directors determined by the board to be independent in character and judgement and free from relationships or circumstances which may affect, or could appear to affect, the director's judgement. A smaller company (as defined in the UK Corporate Governance Code as being one that is below the FTSE 350) should have at least two independent Non-Executive Directors. As of the date of this Prospectus, the Board comprises two Executive Directors (David Knight and Ron Turnbull) and two Non-Executive Directors (Ron McMillan and Paul Daccus), excluding the Chairman. The Board considers only Ron McMillan to be an independent Non-Executive Director for the purposes of the UK Corporate Governance Code. Paul Daccus has been appointed to the Board pursuant to the terms of the Relationship Agreement as nominee director by the Principal Shareholder and is therefore not considered to be independent. Pursuant to the terms of the Relationship Agreement, the Company has agreed to use its reasonable endeavors following Admission to appoint an additional independent Non-Executive Director to the Board as soon as reasonably practicable.
- 3.1.4 The UK Corporate Governance Code recommends that the board of directors of a company with a premium listing on the Official List should appoint one of the Non-Executive Directors to be the Senior Independent Director to provide a sounding board for the Chairman and to serve as an intermediary for the other directors when necessary. The Senior Independent Director should be available to shareholders if they have concerns which contact through the normal channels of the Chairman or the Chief Executive Officer has failed to resolve or for which such contact is inappropriate. Following Admission, as the only independent Non-Executive Director, Ron McMillan will fulfil the role of the Senior Independent Director and will be available to Shareholders.
- 3.1.5 As envisaged by the UK Corporate Governance Code, the Board has established three committees: an Audit Committee, a Nomination Committee and a Remuneration Committee. If the need should arise, the Board may set up additional committees as appropriate.

## 3.2 **Audit Committee**

Ron McMillan (*Chairman*), Alan Smith and Paul Daccus

- 3.2.1 The Audit Committee's role is to assist the Board with the discharge of its responsibilities in relation to internal and external audits and controls, including reviewing the Group's annual financial statements, considering the scope of the annual audit and the extent of the non audit work undertaken by external auditors, advising on the appointment of external auditors and reviewing the effectiveness of the internal control systems in place within the Group. The ultimate responsibility for reviewing and approving the annual report and accounts and the half-yearly reports remains with the Board. The Audit Committee will give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the Listing Rules. The Audit Committee will normally meet not less than three times a year.
- 3.2.2 The UK Corporate Governance Code recommends that an audit committee should comprise at least three members who are independent Non-Executive Directors, and that at least one member should have recent and relevant financial experience. On Admission, the Audit Committee will be chaired by Ron McMillan and its other members will be Alan Smith and Paul Daccus. The Directors consider that Ron McMillan has recent and relevant financial experience in accordance with the requirements of the UK Corporate Governance Code. Paul Daccus is not considered to be independent.
- 3.2.3 From Admission, the Audit Committee chairman will be available at annual general meetings of the Company to respond to questions from Shareholders on the activities of the Audit Committee.
- 3.2.4 The Audit Committee has taken appropriate steps to ensure that the Company's Auditors are independent of the Company and obtained written confirmation from the Company's Auditors

that they comply with guidelines on independence issued by the relevant accountancy and auditing bodies.

### **3.3 Nomination Committee**

Alan Smith (*Chairman*), Ron McMillan and Paul Daccus

3.3.1 On Admission, the Nomination Committee will be chaired by Alan Smith and its other members will be Ron McMillan and Paul Daccus. The Nomination Committee will meet once annually and also as and when is required.

3.3.2 The Nomination Committee assists the Board in discharging its responsibilities relating to the composition and make-up of the Board and any committees of the Board. It is also responsible for periodically reviewing the Board's structure and identifying potential candidates to be appointed as Directors or committee members as the need may arise.

3.3.3 The UK Corporate Governance Code recommends that a majority of the members of a nomination committee should be independent Non-Executive Directors. The Nomination Committee is chaired by Alan Smith and its other members will be Ron McMillan and Paul Daccus. Paul Daccus is not considered to be independent.

### **3.4 Remuneration Committee**

Ron McMillan (*Chairman*), Paul Daccus and Alan Smith

3.4.1 The Remuneration Committee recommends what policy the Company should adopt on executive remuneration, determines the levels of remuneration for each of the Executive Directors and recommends and monitors the remuneration of members of the Senior Management. The Remuneration Committee will also generate an annual remuneration report to be approved by the shareholders of the Company at the annual general meeting.

3.4.2 The UK Corporate Governance Code recommends that all members of the Remuneration Committee be Non-Executive Directors, independent in character and judgment and free from any relationship or circumstances which may, could or would be likely to, or appear to, affect their judgment. On Admission, the Remuneration Committee will be chaired by Ron McMillan and its other members are Paul Daccus and Alan Smith. The Remuneration Committee will meet not less than twice a year. Paul Daccus is not considered to be independent.

## **4. MODEL CODE**

The Company has adopted, with effect from Admission, a code of securities dealings in relation to the Ordinary Shares which is based on, and is at least as rigorous as, the Model Code as published in the Listing Rules. The code adopted will apply to the Directors and other relevant employees of the Company.

## **5. RELATIONSHIP WITH PRINCIPAL SHAREHOLDER**

For information about the Company's relationship with the Principal Shareholder, see paragraph 11 of Part XV (*Additional Information*) of this document.

## **6. TAKEOVER CODE**

The Takeover Code is issued and administered by the Takeover Panel. The Company will, following Admission, be subject to the Takeover Code. For more information about the Takeover Code, see paragraph 21 of Part XV (*Additional Information*) of this document.

## **PART IX:**

### **OPERATING AND FINANCIAL REVIEW**

*The section that follows should be read in conjunction with Part VII (Information on the Group), Part XI (Historical Financial Information) and Part XII (Unaudited Pro Forma Financial Information) of this Prospectus. Prospective investors should read the entire document and not just rely on the summary information set out below. The financial information considered in this Part IX (Operating and Financial Review) is extracted from the information set out in Part XI (Historical Financial Information) of this Prospectus. The consolidated financial statements referred to in this discussion have been prepared in accordance with IFRS.*

#### **1. INTRODUCTION**

Some of the information contained in this review and elsewhere in this Prospectus includes forward looking statements that involve risks and uncertainties. See the paragraph headed “Forward-Looking Statements” in Part III (*Important Information*) of this Prospectus for a discussion of important factors that could cause actual results to differ materially from the results described in the forward-looking statements contained in this Prospectus.

This review should be read in conjunction with the Operating Group’s audited historical financial information for the three years ended 26 July 2014, 27 July 2013 and 28 July 2012 and the notes thereto explaining such historical financial information, which are presented in Part XI (*Historical Financial Information*) of this Prospectus.

Unless otherwise indicated, the selected financial information included in this Part IX (*Operating and Financial Review*) has been extracted without material adjustment from the Operating Group’s audited annual report and accounts for the three years ended 26 July 2014, 27 July 2013 and 28 July 2012. The financial information set out in this Part IX (*Operating and Financial Review*) does not constitute statutory accounts for any company within the meaning of section 435 of the Companies Act.

Each Shareholder and other person contemplating a purchase of Ordinary Shares should read the whole of this Prospectus and should not rely solely on the summary operating and financial information set out in this Part IX (*Operating and Financial Review*).

#### **2. OVERVIEW AND SIGNIFICANT FACTORS AFFECTING THE OPERATING GROUP’S RESULTS OF OPERATIONS AND OUTLOOK**

##### **2.1 Overview**

ScS is one of the UK’s largest retailers of upholstered furniture and floorings, promoting itself as the “*Sofa Carpet Specialist*” and seeks 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. ScS does not undertake any manufacturing activity itself but rather sources products from suppliers based principally in the UK.

The Group’s upholstered furniture business, which represented approximately 88 per cent. of total revenues in the year ended 26 July 2014, specialises primarily in fabric and leather sofas and chairs. ScS sells a range of branded products which are not sold under registered trade marks (such as the Lotti, the Danni and the Zamba) 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). This offering is complemented by a limited range of dining and occasional furniture.

The Company’s flooring business, which represented approximately 12 per cent. of total revenues in the year ended 26 July 2014, includes carpets, as well as laminate and vinyl flooring. These are sold to order from samples in-store; thereby alleviating the need for stock to be held in store, or for substantial amounts of stock to be held at the Group’s distribution centres.

The Group currently operates from 97 stores, 94 of which are in out of town retail park locations. The Company also provides an online sales offering which seeks to provide similar product value and choice to customers to that available in-store with some additional value ranges.

## **2.2 Significant factors affecting the Group's results of operations and outlook**

The Group's performance and results of operations have been and continue to be affected by a number of factors, the principal of which are as follows:

### **2.2.1 UK macroeconomic conditions, consumer demand and the UK housing market**

The Group's financial performance and position are impacted by macroeconomic factors such as real disposable income, unemployment rates, inflation, availability of credit, consumer confidence, consumer perceptions of market conditions and changes in fiscal and monetary policy. In the 52 weeks ended 26 July 2014, all of the Operating Group's revenue was generated in or derived from the UK. This being the case, a deterioration in the performance of the UK economy would adversely affect the Group. In addition, the Directors consider that ownership levels of upholstered furniture are high compared with many other household durables and the market is therefore heavily dependent on replacement demand. The Group's sales are dependent on confidence in consumer spending. Demand is also affected by the strength of the UK residential housing market, as moving house can be an incentive to customers to replace their furniture. The UK residential housing market could be adversely impacted by, among other things, increased interest rates, gross domestic product, fuel and energy costs, further restrictions on the availability of credit, rising unemployment, inflation and declining real income, increases in tax rates and changes in government regulation or policy. As a result, positive or adverse macroeconomic conditions in the UK, including in the UK residential housing market, can have a significant effect on consumer spending on upholstered furniture, carpets and flooring, and therefore can have a significant positive or adverse effect on the Group's performance.

### **2.2.2 Increased competition in the Group's target market**

The Group operates in an industry which is competitive and highly fragmented. The Group's closest competitors are all competitors present in the UK, being the only geographical market in which the Group conducts its business. In comparison with the other specialist retailers of upholstered furniture and floorings, the Group views itself as positioned in the middle of the market, neither competing on price alone, nor aiming exclusively at the higher end of the market, but seeking to offer a service and style with which all types of customers may feel comfortable. The Directors believe that the Group experiences competition principally from other national retailers such as DFS, Harveys Furniture, Furniture Village, Sofaworks, Carpetright, a large number of small local retailers, the home furnishing departments of large department stores and online retailers. The Group may be affected by the actions of its competitors or new competitors entering the market (including their marketing strategies, product development and marketing efforts). For example, from 30 July 2011, the Group commenced offering long-term interest-free credit on all products to customers to finance the purchase of its products in order to remain competitive (see also the section headed "*Credit and interest rates*" below).

### **2.2.3 Credit and interest rates**

Financing for all of the Group's credit sales is currently provided by third-party financing companies which bear the risk of customer defaults on repayments. In addition to other costs relating to the extension of this credit, the Group bears the cost of such interest-free credit, which it includes in cost of sales. As a result, if credit becomes more expensive, including as a result of interest rate increases, it can have an adverse effect on the Group's cost of sales and its profit margin. In addition, if credit becomes more expensive, or availability of credit becomes restricted, customers will have more limited access to interest-free or cheap credit, or any credit overall, and that could have an adverse effect on the Group's credit sales and its overall turnover. Furthermore, if customers default on repayments, the level of credit losses the external financing companies experience could exceed their expectations and adversely affect their willingness to finance further credit sales by the Group.

#### 2.2.4 Seasonality

The Group's business is subject to seasonal peaks. Traditionally, the most important trading periods for the business in terms of generating sales, operating results and cash flow has been the period beginning mid-September and ending mid-November in each year and the period beginning 26 December (Boxing Day) and ending 31 January. Approximately 52 per cent. of annual Group sales occur during these periods. The Group also has seasonal peaks associated with annual bank holidays, such as Easter, May and August. Approximately 22 per cent. of annual Group sales occur during these periods. The Group commits to significant advertising and other expenses in advance of and during these peak trading periods in anticipation of higher sales during these periods, including the cost of hiring additional employees or temporary staff.

The Group's sales are sensitive to weather conditions, especially when adverse weather conditions occur during the Group's peak selling seasons mentioned above. Prolonged unseasonal weather conditions, such as extended warm, sunny periods or periods of excessive snow and ice may therefore impact the Group's sales. Furthermore, the Group operates its business from 97 stores nationwide, 94 of which are in out of town retail park locations and a substantial amount of its revenue is derived from customers who visit these stores. As a result, the Group's results are highly sensitive to favourable or adverse weather conditions, primarily during its peak selling seasons and especially when these conditions affect the areas of the Group's prime out of town retail park locations. Such favourable or adverse weather conditions can have a positive or adverse impact, respectively, on the Group's sales in these periods and, given their significance, on the Group's results, overall.

#### 2.2.5 Effectiveness of advertising expenditure

The Group's advertising expenditure constitutes a significant cost of its business. The Group's operating performance and profitability will be dependent in part on the effectiveness and efficiency of the Group's advertising expenditures, including the ability of the Group to create greater awareness of the Group's products and brand name to determine the appropriate creative message and media mix for future advertising expenditures; and to effectively manage its advertising costs.

The Group's sales are positively or adversely affected by the Group's ability to direct its advertising efforts to the right target market, focus its efforts on the right products or product categories at the right price, and executing such efforts at the right time and through the most effective advertising medium.

The Group books a significant part of its advertising in advance at agreed prices for specific time periods, especially for its peak trading periods. If such pre-booked time periods are affected by events that have a significant impact on sales, such as weather conditions (see the section headed "*Seasonality*" above), this can have a significant impact on the effectiveness of the Group's advertising efforts in these periods and have a positive or adverse effect on the Group's results.

#### 2.2.6 Relationships with the Group's suppliers

A large proportion of the Group's products are supplied by a small number of key manufacturers. Whilst the Group has developed good working relationships with its key suppliers over many years, there is potential for the Group to be exposed to adverse operational (including the inability to source spare or replacement parts for products) and financial constraints should there be a deterioration in the relationship with its key suppliers. This may be a significant risk with third party brand suppliers, in particular, La-Z-Boy which is the most popular brand sold by the Group. If a dispute arose between the Group and any or all of the Group's key suppliers it could have a significant impact on the Group's sales. In addition, the Group may be pressured into accepting terms and conditions less favourable than would otherwise be the case, if a deterioration with the Group's existing suppliers had not occurred.

### 3. FINANCIAL REVIEW AND RESULTS OF OPERATIONS

The key information that sets out the Operating Group's key performance indicators for the years ended 26 July 2014, 27 July 2013 and 28 July 2012 can be found in Part XI (*Historical Financial Information*) of this document.

#### 3.1 Results of operations

The table below sets out the Operating Group's consolidated statement of comprehensive income for the years ended 26 July 2014, 27 July 2013 and 28 July 2012:

	For the year ended		
	26 July 2012 £'000	27 July 2013 £'000	28 July 2014 £'000
<b>Revenue</b>	208,284	245,647	258,206
Cost of sales	(114,499)	(138,258)	(145,204)
<b>Gross profit</b>	93,785	107,389	113,002
Distribution costs	(10,774)	(12,337)	(12,303)
Administrative expenses	(82,032)	(88,937)	(94,091)
<b>Operating profit</b>	979	6,115	6,608
Finance costs	(3,457)	(2,730)	(1,967)
Finance income	50	60	2,515
Net finance (costs)/income	(3,407)	(2,670)	548
<b>(Loss)/profit before taxation</b>	(2,428)	3,445	7,156
Taxation	516	(820)	(1,243)
<b>(Loss)/profit attributable and total comprehensive (loss)/income for the year</b>	(1,912)	2,625	5,913

	For the year ended		
	26 July 2012 £m	27 July 2013 £m	28 July 2014 £m
Operating profit	1.0	6.1	6.6
Depreciation and impairment	4.6	4.2	4.0
Amortisation	0.4	0.3	0.2
<b>EBITDA</b>	6.0	10.6	10.8
House of Fraser roll out costs	–	–	1.4
Flooring advertising launch costs	1.4	–	–
Management fees	0.4	0.7	0.8
Other non-recurring items	(0.1)	0.6	0.7
<b>Adjusted EBITDA</b>	7.7	11.9	13.7

##### 3.1.1 Revenue

The Operating Group derives its revenue from its principal continuing activity in the United Kingdom as a retailer of upholstered furniture and flooring. Revenue comprises amounts invoiced for goods and services (net of discounts, returns and value added tax) delivered to customers, including charges for delivery and warranty where applicable. Revenue is recognised when the significant risks and rewards of ownership of the goods and services have passed to the customer and can be reliably measured. This is deemed to be when the goods and services have been delivered to the customer.

Revenue increased from £208.3 million for the year ended 28 July 2012 to £258.2 million for the year ended 26 July 2014, an increase of £49.9 million or 24.0 per cent.. This increase is due principally to significant growth in branded upholstered furniture revenue (excluding core range sales) and flooring revenue, increase in online revenue and revenue from the “pilot” concession in three House of Fraser stores.

Revenue increased from £245.6 million for the year ended 27 July 2013 to £258.2 million for the year ended 26 July 2014, an increase of £12.6 million or 5.1 per cent.. The increase was due to:

- 3.1.1.1 revenue from upholstered furniture in ScS stores increased from £214.0 million to £218.8 million, an increase of £4.8 million or 2.2 per cent.. This reflects improved branded product sales revenue (excluding core range sales) which increased from £50.7 million to £71.3 million, an increase of £20.6 million or 40.5 per cent.. Revenue from core range products decreased from £162.2 million to £147.5 million, a decrease of £14.7 million or 9.1 per cent.;
- 3.1.1.2 revenue from flooring in ScS stores increased from £25.4 million to £29.3 million, an increase of £3.9 million, 15.6 per cent.;
- 3.1.1.3 online revenue increased from £5.2 million (£5.0 million furniture, £0.2 million flooring) to £6.7 million (£6.5 million furniture, £0.2 million flooring), an increase of £1.5 million, 28.3 per cent.; and
- 3.1.1.4 revenue from the three House of Fraser concession stores increased from £1.1 million (£0.9 million furniture, £0.2 million flooring) to £3.4 million (£2.9 million furniture, £0.5 million flooring), an increase of £2.4 million, 221.7 per cent..

Revenue increased from £208.3 million for the year ended 28 July 2012 to £245.6 million for the year ended 27 July 2013 an increase of £37.3 million, 17.9 per cent.. The increase was due to:

- 3.1.1.5 revenue from upholstered furniture in ScS stores increased from £198.0 million to £214.0 million, an increase of £16.0 million or 8.1 per cent.. This reflects improved branded product sales revenue (excluding core range sales) which increased from £40.3 million to £50.7 million, an increase of £10.2 million or 25.3 per cent.. Revenue from core range products (i.e. branded products which are not sold under registered trade marks) increased from £157.5 million to £162.2 million, an increase of £4.7 million or 3.0 per cent.;
- 3.1.1.6 revenue from flooring in ScS stores increased from £7.7 million, following the launch of the flooring business that year, to £25.4 million, an increase of £17.7 million or 228.2 per cent.;
- 3.1.1.7 online revenue increased from £2.6 million (£2.6 million furniture, nil flooring ) to £5.2 million (£5.0 million furniture, £0.2 million flooring), an increase of £2.6 million, or 103.2 per cent.; and
- 3.1.1.8 revenue from the three House of Fraser concession stores which opened in March 2013 was £1.1 million (£0.9 million furniture, £0.2 million flooring).

### 3.1.2 **Costs of sales**

Cost of sales comprises principally the cost of product purchased from the manufacturer, the cost of the warranty purchased from the third party warranty provider, the cost of providing interest free credit on finance sales and the net cost of after sales repairs.

Cost of sales increased from £114.5 million for the year ended 28 July 2012 to £138.3 million for the year ended 27 July 2013, an increase of £23.8 million, or 20.8 per cent., and further increased to £145.2 million for the year ended 26 July 2014, an increase of £6.9 million, or 5.0 per cent.. Increases in cost of sales were in line with the increases in sales.

### 3.1.3 **Gross profit**

Gross profit increased from £93.8 million for the year ended 28 July 2012 to £107.4 million for the year ended 27 July 2013, an increase of £13.6 million or 14.5 per cent., and further increased to

£113.0 million for the year ended 26 July 2014, an increase of £5.6 million or 5.2 per cent.. Increases in gross profit were in line with the increase in sales.

Gross margin, defined as gross profit expressed as a percentage of sales, was 45.0 per cent. for the year ended 28 July 2012 and decreased to 43.7 per cent. for the year ended 27 July 2013, reflecting the competitive promotions during that year as the Operating Group continued to grow its brands and develop the flooring business with a focus on generating cash margin rather than maintaining gross percentage. Gross margin was 43.8 per cent. for the year ended 26 July 2014.

#### 3.1.4 **Distribution costs**

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

Distribution costs were £12.3 million for the year ended 27 July 2013 and remained unchanged at £12.3 million for the year ended 26 July 2014 despite the increase in sales and a charge of £0.3 million for costs attributable to the set up of the concession in the House of Fraser stores. This was due to the operational standards and productivity improvements and with operational gearing, costs expressed as a percentage of sales decreased from 5.0 per cent. to 4.8 per cent..

Distribution costs increased from £10.8 million for the year ended 28 July 2012 to £12.3 million for the year ended 27 July 2013, an increase of £1.5 million or 13.9 per cent. This is due to the increase in sales, however operational gearing resulted in costs, expressed as a percentage of sales, reducing from 5.2 per cent. to 5.0 per cent..

#### 3.1.5 **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);
- advertising and marketing expenditure, being principally the direct cost of media; and
- general administrative expenditure which includes the employment costs for the directors and senior management, all head office based functions (customer call centre, finance, human resources, IT, merchandising, advertising and marketing, online sales and support, flooring administration), company pension contributions, legal and professional costs, insurance, company car costs, IT systems support and telecommunications.

Administrative expenses increased from £88.9 million for the year ended 27 July 2013 to £94.1 million for the year ended 26 July 2014, an increase of £5.2 million or 5.8 per cent. The increase includes increased store costs, principally employment costs reflecting increased headcount, advertising costs to generate the increase in sales and £1.5 million of costs incurred in setting up the concession in an additional 27 House of Fraser stores during May 2014 to July 2014. Administrative expenses, excluding the set up costs, expressed as a percentage of sales, decreased from 36.2 per cent. to 35.9 per cent. in the same period.

Administrative expenses of £82.0 million for the year ended 28 July 2012 which included £1.4 million of advertising costs to launch the flooring business, increased to £88.9 million for the year ended 27 July 2013, an increase of £6.9 million or 8.4 per cent. The increase was primarily due to increased store costs, principally employment costs reflecting increased headcount, increased advertising expenditure to support the growth of the flooring business and growth in upholstered furniture sales generally, and an increase in expenditure in head office functions to support the growth strategy. Administrative expenses, excluding the flooring launch costs, expressed as a percentage of sales, decreased from 39.4 per cent. to 38.7 per cent.

### 3.1.6 **Operating profit**

As a result of the factors described above, operating profit increased from £1.0 million for the year ended 28 July 2012 to £6.1 million for the year ended 27 July 2013, an increase of £5.1 million or 510 per cent. Operating profit further increased to £6.6 million for the year ended 26 July 2014, an increase of £0.5 million or 8 per cent. but this result includes net costs of £1.4 million incurred in setting up the concession in the additional 27 House of Fraser stores.

### 3.1.7 **Net finance (costs)/income**

Net finance costs principally comprise the interest payable on the Operating Group's debt, which is influenced by foreign exchange movements as the debt is denominated in US\$, offset by nominal interest received on the Operating Group's net cash balances. The Operating Group's debt is denominated in US\$ and its foreign exchange gains or losses are reflected in net finance costs. The foreign exchange gain was £2.5 million for the year ended 26 July 2014 and is included in finance income. The foreign exchange loss was £0.4 million for the year ended 27 July 2013 and is included in finance costs. The foreign exchange loss was £1.1 million for the year ended 28 July 2012 and is included in finance costs.

### 3.1.8 **(Loss)/profit before taxation**

As a result of the factors discussed above, the profit before tax was £7.2 million for the year ended 26 July 2014. The profit before tax was £3.4 million for the year ended 27 July 2013. The loss before tax was £2.4 million for the year ended 28 July 2012.

### 3.1.9 **Taxation**

Tax on (loss)/profit comprises corporation tax and deferred tax.

Corporation tax is charged at the standard rate of tax applicable being 22.3 per cent. for the year ended 26 July 2014, 23.67 per cent. for the year ended 27 July 2013 and 25.33 per cent. for the year ended 28 July 2012. The current corporation tax charge was £1.1 million for the year ended 26 July 2014, £0.9 million for the year ended 27 July 2013 and £0.2 million for the year ended 28 July 2012.

Deferred tax is recognised in respect of all timing differences that have originated, but not reversed, at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exception. Deferred tax assets are recognised only 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 was charged at 20 per cent. for each of the years ended 26 July 2014 and 27 July 2013 and at 23 per cent. for the year ended 28 July 2012. The deferred tax credit was £0.1 million for the year ended 26 July 2014. The deferred tax charge was £0.1 million for the year ended 27 July 2013. The deferred tax credit was £0.7 million for the year ended 28 July 2012.

### 3.1.10 **(Loss)/profit attributable and total comprehensive (loss)/income for the year**

The Operating Group recorded a loss of £1.9 million for the year ended 28 July 2012 and a profit of £2.6 million for the year ended 27 July 2013. The Operating Group's profit for the year ended 26 July 2014 increased by £3.3 million to £5.9 million.

### 3.2 Financial Position

The table below sets out the Operating Group's consolidated statement of financial position as at the dates indicated:

	26 July 2012 £'000	27 July 2013 £'000	28 July 2014 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	580	530	1,407
Property, plant and equipment	28,846	27,470	25,524
<b>Total non-current assets</b>	29,426	28,000	26,931
<b>Current assets</b>			
Inventories	18,122	18,558	20,001
Trade and other receivables	10,078	9,935	8,316
Cash and cash equivalent	21,159	21,192	18,794
<b>Total current assets</b>	49,359	49,685	47,111
<b>Total assets</b>	78,785	77,685	74,042
	<b>26 July 2012</b>	<b>27 July 2013</b>	<b>28 July 2014</b>
<b>Capital and reserves attributable to the equity shareholders of the parent</b>			
Share capital	–	–	–
Share premium	–	–	–
Retained earnings	2,187	4,839	4,253
<b>Equity shareholder funds</b>	2,187	4,839	4,253
<b>Total equity</b>	2,187	4,839	4,253
<b>Non-current liabilities</b>			
Borrowings	–	–	–
Provisions for other liabilities and Charges	260	260	–
Trade and other payables	10,009	9,491	5,332
Deferred tax liability	1,532	1,430	1,569
<b>Total non-current liabilities</b>	11,801	11,181	6,901
<b>Current liabilities</b>			
Current income tax liabilities	112	124	227
Trade and other payables	64,685	61,541	62,661
<b>Total current liabilities</b>	64,797	61,665	62,888
<b>Total liabilities</b>	76,598	72,846	69,789
<b>Total equity and liabilities</b>	78,785	77,685	74,042

#### 3.2.1 Intangible assets

Intangible assets are represented at the historic cost less accumulated amortisation of expenditure on computer software. The increase of £0.9 million to £1.4 million as at 26 July 2014 as compared to £0.5 million as at 27 July 2013 and principally represents the investment during the last six months of the year on a new online platform and website design.

### 3.2.2 Property, plant and equipment

Property, plant and equipment are principally represented at the historic cost less accumulated depreciation of expenditure incurred in fitting out the Operating Group's stores and periodic refurbishments. Capital expenditure was £3.3 million, £2.8 million and £2.0 million in the years ended 28 July 2012, 27 July 2013 and 26 July 2014, respectively, which included £1.1 million spent on signage between July and August 2012 promoting ScS as the *"Sofa Carpet Specialist"*. Depreciation of £4.5 million, £4.2 million and £3.9 million was charged in the years ended 28 July 2012, 27 July 2013 and 26 July 2014 respectively. The net book value of property, plant and equipment decreased to £25.5 million as at 26 July 2014 from £27.5 million as at 27 July 2013 and £28.8 million as at 28 July 2012.

### 3.2.3 Inventories

Inventories, which comprise of goods held for resale, increased to £20.0 million as at 26 July 2014 from £18.6 million as at 27 July 2013 and £18.1 million as at 28 July 2012, mainly reflecting the new floor stock for the concession in the House of Fraser stores commissioned between March and July 2014.

### 3.2.4 Trade and other receivables

Trade and other receivables principally comprise of amounts due from Barclays Partner Finance (a trading name of Clydesdale Financial Service Limited and LaSer UK (a trading name of Creation Consumer Finance Limited for finance sales delivered, rent prepaid on store leases and other ordinary course of business requirements and prepayments. Trade and other receivables decreased to £8.3 million as at 26 July 2014 from £9.9 million of payments as at 27 July 2013 and £10.1 million as at 28 July 2012, mainly reflecting the reduced timing (one day) for receipt for finance sales during 2014 from 9 days to 8 days.

### 3.2.5 Trade and other payables

Current trade and other payables comprise amounts due under interest bearing loans from the Operating Group's parent company Parlour Products Holdings (Lux) S.á r.l, amounts payable to suppliers, payments received on account of orders from customers, other tax and social security payables, accruals and deferred income (lease incentives). Current trade and other payables decreased from £64.7 million as at 28 July 2012 to £61.5 million as at 27 July 2013 and increased to £62.7 million as at 26 July 2014.

Non current trade payables comprise of amounts due under the non interest bearing loan from the Operating Group's parent company Parlour Products Holdings (Lux) S.á r.l and deferred income (lease incentives). Non current trade and other payables decreased from £10.0 million as at 28 July 2012 to £9.5 million as at 27 July 2013, due principally to a credit to income statement for deferred income release, and decreased to £5.3 million as at 26 July 2014, principally due to repayment in full of the loan from the Operating Group's parent company Parlour Products Holdings (Lux) S.á r.l.

## 4. LIQUIDITY AND CAPITAL RESOURCES

### 4.1 General

The Operating Group's liquidity requirements arise primarily from the need to fund working capital and capital expenditures for the continued growth of its business and to repay debt. The Operating Group's principal source of funding is its cash from operations, cash and cash equivalents and borrowings. As at 26 July 2014 the Operating Group had total borrowings from Operating Group undertakings of £22.5 million.

On 16 January 2015, Parlour Product Topco Limited and A. Share & Sons Limited (amongst others) entered into a £12.0 million revolving credit facility with Lloyds Bank plc to be used for the working capital and general business purposes of the Group. Provision of the facility is conditional upon Admission taking place. The Revolving Credit Facility has an initial margin of 3 per cent., which is subject to a margin ratchet pursuant to which the margin will increase to 3.25 per cent. if more than 33 per cent., but less than or equal to 66 per cent., of the Revolving Credit Facility is drawn down and will increase to 3.50 per cent. if more than 66 per cent. of the Revolving Credit Facility is drawn down. An arrangement fee of 4 per cent. is payable under the Revolving Credit Facility on the date of Admission. In addition, a commitment fee of 40 per cent. of margin is payable per annum. The commitment fee will only begin to accrue upon Admission. The Revolving Credit Facility contains a financial covenant requiring that the ratio of net finance charges, when combined with rent or similar payments, against the EBITDA figure (adjusted to exclude rent and exceptional costs) of A. Share & Sons Limited and its subsidiaries to be not less than 1.35:1 for the financial quarter ended 30 April 2015, 1.325:1 for the financial quarter ended 31 July 2015, 1.375:1 for the financial quarter ended 31 October 2015, 1.325:1 for the financial quarter ended 31 January 2016, 1.30:1 for the financial quarter ended 30 April 2016 and 1.20:1 for each financial quarter thereafter. The Revolving Credit Facility also contains a requirement that the ratio of total indebtedness to EBITDA is not greater than 1.4:1 at any given time. The Revolving Credit Facility contains a further financial covenant requiring that capital expenditure of the Group shall not exceed £4.25 million in the financial year ended 31 July 2015, £4.5 million in the financial year ended 31 July 2016, £4.75 million for the financial year ended 31 July 2017 and £4,887,500 for the financial year ended 31 July 2018.

Following Admission, the Group's principal sources of liquidity will primarily comprise cash from operations, cash and cash equivalents and the £12.0 million aggregate principal amount available under the Revolving Credit Facility.

The Revolving Credit Facility requires A. Share & Sons Limited to retain, in a specified account, cash balances in an amount not less than 75 per cent. of the exposure of Lloyds Bank plc under the card processing facilities to be provided to A. Share & Sons Limited.

As at 22 January 2015 (being the latest practicable date prior to the publication of this document), the Operating Group's net borrowings were £nil. As at the date of this Prospectus, the £12.0 million Revolving Credit Facility remains undrawn.

#### 4.2 Cash and cash equivalents

The Operating Group's consolidated cash balance as at 26 July 2014 was £18.8 million (2013: £21.2 million; 2012: £21.2 million). As at 22 January 2015 (being the latest practicable date prior to publication of the Prospectus) the Operating Group held consolidated cash balances of £26.4 million.

The following table presents the Operating Group's consolidated cash flows for the periods indicated:

	<b>26 July 2012 £'000</b>	<b>27 July 2013 £'000</b>	<b>28 July 2014 £'000</b>
<b>Cash flows from operating activities</b>			
(Loss)/profit before taxation	(2,428)	3,445	7,156
Adjustments for:			
Depreciation	4,506	4,221	3,938
Amortisation of intangible assets	445	266	225
Impairment	117	–	–
Shared-based payment charge	–	27	56
Finance costs	3,457	2,730	1,967
Finance income	(50)	(60)	(2,515)
<b>Cash flow from operating activities</b>	<b>6,047</b>	<b>10,629</b>	<b>10,827</b>
<b>Changes in working capital:</b>			
Increase in inventories	(2,686)	(436)	(1,443)
Increase/(decrease) in trade and other receivables	(1,732)	145	1,619
Increase/(decrease) in trade and other payables	10,646	(1,122)	4,267
Increase/(decrease) in provisions	180	–	(260)

	<b>28-Jul 2012 £'000</b>	<b>27-Jul 2013 £'000</b>	<b>26-Jul 2014 £'000</b>
Cash generated from operations	12,455	9,216	15,010
Interest paid	(195)	(206)	(189)
Tax paid	–	(910)	(1,000)
<b>Net cash inflow from operating activities</b>	<b>12,260</b>	<b>8,100</b>	<b>13,821</b>
Cash flows from investing activities			
Purchase of property, plant and equipment	(3,348)	(2,845)	(1,992)
Purchase of intangible assets	(310)	(216)	(1,102)
Interest received	50	60	13
<b>Net cash outflow from investing activities</b>	<b>(3,608)</b>	<b>(3,001)</b>	<b>(3,081)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital	–	–	–
Repayments of loan from a parent company	(65)	(5,066)	(6,583)
Dividends paid	–	–	(6,555)
<b>Net cash outflow from financing activities</b>	<b>(65)</b>	<b>(5,066)</b>	<b>(13,138)</b>
Net (decrease)/increase in cash and cash equivalents	8,587	33	(2,398)
Cash and cash equivalents at beginning of year	12,572	21,159	21,192
<b>Cash and cash equivalents at end of year</b>	<b>21,159</b>	<b>21,192</b>	<b>18,794</b>

#### 4.3 Capital and other commitments

The Operating Group's significant commitments are mainly in respect of lease commitments for land and buildings at the end of the financial years under review. These are set out in note 24 (*Commitments and contingencies*) to the Operating Group's audited historical financial information set out in Part XI (*Historical Financial Information*) of this Prospectus.

## 5. DISCLOSURES ABOUT OTHER FINANCIAL RISKS

### 5.1 Financial risk management policy

The Operating Group's principal financial instruments comprise cash and intercompany borrowings. The main purpose of these financial instruments is to provide funds for the Operating Group's operations. The Operating Group has other financial instruments, being trade debtors and trade creditors, that arise directly from its operations.

It is, and has been throughout the periods under review, the Operating Group's policy that no trading in financial instruments shall be undertaken. The Operating Group has not entered into derivative transactions during the year. The Operating Group does not undertake any speculative transactions and continues to pursue prudent treasury policies by investing surplus funds only with reputable UK financial institutions.

### 5.2 Credit risk

Financing for all the Operating Group's credit sales is provided from external financing companies who bear the whole risk of customer defaults on repayment. Cash and deposits are invested with Barclays Bank plc.

### 5.3 Liquidity risk

The Operating Group's exposure to liquidity risk is low, as historically working capital requirements have been funded entirely by inter-company debt. In addition, the Company's parent company, Parlour Products Holdings (Lux) S.á r.l., has previously provided comfort to the Directors of the Operating

Company of its intention not to request payment of the intercompany debt in the next 12 months under certain conditions (see statement of accounting policies-going concern set out within Note 2 (Accounting Policies) of the Operating Group's consolidated historical financial information in Section B of Part XI (Historical Financial Information) for further details, including the illustrative effect of Admission, the Offer, the Reorganisation and the proposed settlement of the outstanding intercompany debt).

#### 5.4 **Foreign currency risk**

The Operating Group has borrowings in US dollar and foreign exchange risk arises in relation to the translation of balances outstanding at the year end. The risk in relation to foreign currency borrowing is unhedged.

There is no foreign currency exposure in respect of operations, as all sales are made within the UK and all overseas suppliers invoice in sterling.

#### 5.5 **Interest rate risk**

Intercompany debt is at a fixed rate, which mitigates any interest rate risk.

## PART X:

### CAPITALISATION AND INDEBTEDNESS

The Company's capitalisation as at 22 November 2014 was £50,000 comprising 5,000,000,000 shares of £0.00001 each. The Company held £1 of cash as at 22 November 2014.

The tables below set out the Operating Group's indebtedness as at 22 November 2014 and the Operating Group's capitalisation as at 26 July 2014. This statement of capitalisation and indebtedness has been prepared under IFRS using policies which are consistent with those used in the preparing the Operating Group's financial information for the year ended 26 July 2014 as set out in Section B of Part XI (*Historical Financial Information*) of this document.

The indebtedness information as at 22 November 2014 has been extracted without material adjustment from the Operating Group's unaudited accounting records.

The capitalisation information as at 26 July 2014 has been extracted without material adjustment from the Operating Group's financial information for the year ended 26 July 2014 as set out in Section B of Part XI (*Historical Financial Information*) of this document.

#### Capitalisation and indebtedness

	<b>22 November 2014 (unaudited) £'000</b>
<b>Total current debt</b>	
Guaranteed	—
Secured	—
Unguaranteed/unsecured <sup>(1)</sup>	(25,073)
	<u>(25,073)</u>
<b>Total non-current debt (excluding current portion of the long term debt)</b>	
Guaranteed	—
Secured	—
Unguaranteed/unsecured	—
	<u>—</u>

#### Notes:

(1) The Operating Group's unsecured/unguaranteed liabilities relate to unsecured payment in kind notes from Parlour Products Holdings (Lux) S.à r.l.

#### Shareholders' equity

	<b>26 July 2014 £'000</b>
Share capital	—
Legal reserves	—
Other reserves	—
	<u>—</u>

#### Notes:

(1) There has been no material change in the capitalisation of the Operating Group since 26 July 2014.

(2) Shareholders' equity does not include the profit and loss account reserve.

(3) The Operating Group's share capital as at 26 July 2014 includes 100,000 A Ordinary Shares of £0.000001p each.

The following table sets out the net consolidated financial funds of the Operating Group as at 22 November 2014.

**Net indebtedness**

	<b>22 November 2014 (unaudited) £'000</b>
Cash	29,421
<b>Total liquidity</b>	<u>29,421</u>
Other current financial debt <sup>(2)</sup>	<u>(25,073)</u>
<b>Current financial debt</b>	<u>(25,073)</u>
<b>Net current financial indebtedness</b>	<u>4,348</u>
<b>Net financial funds</b>	<u><u>4,348</u></u>

**Notes:**

(1) The Operating Group has no indirect or contingent indebtedness as at 22 November 2014.

(2) The Operating Group's other current financial debt relates to unsecured payment in kind notes from Parlour Products Holdings (Lux) S.à r.l.

**PART XI:**  
**HISTORICAL FINANCIAL INFORMATION**

**Section A: Accountant's report on Historical Financial Information**



The Directors  
ScS Group plc  
45-49 Villiers Street  
Sunderland  
Tyne and Wear  
SR1 1HA

Investec Bank plc ("**Sponsor**")  
2 Gresham Street  
London  
EC2V 7QP

23 January 2015

Dear Sirs

**Parlour Product Topco Limited (the "Operating Company" and together with its subsidiaries the "Operating Group")**

We report on the financial information of the Operating Group set out in section B of Part XI (*Historical Financial Information*) below (the "**Historical Financial Information**"). The Historical Financial Information has been prepared for inclusion in the prospectus dated 23 January 2015 (the "**Prospectus**") of ScS Group plc (the "**Company**") on the basis of the accounting policies set out in note 2 to the Historical Financial Information. This report is required by item 20.1 of Annex I to the PD Regulation and is given for the purpose of complying with that item and for no other purpose.

**Responsibilities**

The Directors of the Company are responsible for preparing the Historical Financial Information in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion as to whether the Historical Financial Information gives a true and fair view, for the purposes of the Prospectus and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under item 5.5.3R(2)(f) of the Prospectus Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex I to the PD Regulation, consenting to its inclusion in the Prospectus.

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*PricewaterhouseCoopers LLP, Benson House, 33 Wellington Street, Leeds, LS1 4JP*  
*T: +44 (0) 113 289 4000, F: +44 (0) 113 289 4460, [www.pwc.co.uk](http://www.pwc.co.uk)*

PricewaterhouseCoopers LLP is a limited liability partnership registered in England with registered number OC303525. The registered office of PricewaterhouseCoopers LLP is 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP is authorised and regulated by the Financial Conduct Authority for designated investment business.

**Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the Operating Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

**Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the Prospectus dated 23 January 2015, a true and fair view of the state of affairs of the Operating Company as at the dates stated and of its losses/profits, cash flows and changes in equity for the periods then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

**Declaration**

For the purposes of Prospectus Rule 5.5.3 R(2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex I to the PD Regulation.

Yours faithfully

PricewaterhouseCoopers LLP  
Chartered Accountants

## Section B: Historical Financial Information

### PARLOUR PRODUCT TOPCO LIMITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 52 weeks ended 28 July 2012, 27 July 2013 and 26 July 2014

	Note	2012 £'000	2013 £'000	2014 £'000
Revenue	3	208,284	245,647	258,206
Cost of sales		(114,499)	(138,258)	(145,204)
<b>Gross profit</b>		<u>93,785</u>	<u>107,389</u>	<u>113,002</u>
Distribution costs		(10,774)	(12,337)	(12,303)
Administrative expenses		(82,032)	(88,937)	(94,091)
<b>Group operating profit</b>	4	<u>979</u>	<u>6,115</u>	<u>6,608</u>
Finance costs	6	(3,457)	(2,730)	(1,967)
Finance income	7	50	60	2,515
Net finance (costs)/income		<u>(3,407)</u>	<u>(2,670)</u>	<u>548</u>
<b>(Loss)/profit before taxation</b>		<u>(2,428)</u>	<u>3,445</u>	<u>7,156</u>
Taxation	9	516	(820)	(1,243)
<b>(Loss)/profit for the year</b>		<u>(1,912)</u>	<u>2,625</u>	<u>5,913</u>
<b>Attributable to:</b>				
Owners of the parent		<u>(1,912)</u>	<u>2,625</u>	<u>5,913</u>
<b>(Loss)/profit attributable and total comprehensive income for the year</b>		<u><u>(1,912)</u></u>	<u><u>2,625</u></u>	<u><u>5,913</u></u>
<b>(Loss)/earnings per share (expressed in pence per share):</b>				
Basic (loss)/earnings per share	10	<u>(1,912p)</u>	<u>2,625p</u>	<u>5,913p</u>

**PARLOUR PRODUCT TOPCO LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

		Attributable to owners of the parent			
	Note	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
Balance at 31 July 2011		–	–	4,099	4,099
Loss for the year		–	–	(1,912)	(1,912)
Balance at 28 July 2012		–	–	2,187	2,187
Balance at 29 July 2012		–	–	2,187	2,187
Profit for the year		–	–	2,625	2,625
Share-based payment expense	5.4	–	–	27	27
Balance at 27 July 2013		–	–	4,839	4,839
Balance at 28 July 2013		–	–	4,839	4,839
Profit for the year		–	–	5,913	5,913
Share-based payment expense	5.4	–	–	56	56
Dividend paid	22	–	–	(6,555)	(6,555)
Balance at 26 July 2014		–	–	4,253	4,253

**PARLOUR PRODUCT TOPCO LIMITED**  
**CONSOLIDATED BALANCE SHEET**

**As at 30 July 2011, 28 July 2012, 27 July 2013 and 26 July 2014**

	<b>Note</b>	<b>2011 £'000</b>	<b>2012 £'000</b>	<b>2013 £'000</b>	<b>2014 £'000</b>
<b>Assets</b>					
<b>Non-current assets</b>					
Intangible assets	11	715	580	530	1,407
Property, plant and equipment	12	30,121	28,846	27,470	25,524
Total non-current assets		30,836	29,426	28,000	26,931
<b>Current assets</b>					
Inventories	14	15,436	18,122	18,558	20,001
Trade and other receivables	15	8,426	10,078	9,935	8,316
Cash and cash equivalents	16	12,572	21,159	21,192	18,794
Total current assets		36,434	49,359	49,685	47,111
Total assets		67,270	78,785	77,685	74,042
<b>Capital and reserves attributable to the equity shareholders of the parent</b>					
Share capital	21	–	–	–	–
Share premium		–	–	–	–
Retained earnings	23	4,099	2,187	4,839	4,253
Equity shareholder funds		4,099	2,187	4,839	4,253
<b>Total equity</b>		4,099	2,187	4,839	4,253
<b>Non-current liabilities</b>					
Provisions for other liabilities and charges	19	80	260	260	–
Trade and other payables	18	10,547	10,009	9,491	5,332
Deferred tax liability	20	2,240	1,532	1,430	1,569
Total non-current liabilities		12,867	11,801	11,181	6,901
<b>Current liabilities</b>					
Current income tax liabilities		–	112	124	227
Trade and other payables	17	50,304	64,685	61,541	62,661
Total current liabilities		50,304	64,797	61,665	62,888
Total liabilities		63,171	76,598	72,846	69,789
<b>Total equity and liabilities</b>		67,270	78,785	77,685	74,042

**PARLOUR PRODUCT TOPCO LIMITED**  
**CONSOLIDATED CASH FLOW STATEMENT**

**For the years ended 28 July 2012, 27 July 2013 and 26 July 2014**

	<b>Note</b>	<b>2012 £'000</b>	<b>2013 £'000</b>	<b>2014 £'000</b>
<b>Cash flows from operating activities</b>				
(Loss)/profit before taxation		(2,428)	3,445	7,156
Adjustments for:				
Depreciation	12	4,506	4,221	3,938
Amortisation of intangible assets	11	445	266	225
Impairment	12	117	–	–
Share-based payment charge	5.4	–	27	56
Finance costs	6	3,457	2,730	1,967
Finance income	7	(50)	(60)	(2,515)
		<u>6,047</u>	<u>10,629</u>	<u>10,827</u>
Changes in working capital:				
Increase in inventories	14	(2,686)	(436)	(1,443)
(Increase)/decrease in trade and other receivables	15	(1,732)	145	1,619
Increase/(decrease) in trade and other payables	17	10,646	(1,122)	4,267
Increase/(decrease) in provisions	19	180	–	(260)
		<u>12,455</u>	<u>9,216</u>	<u>15,010</u>
Cash generated from operations				
Interest paid	6	(195)	(206)	(189)
Tax paid		–	(910)	(1,000)
		<u>12,260</u>	<u>8,100</u>	<u>13,821</u>
<b>Net cash inflow from operating activities</b>				
		<u>12,260</u>	<u>8,100</u>	<u>13,821</u>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	12	(3,348)	(2,845)	(1,992)
Purchase of intangible assets	11	(310)	(216)	(1,102)
Interest received	7	50	60	13
		<u>(3,608)</u>	<u>(3,001)</u>	<u>(3,081)</u>
<b>Net cash outflow from investing activities</b>				
		<u>(3,608)</u>	<u>(3,001)</u>	<u>(3,081)</u>
<b>Cash flows from financing activities</b>				
Repayments of loan from a parent company		(65)	(5,066)	(6,583)
Dividends paid	22	–	–	(6,555)
		<u>(65)</u>	<u>(5,066)</u>	<u>(13,138)</u>
<b>Net cash outflow from financing activities</b>				
		<u>(65)</u>	<u>(5,066)</u>	<u>(13,138)</u>
Net increase/(decrease) in cash and cash equivalents		8,587	33	(2,398)
Cash and cash equivalents at beginning of year		12,572	21,159	21,192
Cash and cash equivalents at end of year		<u>21,159</u>	<u>21,192</u>	<u>18,794</u>

## PARLOUR PRODUCT TOPCO LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

#### 1. GENERAL INFORMATION

Parlour Product Topco Limited the (“**Operating Company**”) is a company incorporated and domiciled in the UK. The address of the registered office is: 45-49 Villiers Street, Sunderland, SR1 1HA. The Operating Company and its subsidiaries’ (collectively, the “**Operating Group**”), principal activity is the provision of upholstered furniture and flooring, trading under the name ScS. The registered number of the Operating Company is 6551800. As at 26 July 2014, the Operating Company had one director.

The ultimate parent undertaking of the Operating Company is a private equity investment fund advised by an affiliate of Sun Capital Partners Inc.

#### 2. ACCOUNTING POLICIES

##### Basis of preparation

This special purpose consolidated historical financial information presents the financial track record of the Operating Group for the three years ended 26 July 2014 and is prepared for the purposes of admission to the main market operated by the London Stock Exchange. This special purpose consolidated historical financial information has been prepared in accordance with the requirements of the Prospectus Directive, the Listing Rules, in accordance with International Financial Reporting Standards as adopted by the European Union (“**IFRS**”), the International Financial Reporting Interpretations Committee’s (“**IFRIC**”) interpretations and with those parts of the Companies Act 2006 as applicable to companies reporting under IFRS.

The Operating Group’s deemed transition date to IFRS is 31 July 2011. The principles and requirements for first time adoption of IFRS are set out in IFRS 1. IFRS 1 allows certain exemptions in the application of particular standards to prior periods in order to assist companies with the transition process. The Operating Group has not applied any of the optional exemptions under IFRS 1.

This special purpose consolidated historical financial information is prepared in accordance with IFRS under the historical cost convention. The special purpose consolidated historical financial information is presented in thousands of pounds sterling (“**£**”) except when otherwise indicated.

The principal accounting policies adopted in the preparation of the special purpose consolidated historical financial information are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

##### Going concern

This special purpose consolidated historical financial information relating to the Operating Group has been prepared on the going concern basis.

After making appropriate enquiries, the director has a reasonable expectation that the Operating Group has adequate resources to continue in operational existence for the foreseeable future and for at least one year from the date of this special purpose consolidated historical financial information. For these reasons Operating Group continues to adopt the going in concern basis in preparing the Operating Group’s historical financial information.

The Operating Group had net current liabilities of £15,777,000 at the year end (2013: £11,980,000; 2012: £15,438,000) and net current assets of £6,749,000 (2013: £14,145,000; 2012 £13,242,000) excluding amounts owed to the Operating Group’s parent undertaking, Parlour Products Holdings (Lux) S.á r.l, (“**PPH (Lux)**”). On 16 January 2015, prior to Admission, Parlour Product Topco Limited and A. Share & Sons Limited (amongst others) entered into a revolving credit facility agreement making a facility of £12.0 million available to the Operating Group for the general working capital and business purposes of the Group. See note 28 (*Post Balance Sheet Events*) for further information relating to this facility. Please also see Section B of Part XII (“Unaudited Pro Forma Financial Information”) for the unaudited pro forma statement of net assets which illustrates the effect of the proposed Admission, Offer and Reorganisation as if they had taken place at 26 July 2014. For these reasons, the director has a reasonable expectation that the Operating Group

has adequate resources to continue in operational existence for the foreseeable future. Accordingly the director considers that it is appropriate to adopt the going concern basis in preparing the financial statements.

### **New standards, amendments and interpretations**

Standards, amendments and interpretations effective and adopted by the Operating Group:

- IFRSs expected to be applicable, in so far as this is currently known, to the first annual financial statements of the Operating Group, which will be for the year ended 25 July 2015, have been applied. The accounting policies adopted in the presentation of the consolidated historical financial information reflect the adoption of the following new standards as of 27 July 2014:
- IFRS 10 'Consolidated financial statements' (effective from periods beginning on or after 1 January 2014). This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess.
- IFRS 12 'Disclosure of interests in other entities' (effective from periods beginning on or after 1 January 2014). This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance-sheet vehicles.
- Amendments to IFRS 10, IFRS 11 and IFRS 12 (effective from periods beginning on or after 1 January 2014). These amendments provide additional transition relief to IFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period.
- IAS 28 (revised 2011), 'Investments in associates and joint ventures' (effective from periods beginning on or after 1 January 2014). This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.
- IAS 32 (amendment), 'Financial instruments – Presentation' on asset and liability offsetting (effective from periods beginning on or after 1 January 2014). This amendment clarifies some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.
- IAS 36 (amendment) 'Impairment of assets' (effective from periods beginning on or after 1 January 2014). These amendments address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.
- IFRIC 21 'Levies' (effective from periods beginning on or after 1 January 2014). This interpretation is on IAS 37, 'Provisions, contingent liabilities and contingent assets'. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.
- Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Operating Group considered to be applicable to the Operating Group are set out below. Management are still considering the potential impact of these standards on the Operating Group's consolidated financial information.
- IFRS 9 'Financial instruments', on 'Classification and measurement' (effective 1 January 2015). This is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39. IFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss. Amortised cost accounting will also be applicable for most financial liabilities, with bifurcation of embedded derivatives. The main change is that in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting

mismatch. The Operating Group is yet to assess the impact of IFRS 9 on its consolidated financial information.

- IFRS 15, 'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally. The Operating Group is yet to assess the impact of IFRS 15 on its consolidated financial information.

## **Basis of consolidation**

### ***Subsidiaries***

Subsidiaries are entities controlled by the Operating Company. Control exists when the Operating Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. Control is generally accompanied by a shareholding of more than one half of the voting rights. The financial information of subsidiaries is included in the consolidated financial information from the date that control commences until the date that control ceases.

### ***Transactions eliminated on consolidation***

Intragroup balances, and any gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial information. Gains arising from transactions with jointly controlled entities are eliminated to the extent of the Operating 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.

## **Segmental reporting**

Operating segments are reported in a manner consistent with the internal reporting to the senior management team which has been identified as the chief operating decision maker.

## **Revenue**

Revenue represents amounts invoiced for goods and services, net of discounts and value added tax, delivered to customers during the year. Revenue is recognised when the significant risks and rewards of ownership of the goods and warranty contracts have passed to the buyer and can be reliably measured. This is deemed to be when the goods and any associated warranty contracts have been delivered to the customer. Warranty services, once sold are subsequently provided by third parties.

## **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 – 5 years

The carrying value of intangible assets are 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% to 20% straight line per annum
Computer equipment	20% to 33% straight line per annum
Short leasehold property improvements straight line per annum	The shorter of the term of the lease or 4% straight line per annum
Long leasehold property improvements line	Over term of lease – minimum 2% straight line
Freehold buildings	2% straight line per annum
Freehold land	Nil

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.

### **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 reduced by all costs of completion, marketing, selling and distribution.

### **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.

### **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.

### **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 promoting their product are recognised in the same period 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.

**Leases**

Rentals payable under operating leases are charged to the income statement on a straight line basis over the lease term.

**Lease incentives**

The aggregate benefit of lease incentives is recognised as a reduction of rental expense. The benefit is allocated on a systematic basis over the period to the end of the lease. The balance is carried forward within accruals.

**Lease premiums**

Premiums paid on entering into a lease are classified as short leasehold property within property, plant and equipment and depreciated over the life of the lease.

**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 Operating Group in an independently administered fund.

**Taxation**

Deferred tax is recognised using the liability method, on all temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes, with the following exception:

- deferred tax assets are recognised only to the extent that the director considers 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.

**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 Operating Company operates an equity-settled, share-based payment plan for directors of the trading subsidiary undertaking, A. Share & Sons Limited. The fair value of the directors' services received by the Operating Group in exchange for the issue of shares in the Operating 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 Operating 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.

### **Provisions**

Provisions are recognised when the Operating 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 Operating Group's consolidated historical financial information under IFRS requires the director to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The director considers that the following estimates and judgements are likely to have the most significant effect on the amounts recognised in the consolidated historical financial information.

### **Property, Plant and equipment**

The Operating Group's accounting policy for property, plant and equipment is detailed on pages 80-81. Estimated useful economic lives of PPE are based on management's judgement and experience.

In accordance with IAS 36, PPE assets are tested for impairment when an indicator of impairment is identified. Judgement is employed in identifying whether or not an impairment trigger event has occurred, for example poor trading performance of a store. Impairment is then tested by comparing the carrying amount of an asset to its recoverable amount. Judgement is exercised in quantifying the recoverable amount and any resulting impairment.

### **Onerous lease provision**

Where operating property leases for trading stores are identified as 'onerous', i.e. the net cost of fulfilling the contract that would otherwise be abandoned is identified as the cheapest exit route, judgement is exercised in order to calculate the provision (this is also an impairment trigger, and therefore any provision is calculated after considering impairment). These judgements include anticipated future operating performance of the store, and the discount rate applied to the provision. No provision was required at 26 July 2014 – see note 19 for further details.

## **3. SEGMENT INFORMATION**

The director has determined the operating segments based on the operating reports reviewed by the senior management team that are used to assess both performance and strategic decisions. The director has identified that the senior management team are the chief operating decision makers in accordance with the requirements of IFRS 8 'Segmental reporting'.

The director considers the business to be one main type of business generating revenue; the retail of upholstered furniture and flooring, see table for the revenue streams. All segment revenue, (loss)/profit before taxation, assets and liabilities are attributable to the principal activity of the Operating Group and other related services. All revenues are generated in the United Kingdom.

Analysis of revenue by category:

	<b>2012</b> <b>£'000</b>	<b>2013</b> <b>£'000</b>	<b>2014</b> <b>£'000</b>
Sale of goods	194,899	230,602	241,593
Associated sale of warranties	13,385	15,045	16,613
	<u>208,284</u>	<u>245,647</u>	<u>258,206</u>

#### 4. OPERATING PROFIT

Operating profit is stated after charging:

	<b>2012</b> <b>£'000</b>	<b>2013</b> <b>£'000</b>	<b>2014</b> <b>£'000</b>
Services provided by the Operating Company's auditors:			
Fees payable to the Operating Company auditor for the audit of parent company and consolidated financial statements	3	4	4
Fees paid for other services:			
– audit of the Operating Company's subsidiaries	70	73	86
– tax compliance	9	19	18
– tax advisory	9	19	13
Depreciation of property, plant and equipment – owned	4,506	4,221	3,938
Impairment of property, plant and equipment – owned	117	–	–
Amortisation of computer software	445	266	225
Operating lease rentals – plant and machinery	1,582	1,810	1,957
Operating lease rentals – land and buildings	<u>22,940</u>	<u>22,402</u>	<u>22,221</u>

#### 5. EMPLOYEES AND DIRECTORS

##### 5.1 Staff costs for the Operating Group during the year:

	<b>2012</b> <b>£'000</b>	<b>2013</b> <b>£'000</b>	<b>2014</b> <b>£'000</b>
Wages and salaries	31,707	35,793	38,469
Other pension costs (note 5.5)	486	530	798
Social security costs	2,967	3,297	3,547
Share-based payments	–	27	56
	<u>35,160</u>	<u>39,647</u>	<u>42,870</u>

Average monthly number of people (including Executive Directors) employed:

	<b>2012</b>	<b>2013</b>	<b>2014</b>
Sales	589	639	648
Office and managerial	472	536	585
Services and warehousing	281	338	303
Cleaning	<u>17</u>	<u>18</u>	<u>25</u>
	<u>1,359</u>	<u>1,531</u>	<u>1,561</u>

## 5.2 Directors' emoluments

	2012 £'000	2013 £'000	2014 £'000
Aggregate emoluments	761	865	763
Other pension costs (note 5.5)	107	85	95

### Highest paid director

	2012 £'000	2013 £'000	2014 £'000
Aggregate emoluments	463	538	498
Other pension costs (note 5.5)	72	50	60

## 5.3 Key management compensation

Key management comprises the directors of the trading subsidiary, A. Share & Sons Limited. Post Admission this will also include the Non-Executive Directors. The key management compensation is as follows:

	2012 £'000	2013 £'000	2014 £'000
Aggregate emoluments	864	1,071	827
Deferred contribution pension cost	132	112	105
Share-based payments	–	55	–

Pension costs under defined contribution schemes are included in the post employment benefits disclosed above. The disclosures of shares granted under the long term incentive schemes are included in note 5.4.

## 5.4 Share based payments

The management equity plan was introduced in November 2009. On 27 November 2009, five directors subscribed for B ordinary shares in the Operating Company for a price equal to the nominal value of £0.00001 per share. On 7 February 2013 a further director subscribed for C ordinary shares in the Operating Company for a price of £462. On an exit (sale, listing, liquidation) of the Operating Company the holders of the B and C ordinary shares will share in the exit proceeds above a "hurdle value" and this is effectively deemed to be the exercise price. The expected life is the estimated time to the exit event. The expected volatility is calculated by reference to historic volatilities of comparator companies measured over a period of five years (commensurate with the expected life). The risk free interest rate is the yield on UK government bonds of a term consistent with the expected life. The shares issued have been valued using the Black-Scholes model. No performance conditions were included in the fair value calculations.

Further shares (D ordinary shares in the Operating Company) were issued to five directors on 11 June 2014. Each director subscribed for 6,667 D ordinary shares. The D ordinary shares carry voting rights but have limited economic rights and are considered to have minimal value. For this reason, there is no share-based payment charge relating to the D ordinary shares.

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

	<b>2012/13/14</b>	<b>2013/14</b>
Subscription date	27 Nov 2009	7 Feb 2013
Share price at subscription date	£0.00001	£462
Exercise price	£0.00001	£253
Number of employees	5	1
Shares issued	7,500	750
Expected volatility	36.04%	32.5%
Expected life (years)	5 Years	3 Years
Risk-free interest rate	2.8414%	0.52%
Expected dividends expressed as a dividend yield	0%	0%
Fair value	<u>£0.00000</u>	<u>£225.69</u>

The total charge for the year relating to employee share based payment plans was £56,000 (2013: £27,000; 2012: £nil) which is in relation to equity-settled share based payment transactions. There are no liabilities arising from share based payment transactions.

## 5.5 Retirement benefits

The Operating Group offers membership of several defined contribution Pension Schemes to eligible employees, the only pension arrangements operated by the Operating Group. The scheme is a defined contribution scheme and the pensions cost in the year was £798,000 (2013: £530,000); 2012: £486,000).

## 6. FINANCE COSTS

	<b>2012 £'000</b>	<b>2013 £'000</b>	<b>2014 £'000</b>
Foreign exchange losses on amounts owed to group undertakings	1,129	448	–
Interest payable on amounts owed to group undertakings	2,133	2,076	1,778
Other finance costs	195	206	189
	<u>3,457</u>	<u>2,730</u>	<u>1,967</u>

## 7. FINANCE INCOME

	<b>2012 £'000</b>	<b>2013 £'000</b>	<b>2014 £'000</b>
Foreign exchange gains on amounts owed to group undertakings	–	–	2,502
Bank interest receivable	50	60	13
	<u>50</u>	<u>60</u>	<u>2,515</u>

## 8. AUDITORS REMUNERATION

During the year the Operating Group obtained the following services from the Operating Company's auditors at costs as detailed below:

	2012 £'000	2013 £'000	2014 £'000
Fees payable to the Operating Company's auditors and its associates for the audit of Consolidated financial statements	3	4	4
– The audit of Operating Company's subsidiaries	70	73	80
– Tax compliance	9	19	16
– Tax advisory services	9	19	13
	<u>91</u>	<u>115</u>	<u>113</u>

## 9. TAXATION

	2012 £'000	2013 £'000	2014 £'000
<b>Analysis of (credit)/charge in year</b>			
Current tax on (losses)/profits for the year	192	963	1,387
Adjustments in respect of prior years	–	(41)	(283)
Total current tax	<u>192</u>	<u>922</u>	<u>1,104</u>
Origination and reversal of temporary differences	<u>(295)</u>	<u>(113)</u>	<u>(362)</u>
Adjustments in respect of prior years	<u>(413)</u>	<u>11</u>	<u>501</u>
<b>Total deferred tax (note 20)</b>	<u>(708)</u>	<u>(102)</u>	<u>139</u>
<b>Income tax (credit)/charge</b>	<u>(516)</u>	<u>820</u>	<u>1,243</u>

The tax (credit)/charge for the year differs from the standard rate of corporation tax in the UK 22.3 per cent. (2013: 23.67 per cent., 2012: 25.33 per cent.). The differences are explained below:

	2012 £'000	2013 £'000	2014 £'000
(Loss)/profit on ordinary activities before tax	<u>(2,428)</u>	<u>3,445</u>	<u>7,156</u>
(Loss)/profit on ordinary activities multiplied by the rate of corporation tax in the UK of 22.3% (2013: 23.67%, 2012: 25.33%)	(615)	816	1,596
Effects of:			
Other expenses not deductible	51	47	45
Depreciation not deductible	60	52	108
Foreign exchange loss/(gain) not deductible/(taxable)	285	106	(558)
Interest paid	–	(381)	–
Impact of change in tax rate	116	210	(166)
Adjustments in respect of prior years	<u>(413)</u>	<u>(30)</u>	<u>218</u>
<b>Total taxation (credit)/charge</b>	<u>(516)</u>	<u>820</u>	<u>1,243</u>

## 10. EARNINGS PER SHARE

	2012 £'000	2013 £'000	2014 £'000
(Loss)/profit for the year attributable to owners of the parent	(1,912)	2,625	5,913
Weighted average number of ordinary shares in issue for the basic earnings per share	100,000	100,000	100,000
Basic earnings per share (in pence per share)	(1,912)	2,625	5,913

As Parlour Product Topco Limited will not be listed at Admission, an illustrative EPS calculation has been presented below using the Ordinary Shares of ScS Group plc, as existing immediately prior to Admission and following the share restructure and establishment of the Share Plans described in note 28, in order to demonstrate the earnings attributable to the Ordinary Shares prior to Admission. The calculation of illustrative basic earnings per Ordinary Share is based on profit attributable to Ordinary shareholders, as disclosed below, and on 40,000,000 Ordinary Shares.

	2012 £'000	2013 £'000	2014 £'000
(Loss)/profit attributable to Ordinary Shareholders	(1,912)	2,625	5,913
Basic earnings per Ordinary Share (in pence per share)	4.78p	6.56p	14.78p
Basic weighted average number of Ordinary Shares	40,000,000	40,000,000	40,000,000

The above analysis in note 10 represents a non-GAAP metric and has been included to assist understanding of the Operating Group's business and should be used in conjunction with the relevant GAAP numbers.

## 11. INTANGIBLE ASSETS

	2012 Computer software £'000
<i>Cost</i>	
At 31 July 2011	2,085
Additions	310
At 28 July 2012	2,395
<i>Accumulated amortisation</i>	
At 31 July 2011	1,370
Charge for the year	445
At 28 July 2012	1,815
<i>Net book amount</i>	
At 28 July 2012	580

	<b>2013</b>
	<b>Computer software</b>
	<b>£'000</b>
<i>Cost</i>	
At 29 July 2012	2,395
Additions	216
At 27 July 2013	<u>2,611</u>
<i>Accumulated amortisation</i>	
At 29 July 2012	1,815
Charge for the year	266
At 27 July 2013	<u>2,081</u>
<i>Net book amount</i>	
At 27 July 2013	<u><u>530</u></u>
	<b>2014</b>
	<b>Computer software</b>
	<b>£'000</b>
<i>Cost</i>	
At 28 July 2013	2,611
Additions	1,102
At 26 July 2014	<u>3,713</u>
<i>Accumulated amortisation</i>	
At 28 July 2013	2,081
Charge for the year	225
At 26 July 2014	<u>2,306</u>
<i>Net book amount</i>	
At 26 July 2014	<u><u>1,407</u></u>

All amortisation charges have been treated as an expense in the income statement, and classified within administrative expenses.

## 12. PROPERTY, PLANT AND EQUIPMENT

	<b>2012</b>				
	<b>Freehold land and buildings £'000</b>	<b>Leasehold property £'000</b>	<b>Fixtures and fittings £'000</b>	<b>Computer equipment £'000</b>	<b>Total £'000</b>
<i>Cost</i>					
At 31 July 2011	159	41,000	21,506	10,506	73,171
Additions at cost	–	1,428	1,589	331	3,348
At 28 July 2012	<u>159</u>	<u>42,428</u>	<u>23,095</u>	<u>10,837</u>	<u>76,519</u>
<i>Accumulated depreciation</i>					
At 31 July 2011	70	16,158	17,502	9,320	43,050
Charge for the year	3	2,297	1,316	890	4,506
Impairment	–	56	61	–	117
At 28 July 2012	<u>73</u>	<u>18,511</u>	<u>18,879</u>	<u>10,210</u>	<u>47,673</u>
<i>Net book amount</i>					
At 28 July 2012	<u><u>86</u></u>	<u><u>23,917</u></u>	<u><u>4,216</u></u>	<u><u>627</u></u>	<u><u>28,846</u></u>

	<b>2013</b>				
	<b>Freehold land and buildings £'000</b>	<b>Leasehold property £'000</b>	<b>Fixtures and fittings £'000</b>	<b>Computer equipment £'000</b>	<b>Total £'000</b>
<i>Cost</i>					
At 29 July 2012	159	42,428	23,095	10,837	76,519
Additions at cost	–	1,183	1,241	421	2,845
At 27 July 2013	159	43,611	24,336	11,258	79,364
<i>Accumulated depreciation</i>					
At 29 July 2012	73	18,511	18,879	10,210	47,673
Charge for the year	3	2,421	1,387	410	4,221
At 27 July 2013	76	20,932	20,266	10,620	51,894
<i>Net book amount</i>					
At 27 July 2013	83	22,679	4,070	638	27,470

	<b>2014</b>				
	<b>Freehold land and buildings £'000</b>	<b>Leasehold property £'000</b>	<b>Fixtures and fittings £'000</b>	<b>Computer equipment £'000</b>	<b>Total £'000</b>
<i>Cost</i>					
At 28 July 2013	159	43,611	24,336	11,258	79,364
Additions at cost	–	818	876	298	1,992
At 26 July 2014	159	44,429	25,212	11,556	81,356
<i>Accumulated depreciation</i>					
At 28 July 2013	76	20,932	20,266	10,620	51,894
Charge for the year	3	2,680	847	408	3,938
At 26 July 2014	79	23,612	21,113	11,028	55,832
<i>Net book amount</i>					
At 26 July 2014	80	20,817	4,099	528	25,524

### 13. INVESTMENTS

#### Principal subsidiary undertakings of the Operating Group

The Operating Company substantially owns directly or indirectly the whole of the issued and fully paid ordinary share capital of its subsidiary undertakings.

Principal subsidiary undertakings of the Operating Group at 26 July 2014 are presented below:

<b>Subsidiary</b>	<b>Nature of business</b>	<b>Country of incorporation</b>	<b>Proportion of ordinary shares held by parent %</b>	<b>Proportion of ordinary shares held by the Operating Group %</b>
Parlour Product Holding Limited	Holding Company	UK	–	100
A. Share & Sons Limited	Specialist Retailer of upholstered furniture and carpets	UK	–	100
ScS Furnishings Limited	Dormant Company	UK	–	100

There are no restrictions on the Operating Company's ability to access or use the assets and settle the liabilities of the Operating Company's subsidiaries.

#### 14. INVENTORIES

	<b>2012 £'000</b>	<b>2013 £'000</b>	<b>2014 £'000</b>
Finished goods	18,122	18,558	20,001

The cost of inventories as an expense and included in cost of sales amounted to £136,064,000 (2013: £129,691,000; 2012: £108,141,000)

The charge for the year related to write off amounted to £265,000 (2013: £271,000; 2012: £37,000).

#### 15. TRADE AND OTHER RECEIVABLES

	<b>2012 £'000</b>	<b>2013 £'000</b>	<b>2014 £'000</b>
Trade receivables	4,138	4,363	3,266
Other receivables	1,397	1,857	1,672
Prepayment	4,543	3,714	3,378
	<u>10,078</u>	<u>9,934</u>	<u>8,316</u>

The fair value of trade and other receivables is approximate to their carrying value. Trade and receivables are considered due once they have passed their contracted due date.

The carrying amounts of trade and other receivables are all denominated in pound sterling.

The majority of the trade receivables are due from finance houses with which there are existing relationships and no history of default. The majority of trade receivables at 28 July 2012, 27 July 2013 and 26 July 2014 are aged less than 10 days. The bad debt provision for each period is not considered material for disclosure.

#### 16. CASH AND CASH EQUIVALENTS

	<b>2012 £'000</b>	<b>2013 £'000</b>	<b>2014 £'000</b>
<b>Cash and cash equivalents</b>			
Cash at bank and in hand	<u>21,159</u>	<u>21,192</u>	<u>18,794</u>

All cash balances are held at UK banking institutions with credit ratings of AA.

## 17. TRADE AND OTHER PAYABLES CURRENT

	2012 £'000	2013 £'000	2014 £'000
Trade payables	16,277	18,056	21,349
Borrowing from group undertakings	28,680	26,125	22,526
Payments received on account	9,102	7,266	7,159
Other tax and social security payable	3,758	3,630	3,129
Accruals	6,868	6,464	8,498
	<u>64,685</u>	<u>61,541</u>	<u>62,661</u>

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

Borrowings from group undertakings are analysed as follows and include interest capitalised:

	2012 £'000	2013 £'000	2014 £'000
23,987,885 Series 1 8 per cent. Unsecured payment in kind notes of US\$1.00 each	20,778	17,405	13,987
9,233,000 Series 2 8 per cent. Unsecured payment in kind notes of US\$1.00 each	7,902	8,720	8,539
	<u>28,680</u>	<u>26,125</u>	<u>22,526</u>

The above amounts are repayable upon demand more details are contained in note 26.

## 18. TRADE AND OTHER PAYABLES – NON-CURRENT

	2012 £'000	2013 £'000	2014 £'000
Borrowing from group undertakings	3,697	3,708	–
Accruals	6,312	5,783	5,332
	<u>10,009</u>	<u>9,491</u>	<u>5,332</u>

Borrowings from group undertakings relate to an unsecured interest free loan of US\$6,125,000 and is repayable upon maturity at 12 August 2068. The loan was repaid in full during the year under review, more details are contained in note 26.

## 19. PROVISIONS

	2012 Onerous lease provision £'000
At 30 July 2011	80
Charged to the income statement	
– Additional provisions	<u>180</u>
At 28 July 2012	<u>260</u>

	<b>2013</b>
	<b>Onerous lease provision</b>
	<b>£'000</b>
At 29 July 2012 and at 27 July 2013	260

	<b>2014</b>
	<b>Onerous lease provision</b>
	<b>£'000</b>
At 28 July 2013	260
Provisions utilised	(260)
At 26 July 2014	—

Analysis of total provisions:

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Non-current	130	—	—
Current	130	260	—
	<u>260</u>	<u>260</u>	<u>—</u>

## 20. DEFERRED TAX LIABILITY

The movement in deferred taxation during the year are as follows:

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Opening deferred tax liability	2,240	1,532	1,430
(Credited)/debited to profit and loss account arising from the origination and reversal of timing differences	(708)	(102)	139
Closing deferred tax liability	<u>1,532</u>	<u>1,430</u>	<u>1,569</u>

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Deferred taxation has been fully provided for in respect of:			
Accelerated capital allowances	2,933	2,538	2,176
Other timing differences	(1,538)	(1,245)	(1,151)
Capital gains held over	137	137	544
	<u>1,532</u>	<u>1,430</u>	<u>1,569</u>

## 21. CALLED UP SHARE CAPITAL

	2012 £'000	2013 £'000	2014 £'000
<b>Allotted, called up and fully paid</b>			
100,000 A ordinary shares of £0.00001p each (2012: 100,000; 2013: 100,000)	—	—	—
7,500 B ordinary shares of £0.00001p each (2012: 7,500; 2013: 7,500)	—	—	—
750 C ordinary shares of £0.00001p each (2012: nil; 2013: 750)	—	—	—
33,335 D ordinary shares of £0.00001p each (2012: nil; 2013: nil)	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>
	<u>—</u>	<u>—</u>	<u>—</u>

*Description of shares*

## 22. DIVIDENDS

	2012 £'000	2013 £'000	2014 £'000
£65.55 dividend per A Ordinary Share	—	—	6,555
	<u>—</u>	<u>—</u>	<u>6,555</u>

## 23. RESERVES

The following describes the nature and purpose of each reserve within shareholders' equity:

### *Share premium*

The amount subscribed for share capital in excess of nominal value less any costs directly attributable to the issue of new shares.

### *Retained earnings*

Cumulative net gains and losses recognised in the Operating Group income statement.

## 24. COMMITMENTS AND CONTINGENCIES

### 24.1 Capital commitments

	2012 £'000	2013 £'000	2014 £'000
Property, plant and equipment	599	—	1,538
	<u>599</u>	<u>—</u>	<u>1,538</u>

Capital commitments at 26 July 2014 are principally in respect of expenditure on two stores opened after that date. Capital commitments at 28 July 2012 are principally for new external signage at stores completed after that date.

### 24.2 Operating lease commitments

The Operating Group has various leases, principally for stores and company vehicles under non-cancellable operating lease agreements.

The future aggregate minimum lease payments under non-cancellable operating leases as follows:

	<b>2012</b> <b>£'000</b>	<b>2013</b> <b>£'000</b>	<b>2014</b> <b>£'000</b>
Within 1 year	243	297	429
Later than 1 year and less than 5 years	10,817	9,207	10,438
After 5 years	235,794	223,856	205,998
	<u>246,854</u>	<u>233,360</u>	<u>216,865</u>

## **25. FINANCIAL INSTRUMENTS – RISK MANAGEMENT**

### **Financial risk management Policy**

The Operating Group's principal financial instruments comprise cash and intercompany borrowings. The main purpose of these financial instruments is to provide funds for the Operating Group's operations. The Operating Group has other financial instruments being trade receivables and trade payables that arise directly from its operations.

It is, and has been throughout the years under review, the Operating Group's policy that no trading in financial instruments shall be undertaken. The Operating Group has not entered into derivative transactions during the years under review. The Operating 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 Operating Group's credit sales is provided from external financing companies who bear the whole risk of customer defaults on repayment. Cash and deposits are invested with Barclays Bank plc.

### **Liquidity risk**

The Operating Group's exposure to liquidity risk is low, as historically working capital requirements have been funded entirely by inter-company debt. In addition, the Operating Company's parent company, Parlour Products Holdings (Lux) S.á r.l., previously provided comfort to the director of its intention not to request payment of the intercompany debt in the next 12 months. Please see Section B of Part XII ("Unaudited Pro Forma Financial Information") for the unaudited pro forma statement of net assets which illustrates the effect of the proposed Admission, Offer and Reorganisation as if they had taken place at 26 July 2014.

### **Foreign currency risk**

The Operating Company has borrowings in US\$ and foreign exchange risk arises in relation to the translation of balances outstanding at the year end. The risk in relation to foreign currency borrowings is un-hedged.

There is no foreign currency risk regarding operations as all sales are made within the UK and all overseas suppliers invoice in sterling.

### **Interest rate risk**

Intercompany debt is at a fixed rate which mitigates any interest rate risk.

## **26. RELATED PARTY TRANSACTIONS**

Key management compensation is given in note 5. Other related party transactions with the Operating Company are as follows:

## 26.1 Loans from related parties

The Operating Group received the following loans from Parlour Product Holding (Lux) S.á r.l, the parent company:

- Unsecured interest free loan of US\$6,125,000 payable on maturity at 12 August 2068
- 23,987,885 Series 1 8 per cent. unsecured payment in Kind notes of US\$1.00 payable on demand
- 9,233,000 Series 2 8 per cent. unsecured payment in Kind notes of US\$1.00 payable on demand
- 18,076,284 unsecured payment in kind notes of US\$1.00 payable on demand in recognition of interest accrued and capitalised at each balance sheet date

The movement on the amounts outstanding are as follows:

	<b>2012</b> <b>£'000</b>	<b>2013</b> <b>£'000</b>	<b>2014</b> <b>£'000</b>
<b>Unsecured interest free loan</b>			
Opening balance	3,623	3,697	3,708
Foreign exchange loss/(gain)	139	77	(150)
Repaid	(65)	(66)	(3,558)
Closing balance	<u>3,697</u>	<u>3,708</u>	<u>–</u>

## Series 1 payment in kind notes

	<b>2012</b> <b>£'000</b>	<b>2013</b> <b>£'000</b>	<b>2014</b> <b>£'000</b>
Opening balance	18,515	20,778	17,405
Issued	1,550	1,433	1,117
Repaid	–	(5,000)	(3,025)
Foreign exchange loss/(gain)	713	194	(1,510)
Closing Balance	<u>20,778</u>	<u>17,405</u>	<u>13,987</u>

## 26.2 Series 2 payment in kind notes

	<b>2012</b> <b>£'000</b>	<b>2013</b> <b>£'000</b>	<b>2014</b> <b>£'000</b>
Opening balance	7,042	7,902	8,720
Issued	589	643	661
Foreign exchange loss/(gain)	271	175	(842)
Closing Balance	<u>7,902</u>	<u>8,720</u>	<u>8,539</u>

## 26.3 Purchases of goods and services

Management fees and expenses have been paid to Sun Advisor, during the years ended 28 July 2012, 27 July 2013 and 26 July 2014 pursuant to the Management Services Agreement:

	<b>2012</b> <b>£'000</b>	<b>2013</b> <b>£'000</b>	<b>2014</b> <b>£'000</b>
Management Fees and expenses	<u>475</u>	<u>778</u>	<u>981</u>

## 26.4 Letter of Credit

The Bank of Montreal has provided Barclays Bank plc with an irrevocable standby letter of credit for £6.0 million (2013: £6.0 million; 2012: £3.5 million) to underwrite merchant services transactions in A. Share & Sons Limited. Sun Capital has provided a guarantee in favour of the Bank of Montreal for any losses suffered in connection with such irrevocable standby letter of credit.

## 27. CONTINGENT LIABILITIES

Case law regarding the interpretation and application of the Working Time Regulations in the UK, which govern the statutory holiday entitlement and the minimum amount of statutory holiday pay to which employees are entitled, is creating a potential cost exposure for all employers throughout the country. Two recent UK court judgments have decided that certain elements of overtime pay and some variable pay components, such as most types of commission, should be included in the calculation of statutory minimum holiday pay. Clarification from the UK courts on how commission should be reflected in holiday pay is due in February/March 2015. There was a concern that backdated claims could go back many years but the most recent decision, which is not being appealed, indicates that in most cases claims can only relate to the current holiday year and this means that any potential liability is limited, however it is possible that there will be other cases which challenge that part of the decision and therefore this remains a risk factor, in common with other businesses across the UK.

## 28. POST BALANCE SHEET EVENTS

### 28.1 Reorganisation

In connection with Admission, the Operating Group has undertaken a reorganisation of its corporate structure that will result in ScS Group plc becoming the ultimate holding company of the Group and Parlour Product Topco Limited becoming the Group plc's direct subsidiary. The steps undertaken in connection with the Reorganisation are set out in paragraph 3 of Part XV (*Additional Information*) of this document.

### 28.2 Establishment of the ScS Group Employee Benefit Trust and adoption of employee share plans

On 21 January 2015, the Company adopted the following employee share plans ("**Share Plans**") conditional upon Admission:

- The ScS Group plc Long Term Incentive Plan;
- The ScS Group plc Deferred Bonus Plan; and
- The ScS Group plc Share Incentive Plan.

Under the Share Plans, awards have been made, conditionally upon Admission, over a total of 640,080 Ordinary Shares. Under each of the Share Plans, awards may be granted to employees and directors of the Group which entitle them to acquire Ordinary Shares subject to certain conditions. The ScS Group Employee Benefit Trust was also established and 2,722,563 Ordinary Shares issued to it in order to satisfy awards under the Share Plans and to hold the 2,722,563 Ordinary Shares (in aggregate) which will be issued to the Executive Directors and Senior Managers (excluding Gary Kemp) on exercise of the Option Agreements further described in paragraph 28.3 below and paragraph 9.6 of Part XV (*Additional Information*).

### 28.3 Entry into of Option Agreements

Prior to Admission, each of the Executive Directors and Senior Managers acquired B ordinary shares, C ordinary shares and/or D ordinary shares in the capital of PPT (together, the "**Management PPT Shares**") pursuant to share incentive arrangements established by PPT. As part of the orderly winding down of the Pre-Admission Management Incentive Arrangements by the Executive Directors and Senior Managers that involves the exchange of their Management PPT Shares for Ordinary Shares, each Executive Director and Senior Manager (other than Gary Kemp, who exchanged his shares in PPT pursuant to the Reorganisation) has, pursuant to the Reorganisation, entered into an option agreement, each dated 22 January 2015 with the Company. Information relating to these Option Agreements is further described in paragraph 9.6 of Part XV (*Additional Information*).

#### 28.4 **Revolving Credit Facility**

On 16 January 2015 Parlour Product Topco Limited and A. Share & Sons Limited (amongst others) entered into a £12.0 million revolving credit facility with Lloyds Bank plc to be used for the working capital and general business purposes of the Group. Provision of the facility is conditional upon Admission taking place.

### 29. **EXPLANATION OF TRANSITION TO IFRS**

As stated in note 2 this is the first consolidated historical financial information prepared in accordance with IFRS. The date of the Operating Group transition to IFRS is 30 July 2011 (the “transition date”).

The accounting policies described in note 2 were applied when preparing the special purpose consolidated historical financial information for the years ended 28 July 2012, 27 July 2013 and 26 July 2014 and the Consolidated Statement of Financial Position as at the transition date.

In preparing its opening IFRS Consolidated Statement of Financial Position and adjusting amounts reported previously in the financial statements prepared in accordance with UK GAAP (Generally Accepted Accounting Practice in the UK, previously GAAP), the Operating Group has applied IFRS 1 First-Time Adoption of International Financial Reporting Standards, which contains a number of voluntary exemptions and mandatory exceptions from the requirement to apply IFRS retrospectively.

#### **Exceptions and exemptions used during transition to IFRS**

The Operating Group has applied the following mandatory exception required by IFRS 1 in the conversion from UK GAAP to IFRS:

#### **Estimates**

Hindsight is not used to create or revise estimates. The estimates previously made by the Operating Company under UK GAAP were not revised for application of IFRS except where necessary to reflect any difference in accounting policies.

The Operating Group has applied the following optional exemptions in the conversion from UK GAAP to IFRS:

#### **Adjustments Made in Connection with Transition to IFRS**

The following material adjustments were made to the UK GAAP financial statements in connection with the transition to IFRS:

##### a. **Reclassifications**

To align the presentation of certain items of assets and liabilities, income and expenses with the requirements of IFRS, the Operating Group made the following reclassification from the UK GAAP financial statements;

##### ● **IAS 38 – Intangible assets**

Under UK GAAP, software and software development is included within tangible assets. Under IAS 38 ‘Intangible assets’ software has been reclassified from tangible assets and recorded in intangible assets. The balance sheet reclassification amounts to £580,000, £530,000 and £1,407,000 at 28 July 2012, 27 July 2013 and 26 July 2014 respectively.

##### b. **Other adjustments**

Other adjustments include all other individually insignificant adjustments required to make the Historical Financial Information compliant with IFRS and adjustments to deferred taxes necessary as a consequence of previous adjustments.

### ● **IAS 12 – Income taxes**

There is a difference between the basis of providing deferred tax on timing differences under UK GAAP compared to IFRS, which requires the provision of deferred tax on temporary differences which are defined as the difference between the carrying amount in the balance sheet and the tax base.

### ● **Deferred tax on other IFRS adjustments**

As a result of a previous business combination under IFRS 3, an element of the Operating Group's previous capital expenditure does not qualify under the Initial Recognition Exemption rules as non qualifying for deferred tax purposes. This has resulted in additional deferred tax liabilities of £4,572,000, £4,284,000 and £3,749,000 at 28 July 2012, 27 July 2013 and 26 July 2014 respectively.

Deferred tax is required to be provided on other adjustments made on adoption of IFRS relating to the temporary differences that arise including, for example, the impact of IAS 17 on "other payables". Deferred tax assets of £3,040,000, £2,855,000 and £2,180,000 have been recognised at 28 July 2012, 27 July 2013 and 26 July 2014 respectively.

### ● **IAS 17 – Lease incentives**

Under UK GAAP, the policy in recognition of operating lease incentives in respect of rent free periods and inducements received is to spread the incentive by releases to the income statement over the period to the first rent review, usually 5 years. In accordance with SIC 15 – "Operating Lease – Incentives", all lease incentives must now be recognised in the income statement over the full term of the lease. The effect of this standard has resulted in an adjustment to carry forward an increased amount in the value of rent free periods and inducements in deferred lease incentives within current liabilities and non current liabilities totalling £6,979,367, £6,446,108 and £6,064,160 at 28 July 2012, 27 July 2013 and 26 July 2014 respectively.

### **Goodwill**

Under UK GAAP, the Operating Group carried forward negative goodwill in the balance sheet of £7,363,000, £6,143,000 and £4,924,000 at 28 July 2012, 27 July 2013 and 26 July 2014 respectively. IFRS requires negative goodwill to be immediately recognised in the income statement, and therefore the respective adjustments have been made.

### **Impact on the cash flow statements**

The Operating Group has made a number of reclassifications to the numbers reported under UK GAAP in order to present its cash flows in accordance with IFRS. These reclassification adjustments have no significant impact on the results presented for each type of the Operating Group's activities.

The reconciliations of Statement of financial position as of 30 July 2011, 28 July 2012, 27 July 2013 and 26 July 2014 and comprehensive income for the year ended 26 July 2014 are provided below.

**PARLOUR PRODUCT TOPCO LIMITED**  
**EXPLANATION OF TRANSITION TO IFRS**

**Reconciliation of shareholders' equity as of 30 July 2011**

	Adjustments					Total impact of change to IFRS £'000	Under IFRS £'000
	Under previous UK GAAP £'000	Lease incentives £'000	Goodwill £'000	Deferred tax £'000	Intangibles £'000		
Assets							
Non-current assets							
Other intangible assets	–	–	–	–	715	715	715
Property, plant and equipment	30,836	–	–	–	(715)	(715)	30,121
Negative goodwill	(8,582)	–	8,582	–	–	8,582	–
Deferred tax asset	–	–	–	–	–	–	–
Total non-current assets	22,254	–	8,582	–	–	8,582	30,836
Current assets							
Inventories	15,436	–	–	–	–	–	15,436
Trade and other receivables	9,509	–	–	(1,083)	–	(1,083)	8,426
Cash and cash equivalents	12,572	–	–	–	–	–	12,572
Total current assets	37,517	–	–	(1,083)	–	(1,083)	36,434
Total assets	59,771	–	8,582	(1,083)	–	7,499	67,270

**PARLOUR PRODUCT TOPCO LIMITED**  
**EXPLANATION OF TRANSITION TO IFRS (Continued)**

**Reconciliation of shareholders' equity as of 30 July 2011 (continued)**

	Adjustments						
	Under previous UK GAAP £'000	Lease incentives £'000	Goodwill £'000	Deferred tax £'000	Intangibles £'000	Total impact of change to IFRS £'000	Under IFRS £'000
Capital and reserves attributable to the equity shareholders of the parent							
Share capital	–	–	–	–	–	–	–
Share premium	–	–	–	–	–	–	–
Retained earnings	5,826	(6,986)	8,582	(3,323)	–	(1,727)	4,099
Equity shareholder funds	5,826	(6,986)	8,582	(3,323)	–	(1,727)	4,099
Total equity	5,826	(6,986)	8,582	(3,323)	–	(1,727)	4,099
Non-current liabilities							
Financial liabilities							
– loans and borrowings	–	–	–	–	–	–	–
Trade and other payables	3,948	6,599	–	–	–	6,599	10,547
Deferred tax liability	–	–	–	2,240	–	2,240	2,240
Provisions for liabilities and charges	80	–	–	–	–	–	80
Total non-current liabilities	4,028	6,599	–	2,240	–	8,839	12,867
Current liabilities							
Trade and other payables	49,917	387	–	–	–	387	50,304
Current tax liabilities	–	–	–	–	–	–	–
Total current liabilities	49,917	387	–	–	–	387	50,304
Total liabilities	53,945	6,986	–	2,240	–	9,226	63,171
Total equity and liabilities	59,771	–	8,582	(1,083)	–	7,499	67,270

**PARLOUR PRODUCT TOPCO LIMITED**  
**EXPLANATION OF TRANSITION TO IFRS (Continued)**

**Reconciliation of shareholders' equity as of 28 July 2012**

	Adjustments					Total	
	Under previous UK GAAP £'000	Lease incentives £'000	Goodwill £'000	Deferred tax Intangibles £'000	Intangibles £'000	impact of change to IFRS £'000	Under IFRS £'000
Assets							
Non-current assets							
Other intangible assets	–	–	–	–	580	580	580
Property, plant and equipment	29,426	–	–	–	(580)	(580)	28,846
Negative goodwill	(7,363)	–	7,363	–	–	7,363	–
Total non-current assets	22,063	–	7,363	–	–	7,363	29,426
Current assets							
Inventories	18,122	–	–	–	–	–	18,122
Trade and other receivables	11,585	–	–	(1,507)	–	(1,507)	10,078
Cash and cash equivalents	21,159	–	–	–	–	–	21,159
Total current assets	50,866	–	–	(1,507)	–	(1,507)	49,359
Total assets	72,929	–	7,363	(1,507)	–	5,856	78,785

**PARLOUR PRODUCT TOPCO LIMITED**  
**EXPLANATION OF TRANSITION TO IFRS (Continued)**

**Reconciliation of shareholders' equity as of 28 July 2012 (Continued)**

	Adjustments					Total	
	Under previous UK GAAP £'000	Lease incentives £'000	Goodwill £'000	Deferred tax £'000	Intangibles £'000	impact of change to IFRS £'000	Under IFRS £'000
Capital and reserves attributable to the equity shareholders of the parent							
Share capital	–	–	–	–	–	–	–
Share premium	–	–	–	–	–	–	–
Retained earnings	4,527	(6,664)	7,363	(3,039)	–	(2,340)	2,187
Equity shareholder funds	4,527	(6,664)	7,363	(3,039)	–	(2,340)	2,187
Total equity	4,527	(6,664)	7,363	(3,039)	–	(2,340)	2,187
Non-current liabilities							
Financial liabilities							
– loans and borrowings	–	–	–	–	–	–	–
Trade and other payables	3,812	6,197	–	–	–	6,197	10,009
Deferred tax liability	–	–	–	1,532	–	1,532	1,532
Provisions for liabilities and charges	260	–	–	–	–	–	260
Total non-current liabilities	4,072	6,197	–	1,532	–	7,729	11,801
Current liabilities							
Trade and other payables	64,218	467	–	–	–	467	64,685
Current tax liabilities	112	–	–	–	–	–	112
Total current liabilities	64,330	467	–	–	–	467	64,797
Total liabilities	68,402	6,664	–	1,532	–	8,196	76,598
Total equity and liabilities	72,929	–	7,363	(1,507)	–	5,856	78,785

**PARLOUR PRODUCT TOPCO LIMITED**  
**EXPLANATION OF TRANSITION TO IFRS (Continued)**

**Reconciliation of shareholders' equity as of 27 July 2013**

	Adjustments					Total	
	Under previous UK GAAP £'000	Lease incentives £'000	Goodwill £'000	Deferred tax £'000	Intangibles £'000	impact of change to IFRS £'000	Under IFRS £'000
Assets							
Non-current assets							
Other intangible assets	–	–	–	–	530	530	530
Property, plant and equipment	28,000	–	–	–	(530)	(530)	27,470
Negative goodwill	(6,143)	–	6,143	–	–	6,143	–
Total non-current assets	21,857	–	6,143	–	–	6,143	28,000
Current assets							
Inventories	18,558	–	–	–	–	–	18,558
Trade and other receivables	11,552	–	–	(1,617)	–	(1,617)	9,935
Cash and cash equivalents	21,192	–	–	–	–	–	21,192
Total current assets	51,302	–	–	(1,617)	–	(1,617)	49,685
Total assets	73,159	–	6,143	(1,617)	–	4,526	77,685

**PARLOUR PRODUCT TOPCO LIMITED**  
**EXPLANATION OF TRANSITION TO IFRS (Continued)**

**Reconciliation of shareholders' equity as of 27 July 2013 (Continued)**

	Adjustments					Total impact of change to IFRS	Under IFRS
	Under previous UK GAAP £'000	Lease incentives £'000	Goodwill £'000	Deferred taxIntangibles £'000	£'000	£'000	£'000
Capital and reserves attributable to the equity shareholders of the parent							
Share capital	–	–	–	–	–	–	–
Share premium	–	–	–	–	–	–	–
Retained earnings	7,930	(6,187)	6,143	(3,047)	–	(3,091)	4,839
Equity shareholder funds	7,930	(6,187)	6,143	(3,047)	–	(3,091)	4,839
Total equity	7,930	(6,187)	6,143	(3,047)	–	(3,091)	4,839
Non-current liabilities							
Financial liabilities							
– loans and borrowings	–	–	–	–	–	–	–
Trade and other payables	3,867	5,624	–	–	–	5,624	9,491
Deferred tax liability	–	–	–	1,430	–	1,430	1,430
Provision for liabilities and charges	260	–	–	–	–	–	260
Total non-current liabilities	4,127	5,624	–	1,430	–	7,054	11,181
Current liabilities							
Trade and other payables	60,978	563	–	–	–	563	61,541
Current tax liabilities	124	–	–	–	–	–	124
Total current liabilities	61,102	563	–	–	–	563	61,665
Total liabilities	65,229	6,187	–	1,430	–	7,617	72,846
Total equity and liabilities	73,159	–	6,143	(1,617)	–	4,526	77,685

**PARLOUR PRODUCT TOPCO LIMITED**  
**EXPLANATION OF TRANSITION TO IFRS (Continued)**

**Reconciliation of shareholders' equity as of 26 July 2014**

	Adjustments					Total	
	Under previous UK GAAP £'000	Lease incentives £'000	Goodwill £'000	Deferred tax £'000	Intangibles £'000	impact of change to IFRS £'000	Under IFRS £'000
Capital and reserves							
Assets							
Non-current assets							
Other intangible assets	–	–	–	–	1,407	1,407	1,407
Property, plant and equipment	26,931	–	–	–	(1,407)	(1,407)	25,524
Negative Goodwill	(4,924)	–	4,924	–	–	4,924	–
Deferred tax asset	–	–	–	–	–	–	–
Total non-current assets	22,007	–	4,924	–	–	4,924	26,931
Current assets							
Inventories	20,001	–	–	–	–	–	20,001
Trade and other receivables	9,361	–	–	(1,045)	–	(1,045)	8,316
Cash and cash equivalents	18,794	–	–	–	–	–	18,794
Total current assets	48,156	–	–	(1,045)	–	(1,045)	47,111
Total assets	70,163	–	4,924	(1,045)	–	3,879	74,042

**PARLOUR PRODUCT TOPCO LIMITED**  
**EXPLANATION OF TRANSITION TO IFRS (Continued)**

**Reconciliation of shareholders' equity as of 26 July 2014 (Continued)**

	Adjustments					Total impact of change to IFRS	Under IFRS
	Under previous UK GAAP	Lease incentives	Goodwill	Deferred tax	Intangibles	to IFRS	IFRS
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Capital and reserves attributable to the equity shareholders of the parent							
Share capital	–	–	–	–	–	–	–
Share premium	–	–	–	–	–	–	–
Retained earnings	7,618	(5,675)	4,924	(2,614)	–	(3,365)	4,253
Equity shareholder funds	7,618	(5,675)	4,924	(2,614)	–	(3,365)	4,253
Total equity	7,618	(5,675)	4,924	(2,614)	–	(3,365)	4,253
Non-current liabilities							
Financial liabilities							
– loans and borrowings	–	–	–	–	–	–	–
Trade and other payables	199	5,133	–	–	–	5,133	5,332
Deferred tax liability	–	–	–	1,569	–	1,569	1,569
Provision for liabilities and charges	–	–	–	–	–	–	–
Total non-current liabilities	199	5,133	–	1,569	–	6,702	6,901
Current liabilities							
Trade and other payables	62,119	542	–	–	–	542	62,661
Current tax liabilities	227	–	–	–	–	–	227
Total current liabilities	62,346	542	–	–	–	542	62,888
Total liabilities	62,545	5,675	–	1,569	–	7,244	69,789
Total equity and liabilities	70,163	–	4,924	(1,045)	–	3,879	74,042

**PARLOUR PRODUCT TOPCO LIMITED**  
**EXPLANATION OF TRANSITION TO IFRS (Continued)**

**Reconciliation of comprehensive income for the 52 weeks ended 26 July 2014**

	<b>Adjustments</b>						
	<b>Under previous UK GAAP £'000</b>	<b>Lease incentives £'000</b>	<b>Goodwill £'000</b>	<b>Deferred tax £'000</b>	<b>Intangibles £'000</b>	<b>Total impact of change to IFRS £'000</b>	<b>Under IFRS £'000</b>
Revenue	258,206	–	–	–	–	–	258,206
Cost of Sales	(145,204)	–	–	–	–	(145,204)	–
Gross Profit	113,002	–	–	–	–	–	113,002
Distribution costs	(12,303)	–	–	–	–	–	(12,303)
Administrative expenses	(93,385)	513	(1,219)	–	–	(706)	(94,091)
Group operating profit	7,314	513	(1,219)	–	–	(706)	6,608
Finance costs	(1,967)	–	–	–	–	–	(1,967)
Finance income	2,515	–	–	–	–	–	2,515
Net finance income	548	–	–	–	–	–	548
Loss before taxation	7,862	513	(1,219)	–	–	(706)	7,156
Taxation	(1,675)	–	–	432	–	432	(1,243)
Profit for the year	6,187	513	(1,219)	432	–	(274)	5,913
Owners of the parent	6,187	513	(1,219)	432	–	(274)	5,913
Loss attributable for the year	6,187	513	(1,219)	432	–	(274)	5,913

## PART XII:

### UNAUDITED PRO FORMA FINANCIAL INFORMATION

#### Section A: Accountant's report on Pro Forma Financial Information



The Directors  
ScS Group plc  
45-49 Villiers Street  
Sunderland  
SR1 1HA

Investec Bank plc (the “Sponsor”)  
2 Gresham Street  
London  
EC2V 7QP

23 January 2015

Dear Sirs

#### ScS Group plc (the “Company”)

We report on the unaudited pro forma financial information (the “**Pro Forma Financial Information**”) set out in Section B of Part XII (“*Unaudited Pro Forma Financial Information*”) of the Company’s prospectus dated 23 January 2015 (the “**Prospectus**”) which has been prepared on the basis described in the notes to the Pro Forma Financial Information, for illustrative purposes only, to provide information about how the proposed Admission, Offer and Reorganisation, might have affected the financial information presented on the basis of the accounting policies to be adopted by the Company in preparing the financial statements for the period ended 26 July 2014. This report is required by item 7 of Annex II to the PD Regulation and is given for the purpose of complying with that PD Regulation and for no other purpose.

#### Responsibilities

It is the responsibility of the directors of the Company to prepare the Pro Forma Financial Information in accordance with Annex II of the PD regulation.

It is our responsibility to form an opinion, as required by item 7 of Annex II to the PD Regulation as to the proper compilation of the Pro Forma Financial Information and to report our opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

*PricewaterhouseCoopers LLP, Benson House, 33 Wellington Street, Leeds, LS1 4JP*  
*T: +44 (0) 113 289 4000, F: +44 (0) 113 289 4460, [www.pwc.co.uk](http://www.pwc.co.uk)*

PricewaterhouseCoopers LLP is a limited liability partnership registered in England with registered number OC303525. The registered office of PricewaterhouseCoopers LLP is 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP is authorised and regulated by the Financial Conduct Authority for designated investment business.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under item 5.5.3R(2)(f) of the Prospectus Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex I to the PD Regulation, consenting to its inclusion in the Prospectus.

### **Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

### **Opinion**

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

### **Declaration**

For the purposes of Prospectus Rule 5.5.3 R(2)(F), we are responsible for this report as part of the Prospectus and we declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex I to the PD Regulation.

Yours faithfully

PricewaterhouseCoopers LLP  
Chartered Accountants

## Section B: Unaudited Pro Forma Financial Information

The following unaudited consolidated pro forma statement of net assets as at 26 July 2014 is based on the audited historical financial consolidated statement of net assets of the Operating Group as at 26 July 2014 as set out in Section B of Part XI (*Historical Financial Information*) of this document.

The unaudited consolidated pro forma statement of net assets set out below has been prepared to illustrate the effect of proposed Admission, Offer and the Reorganisation, as if they had taken place as at 26 July 2014. The information, which has been produced for illustrative purposes only, by its nature addresses a hypothetical situation and, therefore, does not represent the Group's actual financial position or results. The unaudited pro forma statement of net assets is compiled on the basis set out in the notes below and in accordance with the requirements of Annex II of the Prospectus Rules.

Shareholders should read the whole of this document and not rely solely on the summarised financial information contained in this Part XII (*Unaudited Pro Forma Financial Information*).

	<b>Operating Group as at 26 July 2014 £'000 (Note 1)</b>	<b>Unaudited Adjustments £'000 (Note 2)</b>	<b>Unaudited Pro Forma Total £'000</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	1,407	–	1,407
Property, plant and equipment	25,524	–	25,524
Total non-current assets	26,931	–	26,931
<b>Current assets</b>			
Inventories	20,001	–	20,001
Trade and other receivables	8,316	–	8,316
Cash and cash equivalents	18,794	(4,329)	14,465
Total current assets	47,111	(4,329)	42,782
<b>Total assets</b>	<u>74,042</u>	<u>(4,329)</u>	<u>69,713</u>
<b>Non-current liabilities</b>			
Provisions for other liabilities and charges	–	–	–
Trade and other payables	5,332	–	5,332
Deferred tax liability	1,569	–	1,569
Total non-current liabilities	6,901	–	6,901
<b>Current liabilities</b>			
Current income tax liabilities	227	–	227
Trade and other payables	62,661	(22,526)	40,135
Total current liabilities	62,888	(22,526)	40,362
<b>Total liabilities</b>	<u>69,789</u>	<u>(22,526)</u>	<u>47,263</u>
<b>Net assets</b>	<u>4,253</u>	<u>18,197</u>	<u>22,450</u>

**Notes:**

1. The financial information has been extracted, without material adjustment, from the historical financial information of the Operating Group for the year ended 26 July 2014 as set out in Section B of Part XI (*Historical Financial Information*) of this document.
2. This column reflects the net impact of the following adjustments relating to the proposed Admission, Offer and Reorganisation.

*Admission and the Offer*

- a. All of the proceeds from the Offer are to be received by the Selling Shareholder and no new Ordinary Shares are to be issued by the Company pursuant to the Offer.
- b. The aggregate estimated expenses of the Offer, including fees, taxes and expenses of, or incidental to, Admission and the Offer, to be borne by the Operating Group are £2.0 million. Further, an arrangement fee of approximately £0.5 million is payable under the Revolving Credit Facility being 4 per cent. of the total facility amount of £12.0 million. In addition, a termination payment of £1.1 million has been paid by the Company to the Sun Advisor prior to Admission in compensation for the termination of the management consultancy agreement entered into with the Sun Advisor.

*Reorganisation*

- c. The Company was incorporated on 15 October 1996 and immediately prior the Reorganisation was a dormant subsidiary within the Operating Group with share capital of £1, comprising 1 ordinary share, which was fully paid or credited as fully paid.
  - d. In connection with Admission, the Reorganisation, as set out in paragraph 3 of Part XV (*Additional Information*) of this document, took place which resulted in the Company becoming the ultimate holding company of the Group and the Operating Company becoming the Company's direct subsidiary. On 14 November 2014, the Principal Shareholder acquired the entire issued share capital of the Company for £1. The share capital of the Company was then divided into 100,000 ordinary shares at £0.00001 each. In addition, the Principal Shareholder subscribed for an additional 4,999,900,000 ordinary shares at £0.00001 each for an amount of £50,000, which was funded by a loan received by the Principal Shareholder from the Operating Group. This loan was subsequently repaid to the Operating Group as part of the Reorganisation as detailed in paragraph 3.2.8 of Part XV (*Additional Information*) of this document.
  - e. On 21 January 2015, the Company entered into a share for share exchange pursuant to which the Company acquired the issued share capital of the Operating Company as set out in paragraph 3.2.7 of Part XV (*Additional Information*) of this document and then consolidated, subdivided and redesignated its share capital as set out in paragraph 3.2.12 of Part XV (*Additional Information*) and immediately following completion of the Reorganisation and further allotments to the EBT pursuant to paragraph 9.6 of Part XV (*Additional Information*), the Company will have in issue 40,000,000 Ordinary Shares of 0.1 pence each. The insertion of a new holding company constitutes a group reorganisation and will be accounted for using merger accounting principles. The Reorganisation will be effective prior to, or with effect from Admission and the consolidated financial statements of ScS Group plc will be presented as if ScS Group plc had always been the ultimate holding company of the Group.
  - f. As at 26 July 2014, the Operating Group had an outstanding loan balance with Parlour Products Holdings (Lux) S.à r.l of £22,526,000 all of which was classified as a current liability. In connection with the Reorganisation, £748,163 of the loan balance was settled in cash and the remaining amount of the loan balance, with the exception of an amount of £50,000, was capitalised as set out in paragraph 3.2.8 of Part XV (*Additional Information*) of this document. This remaining £50,000 loan was subsequently repaid by the Group as part of the Reorganisation. This repayment was funded through the use of the £50,000 balance that was paid to the Company in exchange for their ordinary shares as described in paragraph d above.
3. The unaudited pro forma statement of net assets does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006.
  4. No adjustment has been made to take account of trading results or other transactions undertaken by the Operating Group since 26 July 2014.

## **PART XIII:**

### **DETAILS OF THE OFFER**

#### **1. BACKGROUND**

- 1.1 Pursuant to the Offer, the Selling Shareholder intends to sell, in aggregate, 20,400,000 Offer Shares at the Offer Price of 175 pence per Offer Share. Through the sale of Offer Shares by the Selling Shareholder, the Company expects the Selling Shareholder to receive net proceeds from the Offer of approximately £35.0 million (after deducting commissions and amounts in respect of stamp duty or SDRT payable by the Selling Shareholder). The Company will not receive any proceeds from the sale of Ordinary Shares by the Selling Shareholder.
- 1.2 The Offer Shares will represent 51.0 per cent. of the issued ordinary share capital of the Company immediately following Admission.
- 1.3 In the Offer, Offer Shares will be offered to certain institutional investors in the United Kingdom and elsewhere outside the US. Certain restrictions that apply to the distribution of this Prospectus and the Offer Shares being sold under the Offer in jurisdictions outside the United Kingdom are described below.
- 1.4 When admitted to trading, the Ordinary Shares will be registered with ISIN number GB00BRF0TJ56 and SEDOL (Stock Exchange Daily Official List) number BRF0TJ5 and trade under ticker symbol SCS.
- 1.5 Immediately following Admission, it is expected that in excess of 50.2 per cent. of the Company's issued ordinary share capital will be held in public hands (within the meaning of paragraph 6.1.19 of the Listing Rules).
- 1.6 The aggregate expenses of the Offer, including fees, taxes and expenses of, or incidental to, Admission and the Offer incurred and to be borne by the Company are estimated to be approximately £2.0 million, which the Company intends to pay out of its existing cash resources. No expenses will be charged by the Company or the Selling Shareholder to any investor who purchases Offer Shares pursuant to the Offer.

#### **2. REASONS FOR THE OFFER AND ADMISSION**

The Offer will provide the Selling Shareholder with a partial realisation in its investment in the Company. The Directors believe that the Offer and Admission will:

- 2.1 enable the Selling Shareholder to partially monetise its holding, also allowing for a liquid market for its Ordinary Shares going forward;
- 2.2 diversify the Company's shareholder base;
- 2.3 provide the Company with access to the capital markets if necessary in the future;
- 2.4 enhance the Group's public profile and status with customers, investors and business partners;
- 2.5 create a liquid market in the Ordinary Shares; and
- 2.6 assist in the recruitment, incentivisation and retention of key management and employees.

#### **3. TERMS AND CONDITIONS OF THE OFFER**

##### **3.1 Introduction**

Each Offeree which confirms its agreement (whether orally or in writing) to Investec to purchase Offer Shares under the Offer will be bound by these terms and conditions and will be deemed to have accepted them.

The Company and/or Investec and/or the Selling Shareholder may require any Offeree to agree to such further terms and/or conditions and/or give such additional warranties and/or representations as it (in its absolute discretion) sees fit and/or may require any such Offeree to execute a separate offer letter (an "**Offer Letter**").

### **3.2 Agreement to purchase Offer Shares**

Conditional on: (i) Admission occurring and becoming effective by no later than 8.00 a.m. on 28 January 2015 (or such other time as Investec may agree with the Selling Shareholder and the Company but, in any event, no later than 27 February 2015); (ii) the Sponsor and Underwriting Agreement becoming otherwise unconditional in all respects and not having been terminated in accordance with its terms; and (iii) Investec confirming to the Offerees their allocation of Offer Shares, an Offeree agrees to become a member of the Company and agrees to purchase at the Offer Price those Offer Shares from the Selling Shareholder allocated to it by Investec. To the fullest extent permitted by law, each Offeree acknowledges and agrees that it will not be entitled to exercise any remedy of rescission at any time. This does not affect any other rights the Offeree may have.

### **3.3 Payment for Offer Shares**

Each Offeree must pay the Offer Price for the Offer Shares sold to the Offeree by the Selling Shareholder in the manner and by the time directed by Investec. If any Offeree fails to pay as so directed and/or by the time required, the relevant Offeree's application for Offer Shares may be rejected at Investec's absolute discretion.

### **3.4 Representations and warranties**

By agreeing to purchase Offer Shares, each Offeree which enters into a commitment to purchase Offer Shares will (for itself and any person(s) procured by it to purchase Offer Shares and any nominee(s) for any such person(s)) be deemed to agree, represent and warrant to each of the Company, the Selling Shareholder, the Registrar and Investec that:

- 3.4.1 in agreeing to purchase Offer Shares under the Offer, it has read the Prospectus and it is relying solely on this Prospectus (and any supplementary prospectus published by the Company subsequent to the date of this Prospectus) and not on any other information given, or representation or statement made at any time, by any person concerning the Group or the Offer. It agrees that none of the Company, the Selling Shareholder, Investec or the Registrar, nor any of their respective officers, agents or employees, will have any liability for any other information or representation. It irrevocably and unconditionally waives any rights it may have in respect of any other information or representation;
- 3.4.2 it has the funds available to pay the Offer Price in respect of the Offer Shares for which it has given a commitment under the Offer;
- 3.4.3 the contents of this Prospectus and any supplementary prospectus published by the Company subsequent to the date of this Prospectus are exclusively the responsibility of the Company and its Directors and apart from the responsibilities and liabilities, if any, which may be imposed on the Selling Shareholder or Investec by FSMA or the regulatory regime established thereunder, or under the regulatory regime of any jurisdiction where the exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, none of Investec, the Selling Shareholder nor any person acting on their behalf nor any of their affiliates accept any responsibility whatsoever for, and makes no representation or warranty, express or implied, as to the contents of this Prospectus or any supplementary prospectus published by the Company subsequent to the date of this Prospectus or for any other statement made or purported to be made by it, or on its behalf, in connection with the Group, the Offer Shares or the Offer and nothing in this Prospectus and any supplementary prospectus published by the Company subsequent to the date of this Prospectus will be relied upon as a promise or representation in this respect, whether or not to the past or future. Investec and the Selling Shareholder accordingly disclaim all and any responsibility or liability, whether arising in tort, contract or otherwise (save as referred to above), which they might otherwise have in respect of this Prospectus or any supplementary prospectus published by the Company subsequent to the date of this Prospectus or any such statement;
- 3.4.4 if the laws of any territory or jurisdiction outside the United Kingdom are applicable to its agreement to purchase Offer Shares under the Offer, it warrants that it has complied with all such laws, obtained all governmental and other consents which may be required, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with its offer commitment in any territory and that it has not taken any action or omitted to take any

action which will result in the Company, the Selling Shareholder, Investec, the Registrar or any of their respective officers, agents, affiliates or employees acting in breach of the regulatory or legal requirements, directly or indirectly, of any territory or jurisdiction outside the United Kingdom in connection with the Offer;

- 3.4.5 it does not have a registered address in, and is not a citizen, resident or national of, any jurisdiction in which it is unlawful to make or accept an offer of the Offer Shares and it is not acting on a nondiscretionary basis for any such person;
- 3.4.6 it agrees that, having had the opportunity to read this Prospectus, it shall be deemed to have had notice of all information and representations contained in this Prospectus, that it is acquiring Offer Shares solely on the basis of this Prospectus and any supplementary prospectus published by the Company subsequent to the date of this Prospectus and no other information and that in accepting a participation in the Offer it has had access to all information it believes necessary or appropriate in connection with its decision to purchase Offer Shares;
- 3.4.7 it acknowledges that no person is authorised in connection with the Offer to give any information or make any representation other than as contained in this Prospectus and any supplementary prospectus published by the Company subsequent to the date of this Prospectus and, if given or made, any information or representation must not be relied upon as having been authorised by Investec or the Company or the Selling Shareholder;
- 3.4.8 it is not applying as, nor is it applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in section 67, 70, 93 or 96 (depository receipts and clearance services) of the Finance Act 1986 and no instrument under which it subscribes for Offer Shares (whether as principal, agent or nominee) would be subject to stamp duty or stamp duty reserve tax at the increased rates referred to in those sections and that it, or the person specified by it for registration as a holder of Offer Shares, are not participating in the Offer as nominee or agent for any person or persons to whom the allocation, transfer or delivery of Offer Shares would give rise to such a liability;
- 3.4.9 it, or the person specified by it for registration as a holder of the Offer Shares, will be liable for any stamp duty or stamp duty reserve tax liability under any of sections 67, 70, 93 or 96 of the Finance Act 1986 (depository receipts and clearance services), registration, documentary or other duties or taxes (including any interest, fines or penalties relating thereto), if any, payable on acquisition of any of the Offer Shares or the agreement to subscribe for the Offer Shares and acknowledge and agree that, save for the Selling Shareholder who has agreed to pay any stamp duty or stamp duty reserve tax under section 87 of the Finance Act 1986, none of Investec, the Selling Shareholder nor the Company nor any of their respective affiliates nor any person acting on behalf of them will be responsible for any other liability to stamp duty or stamp duty reserve tax resulting from a failure to observe this requirement;
- 3.4.10 it accepts that none of the Offer Shares have been or will be registered under the laws of any Restricted Jurisdiction. Accordingly, the Offer Shares may not be offered, sold, issued or delivered, directly or indirectly, within any Restricted Jurisdiction unless an exemption from any registration requirement is available;
- 3.4.11 if it is receiving the Offer in circumstances under which the laws or regulations of a jurisdiction other than the United Kingdom would apply, that it is a person to whom the Offer Shares may be lawfully offered under that other jurisdiction's laws and regulations;
- 3.4.12 if it is a resident in the EEA (other than the United Kingdom), it is a "Qualified Investor" within the meaning of the law in the Relevant Member State implementing Article 2(1)(e)(i), (ii) or (iii) of the Prospectus Directive;
- 3.4.13 if it is outside the United Kingdom, neither this Prospectus nor any other offering, marketing or other material in connection with the Offer constitutes an invitation, offer or promotion to, or arrangement with, it or any person whom it is procuring to purchase Offer Shares pursuant to the Offer unless, in the relevant territory, such offer, invitation or other course of conduct could lawfully be made to it or such person and such documents or materials could lawfully be provided to it or such person and Offer Shares could lawfully be distributed to and subscribed and held by it or such person without compliance with any unfulfilled approval, registration or other regulatory or legal requirements;

- 3.4.14 it acknowledges that none of Investec or any of its respective affiliates nor any person acting on its behalf is making any recommendations to it, advising it regarding the suitability of any transactions it may enter into in connection with the Offer or providing any advice in relation to the Offer and participation in the Offer is on the basis that it is not and will not be a client of Investec or any of its affiliates and that none of Investec or any of its affiliates have any duties or responsibilities to it for providing protections afforded to its or their respective clients or for providing advice in relation to the Offer nor in respect of any representations, warranties, undertaking or indemnities contained in these terms and conditions or in any Offer Letter, where relevant;
- 3.4.15 it acknowledges that it is not located within the United States, it is purchasing Offer Shares in an “offshore transaction” as defined in Regulation S, and where it is subscribing for Offer Shares for one or more managed, discretionary or advisory accounts, it is authorised in writing for each such account: (i) to purchase the Offer Shares for each such account; (ii) to make on each such account’s behalf the representations, warranties and agreements set out in this Prospectus or in any Offer Letter (as defined above), where relevant; and (iii) to receive on behalf of each such account any documentation relating to the Offer in the form provided by the Company and/or Investec. It agrees that the provision of this paragraph shall survive any resale of the Offer Shares by or on behalf of any such account;
- 3.4.16 it is acting as principal only in respect of the Offer, or, if it is acting for any other person (i) it is and will remain liable to the Company and/or Investec and/or the Selling Shareholder for the performance of all its obligations as an Offeree in respect of the Offer (regardless of the fact that it is acting for another person), (iii) it is both an “authorised person” for the purposes of FSMA and a “qualified investor” as defined at Article 2.1(e)(i) of Directive 2003/71/EC (known as the Prospectus Directive) acting as agent for such person, and (iv) such person is either (1) a FSMA Qualified Investor or (2) its “client” (as defined in section 86(2) of FSMA) that has engaged it to act as his agent on terms which enable it to make decisions concerning the Offer or any other offers of transferable securities on his behalf without reference to him;
- 3.4.17 it confirms that any of its clients, whether or not identified to Investec or any of its affiliates or agents, will remain its sole responsibility and will not become clients of Investec or any of their affiliates or agents for the purposes of the rules of the FCA or for the purposes of any other statutory or regulatory provision;
- 3.4.18 where it or any person acting on its behalf is dealing with Investec, any money held in an account with Investec on its behalf and/or any person acting on its behalf will not be treated as client money within the meaning of the relevant rules and regulations of the FCA which therefore will not require Investec to segregate such money as that money will be held by Investec under a banking relationship and not as trustee;
- 3.4.19 it has not and will not offer or sell any Offer Shares to persons in the United Kingdom, except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their business or otherwise in circumstances which have not resulted and which will not result in an offer to the public in the United Kingdom within the meaning of section 102B of FSMA;
- 3.4.20 it is an “eligible counterparty” or a “professional investor” within the meaning of Chapter 3 of the FCA’s Conduct of Business Sourcebook and it is subscribing for or purchasing the Offer Shares for investment only and not for resale or distribution;
- 3.4.21 it irrevocably appoints any Director and any director of Investec to be its agent and on its behalf (without any obligation or duty to do so), to sign, execute and deliver any documents and do all acts, matters and things as may be necessary for, or incidental to, its subscription for all or any of the Offer Shares for which it has given a commitment under the Offer, in the event of its own failure to do so;
- 3.4.22 it accepts that if the Offer does not proceed or the conditions to Investec’s obligations in respect of such Offer under the Sponsor and Underwriting Agreement are not satisfied or the Sponsor and Underwriting Agreement is terminated prior to the admission of the Offer Shares for which valid applications are received and accepted to listing on the Official List and to trading on the London Stock Exchange’s main market for listed securities for any reason whatsoever or such Offer Shares are not admitted to the Official List and/or to trading on the London Stock Exchange’s main market for listed securities for any reason whatsoever, then neither Investec

or the Company or the Selling Shareholder or any of their respective affiliates, nor persons controlling, controlled by or under common control with any of them nor any of their respective employees, agents, officers, members, stockholders, partners or representatives, shall have any liability whatsoever to it or any other person;

- 3.4.23 it has not taken any action or omitted to take any action which will or may result in Investec, the Company, the Selling Shareholder or any of their respective directors, officers, agents, affiliates, employees or advisers being in breach of the legal or regulatory requirements of any territory in connection with the Offer or its subscription of Offer Shares pursuant to the Offer;
- 3.4.24 in connection with its participation in the Offer it has observed all relevant legislation and regulations, in particular (but without limitation) those relating to money laundering and countering terrorist financing including under the Proceeds of Crime Act 2002, the Terrorism Act 2000, the Terrorism Act 2006 and the Money Laundering Regulations 2007 and that its offer commitment is only made on the basis that it accepts full responsibility for any requirement to identify and verify the identity of its clients and other persons in respect of whom it has applied. In addition, it warrants that it is a person: (i) subject to the Money Laundering Regulations 2007 in force in the United Kingdom; or (ii) subject to the Money Laundering Directive (2005/60/EC) of the European Parliament and of the EC Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing) ("**Money Laundering Directive**"); or (iii) acting in the course of a business in relation to which an overseas regulatory authority exercises regulatory functions and is based or incorporated in, or formed under the law of, a country in which there are in force provisions at least equivalent to those required by the Money Laundering Directive;
- 3.4.25 due to anti-money laundering and the countering of terrorist financing requirements, Investec, the Company and/or the Selling Shareholder may require proof of identity of the Offeree and related parties and verification of the source of the payment before the offer commitment can be processed and that, in the event of delay or failure by the Offeree to produce any information required for verification purposes, Investec, the Company and/or the Selling Shareholder may refuse to accept the offer commitment and the subscription moneys relating thereto. It holds harmless and will indemnify Investec, the Company and/or the Selling Shareholder against any liability, loss or cost ensuing due to the failure to process the offer commitment, if such information as has been required has not been provided by it or has not been provided timeously;
- 3.4.26 it is aware the obligations regarding insider dealing in the Criminal Justice Act 1993, section 118 of FSMA and the Proceeds of Crime Act 2002 and confirms that it has and will continue to comply with those obligations;
- 3.4.27 it and each person or body (including, without limitation, any local authority or the managers of any pension fund) on whose behalf it accepts Offer Shares pursuant to the Offer or to whom it allocates such Offer Shares has the capacity and authority to enter into and to perform its obligations as an Offeree of the Offer Shares and will honour those obligations;
- 3.4.28 as far as it is aware it is not acting in concert (within the meaning given in the Takeover Code) with any other person in relation to the Company and it is not a related party of the Company for the purposes of the Listing Rules;
- 3.4.29 Investec, the Selling Shareholder and the Company (and any agent on their behalf) are entitled to exercise any of their rights under the Sponsor and Underwriting Agreement or any other right in their absolute discretion, including the right to terminate the Sponsor and Underwriting Agreement, without any liability whatsoever to them (or any agent acting on their behalf) and Investec, the Selling Shareholder and the Company shall not have any obligation to consult or notify Offerees in relation to any right or discretion given to them or which they are entitled to exercise;
- 3.4.30 the Selling Shareholder expressly reserves the right to determine, at any time prior to Admission, not to proceed with the Offer. If such right is exercised, the Offer (and the arrangements associated with it) will lapse and any monies received in respect of the Offer will be returned to Offerees without interest;
- 3.4.31 the representations, undertakings and warranties given by an Offeree as contained in this Prospectus or in any Offer Letter, where relevant, are irrevocable. It acknowledges that Investec,

the Selling Shareholder and the Company and their respective affiliates will rely upon the truth and accuracy of such representations, undertakings and warranties and it agrees that if any of the representations, undertakings or warranties made or deemed to have been made by its application for Offer Shares are no longer accurate, it shall promptly notify Investec and the Company;

- 3.4.32 it confirms that it is not, and at Admission will not be, an affiliate of the Company or a person acting on behalf of such affiliate, and it is not acquiring Offer Shares for the account or benefit of an affiliate of the Company or of a person acting on behalf of such an affiliate;
- 3.4.33 nothing has been done or will be done by it in relation to the Offer that has resulted or could result in any person being required to publish a prospectus in relation to the Company or to any Ordinary Shares in accordance with FSMA or the Prospectus Rules or in accordance with any other laws applicable in any part of the European Union or the European Economic Area;
- 3.4.34 it will (or will procure that its nominee will) if applicable, make notification to the Company of the interest in its Ordinary Shares in accordance with Rule 5 of the Disclosure Rules and Transparency Rules issued by the FCA and made under Part VI of the FSMA as they apply to the Company;
- 3.4.35 it accepts that the allocation of Offer Shares shall be determined by Investec following consultation with the Selling Shareholder and the Company and that such persons may scale down any offer commitments on such basis as they may determine; and
- 3.4.36 time shall be of the essence as regards its obligations to settle payment for the Offer Shares and to comply with its other obligations under the Offer.

### **3.5 Indemnity**

Each Offeree irrevocably agrees, on its own behalf and on behalf of any person on whose behalf it is acting, to indemnify and hold the Company, Investec and the Selling Shareholder and their respective affiliates harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of any breach by it any person on whose behalf it is acting of the representations, warranties, undertakings, agreements and acknowledgements in these terms and conditions.

## **4. MANDATORY BIDS**

- 4.1 At Admission, the Selling Shareholder will be interested in (i) not less than 30 per cent. and not more than 50 per cent. of the voting rights in the Company or (ii) more than 50 per cent. of the voting rights in the Company.
- 4.2 At Admission, the Selling Shareholder will not be required to make a cash offer for the outstanding shares in the Company pursuant to Rule 9 of the Takeover Code (a “**Mandatory Offer**”). By confirming your agreement to purchase Offer Shares in accordance with these terms and condition, you acknowledge that such agreement is on the basis that you are aware that the Selling Shareholder will be interested in: (i) not less than 30 per cent. and not more than 50 per cent. of the voting rights in the Company; or (ii) more than 50 per cent. of the voting rights in the Company, depending on the result of the Offer.

### **4.3 Following Admission:**

- 4.3.1 if the Selling Shareholder holds not less than 30 per cent. and not more than 50 per cent. of the voting rights in the Company, should the Selling Shareholder (i) continue to hold not less than 30 per cent. and not more than 50 per cent. of the voting rights in the Company; and (ii) acquire additional interests in shares which increase the percentage of shares carrying voting rights in which the Selling Shareholder is interested he and, depending on the circumstances, his concert parties, would be required to make a Mandatory Offer; and
- 4.3.2 if the Selling Shareholder holds more than 50 per cent. of the voting rights in the Company, should the Selling Shareholder (1) continue to hold more than 50 per cent. of the voting rights in the Company; and (ii) acquire additional interests in shares which increase the percentage

of shares carrying voting rights in which the Selling Shareholder is interested neither it nor its concert parties (as defined in the Takeover Code) would be required to make a Mandatory Offer.

## **5. SUPPLY AND DISCLOSURE OF INFORMATION**

If Investec, the Selling Shareholder, the Registrar or the Company or any of their agents request any information in connection with an Offeree's agreement to purchase Offer Shares under the Offer or to comply with any relevant legislation, such Offeree must promptly disclose it to them.

## **6. MISCELLANEOUS**

- 6.1 The rights and remedies of the Company, the Selling Shareholder, Investec and the Registrar under these terms and conditions are in addition to any rights and remedies which would otherwise be available to each of them and the exercise or partial exercise of one will not prevent the exercise of others.
- 6.2 On the acceptance of their offer commitment, if an Offeree is a discretionary fund manager, that Offeree may be asked to disclose in writing or orally the jurisdiction in which its funds are managed or owned. All documents provided in connection with the Offer will be sent at the Offeree's risk. They may be returned by post to such Offeree at the address notified by such Offeree.
- 6.3 Each Offeree agrees to be bound by the Articles (as amended from time to time) once the Offer Shares, which the Offeree has agreed to purchase pursuant to the Offer, have been acquired by the Offeree. The contract to purchase Offer Shares under the Offer and the appointments and authorities mentioned in this Prospectus will be governed by, and construed in accordance with, the laws of England. For the exclusive benefit of the Company, the Selling Shareholder, Investec and the Registrar, each Offeree irrevocably submits to the jurisdiction of the courts of England and Wales and waives any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum. This does not prevent an action being taken against an Offeree in any other jurisdiction.
- 6.4 In the case of a joint agreement to purchase Offer Shares under the Offer, references to a "Offeree" in these terms and conditions are to each of the Offerees who are a party to that joint agreement and their liability is joint and several.
- 6.5 Investec, the Selling Shareholder and the Company expressly reserve the right to modify the Offer (including, without limitation, its timetable and settlement) at any time before allocations are determined including the right of Investec to agree with the Company and the Selling Shareholder to extend the time of the satisfaction of any or all of the conditions in the Sponsor and Underwriting Agreement (provided that such conditions are not extended beyond 27 February 2015).
- 6.6 The Offer is subject to the satisfaction of the conditions contained in the Sponsor and Underwriting Agreement and the Sponsor and Underwriting Agreement not having been terminated. For further details of the terms of the Sponsor and Underwriting Agreement please refer to the section headed "Material Contracts" in paragraph 15 of Part XV (*Additional Information*) of this document.
- 6.7 Investec may, and its affiliates acting as an investor for its or their own account(s) may, subscribe for and/or purchase Offer Shares and, in that capacity may retain, purchase, offer to sell or otherwise deal for its or their own account(s) in the Offer Shares, any other securities of the Company or other related investments in connection with the Offer or otherwise. Accordingly, references in these terms and conditions to the Offer Shares being offered, subscribed, acquired or otherwise dealt with should be read as including any offer to, or subscription, acquisition or dealing by, Investec and/or any of their respective affiliates acting as an investor for its or their own account(s). Neither Investec nor the Company intend to disclose the extent of any such investment or transaction otherwise than in accordance with any legal or regulatory obligation to do so.

## **7. SALES OUTSIDE THE UNITED STATES**

Each purchaser of the Offer Shares offered in reliance on Regulation S will be deemed to represent and agree as follows:

- 7.1 it and any person, if any, for whose account it is acquiring the Offer Shares, is purchasing the Offer Shares outside the United States in an offshore transaction meeting the requirements of Regulation S (including, for the avoidance of doubt, a bona fide sale on a market of the London Stock Exchange for listed securities), and the transaction was not pre-arranged with a buyer in the United States;
- 7.2 it is not in any jurisdiction in which it is unlawful to make or accept an offer to acquire the Offer Shares;
- 7.3 it is aware that the Offer Shares have not been and will not be registered under the Securities Act and are being offered and sold solely outside the United States in reliance on Regulation S;
- 7.4 it is not acquiring the Offer Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Offer Shares into the United States or any jurisdiction referred to above;
- 7.5 it has received, carefully read and understands this Prospectus, and has not distributed, forwarded, transferred or otherwise transmitted this Prospectus or any other presentation or offering materials concerning the Offer Shares to any persons within the United States, nor will it do any of the foregoing; and
- 7.6 that the Company, Investec and the Selling Shareholder, their affiliates and others, will rely upon the truth and accuracy of the foregoing acknowledgements, representations or agreements made by it, if it becomes aware that the foregoing acknowledgements, representations or agreements are no longer accurate or have not been complied with, it will immediately notify the Company and Investec and, if it is acquiring any Offer Shares as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make such foregoing acknowledgements, representations and agreements on behalf of each such account.

## **8. SELLING RESTRICTIONS**

- 8.1 The distribution of this Prospectus and the offer of Offer Shares in certain jurisdictions may be restricted by law and therefore persons into whose possession this Prospectus comes should inform themselves about and observe any restrictions, including those set out in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.
- 8.2 No action has been or will be taken in any jurisdiction that would permit a public offering of the Offer Shares, or possession or distribution of this Prospectus or any other offering material in any country or jurisdiction where action for that purpose is required. Accordingly, the Offer Shares may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material or advertisement in connection with the Offer Shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any and all applicable rules and regulations of any such country or jurisdiction. Persons into whose possession this Prospectus comes should inform themselves about and observe any restrictions on the distribution of this Prospectus and the offer of Offer Shares contained in this Prospectus. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This document does not constitute an offer to subscribe for or purchase any of the Offer Shares offered hereby to any person in any jurisdiction to whom it is unlawful to make such offer of solicitation in such jurisdiction.
- 8.3 **European Economic Area**

In relation to each Member State, an offer to the public of any Offer Shares may not be made in that Member State, except that an offer to the public in that Member State of any Offer Shares may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Member State:

- 8.3.1 to any legal entity which is a qualified investor as defined under the Prospectus Directive;

8.3.2 to fewer than 100, or, if the Member State has implemented the relevant provisions of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) per Member State; or

8.3.3 in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Offer Shares shall result in a requirement for the Company to publish a prospectus pursuant to Article 3 of the Prospectus Directive or a supplemental prospectus pursuant to Article 16 of the Prospectus Directive and each person who initially acquires any Offer Shares or to whom any offer is made will be deemed to have represented, warranted and agreed to and with the Company that it is a qualified investor within the meaning of the law in that Member State implementing Article 2(1)(e) of the Prospectus Directive.

For the purposes of this provision, the expression an “offer to the public” in relation to any Offer Shares in any Member State means the communication in any form and by any means of sufficient information on the terms of the Offer and any Offer Shares to be offered so as to enable an investor to decide to purchase any Offer Shares, as the same may be varied for that Member State by any measure implementing the Prospectus Directive in that Member State.

#### 8.4 **US**

The Ordinary Shares have not been and will not be registered under the Securities Act or any US State securities laws. The Offer Shares may not be offered, sold, pledged or otherwise transferred, directly or indirectly, within the US (as defined in Regulation S under the Securities Act) unless the Offer and sale of the Offer Shares has been registered under the Securities Act or pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act. The Offer Shares are being offered and sold solely outside the US in reliance on Regulation S.

#### 8.5 **Australia**

This Prospectus has not been and will not be lodged with the Australian Securities and Investments Commission or the Australian Stock Exchange and is not a disclosure document for the purposes of Australian law. This Prospectus (whether in preliminary or definitive form) may not be issued or distributed in Australia and no offer or invitation may be made in relation to the issue, sale or purchase of any Offer Shares in Australia (including an offer or invitation received by a person in Australia) and no shares may be sold in Australia, unless the offer or invitation does not need disclosure to investors under Part 6D.2 of the Corporations Act 2001.

#### 8.6 **Canada**

The relevant clearances have not been, and will not be, obtained from the Securities Commission of any province or territory of Canada. Accordingly, subject to certain exceptions the Offer Shares may not, directly or indirectly, be offered or sold within Canada, or offered or sold to a resident of Canada.

#### 8.7 **Japan**

The Offer Shares have not been and will not be registered under the Securities and Exchange Law of Japan and may not be offered or sold directly or indirectly in Japan except under circumstances that result in compliance of all applicable laws, regulations and guidelines promulgated by the relevant governmental and regulatory authorised in effect at the relevant time.

#### 8.8 **South Africa**

The relevant clearances have not been, and will not be, obtained from the South African Reserve Bank nor any other applicable body in the Republic of South Africa. Accordingly, the Offer Shares will not, directly or indirectly, be offered or sold within the Republic of South Africa.

## **9. ALLOCATION**

- 9.1 The rights attaching to the Offer Shares will be uniform in all respects and they will form a single class for all purposes. The Ordinary Shares allocated under the Offer have been underwritten, subject to certain conditions, by Investec as described in paragraph 15 of Part XV (*Additional Information*) of this document. Allocations under the Offer will be determined at the discretion of Investec in consultation with the Selling Shareholder and the Company. A number of factors will be considered in determining the basis of allocation, including the prevailing market conditions, the level and nature of demand for the Offer Shares, the prices bid to acquire the Offer Shares and the objective of encouraging the development of an orderly and liquid after-market in the Ordinary Shares.
- 9.2 If there is excess demand for the Offer Shares, applicants may be allocated Offer Shares having an aggregate value which is less than the sum applied for.

## **10. DEALING ARRANGEMENTS**

- 10.1 It is expected that Admission will take place and dealings in Ordinary Shares will commence on the London Stock Exchange at 8.00 a.m. on 28 January 2015.
- 10.2 It is expected that Offer Shares allocated to investors in the Offer will be delivered in uncertificated form and settlement will take place through CREST on Admission. No temporary documents of title will be issued. Dealings in advance of crediting of the relevant CREST stock account shall be at the risk of the person concerned.

## **11. CREST**

- 11.1 With effect from Admission, the Articles will permit the holding of Shares under the CREST system. CREST is a paperless settlement system allowing securities to be transferred from one person's CREST account to another's without the need to use share certificates or written instruments of transfer.
- 11.2 Application has been made for the Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in Ordinary Shares following Admission may take place within the CREST system if any Shareholder so wishes. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

## PART XIV:

### TAXATION

**The Company is registered under the laws of the United Kingdom and treated as a UK company for corporate law and UK tax purposes. Shareholders or prospective Shareholders should consult both the “UK Taxation” paragraphs below, as well as their own professional advisers, regarding the tax consequences of acquiring, holding and disposing of Ordinary Shares.**

#### 1. UK TAXATION

The following is a summary of certain United Kingdom tax considerations relating to an investment in the Company's Ordinary Shares.

The statements set out below reflect current UK tax law and published HMRC practice, as at the date of this Prospectus, which may be subject to change, possibly with retroactive effect. They are intended as a general guide and apply only to Shareholders of the Company resident and, in the case of an individual, domiciled exclusively in the UK for UK tax purposes (except insofar as express reference is made to the treatment of non-UK residents), who hold Ordinary Shares as an investment (other than under a new individual savings account) or a Self Invested Personal Pension) and who are the absolute legal and beneficial owners of the Ordinary Shares and any dividends paid thereon. In particular, Shareholders holding their Ordinary Shares through a depositary receipt system or clearance service should note that they may not always be regarded as the absolute beneficial owners of such Ordinary Shares. This guidance does not address all possible tax consequences relating to an investment in the Ordinary Shares. Specifically, this guidance does not address: (i) special classes of Shareholders such as, for example, dealers in securities, broker-dealers, intermediaries, insurance companies or collective investment schemes; (ii) Shareholders who hold Ordinary Shares as part of hedging transactions; or (iii) Shareholders who have (or are deemed to have) acquired their shares by virtue of an office or employment.

Prospective Investors should consult their own independent professional advisers on the potential tax consequences of subscribing for, purchasing, holding or selling Ordinary Shares under the laws of their country and/or state of citizenship, domicile or residence.

#### 1.1 TAXATION OF DIVIDENDS

The Company will not be required to withhold amounts on account of UK tax at source when paying a dividend in respect of its Ordinary Shares.

##### ***Individuals***

A UK resident individual Shareholder who receives a dividend from the Company will generally be entitled to a tax credit which may be set off against the Shareholder's total income tax liability in respect of the dividend. The amount of the tax credit will be equal to 10 per cent. of the aggregate of the cash dividend and the tax credit (“**Gross Dividend**”) (i.e. one-ninth (2014/15) of the amount of the cash dividend received). A UK resident individual Shareholder who is liable to income tax at the basic rate only will be subject to tax on the Gross Dividend at the rate of 10 per cent. (2014/2015). However, such a Shareholder will be able to set-off the tax credit against this liability, so that no additional tax should be payable by the Shareholder on their receipt of the dividend. A UK resident individual Shareholder who is liable to income tax at a rate not exceeding the higher rate will be subject to income tax on the Gross Dividend at the rate of 32.5 per cent. (2014/2015) to the extent that the Gross Dividend, when treated as the top “slice” of the Shareholder's income, exceeds the lower threshold for higher rate income tax. However, the effect of the tax credit is that the effective rate of tax payable on the Gross Dividend will be 22.5 per cent. (or 25 per cent. of the cash dividend received). A UK resident individual Shareholder who is subject to income tax at the additional rate will be subject to income tax on the Gross Dividend at the rate of 37.5 per cent. (2014/2015) to the extent that the Gross Dividend, when treated as the top “slice” of the Shareholder's income exceeds the lower threshold for additional rate income tax. However, the effect of the tax credit is that the effective rate of tax payable on the Gross Dividend will be 27.5 per cent. of the Gross Dividend (or approximately 30.6 per cent. of the cash dividend received).

Individual Shareholders who are not liable to UK tax on dividends received from the Company are not entitled to a tax credit in respect of those dividends.

A UK resident individual Shareholder who is not liable to income tax in respect of the Gross Dividend and other UK resident taxpayers who are not liable to UK tax on dividends, including pension funds and charities, will not be entitled to claim repayment of the tax credit attaching to dividends paid by the Company.

Non-UK resident Shareholders will not be liable to income tax in the UK on dividends paid on the Ordinary Shares unless the Shareholder carries on a trade (or profession or vocation) in the UK and the dividends are a receipt of that trade.

Certain non-UK resident individuals (for example, those from a territory within the European Economic Area) are entitled to a tax credit in respect of a UK source dividend. Shareholders in this position will be subject to UK income tax on an amount equivalent to the Gross Dividend. By virtue of section 811 of the Income Tax Act 2007, such Shareholders should have no further UK income tax to pay upon their receipt of a dividend from the Company. Non-UK resident Shareholders will not generally be able to otherwise recover the tax credit attaching to dividends paid by the Company.

In some cases such a shareholder may be entitled to the tax credit to which a UK resident individual would have been entitled. This will depend on the existence and terms of any double taxation convention between the UK and the country in which the Shareholder is resident for tax purposes.

Shareholders may also be subject to foreign taxation on dividend income under applicable local law.

Shareholders who are not resident for tax purposes in the UK should obtain own tax advice concerning tax liabilities on dividends received from the Company.

### **Companies**

Shareholders who are within the charge to UK corporation tax will be subject to UK corporation tax on dividends paid by the Company, unless (subject to special rules for such Shareholders that are small companies) the dividends fall within an exempt class and certain other conditions are met.

A corporate Shareholder which is a 'small company' for the purposes of the UK taxation of dividends legislation will not generally be subject to UK corporation tax on dividends from the Company.

It would normally be expected that dividends paid by the Company to corporate shareholders that are not small, would fall within an exempt class. However each Shareholder's position will depend on its own individual circumstances.

The exemptions are not comprehensive and are subject to anti-avoidance rules. If the conditions for exemption are not, or cease to be, satisfied, or such a Shareholder elects for an otherwise exempt dividend to be taxable, the Shareholder will be subject to UK corporation tax on dividends received from the Company. Corporation tax is charged on dividends at the rate applicable to that company.

Non-UK resident Shareholders will not be liable to corporation tax in the UK on dividends paid on the Ordinary Shares unless the shares are held by or for a UK permanent establishment through which the trade is carried on. Non-UK resident Shareholders will not generally be able to claim repayment of any part of the tax credit attaching to dividends paid by the Company.

## **1.2 TAXATION OF CHARGEABLE GAINS**

A disposal or deemed disposal of Ordinary Shares by a Shareholder who is resident in the UK for tax purposes in the tax year (or part thereof) in question may give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of chargeable gains. This will depend upon the Shareholder's circumstances and is subject to any available exemption or relief (such as the annual exempt amount for individuals and indexation for corporate shareholders). Indexation allowance may reduce the amount of chargeable gains subject to corporation tax, but may not create or increase any allowable loss.

Shareholders who are not resident in the UK will not generally be subject to UK taxation of chargeable gains on the disposal or deemed disposal of Ordinary Shares unless they are carrying on a trade, profession or vocation in the UK whether through a branch or agency or, in the case of a corporate shareholder, a permanent establishment) in connection with which the Ordinary Shares are used, held and/or acquired.

An individual Shareholder who acquires Ordinary Shares whilst UK resident ceases to be resident for tax purposes in the UK for a period of less than five complete years and disposes of all or part of his Ordinary Shares during the period in which he is non-UK resident may be liable to capital gains tax on his resumption of UK residence where that Shareholder was UK resident for at least four of the seven tax years immediately preceding the year of departure from the UK (subject to any available exemptions or reliefs). These 'temporary non-residence rules' changed for departures from the UK after 5 April 2013. Individuals who left the UK prior to that date will be subject to the old rules if they cease to be resident in the UK for a period of less than five complete tax years (6 April in a calendar year to 5 April in the following calendar year).

An individual Shareholder who is subject to UK income tax at the higher or additional rate will be liable to UK capital gains tax on the amount of any chargeable gain realised by a disposal of Ordinary Shares at the rate of 28 per cent. (2014/2015). Individual Shareholders who are subject to income tax at the basic rate only will be liable to capital gains tax on any chargeable gain at a rate of 18 per cent. (2014/2015). In the event that a disposal of the Ordinary Shares results in the realisation of a loss by the Shareholder for capital gains tax purposes, such a loss may be set-off by the Shareholder against other chargeable gains in the same or future years of assessment.

UK resident corporate Shareholders will generally be subject to UK corporation tax (rather than capital gains tax) on any chargeable gain realised on a disposal (or deemed disposal) of Ordinary Shares. Any chargeable loss realised by such a Shareholder may be set-off by the Shareholder against chargeable gains in the same or future accounting periods.

### 1.3 **UK INHERITANCE TAX**

Ordinary Shares will be assets situated in the UK for the purposes of UK inheritance tax. A gift of such assets by an individual Shareholder during their lifetime, or on their death, may (subject to certain exemptions and reliefs) give rise to a liability to UK inheritance tax, even if the Shareholder making the gift is neither resident nor domiciled in the UK, nor deemed to be domiciled there under certain rules relating to the number of years of UK residence or previous domicile in the UK. Generally, UK inheritance tax is not chargeable on gifts to individuals if the donor survives for at least seven complete years after the date of the gift. For inheritance tax purposes, a transfer of assets at less than full market value may be treated as a gift and particular rules apply to gifts in respect of which the donor reserves or retains some benefit. Special rules also apply to gifts made to close companies and where assets are transferred to and/or held by certain types of trustee. The inheritance tax rules are complex and holders of Ordinary Shares should consult an appropriate professional adviser in any case where the rules may be relevant, particularly (but not limited to) cases where Shareholders intend to make a gift of any kind to hold any Ordinary Shares through a trust arrangement. They should also seek professional advice in a situation where there is potential for a charge to both UK inheritance tax and an equivalent tax in another country or if they are in any doubt about their UK inheritance tax position.

### 1.4 **STAMP DUTY AND STAMP DUTY RESERVE TAX ("SDRT")**

#### 1.4.1 **General**

Instruments transferring Ordinary Shares will generally be subject to stamp duty at the rate of 0.5 per cent. of the consideration given for the transfer (rounded up to the nearest £5 where applicable). The transferee normally pays the stamp duty. An exemption from stamp duty is available on an instrument transferring the Ordinary Shares where the amount or value of the consideration is £1,000 or less, and it is certified on the instrument that the transaction effected does not form part of a larger transaction or series of transactions in respect of which the aggregate amount or value of the consideration exceeds £1,000.

An unconditional agreement to transfer Ordinary Shares will normally give rise to a charge to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration payable for the transfer, but such liability will be cancelled, or a right to repayment (normally with interest) will arise in respect of the SDRT liability, if the agreement is completed by a duly stamped instrument or an exempt transfer within six years of the date on which the agreement is made (or, if the agreement is conditional, the date on which the agreement becomes unconditional).

#### 1.4.2 **CREST**

Deposits of Ordinary Shares into CREST will not generally be subject to SDRT or stamp duty, unless the transfer into CREST is itself for consideration in money or money's worth. Paperless transfers of Shares within the CREST system are generally liable to SDRT, rather than stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration payable. CREST is obliged to collect SDRT on relevant transactions settled within the CREST system.

#### 1.4.3 **Depository Receipt Systems and Clearance Services**

Where Ordinary Shares are transferred (in the case of stamp duty) or issued or transferred (in the case of SDRT) (a) to, or to a nominee or an agent for, a person whose business is or includes the provision of clearance services or (b) to, or to a nominee or an agent for, a person whose business is or includes issuing depository receipts, stamp duty or SDRT (as applicable) will generally be payable at the higher rate of 1.5 per cent. on the amount or value of the consideration given or, in certain circumstances, the value of the Ordinary Shares. However, following litigation, HMRC have confirmed that they will no longer seek to apply the 1.5 per cent. SDRT charge on an issue of shares or securities to a clearance service or depository receipt system on the basis that the charge is not compatible with EU law. HMRC's view is that the 1.5 per cent. SDRT or stamp duty charge will continue to apply to a transfer of shares or securities to a clearance service or depository receipt system where the transfer is not an integral part of an issue of share capital.

Any liability for stamp duty or SDRT in respect of a transfer into a clearance service or depository receipt system, or in respect of a transfer within such a service, which does arise, will strictly be accountable for by the clearance service or depository receipt system operator or their nominee, as the case may be, but will, in practice be payable by the participants in the clearance service or depository receipt system.

There is an exception from the 1.5 per cent. charge on the transfer to a nominee or agent for a clearance service where the clearance service has made and maintained an election under section 97A(1) of the Finance Act 1986, which has been approved by HMRC. In these circumstances, a charge to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration payable for the transfer will arise on any transfer of Ordinary Shares into such an account and on subsequent agreements to transfer such Ordinary Shares.

**Any person who is in any doubt as to his, her or its taxation position or who is liable to taxation in any jurisdiction other than the UK should consult his, her or its professional advisers.**

## **PART XV:**

### **ADDITIONAL INFORMATION**

#### **1. RESPONSIBILITY**

The directors of the Company, whose names appear on page 35 of this Prospectus, and the Company accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect the import of such information. All the directors accept individual and collective responsibility for compliance with the Prospectus Rules.

#### **2. INCORPORATION**

- 2.1 The Company was incorporated and registered in England and Wales on 15 October 1996 as a private company limited by shares under the Companies Act 1985. The registered number of the Company is 03263435. On 22 January 2015, the Company was reregistered as a public limited company.
- 2.2 The Company's name on incorporation was PINCO 852 Limited which was changed to ScS Group Limited on 14 November 1996. Upon its reregistration as a public limited company on 22 January 2015 its name was changed to ScS Group plc.
- 2.3 The principal legislation under which the Company operates, and the Ordinary Shares have been created, is the Companies Act and the regulations made thereunder.
- 2.4 The Company's registered office and principal place of business is at 45-49 Villiers Street, Sunderland, Tyne & Wear SR1 1HA. The Company's telephone number is 0191 514 6000.
- 2.5 The principal activities of the Group are the retail of upholstered furniture and floorings.

#### **3. THE REORGANISATION**

- 3.1 In connection with Admission, the Group has undertaken a reorganisation of its corporate structure that will result in the Company becoming the ultimate holding company of the Group and Parlour Product Topco Limited becoming the Company's direct subsidiary.
- 3.2 Pursuant to the Reorganisation:

***Principal Shareholder acquired the Company and subscribed for additional shares in the Company***

- 3.2.1 On 14 November 2014, the Principal Shareholder acquired the entire issued share capital of the Company (1 ordinary share of £1.00) from A. Share & Sons Limited for consideration of £1.00.
- 3.2.2 On 14 November 2014, the share capital of the Company was divided into 100,000 ordinary shares of £0.00001 each.
- 3.2.3 On 14 November 2014, the Principal Shareholder received a loan of £50,000 from A. Share & Sons Limited and used the loan to subscribe for a new issue of 4,999,900,000 ordinary shares of £0.00001 each in the Company at par and to pay up the existing share capital of 100,000 ordinary shares of £0.00001 each in the Company at par. Following which, the Principal Shareholder held 5,000,000,000 ordinary shares of £0.00001 each in the share capital of the Company.

***Outstanding Group debts repaid and existing debts capitalised***

- 3.2.4 On 21 January 2015, Parlour Product Holding Limited paid a dividend in the sum of £748,163 to Parlour Product Topco Limited. Parlour Product Topco Limited used the funds to repay part of the sums owed by it to the Principal Shareholder pursuant to an instrument constituting the issue of up to \$23,987,885 8 per cent. unsecured PIK Notes dated 12 August 2008 ("**Series 1 PIK Notes**").

- 3.2.5 A capitalisation and subscription agreement was entered into between Parlour Product Topco Limited and the Principal Shareholder on 21 January 2015 pursuant to which the Principal Shareholder released £25,510,528.35 (\$38,556,612.55) of the total amount of £25,560,528.35 (\$38,634,414.07) owing by Parlour Product Topco Limited to the Principal Shareholder under the Series 1 PIK Notes and an instrument constituting the issue of up to \$9,233,000 8 per cent. unsecured PIK Notes dated 26 September 2008 (together the “**Funding Documents**”) following the repayment referred to in paragraph 3.2.4 in consideration for the issue by Parlour Product Topco Limited to the Principal Shareholder of 1 A ordinary share of £0.00001 in the capital of Parlour Product Topco Limited at a premium of £25,510,528.4999. Following the capitalisation, £50,000 remained owing by Parlour Product Topco Limited to the Principal Shareholder under the Funding Documents (please see paragraph 3.2.8 of this Part XV (*Additional Information*) below).
- 3.2.6 Pursuant to a capitalisation and subscription agreement entered into between A. Share & Sons Limited and Parlour Product Holding Limited on 21 January 2015, Parlour Product Holding Limited released the total sum of £10,403,491 being the total amount owing by A. Share & Sons Limited to Parlour Product Holding Limited on intra-group loan account in consideration for the issue by A. Share & Sons Limited to Parlour Product Holding Limited of 1 ordinary share of £1.00 in the capital of A. Share & Sons Limited together with a premium of £10,403,490.

***The Company acquired shares held by the Principal Shareholder in Parlour Product Topco Limited by way of a share for share exchange***

- 3.2.7 The Principal Shareholder entered into a share exchange agreement on 21 January 2015 pursuant to which the Company acquired the issued share capital of Parlour Product Topco Limited held by the Principal Shareholder in consideration for the issue of shares in the Company to the Principal Shareholder as set out in the table below.

<b>Shareholder</b>	<b>Shareholding in Parlour Product Topco Limited transferred to the Company</b>	<b>Shareholding in the Company issued as consideration</b>
Principal Shareholder	100,001 A ordinary (£0.00001)	100,000 ordinary (£0.00001)

***Company subscribed for further equity in Parlour Product Topco Limited and Parlour Product Topco Limited repaid outstanding debt owing to the Principal Shareholder***

- 3.2.8 On 21 January 2015, the Company subscribed for a further 1 A ordinary share in the capital of Parlour Product Topco Limited at a premium of £49,999.99999. Parlour Product Topco Limited used the £50,000 subscription monies received from the Company to repay the remaining amounts outstanding under the Funding Documents to the Principal Shareholder. The Principal Shareholder used this £50,000 monies to repay the loan from A. Share & Sons Limited described in paragraph 3.2.3 of this Part XV (*Additional Information*).

***Company undertakes a capital reduction to create distribution reserves***

- 3.2.9 On 21 January 2015, the Company undertook a capital reduction by cancelling its entire share premium account such reduction being effective on 22 January 2015.
- 3.2.10 Upon completion of the capital reduction, the Company was left with a total share capital of 5,000,100,000 ordinary shares of £0.00001 each.

***Company re-registers as a Public Limited Company***

- 3.2.11 On 22 January 2015, the Company re-registered as a public limited company and adopted new company articles of association applicable to a public limited company.

**Company undertakes a share capital consolidation, subdivision and share buyback**

3.2.12 On 21 January 2015, the Company consolidated its 5,000,100,000 ordinary shares of £0.00001 each into 37,020,160 ordinary shares of £0.00135064246 each ("**Share Capital Consolidation**").

3.2.13 Immediately following the Share Capital Consolidation, the Company subdivided each ordinary share of £0.00135064246 each into:

3.2.13.1 1 ordinary share of £0.001; and

3.2.13.2 1 ordinary share of £0.00035064246,

creating 37,020,160 ordinary shares of £0.001 each and 37,020,160 ordinary shares of £0.00035064246 each ("**Subdivision**").

3.2.14 Immediately following the Subdivision, the Company redesignated the 37,020,160 new ordinary shares of £0.00035064246 each into 37,020,160 deferred shares of £0.00035064246 each and adopted new articles of association to reflect the new class of shares created ("**Redesignation**").

3.2.15 Immediately following the Share Capital Consolidation, Subdivision and Redesignation, the Company implemented an own share buyback pursuant to which the 37,020,160 deferred shares in the capital of the Company were bought back for the total aggregate sum of £0.01 to be held in treasury ("**Share Buyback**").

3.2.16 Following the Share Capital Consolidation, Subdivision, Redesignation and Share Buyback, the Company was left with a total share capital of 37,020,160 ordinary shares of £0.001 each held by the Principal Shareholder and 37,020,160 deferred shares of £0.00035064246 each held in treasury.

**Company acquired shares held by Gary Kemp in Parlour Product Topco Limited by way of a share for share exchange**

3.2.17 Gary Kemp entered into a share exchange agreement on 22 January 2015 pursuant to which the Company acquired the issued share capital of Parlour Product Topco Limited held by Gary Kemp in consideration for the issue of shares in the Company to Gary Kemp as set out in the table below:

Shareholder	Shareholding in Parlour Product Topco Limited transferred to the Company	Shareholding in the Company issued as consideration
Gary Kemp	750 C ordinary (£0.0001)	257,277

3.2.18 On the same date, Gary Kemp entered into a restricted share agreement with the Company and the Principal Shareholder which contains certain restrictions in respect of the ordinary shares in the Company held by Gary Kemp following the share for share exchange.

3.2.19 On the same date, Gary Kemp also entered into a deed of termination with the Company and the Principal Shareholder terminating a subscription and shareholder rights deed entered into by Gary Kemp, the Company and the Principal Shareholder on 7 February 2013 in relation to Gary Kemp's shareholding in Parlour Product Topco Limited.

**Executive Directors and Senior Managers enter into put and call option agreements**

3.2.20 On 22 January 2015, the Executive Directors and Senior Managers (other than Gary Kemp) each entered into a put and call option agreement with the Company in relation to their shareholding in Parlour Product Topco Limited ("**Option Agreements**"). Pursuant to the Option Agreements, each such Executive Director and Senior Manager has an option to acquire Ordinary Shares in exchange for their Management PPT Shares, and the Company has an equivalent option for itself or a nominated person to acquire their Management PPT Shares in exchange for Ordinary Shares. The ordinary shares in the Company which such Executive

Directors and Senior Managers can acquire in exercise of such option will be issued to the EBT at Admission and the EBT has agreed to transfer such Ordinary Shares following an exercise of the Option.

3.2.21 On the same date, the Executive Directors and Senior Managers (other than Gary Kemp) also entered into a restricted share agreement with the Company and the Principal Shareholder which contains certain restrictions on the ordinary shares in the Company to be acquired by them pursuant to the Option Agreements.

3.2.22 On the same date, the Executive Directors and Senior Managers (other than Gary Kemp) also entered into deeds of termination with the Company and the Principal Shareholder terminating subscription and shareholder rights deeds entered into by the Executive Directors and Senior Managers (other than Gary Kemp) in relation to their Management PPT Shares.

#### **4. SHARE CAPITAL OF THE COMPANY**

4.1 Immediately prior to the publication of this Prospectus, the share capital of the Company was £37,277.437, comprising 37,277,437 Ordinary Shares and 37,020,160 Deferred Shares (all of which were fully paid or credited as fully paid). Immediately following completion of the Offer and on Admission, the issued share capital of the Company is expected to be £52,980.84 comprising 40,000,000 million Ordinary Shares and 37,020,160 Deferred Shares (all of which will be fully paid or credited as fully paid).

4.2 The share capital history of the Company is as follows:

<b>Effective date</b>	<b>Share capital position</b>
On incorporation, 15 October 1996	1 ordinary share of £1.00 held by A. Share & Sons Limited
14 November 2014	1 ordinary share of £1.00 held by the Principal Shareholder (following the transfer from A. Share & Sons Limited detailed at paragraph 3.2.1 of this Part XV ( <i>Additional Information</i> ))
14 November 2014	100,000 ordinary shares of £0.00001 each held by the Principal Shareholder (following the subdivision detailed at paragraph 3.2.2 of this Part XV ( <i>Additional Information</i> ))
14 November 2014	5,000,000,000 ordinary shares of £0.00001 each held by the Principal Shareholder (following the new share issue detailed at paragraph 3.2.3 of this Part XV ( <i>Additional Information</i> ))
21 January 2015	5,000,100,000 ordinary shares of £0.00001 each held by the Principal Shareholder (following the share for share exchange detailed at paragraph 3.2.7 of this Part XV ( <i>Additional Information</i> ))
22 January 2015	5,000,100,000 ordinary shares of £0.00001. each held by the Principal Shareholder (following the capital reduction detailed at paragraph 3.2.9 of this Part XV ( <i>Additional Information</i> ))
22 January 2015	37,020,160 Ordinary Shares held by the Principal Shareholder and 37,020,160 Deferred Shares held in treasury (following the share capital consolidation, subdivision and share-buyback detailed at paragraph 3.2.12 – 3.2.16 of this Part XV ( <i>Additional Information</i> ))
22 January 2015	257,277 Ordinary Shares of £0.001 each held by Gary Kemp (following the share for share exchange with Gary Kemp detailed at paragraph 3.2.17 of this Part XV ( <i>Additional Information</i> ))

- 28 January 2015 2,722,563 Ordinary Shares of £0.001 each issued to the EBT following its subscription for Ordinary Shares as detailed in paragraph 9.6 of this Part XV (*Additional Information*)
- 28 January 2015 297,143 Ordinary Shares of £0.001 each issued (in aggregate) to David Knight, Ron Turnbull and Alan Smith following their subscription for Ordinary Shares pursuant to the Offer
- 4.3 At a general meeting of the Company held on 21 January 2015, the following resolutions were passed by the Company's sole member, to take effect immediately:
- 4.3.1 to consolidate the Company's 5,000,100,000 ordinary shares of £0.00001 each into 37,020,160 ordinary shares of £0.00135064246 each;
- 4.3.2 to subdivide each ordinary share of 0.00135064246 each into:
- 4.3.2.1 1 ordinary share of £0.001 each; and
- 4.3.2.2 1 ordinary share of £0.00035064246 each;
- 4.3.3 to redesignate the 37,020,160 ordinary shares of £0.00035064246 each into 37,020,160 deferred shares of £0.00035064246 each;
- 4.3.4 to approve the terms of a share buyback pursuant to which the 37,020,160 deferred shares of £0.00135064246 each would be bought by the Company from the Principal Shareholder for the total aggregate sum of £0.01; and
- 4.3.5 the Directors were authorised for the purposes of section 551 of the Companies Act, in addition to all existing authorities to allot ordinary shares up to an aggregate nominal value amount of £257.277 to Gary Kemp for a period expiring at the conclusion of the next annual general meeting of the Company (or if earlier, at the close of business on the date which is fifteen months after the date of the general meeting at which the resolution was passed).
- 4.4 At a general meeting of the Company held on 21 January 2015, the following resolutions were passed by the Company's sole member, such resolutions to take effect immediately prior to but conditional upon Admission:
- 4.4.1 the Directors were authorised for the purposes of section 551 of the Companies Act, in addition to all existing authorities:
- 4.4.1.1 to allot Ordinary Shares up to an aggregate nominal amount of £2,722.563 to be issued to the EBT upon Admission;
- 4.4.1.2 to allot Ordinary Shares and to grant rights to subscribe for or to convert any security into Ordinary Shares, up to an aggregate nominal amount of £13,333.33, being approximately one-third of the aggregate value of the issued Ordinary Share capital of the Company immediately following Admission;
- 4.4.1.3 following Admission, to allot Ordinary Shares and to grant rights to subscribe for or to convert any security into Ordinary Shares comprising equity securities (as defined in the Companies Act) up to an aggregate nominal amount of £26,666.66, being approximately two-thirds of the aggregate nominal value of the issued Ordinary Share capital of the Company immediately following Admission, in connection with an offer by way of a rights issue to holders of Ordinary Shares in proportion (as nearly as may be practicable) to their existing holdings and to holders of other equity securities if this is required by the rights of those securities or, if the directors of the Company consider it necessary;
- provided that (unless previously revoked, varied or renewed) these authorities shall expire at the conclusion of the next annual general meeting of the Company or at the close of business on the date that is fifteen months after the date the resolution was passed, such that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted, or rights to subscribe for or convert any security into shares to be granted, after this authority expires and the Directors may allot shares and grant rights in pursuance of such offer or agreement as if this authority had not expired;

4.4.2 the Directors were authorised, for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) at the end of the next annual general meeting of the Company (or, if earlier, at the close of business on the date which is fifteen months after the date of the general meeting at which the resolution was passed), to allot equity securities for cash pursuant to the resolution described in paragraph 4.4.1 above, as if section 561(1) of the Act did not apply to such allotment, such power being limited to:

4.4.2.1 the allotment of Ordinary Shares up to an aggregate nominal amount of £2,722.563 to the EBT pursuant to the authority referred to in resolution 4.4.1.1 above;

4.4.2.2 the allotment of equity securities in connection with an offer of equity securities (whether by way of a rights issue, open offer or otherwise, but, in the case of an allotment pursuant to the authority granted by resolution 4.4.1.3, such power shall be limited to the allotment of equity securities in connection with an offer by way of a rights issue) to the Shareholders in proportion (or as nearly may be) to their existing holding and to holders of other equity securities, if this is required by the rights of those securities, or, if the directors consider it necessary but in each case subject to such exclusions or other arrangements as the directors of the Company deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange; and

4.4.2.3 the allotment of equity securities for cash (other than as described in 4.4.2.1 or 4.4.2.2 above) with an aggregate nominal value of up to £2,000 (being approximately 5 per cent. of the issued ordinary share capital of the Company immediately following Admission).

save that the Company may, before expiry of this power, make an offer or agreement which would, or might, require equity securities to be allotted after such expiry, and the Directors may allot equity securities in pursuance of such offer or agreement notwithstanding that the power conferred hereby has expired;

4.4.3 the Company was generally and unconditionally authorised pursuant to section 701 of the Act to make market purchases (within the meaning of section 693(4) of the Act) of Ordinary Shares, subject to the following conditions:

4.4.3.1 the maximum aggregate number of Ordinary Shares authorised to be purchased is 4,000,000 representing 10 per cent. of the Company's issued Ordinary Share capital immediately following Admission;

4.4.3.2 the minimum price (excluding expenses) which may be paid for each Ordinary Share is 0.1 pence (being the nominal value of an Ordinary Share);

4.4.3.3 the maximum price (excluding expenses) which may be paid for each Ordinary Share is the higher of:

- (a) 105 per cent. of the average of the middle market quotations for the Ordinary Shares as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the share is contracted to be purchased; and
- (b) an amount equal to the higher of the price of the last independent trade of a Share and the highest current independent bid for a Share as derived from the London Stock Exchange Trading System; and

4.4.3.4 the authority shall expire at the close of the annual general meeting of the Company or, if earlier, fifteen months from the date on which the resolution was passed so that the Company may, before the expiry of the authority, enter into a contract to purchase Ordinary Shares which will or may be executed wholly or partly after the expiry of such authority;

4.4.4 to adopt new articles of association subject to and conditional upon Admission; and

4.4.5 the Company was authorised in accordance with the Articles, until the Company's next annual general meeting, to call general meetings on 14 clear days' notice.

- 4.5 Save as disclosed in paragraphs 3 and 4 above and in paragraphs 7 and 9 below:
- 4.5.1 the Company does not hold any treasury shares (other than the 37,020,160 Deferred Shares of £0.00035064246 each, bought back by the Company into treasury pursuant to the Reorganisation) and no Ordinary Shares are held by, or on behalf of, any member of the Group;
  - 4.5.2 no Ordinary Shares have been issued otherwise than as fully paid;
  - 4.5.3 no share or loan capital of the Company has, within three years of the date of this Prospectus, been issued or agreed to be issued, or is now proposed to be issued fully or partly paid, either for cash or for consideration other than cash, to any person;
  - 4.5.4 no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any share or loan capital of any such company; and
  - 4.5.5 no share or loan capital of the Company is under option or agreed conditionally or unconditionally to be put under option.
- 4.6 The Company will be subject to the continuing obligations of the Companies Act with regard to the issue of shares for cash. The provisions of section 561(1) of the Companies Act (which confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash other than by way of allotment to employees under an employees' share scheme as defined in section 1166 of the Companies Act) apply to the issue of shares in the capital of the Company except to the extent such provisions have been disapplied as referred to in paragraphs 4.3.7 and 4.4.2 of this Part XV (*Additional Information*) above.
- 4.7 There have been no public takeover bids by third parties in respect of the Company's share capital within the last financial year or in the current financial year as at 22 January 2015 (being the latest practicable date before the publication of this Prospectus).
- 4.8 The Ordinary Shares are denominated in Sterling.

## **5. ARTICLES OF ASSOCIATION**

The Articles contain provisions (amongst others) to the following effect:

### **5.1 Unrestricted objects**

Section 31 of the Companies Act provides that the objects of a company are unrestricted unless any restrictions are set out in the Articles. There are no such restrictions in the Articles and the objects of the Company are therefore unrestricted.

### **5.2 Limited liability**

The liability of the Company's members is limited to any unpaid amount on the shares in the Company held by them.

### **5.3 Change of the Company's name**

The Articles allow the Company to change its name by resolution of the Board. This is in addition to the Company's ability to change its name by special resolution under the Companies Act.

### **5.4 Deferred Shares**

The share capital of the Company shall comprise the Ordinary Shares and Deferred Shares. The Deferred Shares shall carry no rights in respect of voting, capital or income of the Company.

### **5.5 Voting rights**

5.5.1 Subject to any special terms as to voting upon which any shares may be issued or may for the time being be held, on a show of hands every Shareholder present in person or by proxy at a general meeting of the Company and every duly authorised corporate representative shall have one vote. If a proxy has been duly appointed by more than one Shareholder entitled to vote on

the resolution, the proxy shall have one vote for and one vote against the resolution if either the proxy has been instructed by one or more of those shareholders to vote for the resolution and by one or more others to vote against; or the proxy has been given firm voting instructions by one or more of those shareholders and granted discretion as to how to vote by one or more others (and wishes to use that discretion to vote in the other way).

5.5.2 On a poll, every shareholder who is entitled to vote and who is present in person or by a duly appointed proxy shall have one vote for every share he holds. A shareholder entitled to more than one vote does not have to, if he votes on the poll (whether in person or by proxy) use all his votes or cast all the votes he used in the same way.

5.5.3 In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. Seniority shall be determined by the order in which the names of the joint holders stand in the register.

5.5.4 Unless the Board determines, a Shareholder shall not be entitled to be present or to vote unless all calls or other sums due from him in respect of shares in the Company have been paid.

## 5.6 **Dividends and return of capital**

5.6.1 Subject to the provisions of the Companies Act, the Company may by ordinary resolution declare dividends in accordance with the respective rights of Shareholders, but no dividend shall exceed the amount recommended by the Board.

5.6.2 Except as otherwise provided by the rights attached to any shares, all dividends shall be declared and paid according to the amounts paid up (other than amounts paid in advance of calls) on the shares in respect of which the dividend is paid and shall be apportioned and paid proportionately to the amounts paid up on such shares during any portion or portions of the period in respect of which the dividend is paid.

5.6.3 Unless otherwise provided by the Articles or the rights attached to any shares, a dividend may be declared or paid in whatever currency the board may decide.

5.6.4 Unless otherwise provided by the rights attached to the shares, dividends shall not carry a right to receive interest.

5.6.5 All dividends unclaimed for a period of 12 years after having been declared or becoming due for payment shall be forfeited and cease to remain owing by the Company.

5.6.6 The board may, with the authority of an ordinary resolution of the Company:

5.6.6.1 offer holders of Ordinary Shares the right to elect to receive further Ordinary Shares, credited as fully paid, instead of cash in respect of all or part of any dividend specified by the ordinary resolution;

5.6.6.2 direct that payment of all or part of any dividend declared may be satisfied by the distribution of specific assets.

5.6.7 There are no fixed or specified dates on which entitlements to dividends payable by the Company arise.

## 5.7 **Distribution of assets on a winding-up**

On a winding up, a liquidator may, with the authority of a special resolution of the Company and any other sanction required by law divide among the shareholders in kind the whole or any part of the assets of the Company, whether or not the assets consist of property of one kind or different kinds, and may for such purposes set such value as he considers fair upon any one or more class or classes of property and may determine how such division shall be carried out as between the Shareholders or different classes of Shareholders. The liquidator may, with the same authority, transfer any part of the assets to trustees on such trusts for the benefit of shareholders as the liquidator, with the same authority, thinks fit, and the liquidation may then be closed and the Company dissolved, but so that no

Shareholder shall be compelled to accept any shares or other property in respect of which there is a liability.

## 5.8 **Transfer of shares**

5.8.1 Every transfer of shares which are in certificated form must be in writing in any usual form or in any form approved by the Board and shall be signed by or on behalf of the transferor and (in the case of a transfer of a share which is not fully paid up) by or on behalf of the transferee.

5.8.2 Every transfer of shares which are in uncertificated form must be made by means of a relevant system (such as CREST).

5.8.3 The Board may, in its absolute discretion and without giving any reason, refuse to register any transfer of certificated shares if: (i) it is in respect of a share which is not fully paid up (provided that the refusal does not prevent dealings in the Company's shares from taking place on an open and proper basis); (ii) it is in respect of more than one class of share; (iii) it is not duly stamped (if so required); or (iv) it is not delivered for registration to the registered office of the Company or such other place as the Board may from time to time determine, accompanied (except in the case of transfer by a recognised person (as defined in the Articles) where a certificate has not been issued) by the relevant share certificate and such other evidence as the Board may reasonably require to show the right of the transferor to make this transfer.

5.8.4 The Board may, in its absolute discretion and without giving any reason, refuse to register any transfer of shares which is in favour of: (i) a child, bankrupt or person of unsound mind; or (ii) more than four joint allottees or transferees.

## 5.9 **Restrictions on voting rights**

If a member or any person appearing to be interested in shares held by such a member has been duly served with a notice under section 793 of the Companies Act and has failed in relation to any shares ("**default shares**") to give the Company the information thereby required within 14 days from the date of the notice, then, unless the Board otherwise determines, the member shall not be entitled to vote or exercise any right conferred by membership in relation to meetings of the Company in respect of such default shares. Where the holding represents more than 0.25 per cent. of the issue shares of that class (excluding any shares of that class held as treasury shares) then: (i) the payment of dividends may be withheld and such member shall not be entitled to elect to receive shares instead of that dividend; and (ii) save for an excepted transfer (as defined in the Articles) and subject to the requirements of the relevant system in relation to shares in uncertificated form, no transfer of a default share shall be registered unless the member himself is not in default and the member proves to the satisfaction of the Board that no person in default is interested in the shares the subject of the transfer.

## 5.10 **Untraced members**

The Company is entitled to sell any share of a member who is untraceable, provided that:

5.10.1 for a period of not less than 12 years (during which at least three cash dividends have been payable on the share), no cheque, warrant or money order sent to the member or to the person entitled to the share by law has been cashed or all funds sent electronically have been returned;

5.10.2 at the end of such 12 year period, the Company has advertised in a national and local (i.e. the area in which the member's registered address is situated) newspaper its intention to sell such share; and

5.10.3 the Company has not, during such 12 year period or in the three month period following the last of such advertisements, received any communication in respect of such share from the member or person entitled by law.

The Company shall be indebted to the former member for an amount equal to the net proceeds of any such sale. No interest shall be payable in respect of such monies and the Company shall not be required to account for any money earned on them.

## **5.11 Variation of class rights**

5.11.1 Subject to the Companies Act, all or any of the rights or privileges attached to any class of shares in the Company may be varied or abrogated in such manner (if any) as may be provided by such rights, or, in the absence of any such provision, either with the consent in writing of the holders of at least three-fourths of the nominal amount of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of such holders of shares of that class, but not otherwise. The quorum at any such meeting (other than an adjourned meeting) is two persons present in person by proxy, holding or representing by proxy at least one third in nominal value of the shares of that class (excluding any shares of that class held as treasury shares).

5.11.2 The rights attached to any class of shares shall not, unless otherwise expressly provided in the rights attaching to such shares, be deemed to be varied or abrogated by the creation or issue of shares ranking *pari passu* with or subsequent to them or by the purchase or redemption by the Company of any of its own shares.

## **5.12 Share capital, changes in capital and purchase of own shares**

5.12.1 Subject to the Companies Act and to the Articles, the board shall have unconditional authority to allot, grant options over, offer or otherwise deal with or dispose of any shares or rights to subscribe for or convert any security into shares to such persons (including directors) at such times and generally on such terms and conditions as the board may determine.

5.12.2 Subject to the Articles, but without prejudice to the rights attached to any existing shares, any share may be issued with such rights or restrictions as the Company may from time to time determine by ordinary resolution.

5.12.3 The Company may issue redeemable shares and the Board may determine the terms, conditions and manner of redemption of such shares, provided it does so before the shares are allotted.

## **5.13 General meetings**

5.13.1 The Board may convene a general meeting whenever it thinks fit. Members have a statutory right to requisition a general meeting in certain circumstances.

5.13.2 Pursuant to the Companies Act, an annual general meeting shall be called on not less than 21 clear days' notice. All other general meetings shall be called by not less than 14 clear days' notice.

5.13.3 The quorum for the general meeting is two members present in person or by proxy and entitled to vote.

## **5.14 Notice to Shareholders**

Any notice or document (including a share certificate) may be served on or delivered to any Shareholder by the Company either personally or by sending it through the post addressed to the Shareholder at his registered address or by leaving it at that address addressed to the Shareholder or by means of a relevant system or, where appropriate, by sending it in electronic form to an address for the time being notified by the Shareholder concerned to the Company for that purpose, or by publication on a website and notifying the Shareholder of its availability or by any other means authorised in writing by the Shareholder concerned. In the case of joint holders of a share, all notices, documents or other information shall be served on or sent or supplied to the person named first in the register in respect of the joint holding. Notice so given shall for all purposes be deemed a sufficient service on or delivery to all the joint holders.

## **5.15 Appointment of Directors**

5.15.1 Unless otherwise determined by ordinary resolution, there shall be no maximum number of directors, but the number of directors shall not be less than two.

5.15.2 Subject to the Companies Act and the Articles, the Company may by ordinary resolution appoint any person who is willing to act as a director either as an additional director or to fill a vacancy. The Board may also appoint any person who is willing to act as a director, subject to the Companies Act and the Articles. Any person appointed by the Board as a director will hold office only until conclusion of the next annual general meeting of the Company, unless he is elected during such meeting.

5.15.3 The Board may appoint any director to hold any employment or executive office in the Company and may also revoke or terminate any such appointment (without prejudice to any claim for damages for breach of any service contract between the director and the Company).

#### **5.16 Remuneration of directors**

5.16.1 The total of the fees paid to any non-executive directors for their services must not exceed £400,000 a year, unless otherwise determined by ordinary resolution. This amount shall be automatically increased each year by the same amount as the increase in the Retail Price Index. The Board may decide to pay additional remuneration to a non-executive director for services which the Board determines are outside the scope of the ordinary duties of a director, whether by way of additional fees, salary, percentage of profits or otherwise.

5.16.2 The salary or remuneration of any director appointed to hold any employment or executive office shall be determined by the Board and may be either a fixed sum of money or may altogether or in part be governed by business done or profits made or otherwise determined by the Board.

5.16.3 Each director is entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by him in the performance of his duties as a director.

#### **5.17 Retirement and removal of directors**

5.17.1 At each annual general meeting of the Company, one third of the directors who are subject to retirement by rotation or, if their number is not three or a multiple of three, the number nearest to but not exceeding one third shall retire from office unless there are fewer than three directors who are subject to retirement by rotation, in which case only one shall retire from office. In addition, subject to the Articles, any director who has been a director at each of the preceding two annual general meetings shall also retire.

5.17.2 Each such director may, if willing to act, be reappointed. If he is not reappointed or is not deemed to have been reappointed, he shall retain office until the meeting appoints someone in his place or, if it does not do so, until the end of the meeting. If the Company, at the meeting at which a director retires, does not fill the vacancy the retiring director shall, if willing, be deemed to have been reappointed unless it is expressly resolved not to fill the vacancy or a resolution for the reappointment of the director is put to the meeting and lost.

5.17.3 Without prejudice to the provisions of the Companies Act, the Company may by ordinary resolution remove any director before the expiration of his period of office and may by ordinary resolution appoint another director in his place.

#### **5.18 Vacation of office**

Without prejudice to the provisions for retirement by rotation in the Articles, the office of a director shall be vacated if:

5.18.1 he resigns by notice sent to or received at the office or at an address specified by the Company for the purposes of communication by electronic means or tendered at a board meeting;

5.18.2 he ceases to be a director by virtue of any provision of the Companies Acts, is removed from office pursuant to these articles or becomes prohibited by law from being a director;

5.18.3 he becomes bankrupt or he makes any arrangement or composition with his creditors generally;

- 5.18.4 a registered medical practitioner finds he has become physically or mentally incapable of acting as a director and may remain so for more than three months and the board resolves that his office be vacated;
- 5.18.5 both he and his alternate director (if any) appointed pursuant to the provisions of these articles have been absent, without the permission of the board, from board meetings for six consecutive months, and the board resolves that his office be vacated;
- 5.18.6 his contract for his services as a director expires or is terminated for any reason and is neither renewed nor a new contract granted within 14 days; or
- 5.18.7 (without prejudice to any claim for damages which he may have for breach of any contract of service between him and the Company and to any claim which may arise by operation of law) he is removed from office by a notice addressed to him at his last known address and signed by all his co directors.

If the office of a director is vacated for any reason, he shall cease to be a member of any committee.

#### 5.19 **Director's interests**

- 5.19.1 Subject to the Companies Act and provided that he has disclosed to the directors the nature and extent of any interest, a director is able to enter into any transaction or other arrangements with the Company, hold any other office (except auditor) with the Company or be a director, employee or otherwise interests in any company in which the Company is interested. Such a director shall not be liable to account to the Company for any profit, remuneration or other benefit realised by any such office, employment, contract, arrangement or proposal.
- 5.19.2 Save as otherwise provided by the Articles, a director shall not vote on, or be counted in the quorum in relation to, any resolution of the Board concerning any contract, arrangement, transaction or any other proposal to which the Company is or is to be a party and in which he (together with any person connected with him) is interested, directly or indirectly. Interests of which the director is not aware, interests which cannot reasonably be regarded as likely to give rise to a conflict of interest and interests arising purely as a result of an interest in the Company's share, debentures or other securities are disregarded. However, a director can vote and be counted in the quorum where the resolution relates to any of the following:
  - 5.19.2.1 the giving of any guarantee, security or indemnity in respect of: (i) money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings; or (ii) a debt or obligation of the Company or any of its subsidiary undertakings for which the director himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
  - 5.19.2.2 the participation of the director, in an offer of securities of the Company or any of its subsidiary undertakings, including participation in the underwriting or sub-underwriting of the offer;
  - 5.19.2.3 a proposal involving another company in which he and any persons connected with him has a direct or indirect interest of any kind, unless he and any persons connected with him hold an interest in shares representing one per cent. or more of either any class of equity share capital, or the voting rights, in such company;
  - 5.19.2.4 any arrangement for the benefit of employees of the Company or of any of its subsidiary undertakings which does not award the director any privilege or benefit not generally awarded to the employees to whom such arrangement relates;
  - 5.19.2.5 any proposal concerning the purchase or maintenance of any insurance policy for the benefit of directors or for the benefit of persons including directors; and
  - 5.19.2.6 any proposal concerning indemnities in favour of directors or the funding of expenditure by one or more directors on defending proceedings against such director(s).

- 5.19.3 A director shall not vote or be counted in the quorum on any resolution of the Board concerning his own appointment (including fixing or varying the terms of his appointment or its termination) as the holder of any office or place of profit with the Company or any company in which the Company is interested.
- 5.19.4 If any question arises at any meeting as to whether any interest of a director prevents him from voting or being counted in a quorum, and such question is not resolved by his voluntarily agreeing to abstain from voting or being counted in the quorum, such question shall be referred to the chairman of the meeting. The chairman of the meeting's ruling in relation to the director concerned (other than himself) shall be final and conclusive (except where it subsequently becomes apparent that the nature or extent of the interests of the director concerned have not been fairly disclosed).
- 5.19.5 The Board may authorise any matter that would otherwise involve a director breaching his duty under the Companies Act to avoid conflicts of interest, provided that the interested director(s) do not vote or count in the quorum in relation to any resolution authorising the matter. The Board may authorise the relevant matter on such terms as it may determine including:
- 5.18.5.1 whether the interested director(s) may vote or be counted in the quorum in relation to any resolution relating to the relevant matter;
- 5.18.5.2 the exclusion of the interested director(s) from all information and discussion by the Company of the relevant matter; and
- 5.18.5.3 the imposition of confidentiality obligations on the interested director(s).
- 5.19.6 An interested director must act in accordance with any terms determined by the Board. An authorisation of a relevant matter may also provide that where the interested director obtains information that is confidential to a third party (other than through his position as director) he will not be obliged to disclose it to the Company or to use it in relation to the Company's affairs, if to do so would amount to a breach of that confidence.

## 5.20 Powers of the directors

- 5.20.1 Subject to the Articles and to any directions given by special resolution of the Company, the business of the Company shall be managed by the Board, which may exercise all the powers of the Company whether relating to the management of the business or not.
- 5.20.2 Subject to the provisions of the Companies Act, the Board may exercise all the powers of the Company to borrow money, to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital, to issue debentures and other securities and to give security, either outright or as collateral security for any debt, liability or obligation of the Company or of any third party.
- 5.20.3 The Board shall restrict the borrowings of the Company and shall exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings so as to procure (but as regards such subsidiary undertakings, only in so far as it can procure by such exercise) that the aggregate principal amount outstanding in respect of all borrowings by the Group (exclusive of any borrowings which are owed by one group company to another) shall not, at any time, without an ordinary resolution of the Company, exceed a sum equal to the higher of £50 million or two times the adjusted total of capital and reserves.
- 5.20.4 The Board may exercise all the powers of the Company to provide pensions or other retirement or superannuation benefits, death or disability benefits or other allowances or gratuities, by insurance or otherwise, for any person who is, or has at any time been, a director of or employed by or in the service of the Company or of any company which is a subsidiary company of the Company, or is allied to or associated with the Company or any such subsidiary, or any predecessor in business of the Company or any such subsidiary, and for any member of his family (including a spouse or former spouse) or any person who is, or was, dependent on him.

## 5.21 Directors' indemnity and insurance

5.21.1 Subject to the Companies Act, each director of the Company and of any associated company may be indemnified against any liability.

5.21.2 Subject to the Companies Act, the Board may purchase and maintain insurance against any liability for any director of the Company or of any associated company.

## 6. EMPLOYEES

The table below sets out the average monthly number of people (including the Executive Directors) employed by the Operating Group for the financial years ended 28 July 2012, 28 July 2013 and 26 July 2014.

	2012	2013	2014
Sales	589	639	648
Office and managerial	472	536	585
Services and warehousing	281	338	303
Cleaning	17	18	25
<b>Total assets</b>	<b>1,359</b>	<b>1,531</b>	<b>1,561</b>

In the period leading up to peak trading periods, such as Christmas, the Group also hires employees on a temporary basis to provide additional capacity to its distribution network and to fill company temporary vacancies (for example, due to sickness or vacations). The Group also employs additional seasonal workers on short term contracts (generally for a two week period) for its retail operations during peak trading periods.

## 7. DIRECTORS AND SENIOR MANAGERS

### 7.1 Directors and Senior Managers

Details of the Directors and the Senior Managers, their business addresses and functions in the Company are set out in paragraph 1 and paragraph 2 of Part VIII (*Directors, Senior Managers and Corporate Governance*) of this document.

### 7.2 Other directorships, partnership and positions

The Directors (in addition to being Directors of the Company) and Senior Managers hold or have held the directorships of the companies and/or are or were partners of the partnerships specified opposite their respective names below within the past five years prior to the date of this Prospectus.

Director/ Senior Manager	Current appointments	Former appointments held in the previous five years
David Knight	A. Share & Sons Limited Parlour Product Topco Limited Parlour Product Holding Limited	ScS Upholstery plc
Ron Turnbull	A. Share & Sons Limited Parlour Product Topco Limited Parlour Product Holding Limited ScS Furnishings Limited	ScS Upholstery plc

<b>Director/ Senior Manager</b>	<b>Current appointments</b>	<b>Former appointments held in the previous five years</b>
Alan Smith	Displayplan Holdings Limited Displayplan Limited Fisher Outdoor Leisure Holdings Limited Fisher Outdoor Leisure Limited Fisher Outdoor Leisure Trustee Company Limited NAAFI Trustees Limited The Navy, Army And Air Force Institutes The Royal Air Force Charitable Trust Enterprises Brambledown Aircraft Hire	Bezier Acquisitions Limited Empire World Trade Holdings Limited Empire World Trade Limited EWT Trustees Limited Fisher Manco Limited Flybe Group plc
Ron McMillan	N Brown Group plc 888 Holdings plc B&M European Value Retail S.A.	PricewaterhouseCoopers (Middle East Group) Limited
Paul Daccus	Sun European Partners LLP V&D Group Holdings B.V.	ABCT (Realisations 2013) Limited Athena Apparel Topco Limited Bluebird UK Holdco Limited Bluebird UK Topco Limited Bonmarché Limited Chicago Leisure Limited Chicago Leisure MK Limited Compass Delta Bidco Limited Compass Delta Holdings Limited Coveris Labels Holdings UK Ltd Daisy UK Bidco Limited Daisy UK Holdco Limited Dyce Bidco GBP Limited Dyce Bidco Limited Dyce Topco GBP Limited Dyce Topco Limited Hackunusedco No.7 Limited Iona Topco Limited Minerva Bidco Limited Portugal Finco Limited Portugal Midco Limited Portugal Topco Limited Project Night Plc Sharps Bedrooms Limited Sharps Bilston Limited Swan Bidco Limited Topaz Holdco 1 Limited Topaz Holdco 2 Limited Zeus Topco II Limited Zeus Topco III Limited Twist Beauty S.à r.l. & Partners S.C.A. Iona Luxembourg S.C.A. Famosa Luxembourg S.C.A. Twist Beauty Packaging S.à.r.l. (formerly Twist Beauty Packaging S.C.A.)
Kevin Royal	A. Share & Sons Limited	ScS Upholstery plc
Sacha Beere	A. Share & Sons Limited	ScS Upholstery plc

<b>Director/ Senior Manager</b>	<b>Current appointments</b>	<b>Former appointments held in the previous five years</b>
Gary Kemp	A. Share & Sons Limited	Summit Solutions Ltd
Marie Liston	A. Share & Sons Limited St Oswald's Hospice Ltd St Oswald's Hospice Promotions Ltd England Fencing Ltd No Limits Theatre Ltd	

### 7.3 **Directors' and Senior Managers' Shareholdings and Options**

7.3.1 The interests in the share capital of the Company of the Directors and Senior Managers (all of whom, unless otherwise stated, are beneficial interests or are interests of a person connected with the Director or Senior Manager) as at 22 January 2015 (the latest practicable date prior to publication of this Prospectus) were as follows:

	<b>Immediately following Admission</b>		<b>Immediately following exercise of the options subject to the Option Agreements<sup>(3)</sup></b>	
	<b>Number of ordinary shares<sup>(1)</sup></b>	<b>Percentage of issued ordinary share capital</b>	<b>Number of ordinary shares<sup>(2)</sup></b>	<b>Percentage of issued ordinary share capital if the options had been exercised immediately following Admission</b>
<b>Director</b>				
David Knight	171,428	0.4%	1,441,958	3.6%
Ron Turnbull	114,286	0.3%	622,498	1.6%
Alan Smith	11,429	0.0%	11,429	0.0%
Ron McMillan	—	—	—	—
Paul Daccus	—	—	—	—
<b>Senior Manager</b>				
Kevin Royal	—	—	399,309	1.0%
Sacha Beere	—	—	272,256	0.7%
Gary Kemp	257,277	0.6%	257,277	0.6%
Marie Liston	—	—	272,256	0.7%

**Notes:**

- (1) Pursuant to the Offer, David Knight has agreed to purchase 171,428 Ordinary Shares, Ron Turnbull has agreed to purchase 114,286 Ordinary Shares and Alan Smith has agreed to purchase 11,429 Ordinary Shares, in each case at the Offer Price.
- (2) Immediately following Admission the Executive Directors and Senior Managers (other than Gary Kemp) will retain an interest in B ordinary shares and/or D ordinary shares in the capital of Parlour Products Topco Limited, the former holding company of the Operating Group. These B ordinary shares and D ordinary shares are exchangeable for Ordinary Shares in the capital of the Company pursuant to the terms of the Option Agreements entered into with each Executive Director/Senior Manager (other than Gary Kemp).
- (3) The figures in these columns do not include options granted conditionally upon Admission pursuant to the LTIP.

7.3.2 As at 22 January 2015 (being the latest practicable date prior to publication of this Prospectus), the following options over Ordinary Shares had been granted to the Directors and Senior Managers pursuant to the LTIP conditional on Admission.

	<b>Date of grant</b>	<b>No. of Ordinary Shares under option</b>	<b>Exercise price per Ordinary Share</b>	<b>First exercise date</b>	<b>Last Exercise date</b>
<b>Director</b>					
David Knight	21.1.15	22,772	175p	Admission	20.1.2025
Ron Turnbull	21.1.15	9,109	175p	Admission	20.1.2025
Alan Smith	—	—	—	—	—
Ron McMillan	—	—	—	—	—
Paul Daccus	—	—	—	—	—
<b>Senior Manager</b>					
Kevin Royal	21.1.15	7,157	175p	Admission	20.1.2025
Sacha Beere	21.1.15	4,880	175p	Admission	20.1.2025
Gary Kemp	21.1.15	19,861	1.75	Admission	20.1.2025
Marie Liston	21.1.15	4,880	175p	Admission	20.1.2025

7.3.3 Save as disclosed in this paragraph 7, no Director or Senior Manager has any interests (beneficial or non-beneficial) in the share capital of the Company or any other member of the Group.

#### 7.4 Transactions with Directors and Senior Managers

7.4.1 No Director or Senior Manager has or has had any interest in any transactions which are or were unusual in their nature or conditions or are or were significant to the business of the Group or any of its subsidiary undertakings and which were affected by the Group or any of its subsidiaries during the current or immediately preceding financial year or during an earlier financial year and which remain in any respect outstanding or unperformed.

7.4.2 There are no outstanding loans or guarantees granted or provided by any member of the Group to or for the benefit of any of the Directors or Senior Managers.

#### 7.5 Directors' and Senior Managers' Service Agreements and Letters of Appointment

##### 7.5.1 *Executive Directors' Service Agreements*

###### (A) General terms

**David Knight:** has been employed by the Operating Group since 3 May 1988. He entered into his current service agreement with the Company on 19 December 2014. He currently holds the role of Chief Executive Officer. Mr Knight's current salary is £300,000 per annum which is subject to annual review by the Remuneration Committee. Mr Knight is entitled to participate in a discretionary performance related bonus scheme under which his on target bonus would be £210,000 and his maximum bonus would be £420,000. He is also entitled to various benefits under the agreement including company car/cash alternative, pension, private medical insurance, permanent health insurance, death in service cover and directors' and officers' liability insurance. There are provisions in the service agreement requiring Mr Knight to keep information about the Group confidential and to protect the Group's intellectual property rights. The service agreement contains various separate and independent restrictive covenants relating to non-competition, non-interference with suppliers and non-poaching of key employees for a period of 12 months following termination of his employment. There are no change of control provisions in the service agreement.

**Ron Turnbull:** has been employed by the Operating Group since 23 June 2004. He entered into his service agreement with the Company on 19 December 2014. He currently holds the role of Chief Financial Officer. Mr Turnbull's current salary is £200,000 per annum which is subject to annual review by the Remuneration Committee. Mr Turnbull is entitled to participate in a discretionary performance related bonus scheme under which his on target bonus would be £100,000 and his maximum bonus would be £200,000. He is also entitled to various benefits under the agreement including company car/cash alternative, private medical insurance, permanent health insurance,

death in service cover and directors' and officers' liability insurance. Mr Turnbull has reached his lifetime pension allowance and accordingly the Company has agreed to make payments directly to Mr Turnbull in lieu of payments into any personal pension plan. Details of these payments are set out in paragraph 7.6.1 of this Part XV (*Additional Information*). There are provisions in the service agreement requiring Mr Turnbull to keep information about the Group confidential and to protect the Group's intellectual property rights. The service agreement contains various separate and independent restrictive covenants relating to non-competition, non-interference with suppliers and non-poaching of key employees for a period of 12 months following termination of his employment. There are no change of control provisions in the service agreement.

(B) **Termination provisions**

Both of the Executive Directors' service agreements can be terminated on 12 months' written notice by either party. The Company has a contractual right to pay the Executive Directors in lieu of all or part of their notice period and also to place them on garden leave during all or part of their notice period. In the event of gross misconduct their employment can be terminated immediately without the requirement for notice or payment in lieu thereof.

7.5.2 **Non-Executive Directors Letters of Appointment**

Each of the Non-Executive Directors has been appointed by letters of appointment. Details of the terms of each Non-Executive Director's appointment with the Company are set out below.

<b>Name</b>	<b>Date of commencement of appointment<sup>(1)</sup></b>	<b>Committee Chairmanships/ Other Board Positions</b>	<b>Non-executive fee per annum (£)</b>
Alan Smith	22 October 2014	Chairman of the Nomination Committee Audit Committee Remuneration Committee	125,000
Ron McMillan	22 October 2014	Chairman of the Audit Committee Chairman of the Remuneration Committee Nomination Committee	60,000
Paul Daccus	1 December 2014	Remuneration Committee Nomination Committee Audit Committee	60,000 <sup>(2)</sup>

**Notes:**

- (1) *The letters of appointment for Mr Smith and Mr McMillan are each dated 22 October 2014. Mr Daccus' appointment commenced with effect from 1 December 2014 pursuant to a letter of appointment dated 9 January 2015.*
- (2) *This amount is payable to Sun Capital Partners Management V, LLC pursuant to the terms of a consultancy agreement dated 9 January 2015 entered into by the Company in connection with Mr Daccus's appointment.*

(A) **General Terms**

**Alan Smith:** was appointed Non-Executive Chairman to the Company pursuant to the terms of a letter of appointment dated 22 October 2014. The appointment is for an initial period of three years (subject to election at the next annual general meeting). Pursuant to this letter of appointment, Mr Smith is required to devote an appropriate amount of time to his role, which is currently agreed to be equivalent to 2 days per month. The 2 days per month will include attendance at: (i) monthly Board meetings and any committee meetings of the audit committee, remuneration committee and the nomination committee; (ii) the Company's annual general meeting in each year; (iii) one strategy day a year; (iv) one Company conference a year; and (v) two half-day accompanied store visits per year. In addition to his fees (details of which are set out

above), Mr Smith is entitled to be reimbursed his reasonable and properly documented out-of pocket expenses.

**Ron McMillan:** was appointed a Non-Executive Director to the Company pursuant to the terms of a letter of appointment dated 22 October 2014. The appointment is for an initial period of three years (subject to election at the next annual general meeting). Pursuant to this letter of appointment, Mr McMillan is required to devote an appropriate amount of time to his role, which is currently agreed to be equivalent to 2 days per month. The 2 days per month will include attendance at: (i) monthly Board meetings and any committee meetings of the audit committee, remuneration committee and the nomination committee; (ii) the Company's annual general meeting in each year; (iii) one strategy day a year; (iv) one Company conference a year; and (v) two half-day accompanied store visits per year. In addition to his fees (details of which are set out above), Mr McMillan is entitled to be reimbursed his reasonable and properly documented out-of pocket expenses.

**Paul Daccus:** was appointed a Non-Executive Director of the Company pursuant to terms of the Relationship Agreement (him being the director nominee appointed by the Principal Shareholder) and the terms of a consultancy agreement entered into between (1) Mr Daccus (2) the Company and (3) Sun Capital Partners Management V, LLC with effect from 1 December 2014. The appointment is for an initial period of three years (subject to election at the next annual general meeting of the Company). Pursuant to this consultancy agreement, Mr Daccus is required to devote an appropriate amount of time to his role, which is currently agreed to be equivalent to 2 days per month. The 2 days per month will include attendance at: (i) monthly Board meetings and any committee meetings of the audit committee, remuneration committee and the nomination committee; (ii) the Company's annual general meeting in each year; (iii) one strategy day a year; (iv) one Company conference a year; and (v) two half-day accompanied store visits per year. Any additional days over and above this 2 days per month shall be provided on an ad hoc basis as agreed between the Company and Sun Capital Partners Management V, LLC. In addition to the fee payable to Sun Capital Partners Management V, LLC (details of which are set out above), Mr Daccus is entitled to be reimbursed his reasonable and properly documented out-of pocket expenses.

(B) **Termination provisions**

Each of the Non-Executive Directors' services are terminable in certain circumstances including on the giving of three months' written notice by either party and failure to be re-elected by shareholders.

7.5.3 **Directors' indemnity and insurance**

The Company has customary directors' and officers' indemnity insurance in place in respect of each of the Directors.

7.5.4 **Senior Managers**

(A) **General Terms**

**Kevin Royal:** has been employed by the Operating Group since 2 November 1987. He entered into his current service agreement with A. Share & Sons Limited on 21 April 2004 and a deed of amendment to this agreement on 8 January 2015. He currently holds the role of Sales Director. Mr Royal's current salary is £190,000 per annum which is subject to annual review by the Remuneration Committee. Mr Royal is entitled to participate in a discretionary performance related bonus scheme under which his on target bonus would be £95,000 and his maximum bonus would be £190,000. He is also entitled to various benefits under the agreement including company car/cash alternative, pension, private medical insurance, permanent health insurance, death in service cover and directors' and officers' liability insurance. There are provisions in the service agreement requiring Mr Royal to keep information about the Group confidential

and to protect the Group's intellectual property rights. The service agreement contains various separate and independent restrictive covenants relating to non-competition, non-interference with suppliers and non-poaching of key employees for a period of 12 months following termination of his employment. There are no change of control provisions in the service agreement.

**Gary Kemp:** has been employed by the Operating Group since 1 September 2008. He entered into his current service agreement with A. Share & Sons Limited on 10 January 2011 and a deed of amendment to this agreement on 8 January 2015. He currently holds the role of Logistics Director. Mr Kemp's current salary is £110,000 per annum which is subject to annual review by the Remuneration Committee. Mr Kemp is entitled to participate in a discretionary performance related bonus scheme under which his on target bonus would be £55,000 and his maximum bonus would be £110,000. He is also entitled to various benefits under the agreement including company car/cash alternative, pension, private medical insurance, permanent health insurance, death in service cover and directors' and officers' liability insurance. There are provisions in the service agreement requiring Mr Kemp to keep information about the Group confidential and to protect the Group's intellectual property rights. The service agreement contains various separate and independent restrictive covenants relating to non-competition, non-interference with suppliers and non-poaching of key employees for a period of 12 months following termination of his employment. There are no a change of control provisions in the service agreement.

**Howard "Sacha" Beere:** has been employed by the Operating Group since 25 November 1996. He entered into his current service agreement with A. Share & Sons Limited on 9 March 1999 and a deed of amendment to this agreement on 8 January 2015. He currently holds the role of Operations Director. Mr Beere's current salary is £140,000 per annum which is subject to annual review by the Remuneration Committee. Mr Beere is entitled to participate in a discretionary performance related bonus scheme under which his on target bonus would be £70,000 and his maximum bonus would be £175,000. He is also entitled to various benefits under the agreement including company car/cash alternative, pension, private medical insurance, permanent health insurance, death in service cover and directors' and officers' liability insurance. There are provisions in the service agreement requiring Mr Beere to keep information about the Group confidential and to protect the Group's intellectual property rights. The service agreement contains various separate and independent restrictive covenants relating to non-competition, non-interference with suppliers and non-poaching of key employees for a period of 12 months following termination of his employment. There are no change of control provisions in the service agreement.

**Marie Liston:** has been employed by the Operating Group since 6 November 2000. She entered into her current service agreement with A. Share & Sons Limited on 1 April 2003 and a deed of amendment to this agreement on 8 January 2015. She currently holds the role of HR Director. Mrs Liston's current salary is £120,000 per annum which is subject to annual review by the Remuneration Committee. Mrs Liston is entitled to participate in a discretionary performance related bonus scheme under which her on target bonus would be £60,000 and her maximum bonus would be £120,000. She is also entitled to various benefits under the agreement including company car/cash alternative, pension, private medical insurance, permanent health insurance, death in service cover and directors' and officers' liability insurance. There are provisions in the service agreement requiring Mrs Liston to keep information about the Group confidential and to protect the Group's intellectual property rights. The service agreement contains various separate and independent restrictive covenants relating to non-competition, non-interference with suppliers and non-poaching of key employees for a period of 12 months following termination of her employment. There are no change of control provisions in the service agreement.

## 7.6 Executive Directors' and Senior Managers' Remuneration

For the year ended 26 July 2014, the aggregate total remuneration paid (including contingent or deferred compensation) and benefits in kind granted (under any description whatsoever) to each of the Executive Directors and the Senior Managers by members of the Operating Group was approximately £1.8 million.

7.6.1 Under the terms of their service contracts and applicable incentive plans, in the financial year ended 26 July 2014, the Directors and Senior Managers were remunerated as set out below:

Name	Base salary £	Benefits £ <sup>2</sup>	Total (exc. pension) £ <sup>3</sup>	Pension	Total (inc. pension) £	Date of joining the Operating Group
<b>Director<sup>1</sup></b>						
David Knight	300,000	197,786	497,786	20% of basic salary, non-contributory	557,786	3 May 1988
Ron Turnbull	175,000	89,881	264,881	20% of basic salary, non-contributory <sup>(4)</sup>	299,881	23 June 2004
Kevin Royal	165,000	85,825	250,825	20% of basic salary, non-contributory	283,825	2 November 1987
Sacha Beere	140,000	86,685	226,685	20% of basic salary, non-contributory	254,685	25 November 1996
Gary Kemp	110,000	59,906	169,906	20% of basic salary, non-contributory	191,906	1 September 2008
Marie Liston	120,000	69,439	189,439	20% of basic salary, non-contributory	213,439	6 November 2000

### Notes:

- (1) The Non-Executive Directors were each appointed in the period subsequent to the 26 July 2014 and therefore information relating to their fees is not included in the table above. Information relating to the fees agreed to be paid to Non-Executive Directors can be found at paragraph 7.5.2 of this Part XV (Additional Information).
- (2) Benefits represent bonus, the provision of private medical insurance, life insurance and car and fuel allowance.
- (3) This figure represents the combined value of Base salary and Benefits.
- (4) Subsequent to the 26 July 2014, Mr Turnbull reached his life time pension allowance and accordingly this amount is paid directly to Mr Turnbull in lieu of payments which had previously been made into Mr Turnbull's personal pension plan.

7.6.2 There is no arrangement under which any Director has waived or agreed to waive future emoluments nor has there been any waiver of emoluments during the financial year immediately preceding the date of this Prospectus.

7.6.3 No amounts have been set aside or accrued by the Group to provide pension, retirement or other benefits to the Directors or Senior Managers.

## 7.7 Conflicts of interest

7.7.1 The Executive Directors are directors of, and/or shareholders in, one or more of the subsidiary companies. These directorships and shareholdings potentially give rise to a conflict of interest between the relevant Directors' duties to the Company and their duties to, or interests in, the relevant subsidiary company. For example, if the Group has offered to provide capital to one of its subsidiary companies on which one of its Directors sits on the board, that Director owes certain duties to the subsidiary company in his capacity as a director when that company considers such offer, such as the duty to avoid conflicts of interest, to exercise independent judgement and to promote the success of the company for the benefit of its members as a whole. It may be that in seeking to exercise such duties, this conflicts with the same duties that Director owes to the Company. In such circumstances, the Director will ensure that he declares all such conflicts in accordance with the Companies Act and may be required to abstain from taking part in the discussions and/or voting on any decisions to be taken in respect thereof. In the same way, if a Director is a shareholder in a subsidiary company to which the

Group is considering providing capital, it may be that his personal interests are potentially in conflict with the duties that Director owes to the Company in considering the merits of the provision of such capital. Again, such Director will fully declare all such conflicts of interest in accordance with the Companies Act and may be required to abstain from taking part in the discussions and/or voting on any decisions to be taken in respect thereof.

7.7.2 Paul Daccus is a nominee director appointed by the Principal Shareholder pursuant to the terms of the Relationship Agreement as its representative on the Board. Mr Daccus is also an ordinary partner of Sun European Partners, LLP, an affiliate of the Principal Shareholder.

7.7.3 Save as referred to in paragraph 7.7.1 and paragraph 7.7.2 of this Part XV (*Additional Information*) above, there are no actual or potential conflicts of interest between the Directors' duties to the Company and their private interests and other duties.

## 7.8 **Directors' and Senior Manager' Confirmations**

7.8.1 Save as referred to in paragraph 7.8.2 of this Part XV (*Additional Information*) below during the last five years, no Director or Senior Manager has:

7.8.1.1 been convicted in relation to a fraudulent offence;

7.8.1.2 been associated with any bankruptcy, receivership or liquidation while acting in the capacity of a member of the administrative, management or supervisory body or senior management of any company;

7.8.1.3 been subject to any official public incrimination and/or sanction by statutory or regulatory authorities (including designated professional bodies);

7.8.1.4 been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of any issuer or from acting in the management or conduct of the affairs of any issuer;

7.8.1.5 been a partner in a partnership which, while he was a partner or within 12 months of his ceasing to be a partner, was put into compulsory liquidation or administration or which entered into any partnership or voluntary arrangement, or had a receiver appointed over any partnership asset;

7.8.1.6 had a receiver appointed with respect to any assets belonging to him; or

7.8.1.7 been a director of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation or administration or which entered into any company voluntary arrangement or any composition or arrangement with its creditors generally or any class of creditors, at any time during which he was a director of that company or within 12 months after his ceasing to be a director.

7.8.2 David Knight, Ron Turnbull, Kevin Royal and Sacha Beere were directors of ScS Upholstery plc (the previous holding company of A. Share & Sons Limited), and Marie Liston was a director of A. Share & Sons Limited, at the time ScS Upholstery plc went into administration in July 2008.

## 8. SIGNIFICANT SHAREHOLDERS

- 8.1 As at 22 January 2015 (being the latest practicable date prior to the publication of this Prospectus), the Directors were aware of the following persons who, directly or indirectly, were interested in three per cent. or more of the Company's capital or voting rights:

Shareholders	Following the Reorganisation and immediately prior to Admission		Immediately following Admission	
	Number of ordinary shares	Percentage of issued ordinary share capital	Number of ordinary shares	Percentage of issued ordinary share capital
Parlour Product Holdings (Lux) S.à r.l.	37,020,160 <sup>(1)</sup>	92.6%	16,620,160	41.6%
Sanne Fiduciary Services Limited (as trustee of the EBT)	—	—	2,722,563 <sup>(2)</sup>	6.8%
River & Mercantile	—	—	3,428,572	8.6%
Threadneedle	—	—	2,428,572	6.1%
Investec Asset Management	—	—	1,926,664	4.8%
Miton	—	—	1,682,285	4.2%
Henderson Global Investors	—	—	1,645,714	4.1%
Artemis	—	—	1,462,857	3.7%
Old Mutual Asset Management	—	—	1,280,000	3.2%

**Notes:**

- (1) 20,400,000 Ordinary Shares will be sold by the Principal Shareholder pursuant to the Offer.
- (2) Of these Ordinary Shares, David Knight has an interest in 1,270,530 Ordinary Shares held by the EBT, pursuant to his Option Agreement, representing approximately 3.2 per cent. of the issued Ordinary Share capital existing on Admission. When aggregated with the Ordinary Shares Mr Knight will acquire pursuant to the Offer, immediately prior to and on Admission, Mr Knight has an interest in 1,441,958 Ordinary Shares, representing approximately 3.6 per cent. of the issued Ordinary Share capital existing on Admission. David Knight has not been involved in the table above to avoid double counting of the Ordinary Shares held by the EBT.

- 8.2 Immediately after Admission:

- (a) save as disclosed in paragraph 8.1 above, the Company is not aware of any persons who, directly or indirectly, jointly or severally, will exercise or could exercise control over the Company; and
- (b) none of the Shareholders set out above has or will have different voting rights.

## 9. SHARE INCENTIVE ARRANGEMENTS

### 9.1 New share incentive arrangements

On 21 January 2015, the Company adopted the following employee share plans ("**Share Plans**") conditionally upon Admission. Under each of the Share Plans, awards may be granted to employees and directors of the Group which entitle them to acquire Ordinary Shares subject to certain conditions:

- The ScS Group plc Long Term Incentive Plan ("**LTIP**");
- The ScS Group plc Deferred Bonus Plan ("**DBP**"); and
- The ScS Group plc Share Incentive Plan ("**SIP**").

Under the Share Plans, awards have been made, conditionally upon Admission, over a total of 640,080 Ordinary Shares ("**Admission Awards**"). The Admission Awards comprise awards made to the Executive Directors and Senior Managers in reward for past performance ("**Executive Awards**") and awards made to other key managers in the business on Admission ("**Management Awards**"). The Executive Awards take the form of market value share options to acquire Ordinary Shares granted under the LTIP which will, to the extent possible, be granted as tax advantaged "CSOP Options" (as described in more detail in paragraph 9.3.1 below). The Admission Awards will not be subject to performance conditions. The Executive Awards will be exercisable from Admission. Summary details of the Executive Awards are set out in the table in paragraph 7.3.2. of this Part XV (Additional Information).

The Management Awards take the form of nil cost share options to acquire Ordinary Shares granted under the LTIP which will become exercisable from the third anniversary of the date of Admission. Summaries of the key features of the Share Plans are set out in paragraphs 9.3 to 9.5 below. The following features are common to all of the Share Plans:

### ***Dilution limits***

The maximum number of new Ordinary Shares over which awards may be granted under the Share Plans in any 10 year period may not exceed 5 per cent. of the number of Ordinary Shares in issue from time to time.

For so long as institutional guidelines recommend, Ordinary Shares transferred from treasury to satisfy awards will count as newly issued shares for these purposes.

Awards which have lapsed or been surrendered will not count towards these dilution limits, nor will the Admission Awards nor any Ordinary Shares issued prior to or at Admission pursuant to the share incentive arrangements operated by the Group prior to Admission.

### ***Pension Benefits***

None of the benefits which may be received under any of the Share Plans will be pensionable.

## **9.2 Existing share incentive arrangements**

Prior to Admission, the Executive Directors and Senior Managers acquired B ordinary shares, C ordinary shares and/or D ordinary shares in the capital of PPT pursuant to share incentive arrangements established by PPT. Further details about the arrangements relating to these share interests are set out in paragraph 9.6 of this Part XV (*Additional Information*).

## **9.3 Long Term Incentive Plan**

### **9.3.1 Overview**

Under the LTIP, awards in the form of options (“**Options**”) over Ordinary Shares or conditional rights to acquire Ordinary Shares (“**Conditional Share Awards**”) may be granted to employees and directors of the Group. The Company has adopted a sub-plan to the LTIP which permits the grant of share options with a market value exercise price (“**CSOP Options**”, and together with Options and Conditional Share Awards, “**Awards**”) over Ordinary Shares which meet the requirements of a company share option plan (“**CSOP**”) for the purposes of the Income Tax (Earnings and Pensions) Act 2003. The provisions of the LTIP apply to CSOP Options subject to and insofar as necessary or appropriate to take account of by the applicable requirements of the CSOP legislation.

The Remuneration Committee will supervise the operation of the LTIP and will grant Awards under it.

Options may be granted with an exercise price which, other than for the Executive Awards and other Awards granted as CSOP Options, will be nil or nominal and vesting of Awards will other than the Admission Awards, be subject to the achievement of appropriately challenging performance criteria. The exercise price of a CSOP Option shall not be less than the market value of an Ordinary Share at grant.

The principle features of the LTIP are set out in paragraphs 9.3.2 to 9.3.14 below.

### **9.3.2 Participation**

Participation in the LTIP is open to directors and employees of the Group as selected by the Remuneration Committee in their discretion.

### **9.3.3 Timing of grant of Awards**

Generally, Awards may only be granted conditionally upon Admission or in the six week period beginning on the date of Admission and thereafter, only in the six week period following the announcement by the Company of its results for any period. However, in circumstances which

the Remuneration Committee considers exceptional, Awards may be granted outside these six week periods.

#### 9.3.4 **Individual participation limit**

The maximum value of Ordinary Shares over which Awards under the LTIP may be granted, not including any Admission Awards, to a participant ("**Participant**") in any financial year of the Company may not exceed 150 per cent. of his annual basic salary at the date the Award is granted (or for the preceding twelve months, if greater) unless circumstances arise which the Remuneration Committee believes justify granting Awards outside this limit. A Participant may be granted CSOP Options over Ordinary Shares with a total market value of up to the individual limit from time to time applying to options granted under a CSOP (currently £30,000).

#### 9.3.5 **Performance conditions and vesting**

Awards will normally only vest after a minimum period of three years from the date of grant (other than the Executive Awards which will vest at Admission). Vesting of all Awards, other than the Admission Awards, will normally be subject to the achievement of appropriate performance conditions as determined by the Remuneration Committee at the date of grant, and will be subject to the Participant continuing to be an employee or director of the Group at the time of vesting.

Where performance conditions have been set, if events subsequently happen which cause the Remuneration Committee to consider that any performance condition no longer represents a fair measure of performance, the Remuneration Committee may amend the performance condition so as to be more appropriate.

To the extent that any Award does not vest, it will forthwith lapse.

#### 9.3.6 **Ceasing to be an employee**

Participants who cease to be employees or directors within the Group will normally forfeit any unvested Awards.

However, if a Participant leaves as a result of death, ill health, injury or disability, retirement with the agreement of his employer, the participant being employed by a company which ceases to be in the Group or being employed in an undertaking which is transferred to a person which is not a company within the Group or for any other reason determined by the Remuneration Committee ("good leaver"), that Participant (or his personal representatives if the Participant has died) will be allowed to retain his unvested Awards (other than CSOP Options which will vest on cessation of employment as described in the following paragraph) which will vest, subject to the achievement of any applicable performance conditions, on the normal date as if that Participant had continued in employment within the Group. However, the number of Ordinary Shares in respect of which the Award vests will then be reduced on a pro rata basis to take account of the period of time since the date of grant during which the Participant was not an employee or a director of the Group (unless the Remuneration Committee determines not to apply such pro-rating and to allow vesting to a greater or lesser extent).

Notwithstanding this, the Remuneration Committee may instead determine that an Award granted to a good leaver may vest early when he leaves, to the extent to which, at the date of cessation of employment, the performance conditions applicable to that Award have been satisfied (as determined by the Remuneration Committee acting reasonably), and on a pro-rata basis taking into account the period of time which has elapsed since the Award was granted (unless the Remuneration Committee determines not to apply such pro-rating and to allow vesting to a greater or lesser extent).

To the extent that Options or CSOP Options held by a good leaver have vested or vest, they may be exercised for a period of six months following the date of cessation of employment, or following vesting if later, (or such longer period as the Remuneration Committee determines) and will otherwise lapse at the end of that period. If a Participant has died, any Options or CSOP Options held by him which have vested or vest following his death may be exercised

for a period of 12 months following his death, or following the date of vesting, if later, and will otherwise lapse at the end of that period.

### 9.3.7 ***Change of control and other corporate events***

If there is a change of control of the Company, or a court-sanctioned compromise or arrangement, or a voluntary winding up, Awards will vest early. The number of Ordinary Shares in respect of which Awards will vest will be calculated on the basis of the extent to which any performance conditions applicable to those Awards have been satisfied as at the date of the change of control (or a court-sanctioned compromise or arrangement, or a voluntary winding up). The resulting number of Ordinary Shares will then be reduced on a pro rata basis to reflect the reduced period between the date the Award was granted and the date of the change of control (or the court-sanctioned compromise or arrangement, or a voluntary winding up), unless the Remuneration Committee decides otherwise.

To the extent that Options or CSOP Options vest on an event described above, they may be exercised within a period of up to six months after the date of the relevant event.

Where appropriate, for example in the case of an amalgamation or reconstruction of the Company, with the consent of the acquiring company, Participants may be required or allowed to exchange Awards so as to operate over shares in the acquiring company.

On the occurrence of any demerger, distribution or other transaction of the Company, the Remuneration Committee may determine that Awards vest. The proportion on an Award which vests will be determined by the Remuneration Committee in its discretion taking into account the extent to which the performance condition applicable to such Award has been satisfied at that time and the period of time since the grant of the Award.

### 9.3.8 ***Dividend equivalent***

An award may include the right, on vesting of Conditional Share Awards or the exercise of Options (other than CSOP Options) to additional Ordinary Shares or cash equal in value/amount to dividends paid during the performance period in respect of a number of Ordinary Shares equal to the number in respect of which the relevant Award has vested. Such an amount will assume the reinvestment of dividends and include special dividends or dividends in specie.

### 9.3.9 ***Malus and clawback***

The Remuneration Committee may determine on the grant of an Award that a term of the Award shall be that the Remuneration Committee may decide, at any time prior to the vesting of an Award, that the number of Ordinary Shares subject to the Award shall be reduced (including to nil) on such basis that the Remuneration Committee in its discretion considers to be fair and reasonable where the Remuneration Committee determines that:

- 9.3.9.1 there has been a material misstatement of the audited accounts of the Group or any Group company;
- 9.3.9.2 that the assessment of any performance condition in respect of an Award was based on error or inaccurate or misleading information;
- 9.3.9.3 that any information used to determine the number of Ordinary Shares subject to an Award was based on error or inaccurate or misleading information;
- 9.3.9.4 that there has been action or conduct of the relevant Participant which amounts to fraud or gross misconduct; or
- 9.3.9.5 that events or the behaviour of the relevant Participant have led to the censure of a Group company by a regulatory authority or have had a significant detrimental impact on the reputation of any group company provided that the Remuneration Committee is satisfied that the relevant Participant was responsible for the censure or reputational damage and that the censure or reputational damage is attributable to him.

In addition the Remuneration Committee may apply clawback to all or part of a Participant's Award in the circumstances above during the period of three years (or such other period not

exceeding three years as the Remuneration Committee may determine) following vesting of the Award. Clawback may be effected, among other means, by requiring the transfer of Ordinary Shares, payment of cash or reduction of other awards or bonuses.

#### 9.3.10 **Taxation**

Under the terms of the LTIP, the Participant agrees to pay to the relevant Group company the amount of any income tax and social security contributions which such Group company is required to withhold and/or account for to any fiscal authority. To the extent permitted by law, such tax and social security liabilities may be deducted from other payments due to the Participant and the relevant Group company may withhold and sell Ordinary Shares to which the Participant would otherwise be entitled under the LTIP to raise funds in order to meet such liabilities. To the extent permitted by law, such social security contributions may include employer contributions.

#### 9.3.11 **Variation of share capital**

In the event of any variation of share capital by way of capitalisation, rights issue, sub-division, consolidation or reduction of share capital, demerger, special dividend or other distribution or otherwise, the number and/or description of Ordinary Shares over which an Award has been granted, and/or the exercise price of such Awards and other term of the Award may be adjusted by the Remuneration Committee as it determines to be appropriate (provided that no adjustment shall result in Ordinary Shares being issued at less than nominal value unless the Company is authorised to capitalise an amount from reserves to meet the shortfall and to apply such amount in paying up the Ordinary Shares).

#### 9.3.12 **Amendment of the LTIP**

The terms of the LTIP may be amended by the Remuneration Committee.

However, certain amendments which would benefit Participants may not be made without prior shareholder approval unless the amendments are minor amendments which are to benefit the administration of the LTIP or are necessary or desirable to comply with or take account of applicable legislation or any change therein or to obtain or maintain favourable taxation, exchange control or regulatory treatment for the Company (or any Group company) or for Participants. An amendment may not normally adversely affect the rights of a Participant except with such Participant's Consent.

The provisions which may not generally be amended without shareholder approval are to: the basis for determining an eligible individual's entitlement (or otherwise) to be granted an Award and/or to acquire Ordinary Shares on the exercise of an Option or CSOP Option and/or to become absolutely entitled to Ordinary Shares subject to a Conditional Share Award (as the case may be) under the LTIP, the persons to whom an Award may be granted, the individual and overall limits on the number of Ordinary Shares over which Awards may be granted, the price at which Plan Shares may be acquired under an Award, and the adjustment of Awards on a variation of share capital.

#### 9.3.13 **Term of the LTIP**

The life of the LTIP will be ten years and no Awards may therefore be granted more than ten years after the date on which the LTIP was approved by shareholders.

#### 9.3.14 **Employee benefit trust**

9.3.14.1 The administration and operation of the LTIP and the DBP will be facilitated by the trustee ("**Trustee**") of a non-UK resident employee benefit trust ("**EBT**"). The Trustee is an independent professional trustee and that when exercising its discretions, the Trustee will always have regard to the recommendations of the Remuneration Committee.

9.3.14.2 The EBT may subscribe for Ordinary Shares or may purchase Ordinary Shares in the market in order to satisfy awards granted under the LTIP. In respect of Shares acquired by subscription, the subscription price to be paid by the EBT will be the market value of the Shares.

9.3.14.3 The duration of the EBT will be 125 years.

9.3.14.4 The EBT will not hold more than five per cent. of the issued ordinary share capital of the Company without shareholder approval and the trustees of the EBT will not exercise any voting rights in respect of Ordinary Shares held in the EBT from time to time except for voting rights in respect of Ordinary Shares which are beneficially owned by any beneficiary of the EBT and in relation to which the EBT has received voting instructions from that beneficiary. Notwithstanding this five per cent. limit, with effect from Admission and until the options referred to in paragraph 9.6 of this Part XV (*Additional Information*) have been exercised, the EBT will hold Ordinary Shares representing at Admission 6.81 per cent. of the issued Ordinary Shares to enable it to satisfy the exercising of such options as described in that paragraph 9.6.

9.3.14.5 The Company (or other Group companies) will fund the EBT to enable it to acquire Shares.

## 9.4 **Deferred Bonus Plan**

### 9.4.1 **Overview**

The DBP comprises an annual bonus scheme with provisions for the mandatory deferral of the bonus amounts payable into Ordinary Shares.

Under the DBP, awards may be granted to participants ("**Participants**") which entitle them to receive a cash amount, subject to the achievement of a performance target measured over a financial year ("**Bonus Awards**"). Following the determination of the extent to which the performance target has been met, the amount due under a Bonus Award will be deferred into shares (a "**Share Award**") which will vest at the end of a two year deferral period, subject to the Participant's continued employment.

Share Awards may take the form of options ("**Options**") over Ordinary Shares or conditional rights to acquire Ordinary Shares ("**Conditional Share Awards**"). Options may be granted either with a nil or nominal exercise price.

The Remuneration Committee will supervise the operation of the DBP and will grant Bonus Awards and Share Awards under it.

The principle features of the DBP are set out in paragraphs 9.4.2 to 9.4.16 below.

### 9.4.2 **Participation**

Participation in the DBP is open to directors and employees of the Group as selected by the Remuneration Committee in their discretion.

### 9.4.3 **Individual participation limit**

The maximum cash value of Bonus Awards which may be granted under the DBP to a participant ("**Participant**") in any financial year of the Company may not exceed 100 per cent. of his annual basic salary at the date of the Bonus Award.

### 9.4.4 **Performance conditions and vesting**

Bonus Awards will normally only vest following the end of the financial year in which they were granted. Vesting of Bonus Awards will be subject to the achievement of appropriate performance conditions measured over that financial year as determined by the Remuneration Committee at the date of grant, and will be subject to the Participant continuing to be an employee or director of the Group at the time of vesting.

Where performance conditions have been set, if events subsequently happen which cause the Remuneration Committee to consider that any performance condition no longer represents a fair measure of performance, the Remuneration Committee may amend the performance condition so as to be more appropriate.

To the extent that any Bonus Award does not vest, it will forthwith lapse.

#### 9.4.5 ***Ceasing to be an employee before a Bonus Award vests***

Participants who cease to be employees or directors within the Group will normally forfeit any outstanding unvested Bonus Award.

However, if a Participant leaves as a result of death, ill health, injury or disability, retirement with the agreement of his employer, the participant being employed by a company which ceases to be in the Group or being employed in an undertaking which is transferred to a person which is not a company within the Group or for any other reason determined by the Remuneration Committee ("**good leaver**"), that Participant (or his personal representatives if the Participant has died) will be allowed to retain his Bonus Award which will vest, subject to the achievement of the applicable performance conditions, on the normal date as if that Participant had continued in employment within the Group. However, the bonus amount in respect of which the Bonus Award vests will then be reduced on a pro rata basis to take account of the proportion of the relevant financial year during which the Participant was not an employee or a director of the Group (unless the Remuneration Committee determines not to apply such pro-rating and to allow vesting to a greater or lesser extent).

The amount due under the Participant's Bonus Award will be deferred into Ordinary Shares on the same basis as if he had not ceased to be in employment unless the Remuneration Committee, in its discretion, determines that the amount due under the Bonus Award shall be immediately settled in cash.

#### 9.4.6 ***Change of control and other corporate events***

If there is a change of control of the Company, or a court-sanctioned compromise or arrangement, or a voluntary winding up, or at the discretion of the Remuneration Committee on the occurrence of any demerger, distribution or other similar transaction of the Company, Bonus Awards will vest early and the Remuneration Committee shall determine whether they shall be settled in cash or Ordinary Shares. The amount of the Bonus Award which will vest will be calculated on the basis of Remuneration Committee's assessment of the extent to which the performance conditions applicable to those Bonus Awards have been satisfied as at the date of the change of control (or a court-sanctioned compromise or arrangement, or a voluntary winding up). The resulting bonus amount will then be reduced on a pro rata basis to reflect the reduced period between the date the Bonus Award was granted and the date of the change of control (or the court-sanctioned compromise or arrangement, or a voluntary winding up), unless the Remuneration Committee decides otherwise.

Where appropriate, for example in the case of an amalgamation or reconstruction of the Company, with the consent of the acquiring company, Bonus Awards may continue in effect following such event.

#### 9.4.7 ***Making of Share Awards***

A Share Award will be granted as soon as practicable after the determination of the extent to which the performance target applicable to the relevant Bonus Award has been met. The number of Ordinary Shares subject to the Share Award will be determined by reference to the bonus amount due and the price of an Ordinary Share on the dealing day preceding the day on which the Share Award is granted.

#### 9.4.8 ***Vesting of Share Awards***

Share Awards will normally only vest after a minimum period of two years from the date of grant and will be subject to the Participant continuing to be an employee or director of the Group at the time of vesting.

To the extent that any Share Award does not vest, it will forthwith lapse.

#### 9.4.9 ***Ceasing to be an employee***

Participants who cease to be employees or directors within the Group will normally forfeit any unvested Share Awards.

However, if a Participant leaves as a result of death, ill health, injury or disability, retirement with the agreement of his employer, the participant being employed by a company which ceases to be in the Group or being employed in an undertaking which is transferred to a person which is not a company within the Group or for any other reason determined by the Remuneration Committee ("**good leaver**"), that Participant (or his personal representatives if the Participant has died) will be allowed to retain his unvested Share Awards which will vest on the normal date as if that Participant had continued in employment within the Group. However, the number of Ordinary Shares in respect of which the Share Award vests will then be reduced on a pro rata basis to take account of the period of time since the date of grant during which the Participant was not an employee or a director of the Group (unless the Remuneration Committee determines not to apply such pro-rating and to allow vesting to a greater or lesser extent).

Notwithstanding this, the Remuneration Committee may instead determine that a Share Award granted to a good leaver may vest early when he leaves on a pro-rata basis taking into account the period of time which has elapsed since the Share Award was granted (unless the Remuneration Committee determines not to apply such pro-rating and to allow vesting to a greater or lesser extent).

Where a Share Award takes the form of an Option, to the extent that it is held by a good leaver and has vested or vests, it may be exercised for a period of six months following the date of cessation of employment, or following the date of vesting if later, (or such longer period as the Remuneration Committee determines) and will otherwise lapse at the end of that period. If the Participant has died, any Option held by him which has vested or vests following his death may be exercised for a period of 12 months following his death or following the date of vesting, if later, and will otherwise lapse at the end of that period.

#### 9.4.10 ***Change of control and other corporate events***

If there is a change of control of the Company, or a court-sanctioned compromise or arrangement, or a voluntary winding up, or at the discretion of the Remuneration Committee on the occurrence of any demerger, distribution or other similar transaction of the Company, Share Awards will vest early and in full.

If a Share Award takes the form of an Option and vests on an event described above, it may be exercised within a period of up to six months after the date of the relevant event.

Where appropriate, for example in the case of an amalgamation or reconstruction of the Company, with the consent of the acquiring company, Participants may be required or allowed to exchange Share Awards so as to operate over shares in the acquiring company.

#### 9.4.11 ***Dividend equivalent***

An award may include the right, on vesting of Conditional Share Awards or the exercise of Options, to additional Ordinary Shares or cash equal in value/amount to dividends paid during the performance period in respect of a number of Ordinary Shares equal to the number in respect of which the relevant Share Award has vested. Such an amount will assume the reinvestment of dividends and include special dividends or dividends in specie.

#### 9.4.12 ***Malus and clawback***

Similar malus and clawback provisions apply to Bonus Awards and Share Awards as set out in paragraph 9.3.9 of this Part XV (*Additional Information*) in relation to LTIP awards.

#### 9.4.13 **Taxation**

Under the terms of the DBP, the Participant agrees to pay to the relevant Group company the amount of any income tax and social security contributions which such Group company is required to withhold and/or account for to any fiscal authority. To the extent permitted by law, such tax and social security liabilities may be deducted from other payments due to the Participant and the relevant Group company may withhold and sell Ordinary Shares to which the Participant would otherwise be entitled under the DBP to raise funds in order to meet such liabilities. To the extent permitted by law, such social security contributions may include employer contributions.

#### 9.4.14 **Variation of share capital**

In the event of any variation of share capital by way of capitalisation, rights issue, sub-division, consolidation or reduction of share capital, demerger, special dividend or other distribution or otherwise, the number and/or of Ordinary Shares over which a Share Award has been granted, and/or the exercise price of such Share Awards and other term of the Share Award may be adjusted by the Remuneration Committee as it determines to be appropriate (provided that no adjustment shall result in Ordinary Shares being issued at less than nominal value unless the Company is authorised to capitalise an amount from reserves to meet the shortfall and to apply such amount in paying up the Ordinary Shares).

#### 9.4.15 **Amendment of the DBP**

The terms of the DBP may be amended by the Remuneration Committee.

However, certain amendments which would benefit Participants may not be made without prior shareholder approval unless the amendments are minor amendments to benefit the administration of the DBP or are necessary or desirable to comply with or take account of applicable legislation or any change therein or to obtain or maintain favourable taxation, exchange control or regulatory treatment for the Company (or any Group company) or for Participants. An amendment may not normally adversely affect the rights of a Participant except with such Participants consent.

The provisions which may not generally be amended without shareholder approval are to: the basis for determining an eligible individual's entitlement (or otherwise) to be granted an Award and/or to acquire Ordinary Shares on the exercise of an Option and/or to become absolutely entitled to Ordinary Shares subject to a Conditional Share Award (as the case may be) under the DBP, the persons to whom an Award may be granted, the individual and overall limits on the number of Ordinary Shares over which Awards may be granted, the price at which Plan Shares may be acquired under an Award, and the adjustment of Awards on a variation of share capital.

#### 9.4.16 **Term of the DBP**

The life of the DBP will be ten years and no Share Awards may therefore be granted more than ten years after the date on which the DBP was approved by shareholders and no Bonus Awards may be granted more than nine years after the date on which the DBP was approved by shareholders.

### 9.5 **Share Incentive Plan**

#### 9.5.1 **Introduction**

The SIP has been designed to satisfy the conditions set out in schedule 2 to the Income Tax (Earnings & Pensions) Act 2003 ("**ITEPA**") so that Ordinary Shares may be provided to employees of the Group in a tax-efficient manner.

The SIP will operate through a UK resident trust ("**SIP Trust**") which will be administered by professional third party trustees ("**Trustees**"). The Trustees will acquire Ordinary Shares (by subscription or purchase on the market) which are then held on behalf of participants in the SIP ("**Participants**").

### 9.5.2 **Eligibility**

All UK resident employees who have been employed within the Group for a minimum qualifying period specified by the Board in relation to any particular proposed award (not being more than 18 months or such other period as may be specified by the legislation from time to time) are eligible to participate in the SIP on similar terms.

### 9.5.3 **Types of award which may be granted**

Under the SIP, the Board may make the following types of award:

- free share award;
- partnership share award; and/or
- matching share award,

Dividend shares may also be acquired.

The Board may make different types of award in different financial periods. The principal features of these different types of award are as follows:

#### 9.5.3.1 *Free Shares*

Awards of free Ordinary Shares ("**Free Shares**") may be made to Participants up to a maximum value of £3,600 per Participant in each tax year (or such other maximum from time to time permitted by the legislation). Free Shares must be offered to all Participants on similar terms but the number awarded can be determined by reference to the employee's remuneration, length of service, number of hours worked and/or the satisfaction of fair and objective performance criteria.

#### 9.5.3.2 *Partnership Shares*

The Board may allow Participants the opportunity to purchase Ordinary Shares ("**Partnership Shares**") out of their pre-tax salary, up to a maximum of £1,800 per tax year or 10 per cent. of pre-tax salary if lower (or such other limits from time to time permitted by the legislation). The purchase price will be deducted from salary subject to a minimum specified by the Board, which may not be greater than £10 on any occasion (or such other amount from time to time specified by the legislation).

The salary allocated to Partnership Shares can be accumulated for a period of up to 12 months ("**Accumulation Period**") or Partnership Shares can be purchased out of deductions from the Participant's pre-tax annual basic salary when those deductions are made. A Participant and the Company may agree to vary the amount of salary deductions and the intervals of those deductions. If there is an Accumulation Period, the number of Ordinary Shares purchased shall be determined by dividing the Participant's aggregate pay deducted during the Accumulation Period by the market value of the Partnership Shares.

Once acquired, Partnership Shares may be withdrawn from the SIP by the Participant at any time.

#### 9.5.3.3 *Matching Shares*

Where Participants purchase Partnership Shares, they may be given up to two free Ordinary Shares ("**Matching Shares**") for every purchased Partnership Share. If Matching Shares are allocated, all Participants who have purchased Partnership Shares must be awarded Matching Shares on the same basis.

#### 9.5.3.4 *Dividend Shares*

Participants may be required or permitted to purchase additional Ordinary Shares ("**Dividend Shares**") using dividends received by them in respect of their Ordinary Shares held under the SIP.

#### 9.5.4 **Holding period and cessation of employment**

All Free Shares and Matching Shares must normally remain within the SIP Trust for a period of 3-5 years, as specified by the Board at the time the awards are made, unless the Participant ceases to be employed within the Group.

If a Participant ceases to be an employee within the Group by reason of death, injury or disability, redundancy, retirement, by reason of a relevant transfer within the meaning of the Transfer of Undertakings (Protection of Employment) Regulations 2006 or by reason of the Participant's employing company ceasing to be a member of the Group (each a **"Good Leaver"**) his Free Shares and/or Matching Shares will be transferred to him (or to his personal representative).

The Board may, in its discretion, provide that if a Participant ceases to be an employee of the Group within a period specified by the Board at the date the award is made in circumstances when he is not a Good Leaver, his Free Shares and Matching Shares will be forfeited and he will have no further entitlement to them.

#### 9.5.5 **Rights relating to the shares**

Ordinary Shares held under the SIP shall, subject to the provisions of the SIP, rank *pari passu* in all respects with other Ordinary Shares.

Where Ordinary Shares are held under the SIP by the Trustee on behalf of a Participant, the Trustee must obtain from, and comply with, any voting instructions given by the Participant and otherwise, save as required or permitted by the SIP, deal with a Participant's Shares only in accordance with his directions.

#### 9.5.6 **Company events**

In the event of a general offer being made to Shareholders (or similar takeover event taking place) during a holding period, Participants will be able to direct the Trustee as to how to act in relation to their Ordinary Shares held in the SIP. In the event of a corporate re-organisation, any Ordinary Shares held by Participants may be replaced by equivalent shares in a new holding company.

#### 9.5.7 **Variation of capital**

Ordinary Shares, or rights to them, acquired by Participants on a variation of share capital of the Company will usually be treated in the same way as the Ordinary Shares acquired or awarded under the SIP, in respect of which the rights were conferred and as if they were acquired or awarded at the same time.

#### 9.5.8 **Alterations to the SIP**

The Board may alter the SIP but certain alterations cannot take effect without the approval of the Company's shareholders in general meeting, unless they are minor amendments to the benefit of the administration of the SIP, to take account of the change in legislation, are to obtain or maintain favourable tax, exchange control or regulatory treatment for Participants in the SIP or for any member of the Group, being amendments to the class of eligible employees, the limits on the number of new Ordinary Shares which may be issued under the SIP, the maximum entitlement of an individual Participant, the price payable for Ordinary Shares by a Participant, the adjustments that may be made in the event of any variation to the share capital of the Company and the basis for determining any Participant's entitlement to Shares. No alteration to the SIP can be made which would adversely prejudice (to a material extent) the rights attaching to Shares acquired by the Participants.

### 9.6 **Pre-Admission Management Incentive Arrangements**

Prior to Admission, each of the Executive Directors and Senior Managers acquired B ordinary shares, C ordinary shares and/or D ordinary shares in the capital of PPT (together, the **"Management PPT Shares"**) pursuant to share incentive arrangements established by PPT. As part of the orderly winding

down of the Pre-Admission Management Incentive Arrangements by the Executive Directors and Senior Managers that involves the exchange of their Management PPT Shares for Ordinary Shares, each Executive Director and Senior Manager (other than Gary Kemp, who exchanged his shares in PPT pursuant to the Reorganisation) has, pursuant to the Reorganisation, entered into an option agreement, each dated 22 January 2015, ("**Option Agreements**") with the Company.

It is anticipated that, pursuant to the Option Agreements, the Pre-Admission Management Incentive Arrangements will be wound up (and the Executive Directors and relevant Senior Managers will therefore at that time acquire Ordinary Shares) in the period six to 12 months following Admission. Pursuant to the Option Agreement each such Executive Director and Senior Manager has an option ("**Option**") to acquire Ordinary Shares in exchange for their Management PPT Shares. The number of Ordinary Shares which each such Executive Director and Senior Manager can acquire on exercise of the Option is the number which, at the Offer Price, reflects the value of their Management PPT Shares at Admission. The EBT has agreed to subscribe at Admission for such number of Ordinary Shares which will be subject to the Option and the Company has agreed, conditionally upon Admission, to make a contribution to the EBT of £2,722.57 to enable the EBT to make such subscription. The Company has entered into an agreement dated 21 January 2015 ("**Hedging Agreement**") with the EBT pursuant to which the EBT has agreed to transfer such Ordinary Shares to such Executive Directors and Senior Managers on exercise of the Option in consideration of such Executive Directors and Senior Managers transferring their Management PPT Shares to the EBT. The numbers of Ordinary Shares which will be acquired by each individual, and the percentage shareholdings in the Company which they will represent by reference to the issued share capital of the Company immediately following Admission, are set out in paragraph 7.3.1 of this Part XV (*Additional Information*). The Company has a call option under the Option Agreements under which it, or such person as it shall nominate, has the right to acquire the Management PPT Shares on the same terms.

The EBT has agreed, once it acquires the Management PPT Shares, to transfer them to the Company for an aggregate sum of £1.

The EBT has waived any dividends which it may otherwise be entitled to receive in respect of Ordinary Shares held by it, and has also agreed to waive voting rights in relation to such Ordinary Shares.

The period during which either option under the Option Agreement may be exercised is the period of 12 months from 28 July 2015 (or, if earlier, on the acquisition of the entire issued share capital of the Company by a third party). Exercise of the options is not conditional on any event or circumstance arising or occurring other than 28 July 2015. Any liability to stamp duty or stamp duty reserve tax which is payable in relation to transfer of Management PPT Shares to the EBT or the transfer of Ordinary Shares by the EBT to the Executive Directors and Senior Managers pursuant to the winding down of the Pre-Admission Management Incentive Arrangements will be met by the relevant Executive Director or Senior Manager.

In addition, the Executive Directors and Senior Managers have entered into the Restricted Share Agreements, each dated 22 January 2015, with the Company and the Principal Shareholder pursuant to which the Ordinary Shares acquired by the Executive Directors and Senior Managers as part of the Reorganisation (in Gary Kemp's case) or on exercise of either the put option or the call option (in the case of the Executive Directors and other Senior Managers) ("**Original Shares**") will be subject to restrictions on transfer such that the Executive Directors and Senior Managers may not without the written consent of the Principal Shareholder sell, transfer, assign, pledge or otherwise dispose of, directly or indirectly any interest in their respective Original Shares except:

- 9.6.1 as permitted or required pursuant to certain provisions of the lock-up arrangements entered into by the Executive Directors and Senior Managers as referred to in paragraph 15.4 of this Part XV (*Additional Information*). The relevant permitted transfer provisions in the lock-up arrangements for these purposes are those which permit transfers to an associate of the transferor. However, in the case of such a transfer, the transferee shall, before the transfer to such transferee is effected, enter into a deed of adherence to the Option Agreement agreeing to be bound by the provisions restricting transfers of Ordinary Shares; or

9.6.2 subject to the lock-up arrangements referred to in paragraph 15.4 of this Part XV (*Additional Information*), the Executive Directors and Senior Managers may at any time sell or transfer a percentage of their holdings of Original Shares, being the same percentage of the Ordinary Shares held by the Principal Shareholder immediately prior to Admission which it has sold either pursuant to the Offer or since Admission.

These restrictions on transfer shall continue to apply notwithstanding that the relevant Executive Director or Senior Manager ceases to be employed by the Group, but shall cease to apply on the fourth anniversary of Admission or, if earlier, the date on which the Principal Shareholder or any affiliate of the Principal Shareholder ceases to hold or to have any interest in any Ordinary Shares.

These restrictions on transfer do not apply to the Ordinary Shares acquired by David Knight and Ronald Turnbull at Admission nor to any Ordinary Shares acquired by any of the Executive Directors or Senior Managers pursuant to the LTIP described in paragraph 9.3 of this Part XV (*Additional Information*).

The Management PPT Shares have the following rights and restrictions:

**9.6.3 Voting**

The B ordinary shares and C ordinary shares do not carry voting rights. The D ordinary shares carry one vote per share, as do the A ordinary shares in PPT held by the Company.

**9.6.4 Dividends**

The B ordinary shares, C ordinary shares and D ordinary shares in PPT have no right to participate in dividends.

**9.6.5 Capital**

The A ordinary shares, B ordinary shares and the C ordinary shares have the right to participate on a return of capital as to approximately 93.2 per cent. to the A ordinary shares and the (Ordinary Shares participating as one class), approximately 6.8 per cent. to the B ordinary shares. The D ordinary shares have no right to participate unless the surplus assets available for distribution on a return of capital exceed £1,415,850,000, in which case, they would participate as if they were B ordinary shares.

**9.6.6 Transfer restrictions**

The Management PPT Shares may not be transferred other than pursuant to the Option Agreements.

**10. RELATED PARTY TRANSACTIONS**

10.1 Affiliates of Sun Capital US will have an indirect substantial shareholding in the Company via the Principal Shareholder and therefore transactions involving the Company and any company within the Sun Capital US group will be subject to Chapter 11 of the Listing Rules.

10.2 Save as described in note 26 (*Related Party Transactions*) of Part XI (*Historical Financial Information*) of this document, in paragraph 11 of this Part XV (*Additional Information*), paragraph 15 of this Part XV (*Additional Information*) and in paragraph 10.3 below, there are no related party transactions between the Company or members of the Operating Group that were entered into during the financial years ended 28 July 2012, 27 July 2013 and 26 July 2014 and during the period between 27 July 2014 and 22 January 2015 (being the latest practicable date prior to the publication of this document).

10.3 As at the date of this document, the Company and/or a member of the Group has entered into the following related party transactions:

10.3.1 Parlour Product Holding Limited and the Sun Advisor entered into an agreement for financial and management consulting services dated 3 July 2008 ("**Management Services Agreement**") relating to the provision of financial and management consulting services by the

Sun Advisor to Parlour Product Holding Limited and its subsidiaries prior to Admission. On 8 January 2015, the Management Services Agreement was amended pursuant to the terms of an amendment letter entered into between Parlour Product Holding Limited and the Sun Advisor in consideration of a one-off £1.1 million payment by Parlour Product Holding Limited to the Sun Advisor. Pursuant to a deed of termination dated 8 January 2015, the Management Services Agreement will terminate in accordance with the terms thereof on Admission;

10.3.2 PPT entered into a subscription and shareholder rights agreement on 27 November 2009 with the Principal Shareholder and each of David Knight, Ronald Turnbull, Kevin Royal, Marie Liston and Sacha Beere in each case in respect of their B ordinary shares in PPT. On 7 February 2013 a similar agreement was entered into with the Principal Shareholder and Gary Kemp in respect of his C ordinary shares in PPT, and on 11 June 2014 similar agreements were also entered into with each of such Executive Directors and Senior Managers (together **“Management Shareholders”**) in respect of their D ordinary shares in PPT. Pursuant to these agreements (together **“Subscription Agreements”**), restrictions were placed on the Management Shareholders’ shares in PPT in the event of a public offering and sale of the equity interests in PPT, including where such public offering is effected through a new holding company of PPT. In summary, the agreements require the Management Shareholders to (i) vote in favour of and consent to and raise no objections against a public offering; (ii) waive any dissenters’ rights, appraisal rights or similar rights in connection with any recapitalisation, reorganisation and/or exchange in connection with the public offering, and (iii) agree to certain restrictions on the sale of Ordinary Shares for a period of 12 months following public offering. The Subscription Agreements will terminate on Admission; and

10.3.3 the Company entered into the Option Agreements with each of the Executive Directors, the Senior Managers (other than Gary Kemp, who exchanged his Management PPT Shares pursuant to the Reorganisation), the Company entered into Restricted Share Agreements with each of the Executive Directors, the Senior Managers and the Principal Shareholder, and the Company entered into the Hedging Agreement with the EBT further details of which are set out in paragraph 9.6 of this Part XV (*Additional Information*).

## **11. RELATIONSHIP WITH PRINCIPAL SHAREHOLDER**

On 23 January 2015, the Company, the Principal Shareholder and Sun Advisor entered into the Relationship Agreement, which will come into force on Admission. The principal purpose of the Relationship Agreement is to ensure that the Company is capable at all times of carrying on its business independently of the Principal Shareholder. If the Principal Shareholder (together with its associates) ceases to hold in excess of 15 per cent. of the voting rights over the Company’s Ordinary Shares, the Relationship Agreement shall terminate save for certain specified provisions.

The Relationship Agreement provides that the Principal Shareholder shall, and pursuant to the terms of the Relationship Agreement the Principal Shareholder undertakes to use all reasonable endeavours to procure that its associates and any person with whom it is acting in concert shall:

- (a) conduct all agreements, arrangements, transactions and relationships with any member of the Group on an arm’s length basis and on a normal commercial basis and in accordance with the related party transaction requirements of Chapter 11 of the Listing Rules;
- (b) not take any action that would have the effect of preventing the Company from complying with its obligations under the Listing Rules or precludes or inhibits any member of the Group from carrying on its business independently of the Principal Shareholder, its associates and any person with whom it is acting in concert;
- (c) not propose or procure the proposal of a shareholder resolution which is intended to, or appears to be intended to, circumvent the proper application of the Listing Rules; and
- (d) not exercise any of its voting rights attaching to the shares held by it to procure any amendment to the articles of association of the Company which would be inconsistent with, undermine or breach any of the provisions of the Relationship Agreement.

The Selling Shareholder, the Company and the Sun Advisor agree that, save to the extent required by applicable law or regulation they shall exercise their powers so that the Group is managed in accordance

with the UK Corporate Governance Code in each case to the extent practicable for the size, stage of development, financial position and the operations of the Group at the relevant time.

Pursuant to the terms of the Relationship Agreement the Selling Shareholder shall be entitled to nominate a shareholder director and an observer in circumstances where the Selling Shareholder and/or the Shareholder Affiliates (as defined in the Relationship Agreement) hold (either individually or jointly) in excess of 15 per cent. of the total voting shares of the Company. In circumstances where the Selling Shareholder and/or the Shareholder Affiliates hold (either individually or jointly) in excess of 30 per cent. of the total voting shares in the Company, the Selling Shareholder shall be entitled to nominate the shareholder director to act as chairman of the Board. The Principal Shareholder has appointed Paul Daccus as its representative director on the Board. Notwithstanding that the Principal Shareholder, at Admission, holds in excess of 30 per cent. of the total voting shares in the Company, Alan Smith has been appointed as Non-Executive Chairman. Mr Smith is not affiliated to the Principal Shareholder.

The chairman/shareholder director and observer are authorised by the Company (in circumstances where the Selling Shareholder and/or Shareholder Affiliates hold (individually or jointly) in excess of 15 per cent. of the total voting shares in the Company) to disclose certain information, such as weekly flash reports, cashflow forecasts, monthly profit and loss summaries and flash reports and annual budget packs (which is seemed to be confidential information) to the Selling Shareholder and the Sun Advisor. Subject to certain exceptions and to compliance with all applicable laws, the Company, the Selling Shareholder and the Sun Advisor have agreed not to disclose or use confidential information for any purpose whatsoever other than for the purposes of properly performing such party's obligations under the Relationship Agreement.

In addition, pursuant to the terms of the Relationship Agreement, the Company has appointed, on a non-exclusive basis and at no cost to the Company, the Sun Advisor to perform, as and when requested in writing by the Board and as agreed by the Sun Advisor, consulting services regarding the business of the Group and such other services relating to the Group as may from time to time be reasonably requested by the Executive Directors and agreed to by Sun Advisor.

The Board believes that the terms of the Relationship Agreement will enable the Company to carry on its business independently from the Principal Shareholder and its affiliates, and ensure that all transactions and relationships between the Principal Shareholder and its affiliates are, and will be, at arm's length and on a normal commercial basis.

## 12. SIGNIFICANT SUBSIDIARIES AND PRINCIPAL INVESTMENTS

### 12.1 Significant subsidiaries

The Company is the principal holding company of the Group. The principal subsidiaries of the Company as at the date of this document, each of which is considered by the Company to be likely to have a significant effect on the assessment of the assets and liabilities, the principal position and/or the profits and losses of the Group, are as follows:

Name	Year of incorporation	Place of incorporation	Current Ownership interest (direct and indirect)	Nature of business
Parlour Product Topco Limited	2008	England and Wales	93.2% <sup>(1)</sup>	Intermediate holding company
Parlour Product Holding Limited	2008	England and Wales	100%	Intermediate holding company
A. Share & Sons Limited	1937	England and Wales	100%	Retailer of upholstered furniture and flooring

**Notes:**

(1) The remaining 6.8 per cent. of the ordinary shares in the capital of Parlour Product Topco Limited are held by the Executive Directors and Senior Managers subject to the terms of the Option Agreements.

- 12.2 The Company currently has no principal investments (in progress or planned for the future on which the Directors have made firm commitments or otherwise) other than the subsidiaries and subsidiary undertakings listed above.

### **13. PROPERTY**

As at the date of this document, the Group operated throughout the United Kingdom from 97 store premises. All but one of the Group's stores occupy leasehold properties with an average unexpired term of 10 years. Approximately 3 per cent. of the Group's stores have leases which are expiring in the next three years. No individual store premises of the Group, accounts for more than three per cent. of the Group's annual revenue. To support its store operations, as at the date of this document, the Group also operated 10 distribution centres each of which are occupied through leasehold arrangements. No one store or distribution centre is considered material to the Group's operations.

The Group's head office is located at 45-49 Villiers Street, Sunderland, Tyne & Wear SR1 1HA. The Group leases its head office premises under two leasehold arrangements: (i) warehouse and office space for annual rent of £62,000, and (ii) a car parking facility for annual rent of £5,000. The warehouse and office space lease expires on 19 October 2018 and the car parking facility lease expires 3 June 2017.

### **14. INTELLECTUAL PROPERTY**

As at the date of this document, the Group owned eight registered UK trade marks in relation to its business and its own label and private brand products. These include, among others, trade marks for "ScS", "Endurance" and "SiSi Italia". In addition, as at 22 January 2015 (being the latest practicable date prior to publication of this Prospectus), the Group has registered four trade marks in the European Community which include, among others, trade marks for "ScS" and "Endurance". The Group owns the website domain [www.scs.co.uk](http://www.scs.co.uk).

Save as set out above, the Group is not dependent on any other material intellectual property. The Group regards its trademarks and other intellectual property rights as valuable assets and takes appropriate action to protect and will, when necessary, enforce them.

The Group is not currently party to any material intellectual property disputes.

### **15. MATERIAL CONTRACTS**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of Group within the two years immediately preceding the date of this Prospectus and/or have been entered into by members of the Group, and contain provision under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of this Prospectus:

#### **15.1 Summary of the material agreements relating to A. Share & Sons Limited**

##### **15.1.1 *Share purchase agreement***

In connection with the Reorganisation, A. Share & Sons Limited entered into a share purchase agreement with the Principal Shareholder dated 14 November 2014 relating to the transfer of the one ordinary share in the capital of the Company (constituting the entire issued share capital of the Company at that time) to the Principal Shareholder for the sum of £1. The share purchase agreement was entered into for the purposes of positioning the Company as the ultimate holding company of the Group from Admission.

##### **15.1.2 *Loan agreement***

In connection with the Reorganisation, A. Share & Sons Limited entered into a loan agreement with the Principal Shareholder dated 14 November 2014 pursuant to which A. Share & Sons Limited lent the total sum of £50,000 to the Principal Shareholder to facilitate its acquisition of shares in the Company and its subscription for further shares in the Company. This loan was repaid on 21 January 2015.

### 15.1.3 **Capitalisation agreement**

In connection with the Reorganisation, A. Share & Sons Limited entered into a capitalisation and subscription agreement with Parlour Product Holding Limited dated 21 January 2015. Pursuant to the capitalisation agreement, Parlour Product Holding Limited released £10,403,491 outstanding on intra group loan account in consideration for the issue of 1 ordinary share of £1 in A. Share & Sons Limited. Please refer to paragraph 3.2.6 of this Part XV (*Additional Information*) for further information.

### 15.1.4 **Management services agreement**

A. Share & Sons Limited entered into a management services agreement with Parlour Product Topco Limited, Parlour Product Holding Limited and ScS Furnishings Limited (the “**Related Companies**”) and the Company dated 26 November 2014. Pursuant to the management services agreement, the Company has agreed to provide certain services to the Related Companies including consultancy and planning, product management, human resources, financial and other general management services in exchange for a service fee.

### 15.1.5 **Barclays Bank plc overdraft facility**

On 20 September 2013, A. Share & Sons Limited entered into a facility agreement with Barclays Bank plc (“**Barclays**”) relating to the provision of an overdraft facility for an amount of £10.0 million with a fixed rate of interest of 4 per cent. per annum above Barclays’ base lending rate. The facility was entered into to finance the repayment of amounts owed to affiliates of Sun Capital. The facility is based on the standard terms and conditions of Barclays and is repayable on demand. The facility is secured by registered security in favour of Barclays including an all monies fixed and floating charge over the undertaking and all property and assets of A. Share & Sons Limited in Barclays’ favour created by a debenture dated 20 September 2013. The overdraft facility will be terminated prior to Admission.

### 15.1.6 **Revolving Credit Facility**

A. Share & Sons Limited is party to a revolving credit facility agreement dated 16 January 2015 pursuant to which Lloyds Bank plc (“**Lloyds**”) has agreed to provide a revolving credit facility of up to £12.0 million (“**Revolving Credit Facility**”). The Revolving Credit Facility is made available for the working capital and general business purposes of the Group.

The Revolving Credit Facility has an initial margin of 3 per cent., which is subject to a margin ratchet pursuant to which the margin will increase to 3.25 per cent. if more than 33 per cent., but less than or equal to 66 per cent., of the Revolving Credit Facility is drawn down and will increase to 3.50 per cent. if more than 66 per cent. of the Revolving Credit Facility is drawn down. An arrangement fee of 4 per cent. is payable under the Revolving Credit Facility on the date of Admission. In addition a commitment fee of 40 per cent. of margin is payable per annum. The commitment fee will only begin to accrue upon Admission.

The Revolving Credit Facility will not mature before 16 January 2017. In addition to certain permitted voluntary prepayment, the Facility requires mandatory prepayment in full or in part in certain circumstances including a change of control (which itself will include a de-listing).

In addition, there is a clear down obligation which requires that, in each financial quarter, the total amount of loans drawn under the Facility must not exceed £1,000,000 for a period of five successive days. There must be at least two calendar months between clean down periods.

The Revolving Credit Facility requires certain of the borrowers, guarantors and members of the Group to make customary representations at specified times. The Revolving Credit Facility also contains customary positive and negative covenants subject to certain agreed exceptions.

The Revolving Credit Facility contains a financial covenant requiring that the ratio of net finance charges, when combined with rent or similar payments, against the EBITDA figure (adjusted to exclude rent and exceptional costs) of the A. Share & Sons Limited and its subsidiaries to be not less than 1.35:1 for the financial quarter ended 30 April 2015, 1.325:1 for the financial quarter ended 31 July 2015, 1.375:1 for the financial quarter ended 31 October 2015, 1.325:1

for the financial quarter ended 31 January 2016, 1.30:1 for the financial quarter ended 30 April 2016 and 1.20:1 for each financial quarter thereafter. The Revolving Credit Facility also contains a requirement that the ratio of total indebtedness to EBITDA is not greater than 1.4:1 at any given time.

The Revolving Credit Facility contains a further financial covenant requiring that capital expenditure of the Group shall not exceed £4.25 million in the financial year ended 31 July 2015, £4.5 million in the financial year ended 31 July 2016, £4.75 million for the financial year ended 31 July 2017 and £4,887,500 for the financial year ended 31 July 2018.

The Revolving Credit Facility sets out customary events of default in relation to the Facility, the occurrence of which would, subject to any applicable grace periods, cure rights and agreed exceptions, allow Lloyds to accelerate, among other things, all outstanding loans and terminate its commitments under the Revolving Credit Facility.

The Revolving Credit Facility is secured by way of fixed and floating charges over all of the Group companies party to it.

The Revolving Credit Facility requires A. Share & Sons Limited to retain, in a specified account, cash balances in an amount not less than 75 per cent. of the exposure of Lloyds Bank plc under the card processing facilities to be provided to A. Share & Sons Limited.

## 15.2 Summary of the material agreements relating to Parlour Product Topco Limited

### 15.2.1 **Capitalisation agreement**

In connection with the Reorganisation, Parlour Product Topco Limited entered into a capitalisation and subscription agreement with the Principal Shareholder dated 21 January 2015. Pursuant to the capitalisation and subscription agreement, the Principal Shareholder released \$38,556,612.55 PIK Notes (and accrued interest thereon) in consideration for the issue of 1 A ordinary share of £0.00001 in Parlour Product Topco Limited. Please refer to paragraph 3.2.5 of this Part XV (*Additional Information*) for further information.

### 15.2.2 **Management services agreement**

Parlour Product Topco Limited entered into a management services agreement with Parlour Product Holding Limited, A. Share & Sons Limited and ScS Furnishings Limited (the “**Related Companies**”) and the Company dated 26 November 2014. Pursuant to the management services agreement, the Company has agreed to provide certain services to the Related Companies including consultancy and planning, product management, human resources, financial and other general management services in exchange for a service fee.

### 15.2.3 **Revolving Credit Facility**

Parlour Product Topco Limited is party to the Revolving Credit Facility described in paragraph 15.1.6 of this Part XV (*Additional Information*).

## 15.3 Summary of material agreements relating to Parlour Product Holding Limited

### 15.3.1 **Capitalisation agreement**

A. Share & Sons Limited entered into a capitalisation and subscription agreement with Parlour Product Holding Limited dated 21 January 2015. Pursuant to the capitalisation and subscription agreement, Parlour Product Holding Limited released £10,403,491 outstanding on intra group loan account in consideration for the issue of 1 ordinary share of £1 share in A. Share & Sons Limited. Please refer to paragraph 3.2.6 of this Part XV (*Additional Information*) for further information.

### 15.3.2 **Management services agreement**

Parlour Product Holding Limited entered into a management services agreement with Parlour Product Topco Limited, A. Share & Sons Limited and ScS Furnishings Limited (the “**Related Companies**”) and the Company dated 26 November 2014. Pursuant to the management

services agreement, the Company has agreed to provide certain services to the Related Companies including consultancy and planning, product management, human resources, financial and other general management services in exchange for a service fee.

#### 15.3.3 **Revolving Credit Facility**

Parlour Product Holding Limited is party to the Revolving Credit Facility as described in paragraph 15.1.6 of this Part XV (*Additional Information*).

### 15.4 **Summary of the material agreements relating to ScS Group plc**

#### 15.4.1 **Sponsor and Underwriting Agreement**

On 23 January 2015, the Company, the Directors, the Selling Shareholder and Investec entered into the Sponsor and Underwriting Agreement. Pursuant to the Sponsor and Underwriting Agreement:

- 15.4.1.1 Investec has agreed to procure purchasers for Offer Shares to be sold in the Offer, or failing which to purchase for themselves, at the Offer Price, the Offer Shares to be sold pursuant to the Offer;
- 15.4.1.2 in consideration for the services provided to the Selling Shareholder and subject to Admission occurring, the Selling Shareholder has agreed to pay to Investec a commission of 2 per cent. of the amount equal to the Offer Price multiplied by the aggregate number of Offer Shares (plus any applicable VAT). In addition, the Selling Shareholder may in its sole discretion choose to pay to Investec of an incentive fee of 1 per cent. of any amount which is equal to the Offer Price multiplied by the number of Offer Shares (plus any applicable VAT);
- 15.4.1.3 the obligations of Investec to procure purchasers for or, failing which, itself to purchase, the Offer Shares to be sold pursuant to the Offer on the terms of the Sponsor and Underwriting Agreement are subject to certain conditions. These conditions include, among other things, the absence of any breach of representation or warranty under the Sponsor and Underwriting Agreement and Admission occurring on or before 8.00 a.m. on 28 January 2015 (or such later time and/or date as Investec and the Company may agree, being not later than 27 February 2015). In addition, Investec has the right to terminate the Sponsor and Underwriting Agreement prior to Admission in certain specified circumstances that are customary in an agreement of this nature;
- 15.4.1.4 the Company has appointed Investec as sponsor in connection with Admission. In connection with such appointment, the Company has agreed to pay to Investec a corporate finance fee of £200,000 (plus any applicable VAT);
- 15.4.1.5 the Company has agreed to be subject to a 90 day lock-up period following Admission, during which time, subject to certain exceptions, it may not issue or dispose of any new Ordinary Shares without the consent of Investec;
- 15.4.1.6 each of the Company and the Directors have given certain representations, warranties and undertakings, subject to certain limits to Investec;
- 15.4.1.7 the Company has given an indemnity to Investec on customary terms; and
- 15.4.1.8 the parties to the Sponsor and Underwriting Agreement have given certain covenants to each other regarding compliance with laws and regulations affecting the making of the Offer in relevant jurisdictions.

#### 15.4.2 **Lock-In and Orderly Market Deeds**

Pursuant to the Lock In and Orderly Market Deeds:

- 15.4.2.1 entered into between the Selling Shareholder, the Company and Investec on 23 January 2015 and subject to Admission:
  - (a) the Selling Shareholder has, subject to certain exceptions, undertaken to Investec that, it shall not and it shall procure that any of its associates to whom

it transfers Ordinary Shares shall not enter into any agreement to transfer any Ordinary Shares held by them for a period of six months from Admission, without the prior written consent of Investec, any such consent is not to be unreasonably withheld or delayed; and

- (b) the Selling Shareholder has further undertaken that it shall not and shall also use its reasonable endeavours to ensure that any associate to whom it transfers Ordinary Shares shall not, for a period of 15 months from Admission, enter into any agreement to transfer any Ordinary Shares held by them, except through Investec, provided that in respect of any such transfer, Investec shall sell any such Ordinary Shares in accordance with its best execution policy as soon as reasonably practicable, taking into account the size and timing of the relevant transfer;

15.4.2.2 entered into by between the Directors and Senior Managers who hold Ordinary Shares, the Company and Investec on 23 January 2015 and subject to Admission:

- (a) such Directors and Senior Managers have, subject to certain exceptions, undertaken to Investec that they shall not and procure that any of their associates shall not, enter into any agreement to transfer any Ordinary Shares held by them for a period of 12 months from Admission, or in the case of Ordinary Shares acquired on exercise of the put and call option referred to in paragraph 9.6 of this Part XV (*Additional Information*), for a period of 12 months from the date when such put or call options are exercised, in each case without the prior written consent of Investec, any such consent not to be unreasonably withheld or delayed; and
- (b) such Directors and Senior Managers have each further undertaken that they shall not and shall also use their respective reasonable endeavours to ensure that their associates shall not, for a period of, in the case of those Directors and Senior Managers holding Ordinary Shares on Admission, 18 months from Admission or, in the case of those Directors and Senior Managers who are a party to the Option Agreements, 6 months from the expiry of the initial lock-up period referred to in paragraph 15.4.2.2(a) above following exercise of the option, enter into any agreement to transfer any Ordinary Shares held by them, except through Investec, provided that in respect of any such transfer, Investec shall sell any such Ordinary Shares in accordance with its best execution policy as soon as reasonably practicable, taking into account the size and timing of the relevant transfer.

#### 15.4.3 **Relationship Agreement**

The Company is a party to the Relationship Agreement as described in paragraph 11 of this Part XV (*Additional Information*).

#### 15.4.4 **Share exchange agreement**

The Company entered into a share exchange agreement with the Principal Shareholder dated 21 January 2015. Pursuant to the share exchange agreement, the 100,001 ordinary A shares in the capital of Parlour Product Topco Limited held by the Principal Shareholder were acquired by the Company in consideration for the issue of shares in the Company to the Principal Shareholder. Please refer to paragraph 3.2.7 of this Part XV (*Additional Information*) for further information.

#### 15.4.5 **Share exchange agreement**

The Company entered into a share exchange agreement with Gary Kemp dated 22 January 2015. Pursuant to the share exchange agreement, the 750 C ordinary shares in the capital of Parlour Product Topco Limited held by Gary Kemp were acquired by the Company in consideration for the issue of shares in the Company to Gary Kemp. Please refer to paragraph 3.2.17 of this Part XV (*Additional Information*) for further information.

#### 15.4.6 **Management services agreement**

The Company entered into a management services agreement with Parlour Product Topco Limited, Parlour Product Holding Limited, A. Share & Sons Limited and ScS Furnishings Limited (the “**Related Companies**”) dated 26 November 2014. Pursuant to the management services agreement, the Company has agreed to provide certain services to the Related Companies including consultancy and planning, product management, human resources, financial and other general management services in exchange for a service fee.

### **16. LITIGATION**

There are not and have not been any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware), during a period covering at least the previous 12 months, which may have, or have had in the recent past, significant effect on the Company and/or the Group’s financial position or profitability.

### **17. ENVIRONMENTAL ISSUES**

As far as the Directors are aware, there are no material environmental issues that may affect the Group or the Group’s utilisation of its tangible assets.

### **18. WORKING CAPITAL**

The Company is of the opinion that, taking into account the bank and other facilities available to the Group, the working capital available to it is sufficient for the present requirements of the Group, that is, for at least twelve months from the date of this Prospectus.

### **19. NO SIGNIFICANT CHANGE**

- 19.1 Save as disclosed in paragraph 3 of Part XV of this document in relation to the Reorganisation there has been no significant change in the financial or trading position of the Company since 15 October 1996, being the date of its incorporation.
- 19.2 Save as disclosed in paragraph 3 of Part XV of this document in relation to the Reorganisation there has been no significant change in the financial or trading position of the Operating Group since 26 July 2014, being the date to which the most recent historical financial information of the Operating Group as included in this Prospectus has been prepared.

### **20. THE DISCLOSURE AND TRANSPARENCY RULES**

- 20.1 From Admission and for so long as the Company has any of its share capital admitted to trading on the London Stock Exchange’s main market for listed securities, or any successor market or any other market operated by the London Stock Exchange, every Shareholder must comply with the notification and disclosure requirements set out in Chapter 5 of the Disclosure and Transparency Rules (as amended and varied from time to time) of the FCA Handbook.
- 20.2 Under the Disclosure and Transparency Rules, a Shareholder is required to notify the Company of the percentage of its voting rights if the percentage of voting rights which he holds (directly or indirectly) reaches, exceeds or falls below three per cent. and each one per cent. threshold thereafter up to 100 per cent. The notification must be made within two trading days of the Shareholder learning of the acquisition or disposal leading to the increase or decrease in his shareholding.

**Shareholders are urged to consider their notification and disclosure obligations carefully as a failure to make the required disclosure to the Company may result in disenfranchisement.**

## **21. MANDATORY BIDS, SQUEEZE OUT AND SELL OUT RULES RELATING TO THE ORDINARY SHARES**

Other than as provided by the Takeover Code and Part 28 of the Companies Act, there are no rules or provisions relating to mandatory bids and/or squeeze-out and sell-out rules that apply to the Ordinary Shares of the Company.

“Interests in shares” is defined broadly in the Takeover Code. A person who has long economic exposure, whether absolute or conditional, to changes in the price of shares will be treated as interested in those shares. A person who only has a short position in shares will not be treated as interested in those shares.

“Voting rights” for these purposes means all the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting.

Persons acting in concert (and concert parties) comprise persons who, pursuant to an agreement or understanding (whether formal or informal), co-operate to obtain or consolidate control of a company or to frustrate the successful outcome of an offer for a company. Certain categories of people are deemed under the Takeover Code to be acting in concert with each other unless the contrary is established.

### **21.1 Mandatory bid**

21.1.1 The Takeover Code applies to the Company. Under Rule 9 of the Takeover Code, if an acquisition of Ordinary Shares were to increase the aggregate holding of the acquirer and its concert parties to shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer (and depending on the circumstances, its concert parties) would be required, except with the consent of the Takeover Panel, to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for any interests in the Ordinary Shares by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered by an acquisition of shares by a person holding (together with its concert parties) shares carrying between 30 and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person’s percentage of the voting rights.

21.1.2 Prospective investors should be aware that, immediately following Admission, the Principal Shareholder will continue to hold more than 50 per cent. of the Company’s voting share capital and may, accordingly, be able to increase its aggregate shareholding in the Company without incurring any obligation under the Takeover Code to make a general offer.

### **21.2 Squeeze out**

Under the Companies Act, if an offeror were to acquire 90 per cent. of the Ordinary Shares within four months of making the offer, it could then compulsorily acquire the remaining 10 per cent. It would do so by sending a notice to outstanding Shareholders telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding Shareholders. The consideration offered to the Shareholders whose shares are compulsorily acquired under the Companies Act, in general, must be the same as the consideration that was available under the takeover offer.

### **21.3 Sell out**

The Companies Act also gives minority Shareholders in the Company a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer related to all the Ordinary Shares and at any time before the end of the period within which the offer could be accepted the offeror held or had agreed to acquire not less than 90 per cent. of the Ordinary Shares, any holder of shares to which the offer relates who has not accepted the offer can require the offeror to acquire his shares. The offeror would be required to give any Shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority Shareholders to be bought out, but that period cannot end less than three months after the

end of the acceptance period. If a shareholder exercises its rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

## 21.4 **Rule 9 disclosures**

### 21.4.1 **Overview**

For the purposes of Rule 9 of the Takeover Code (which is described in paragraph 21.1 of this Part XV (*Additional Information*)), the Company understands that the Takeover Panel may presume (i) the Selling Shareholder, its parent, subsidiaries and fellow subsidiaries, and their associated companies, and companies of which such companies are associated companies, all with each other (for this purpose ownership or control of 20 per cent. or more of the equity share capital of a company is regarded as the test of associated company status); to be acting in concert with other persons in the same category unless the contrary is established and (ii) by virtue of his appointment by the Selling Shareholder as a director of the Company, Paul Daccus to be acting in concert with the Selling Shareholder for the purposes of Rule 9 of the Takeover Code unless the contrary is established. Paul Daccus does not currently hold any Ordinary Shares.

### 21.4.2 **Whitewash procedure**

When a company redeems or purchases its own voting shares, under Rule 37 of the Takeover Code any resulting increase in the percentage of shares carrying voting rights in which a person or group of persons acting in concert is interested will be treated as an acquisition for the purpose of Rule 9 of the Takeover Code. Rule 37 of the Takeover Code provides that, subject to prior consultation, the Takeover Panel will normally waive any resulting obligation to make a general offer if there is a vote of independent shareholders and a procedure along the lines of that set out in Appendix 1 to the Takeover Code is followed. Appendix 1 to the Takeover Code sets out the procedure which should be followed in obtaining that consent of independent shareholders. Under Note 1 on Rule 37 of the Takeover Code, a person who comes to exceed the limits in Rule 9.1 in consequence of a company's purchase of its own shares will not normally incur an obligation to make a mandatory offer unless that person is a director, or the relationship of the person with any one or more of the directors is such that the person is, or is presumed to be, acting in concert with any of the directors. However, there is no presumption that all the directors (or any two or more directors) are acting in concert solely by reason of a proposed purchase by a company of its own shares, or the decision to seek shareholders' authority for any such purchase.

Under Note 2 on Rule 37 of the Takeover Code, the exception in Note 1 on Rule 37 described above will not apply, and an obligation to make a mandatory offer may therefore be imposed, if a person (or any relevant member of a group of persons acting in concert) has acquired an interest in shares at a time when he, she or it had reason to believe that such a purchase of its own shares by the company would take place. However, Note 2 will not normally be relevant unless the relevant person has knowledge that a purchase for which requisite shareholder authority exists is being, or is likely to be, implemented (whether in whole or in part).

The Takeover Panel must be consulted in advance in any case where Rule 9 of the Takeover Code might be relevant. This will include any case where a person or group of persons acting in concert is interested in shares carrying 30 per cent. or more but does not hold shares carrying more than 50 per cent. of the voting rights of a company, or may become interested in 30 per cent. or more on full implementation of the proposed purchase by the company of its own shares. In addition, the Takeover Panel should always be consulted if the aggregate interests in shares of the directors and any other persons acting in concert, or presumed to be acting in concert, with any of the directors amount to 30 per cent. or more, or may be increased to 30 per cent. or more on full implementation of the proposed purchase by the company of its own shares.

## 21.5 Other disclosures relating to Shareholders

21.5.1 Other than as described in paragraph 8 of this Part XV (*Additional Information*) the Company is not aware of any persons who, as at 22 January 2015 (being the latest practicable date prior to publication of this Prospectus) and immediately after Admission, directly or indirectly, jointly or severally, will exercise or could exercise control over the Company.

21.5.2 As of Admission, the Ordinary Shares will be the only class of share capital of the Company. All Shareholders will have equal voting rights and none of the Shareholders will have different voting rights.

## 22. GENERAL

22.1 The fees and expenses to be borne by the Operating Group in connection with the Offer and Admission, including the FCA's fees, professional fees and expenses and the costs of printing and distribution of documents are estimated to amount to £2.0 million.

22.2 The auditors of the Operating Group for the 52 week period ended 28 July 2012, 27 July 2013 and 26 July 2014 are PricewaterhouseCoopers LLP, whose address is 5th and 6th Floor, Central Square South, Orchard Street, Newcastle upon Tyne NE1 3AZ. The auditors are a member firm of the Institute of Chartered Accountants in England and Wales.

22.3 Investec has given, and has not withdrawn, its written consent to the issue of this Prospectus with the inclusion herein of its name and references to it in the form and context in which they appear.

22.4 PricewaterhouseCoopers LLP is a member firm of the Institute of Chartered Accountants in England and Wales and has given and has not withdrawn its written consent to the inclusion of the report in Section A of Part XI (*Historical Financial Information*) and its report in the unaudited pro forma financial information in Section A of Part XII (*Unaudited Pro Forma Financial Information*) of this document, in the form and context in which they appear and has authorised the contents of those parts of this Prospectus which comprise its reports for the purposes of Rule 5.5.3R(2)(f) of the Prospectus Rules.

22.5 The financial information contained in this Prospectus does not amount to statutory accounts within the meaning of section 434(3) of the Companies Act.

22.6 The Company confirms that where information in this Prospectus has been sourced from a third party, the source of this information has been provided, the information has been accurately reproduced as at the date of extraction and, as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading as at the date of extraction.

## 23. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the offices of DLA Piper UK LLP at 3 Noble Street, London EC2V 7EE and at the registered office of the Company during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for a period of 12 months following Admission:

23.1 the Articles;

23.2 the Directors' service contracts and letters of appointment referred to in paragraph 7 of this Part XV (*Additional Information*);

23.3 the written consents referred to in paragraphs 22.3 and 22.4 of this Part XV (*Additional Information*);

23.4 the report from PricewaterhouseCoopers LLP set out in Section A of Part XI (*Historical Financial Information*);

23.5 the report from PricewaterhouseCoopers LLP set out in Section A of Part XII (*Unaudited Proforma Financial Information*); and

23.6 this Prospectus.

In addition, copies of this Prospectus are available on the Company's website [www.scsplc.co.uk](http://www.scsplc.co.uk), or through the National Storage Mechanism (NSM) website located at [www.morningstar.co.uk/uk/nsm](http://www.morningstar.co.uk/uk/nsm).

Dated: 23 January 2015

## **PART XVI:**

### **DEFINITIONS**

The following definitions apply throughout this Prospectus, unless the context otherwise requires:

“2010 PD Amending Directive”	EU Directive 2010/73/EU
“Admission”	the admission of the Ordinary Shares to the premium listing segment of the Official List and to trading on the London Stock Exchange’s main market for listed securities
“Articles”	the articles of association of the Company to be adopted upon Admission
“Audit Committee”	the audit committee of the Company established by the Board
“Auditors”	PricewaterhouseCoopers LLP (a limited liability partnership registered in England and Wales with registered number OC303525)
“Board” or “Directors”	the board of directors of the Company
“CAGR”	compound annual growth rate
“Companies Act”	the UK Companies Act 2006, as amended
“Company” or “ScS”	ScS Group plc (a public limited company registered in England and Wales with registered number 03263435)
“CREST”	the UK based system for the paperless settlement of trades in listed securities, of which Euroclear United Kingdom & Ireland Limited is the operator
“DBP”	the ScS Group plc Deferred Bonus Plan
“Deferred Shares”	the deferred shares of £0.00035064246 each in the capital of the Company
“Disclosure and Transparency Rules”	the disclosure rules and transparency rules of the FCA made under section 73A(3) and 73A(6) of FSMA
“EBT”	the ScS Group Employee Benefit Trust
“EU”	the European Union
“Executive Directors”	the executive Directors of the Company
“FCA”	the UK Financial Conduct Authority
“FSMA”	the UK Financial Services and Markets Act 2000, as amended
“Group”	the Company and subsidiaries and subsidiary undertakings from time to time
“Hedging Agreement”	the hedging agreement dated 21 January 2015 entered into between the Company and the EBT pursuant to which the EBT has agreed to transfer Ordinary Shares to the Executive Directors and the Senior Managers in exchange for the Management PPT Shares
“IASB”	the International Accounting Standards Board

“IFRS”	the International Financial Reporting Standards, as adopted by the European Union
“Investec”	Investec Bank plc a public limited company registered in England and Wales with registered number 00489604
“ISIN”	International Securities Identification Number
“Libor”	London Interbank Official Rate
“Listing Rules”	the listing rules of the FCA made under section 74(4) of FSMA
“Lock in and Orderly Market Deeds”	the lock in and orderly market deeds dated 23 January 2015 entered into by the Company and Investec with each of the Executive Directors and Senior Managers who hold an interest in Ordinary Shares and the Principal Shareholder respectively, further details of which are set out in paragraph 15 of Part XV ( <i>Additional Information</i> ) of this document
“London Stock Exchange”	the stock exchange based in the City of London operated by London Stock Exchange plc (a public limited company registered in England and Wales with registered number 02075721)
“LTIP”	the ScS Group plc Long Term Incentive Plan
“Management PPT Shares”	the ordinary shares in the capital of PPT held by the Executive Directors and Senior Managers (excluding Gary Kemp) as further described in paragraph 9.6 of Part XV ( <i>Additional Information</i> ) of this document
“Management Services Agreement”	the management services agreement dated 3 July 2008 entered into between Parlour Product Holding Limited and the Sun Advisor relating to the provision of financial and management consulting services by the Sun Advisor to Parlour Product Holding Limited and its subsidiaries
“Member States”	member states of the EU
“Nomination Committee”	the nomination committee of the Company established by the Board
“Non-Executive Directors”	the Non-Executive Directors of the Company
“Offer”	the sale of the Offer Shares by the Selling Shareholder to institutional investors in the United Kingdom as described in Part XIII ( <i>Details of the Offer</i> ) of this document
“Offeree”	each investor who applies to acquire Offer Shares under the Offer
“Offer Price”	175 pence, being the price at which each Offer Share is to be sold under the Offer
“Offer Shares”	those Ordinary Shares to be sold pursuant to the Offer by the Selling Shareholder as described in Part XIII ( <i>Details of the Offer</i> ) of this document
“Official List”	the Official List of the FCA
“Operating Group”	Parlour Product Topco Limited and its subsidiaries
“Option Agreements”	the option agreements dated 22 January 2015 entered into by the Company and each of the Executive Directors and Senior Managers

	(excluding Gary Kemp) who hold ordinary shares in the capital of PPT at Admission, further details of which are set out in paragraph 9.6 of Part XV ( <i>Additional Information</i> ) of this document
“Ordinary Shares”	the ordinary shares of 0.1 pence each in the capital of the Company
“PRA”	the UK Prudential Regulation Authority
“Pre-Admission Management Incentive Arrangements”	the arrangements described in paragraph 9.6 of Part XV ( <i>Additional Information</i> ) of this document
“Principal Shareholder”	Parlour Products Holdings (Lux) S.à r.l. (formerly known as Parlour Products (Lux) S.C.A.), a company ultimately owned by Sun Capital, also referred to in this document as the Selling Shareholder or PPH (Lux)
“Prospectus Directive”	EU Prospectus Directive (2003/71/EC), as amended
“PPH (Lux)”	Parlour Products Holdings (Lux) S.à r.l., a company ultimately owned by Sun Capital, also referred to in this document as the Selling Shareholder or the Principal Shareholder
“PPT” or “Operating Company”	Parlour Product Topco Limited (a private limited company registered in England and Wales with company number 06551800), a wholly owned subsidiary of the Company and the former holding Company of the Operating Group
“Prospectus Rules”	the prospectus rules of the FCA made under section 73A of FSMA
“Registrar”	Equiniti Limited (a private limited company registered in England and Wales with registered number 06226088)
“Regulation S”	Regulation S under the Securities Act
“Relationship Agreement”	the relationship agreement dated 23 January 2015 entered into between the Company, the Principal Shareholder and the Sun Advisor described in paragraph 11 of Part XV ( <i>Additional Information</i> ) of this document
“Remuneration Committee”	the remuneration committee of the Company established by the Board
“Reorganisation”	the Group reorganisation described in paragraph 3 of Part XV ( <i>Additional Information</i> ) of this document
“Restricted Jurisdiction”	any jurisdiction where the extension or availability of the Offer (and any other transaction contemplated thereby) would breach any applicable law or regulation
“Restricted Share Agreements”	the restricted share agreements dated 22 January 2015 entered into by the Company with each of the Executive Directors and Senior Managers further details of which are set out in paragraph 9.6 of Part XV ( <i>Additional Information</i> ) of this document
“Revolving Credit Facility”	the revolving credit facility dated 16 January 2015 entered into between Parlour Products Topco Limited, A. Share & Sons Limited and Lloyds Bank plc (amongst others) relating to the provision of a £12.0 million revolving credit facility to the Group to be used for working capital and general business purposes

“SEC”	the US Securities and Exchange Commission
“Securities Act”	the US Securities Act of 1933, as amended
“SEDOL”	the Stock Exchange Daily Official List
“Selling Shareholder”	Parlour Products Holdings, (Lux) S.à r.l. a company ultimately owned by Sun Capital, also referred to in this document as the Principal Shareholder or PPH (Lux)
“Senior Managers”	those persons who are set out senior managers at paragraph 2 of Part VIII ( <i>Directors, Senior Managers and Corporate Governance</i> ) of this document
“Shareholders”	the holders of Ordinary Shares in the capital of the Company
“Share Plans”	the LTIP, the DBP and the SIP
“SIP”	the ScS Group plc Share Incentive Plan
“Sponsor”	Investec
“Sponsor and Underwriting Agreement”	the sponsor and underwriting agreement dated 23 January 2015 entered into between the Company, the Directors, the Selling Shareholder and Investec described in paragraph 15.4.1 of Part XV ( <i>Additional Information</i> ) of this document
“subsidiary company”	a subsidiary of the Company as that term is defined in section 1159 of the Act
“Sun Advisor”	Sun Capital Partners Management V, LLC
“Sun Capital”	Sun Capital US and its subsidiaries and affiliates
“Sun Capital US”	Sun Capital Partners, Inc.
“Takeover Code”	the UK City Code on Takeovers and Mergers
“Takeover Panel”	the panel charged with monitoring compliance with the Takeover Code
“UK Corporate Governance Code”	the UK Corporate Governance Code dated September 2014 issued by the Financial Reporting Council
“UK”	the United Kingdom of Great Britain and Northern Ireland
“US”	the United States of America, its territories and possessions, any State of the United States of America, and the District of Columbia
“VAT”	value added tax
“Verdict”	Verdict Research Limited (a private limited company registered in England and Wales with registered number 01813905), a business information provider and a trading division of Informa UK Limited (a private limited company registered in England and Wales with registered number 01072954)
“Working Time Regulations”	the United Kingdom Work Time Regulations 1998



