

**THIS DOCUMENT AND THE ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING
ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION.**

If you are in any doubt as to any aspect of the proposals referred to in this document or as to the action you should take, you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000, as amended, if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

If you have sold or otherwise transferred all of your shares in ScS Group plc (the **Company**), please send this document, together with the accompanying Notice of AGM and Form of Proxy, as soon as possible, to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee. If you have sold or otherwise transferred only part of your holding, you should retain these documents.



ScS GROUP PLC

(Incorporated in England and Wales with registered no. 03263435)

Proposed Related Party Transaction

Sponsor

Investec Bank plc

This document, together with the accompanying Notice of AGM, should be read as a whole. Your attention is drawn to the letter from the Chairman which is set out on pages 6 to 8 of this document and the recommendation in respect of the Resolution (numbered 16 in the Notice of AGM) to be proposed at the Annual General Meeting referred to below.

Your attention is also drawn to the AGM Circular, which also accompanies this document, and which contains details of the rest of the business to be dealt with at the Annual General Meeting and a recommendation in respect of the other resolutions to be proposed at the Annual General Meeting.

Notice of the Annual General Meeting of ScS Group plc to be held at 12:00 p.m. on 23 November 2016 at Ramside Hall Hotel, Durham, DH1 1TD accompanies this document. Details of the action you are recommended to take in respect of the Resolution are set out on page 8 of this document. Details of the action you are recommended to take in respect of the other resolutions to be proposed at the Annual General Meeting are set out on page 5 of the AGM Circular. Whether or not you plan to attend the Annual General Meeting, please complete the enclosed Form of Proxy and return it in accordance with the instructions printed on it as soon as possible, but in any event so as to be received by the Company's registrars, Equiniti, at Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA, by no later than 12:00 p.m. on 21 November 2016 (or, in the case of any adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting). Alternatively, if you hold Ordinary Shares in uncertificated form, you may also appoint a proxy by completing and transmitting a CREST proxy instruction in accordance with the procedures set out in the CREST Manual ensuring that it is received by Equiniti by no later than 12:00 p.m. on 21 November 2016 (or in the case of any adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting). The completion and return of a Form of Proxy or using the CREST electronic proxy appointment service will not prevent you from attending, speaking and voting at the Annual General Meeting, or at any adjournment of such meeting, in person should you wish to do so.

This document should be read in conjunction with the accompanying Notice of AGM and Form of Proxy and the definitions set out in this document and the Notice of AGM and the Form of Proxy. The whole of this document and the accompanying Notice of AGM should be read and, in particular, your attention is drawn to the letter from the Non-Executive Chairman.

No person has been authorised to give any information or make any representation other than those contained in this document and, if given or made, such information or representation must not be relied on as having been so authorised. The delivery of this document shall not, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this document or that the information in it is correct as at any subsequent time.

Investec Bank plc (**Investec**), which is authorised by the Prudential Regulation Authority (the **PRA**) and regulated by the Financial Conduct Authority (the **FCA**) and the PRA in the United Kingdom, is acting solely for the Company in relation to the matters set out in this document (the **Transaction**) and nobody else and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Investec nor for providing advice in relation to the Transaction or any other matter referred to in this document. Apart from the responsibilities and liabilities, if any, which may be imposed upon Investec by the Financial Services and Markets Act 2000, as amended (**FSMA**), or the regulatory regime established thereunder, Investec does not accept any responsibility whatsoever or make any representation or warranty, express or implied, concerning the contents of this document, including its accuracy, completeness or verification, or concerning any other statement made or purported to be made by it, or on its behalf, in connection with the Company or the Transaction and nothing in this document is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or future. Investec accordingly disclaims, to the fullest extent permitted by law, all and any responsibility and liability whether arising in tort, contract or otherwise (save as referred to in this document) which it might otherwise have in respect of this document or any such statement.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	Time and Date
Publication of this document	25 October 2016
Latest time for receipt of individual Forms of Proxy for the Annual General Meeting	12:00 p.m. on 21 November 2016
Voting record date	6:30 p.m. on 21 November 2016
Annual General Meeting	12:00 p.m. on 23 November 2016

Future times and dates are indicative only and are subject to change by the Company. If the expected timetable of events changes from the above, the Company will release an announcement to this effect.

References to time in this document are to London time.

DIRECTORS, COMPANY SECRETARY AND ADVISERS

Directors

Alan Smith (Non-Executive Chairman)
David Knight (Chief Executive Officer)
Chris Muir (Chief Financial Officer)
Paul Daccus (Non-Executive Director)
Ron McMillan (Independent Non-Executive Director)
George Adams (Independent Non-Executive Director)

Company Secretary

Chris Muir

Sponsor

Investec Bank plc
2 Gresham Street
London
EC2V 7QP

Lawyers

Ward Hadaway
Sandgate House
102 Quayside
Newcastle upon Tyne
NE1 3DX

Registrars

Equiniti
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

PART I – LETTER FROM THE NON-EXECUTIVE CHAIRMAN



(Incorporated in England and Wales, with registered no. 03263435)

Directors:
Alan Smith
David Knight
Chris Muir
Paul Daccus
Ron McMillan
George Adams

ScS Group plc
Registered office:
45-49 Villiers Street
Sunderland
SR1 1HA

25 October 2016

Dear Shareholder,

Proposed Related Party Transaction

1. Introduction

The Board has become aware of a technical issue in respect of the payment of the interim dividend of 2.8 pence per Ordinary Share paid on 22 May 2015 (the **Distribution**).

The Act provides that a public company may pay a dividend out of its distributable profits as shown in the last accounts circulated to members or, if interim accounts are used, those that have been filed at Companies House. The requirement for the relevant accounts to have been filed applies even if the Company in question has sufficient distributable profits at the relevant time.

The Company has always filed its statutory accounts on time in accordance with the requirements of the Act, and had sufficient profits and other distributable reserves to pay the Distribution as shown by the accounts at the relevant time. However, the Company did not file interim accounts at Companies House to satisfy the procedural requirements of the Act before making the Distribution. Therefore, regrettably, the Distribution was made otherwise than in accordance with the Act.

The purpose of this document is to inform shareholders of the Resolution which will be proposed at the Annual General Meeting and which will, if passed, give the Board authority to enter the deeds of release described in Part II of this document and put all potentially affected parties so far as possible in the position in which they were always intended to be, had the Distribution been made in accordance with the procedural requirements of the Act regarding the filing of interim accounts.

The Company has been advised that, as a consequence of the Distribution having been made otherwise than in accordance with the Act, it may have claims against past and present shareholders who were recipients of the Distribution and against persons who were directors of the Company at the time of payment of the Distribution. It is therefore proposed that the Company enter into the Shareholders' Deed of Release and the Directors' Deed of Release. The consequence of the entry into these deeds by the Company is that the Company will be unable to make any claims against:

- (a) past and present shareholders of the Company who were recipients of the Distribution; and
- (b) the Relevant Directors and the Former Director (as they were the Company's directors when the Distribution was paid),

in each case in respect of the payment of the Distribution otherwise than in accordance with the Act.

The entry by the Company into the Directors' Deed of Release and the Shareholders' Deed of Release constitutes a related party transaction (as defined in the Listing Rules). Therefore, the Resolution will also seek the specific approval of the Company's shareholders for the entry into the Directors' Deed of Release and the Shareholders' Deed of Release as a related party transaction, in accordance with the requirements of the Listing Rules.

Under the Listing Rules the Relevant Shareholder is classed as a related party of the Company as it is entitled to exercise 10% or more of the votes able to be cast on all or substantially all matters at general meetings of the Company. The Relevant Shareholder received the Distribution as it was a shareholder at the date of payment of the Distribution and as the Shareholders' Deed of Release seeks to release all shareholders in receipt of the Distribution from liability then the Company entering into the Shareholders' Deed of Release constitutes a related party transaction for the purposes of the Listing Rules.

Further details and an explanation of the related party transaction and associated business of the Annual General Meeting are set out in Part II of this document. Further details and an explanation of the rest of the business of the Annual General Meeting are set out in the AGM Circular, which accompanies this document.

2. Notice of Annual General Meeting

Enclosed with this letter is a Notice of Annual General Meeting of the Company which will be held at Ramside Hall Hotel, Durham, DH1 1TD at 12:00 p.m. on 23 November 2016. The Notice of AGM accompanies this document.

Although the Notice of Annual General Meeting sets out the Resolution, the full text of the Resolution also appears below:

"Related Party Transaction

16. *That:*

- 16.1. *the appropriation of distributable profits of the Company to the payment of the interim dividend of 2.8 pence per Ordinary Share paid on 22 May 2015 (the Distribution) and having a total value of £1,044,000 be and is authorised, by reference to the same record date as the original accounting entries for the Distribution;*
- 16.2. *any and all claims which the Company has or may have arising out of or in connection with the payment of the Distribution against its shareholders who appeared on the register of shareholders on the relevant record date for the Distribution (or the personal representatives and their successors in title (as appropriate) of a shareholder's estate if he or she is deceased) be waived and released, and a deed of release in favour of such shareholders (or the personal representatives and their successors in title (as appropriate) of a shareholder's estate if he or she is deceased) be entered into by the Company in the form produced to the Annual General Meeting and initialled by the Chairman for the purposes of identification and any Director in the presence of a witness, any two Directors or any Director and the Company Secretary be authorised to execute the same as a Deed Poll for and on behalf of the Company; and*
- 16.3. *any and all claims which the Company has or may have against each Relevant Director and the Former Director (as such terms are defined in the Company's circular dated the same date as this notice and which is concerned with a Related Party Transaction or the personal representatives and their successors in title (as appropriate) of his estate, if such Relevant Director or the Former Director is deceased, arising out of or in connection with the approval, declaration or payment of the Distribution be waived and released and that a deed of release in favour of each of such Relevant Directors and the Former Director (or the personal representatives and their successors in title of his estate if such Relevant Director or the Former Director is deceased), be entered into by the Company in the form produced to the Annual General Meeting and initialled by the Chairman for the purposes of identification and any Director in the presence of a witness, any two Directors or any Director and the Company Secretary be authorised to execute the same as a Deed Poll for and on behalf of the Company."*

You are advised to read the whole of this document and the accompanying Notice of AGM, and not to rely solely on the information contained in this letter.

3. Proxy voting

Whether or not you will be attending the Annual General Meeting, I would urge you to complete, sign and return the accompanying Form of Proxy to the Company's registrars, Equiniti at Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA as soon as possible and, in any event, so as to arrive by no later than 12:00 p.m. on 21 November 2016. Alternatively, you can register your proxy electronically, including through the CREST electronic proxy appointment service (if you are a CREST member), in accordance with the instructions on the Form of Proxy. Further details are given in the notes to the Notice of AGM accompanying this document. Completion and return of the Form of Proxy will not preclude shareholders from attending and voting in person at the Annual General Meeting, should they so wish. The attention of corporate shareholders wishing to appoint more than one corporate representative is drawn to note 11 to the Notice of AGM accompanying this document.

This letter is also being sent to those who have been nominated to receive information rights under section 146 of the Act who do not themselves have a right to appoint a proxy or proxies. The attention of such nominated persons is drawn to note 12 to the Notice of AGM accompanying this document.

PART I – LETTER FROM THE NON-EXECUTIVE CHAIRMAN (continued)

4. Recommendation

The Board considers that the Resolution is in the best interests of the Company and the shareholders as a whole and recommends that shareholders vote in favour of the Resolution.

Shareholders should note that the Relevant Directors have not participated in the Board's consideration of the Resolution.

As required by the Listing Rules:

- 4.1. the Relevant Directors have not considered whether the Resolution is in the best interests of the Company. Accordingly, the Relevant Directors cannot recommend that shareholders vote in favour of the Resolution, but recommend that shareholders vote on it; and
- 4.2. each of the Relevant Directors, the Former Director and the Relevant Shareholder and their associates are precluded from voting on the Resolution, as they are all classed as related parties for the purposes of the Listing Rules. Therefore, each of the Relevant Directors, the Former Director and the Relevant Shareholder have undertaken to abstain, and to take all reasonable steps to ensure that their associates abstain, from voting on the Resolution. As at 24 October 2016 (being the latest practicable date before the publication of this document), the Relevant Directors, the Former Director and the Relevant Shareholder were recorded in the Company's register of members as holding a total of 18,686,821 Ordinary Shares in the capital of the Company representing approximately 46.71 per cent. of the Company's existing ordinary share capital.

The Board considers, having been so advised by Investec, in its capacity as the Company's sponsor, that (i) the waiver of claims against the Relevant Directors and the Former Director pursuant to the Resolution; (ii) the entry into the Directors' Deed of Release; (iii) the waiver of claims against the Relevant Shareholder pursuant to the Resolution and (iv) the entry into the Shareholders' Deed of Release are fair and reasonable so far as the shareholders of the Company are concerned.

The AGM Circular, which accompanies this document, includes a recommendation from the directors in respect of the resolutions to be proposed at the Annual General Meeting, other than the Resolution.

In accordance with current best practice and to ensure voting accurately reflects the views of shareholders, it will be proposed at the Annual General Meeting that voting on the Resolution will be conducted by poll vote rather than by a show of hands and the relevant procedures will be explained at the meeting.

The Board has taken steps to ensure that, in future, the issues referred to in this document do not arise in relation to the payment of dividends. We are grateful for shareholders' understanding in respect of the issues set out in this document.

On behalf of the Board, thank you for your continued support of the Company.

Yours sincerely



Alan Smith
Non-Executive Chairman

PART II – RELATED PARTY TRANSACTION BUSINESS OF THE ANNUAL GENERAL MEETING

1. The Distribution

The Board has become aware of a technical issue in respect of the Company's procedures for the payment of the interim dividend paid on 22 May 2015. This issue, which is described in Part I of this document, resulted in the Distribution being made otherwise than in accordance with the Act.

This issue only affected the Distribution and did not affect the final dividend made by the Company in the same financial year or any other dividend made by the Company.

2. The consequences of the Distribution having been made otherwise than in accordance with the Act

The Company has been advised that, as a consequence of the Distribution having been made otherwise than in accordance with the Act, it may have claims against past and present shareholders who were recipients of the Distribution and against persons who were directors of the Company at the time of payment of the Distribution.

The Board notes, however, that the Company has no intention of bringing any such claims. The Company has been independently advised by Ward Hadaway.

3. Shareholder Resolution

In order to remedy the potential consequences of the Distribution having been made otherwise than in accordance with the Act and to put all potentially affected parties so far as possible in the position in which they were always intended to be had the Distribution been made in accordance with the requirements of the Act, the Company is proposing the Resolution, the full text of which is set out in the Notice of AGM which accompanies this document.

If passed, the effect of the Resolution, which will be proposed as a special resolution, will be to:

- authorise the appropriation of the distributable profits of the Company to the payment of the Distribution and having a total value of £1,044,000;
- waive any and all claims which the Company has or may have in respect of the payment of the Distribution against its shareholders who appeared on the register of shareholders on the relevant record date for the Distribution (or the personal representatives and their successors in title of the estate of any deceased shareholders), such waiver to be effected by way of the entry by the Company into the Shareholders' Deed of Release; and
- waive any and all claims which the Company may have against the Relevant Directors and the Former Director (as the Relevant Directors and the Former Director were the directors of the Company when the Distribution was paid) and the personal representatives and their successors in title of the estate of any deceased Relevant Directors or of the Former Director, such waiver to be effected by way of the entry by the Company into the Directors' Deed of Release.

The approach that the Company is proposing by way of the Resolution is consistent with the approach taken by other UK incorporated companies whose shares are admitted to the UK Listing Authority's Official List and to trading on the Main Market of the London Stock Exchange that have also made corporate distributions otherwise than in accordance with the Act, having failed to comply with the procedural requirement to file interim accounts specifically prepared for the purposes of the payment of a dividend or other distributions.

4. The authorisation of the appropriation of the Company's distributable profits and the Shareholders' Deed of Release

The approach that the Company is proposing involves the authorisation of the appropriation of the distributable profits of the Company to the payment of the Distribution. As a matter of common law, it is necessary for the appropriation of distributable profits to be approved by shareholders.

The Company has been advised that it is also preferable for shareholders to approve the Company's entry into the Shareholders' Deed of Release, since the release of those past and present shareholders who appeared on the register of members on the record date for the Distribution (or their personal representatives (and their successors in title) if they are deceased) from any and all claims which the Company has or may have in respect of the payment of the Distribution will, insofar as those persons remain shareholders of the Company, comprise a shareholder distribution.

In addition, the entry by the Company into the Shareholders' Deed of Release and consequential waiver of any rights of the Company to make claims against the Relevant Shareholder (and its successors in title) in respect of the Distribution, constitutes a related party transaction (as defined in the Listing Rules) as the Relevant Shareholder is a related party for the purposes of the Listing Rules, due to it being entitled to exercise 10% or more of the votes able to be cast on all of substantially all matters at general meetings of the Company. As a result, the Resolution must be approved by the Company's shareholders who are not related parties. Accordingly, the Relevant Shareholder and its associates are precluded from voting on the Resolution and the Relevant Shareholder has undertaken to abstain, and to take all reasonable steps to ensure that its associates abstain, from voting on the Resolution.

PART II – RELATED PARTY TRANSACTION BUSINESS OF THE ANNUAL GENERAL MEETING (continued)

4. The authorisation of the appropriation of the Company's distributable profits and the Shareholders' Deed of Release (continued)

The proposed authorisation of the appropriation of the Company's distributable profits to the payment of the Distribution and the entry by the Company into the Shareholders' Deed of Release will not, however, have any effect on the Company's financial position. This is because the aggregate amount of the Distribution is equal to and offset by the release of each Recipient Shareholder from the liability to repay the amount already paid, and the Company will not be required to make any further payments to shareholders in respect of the Distribution.

In addition, the Company has not recorded or disclosed the potential right to make claims against Recipient Shareholders as an asset or a contingent asset in its financial statements. Under the Company's IFRS accounting policies, it could only record such a right as an asset when an inflow of economic benefits in favour of the Company as a result of such claim or claims being brought was virtually certain. The value of any economic benefit which the Company may derive from bringing claims against the Recipient Shareholders is uncertain (and, in any case, incapable of reliable estimation) on the basis that it may be possible for the Recipient Shareholders to establish defences to any such claims and there can be no certainty as to the amounts which could be recovered by the Company.

In addition, under IFRS, a contingent asset is required to be disclosed only when an inflow of economic benefits in favour of the Company is probable. The directors of the Company have concluded that any inflow of economic benefits as a result of such claims is less than probable.

Accordingly, the Company's entry into the Shareholders' Deed of Release will not result in any decrease in the Company's net assets or the level of its distributable reserves.

As explained above, the entry by the Company into the Shareholders' Deed of Release constitutes a related party transaction (as defined in the Listing Rules). Therefore, the Resolution will also seek the specific approval of the Company's shareholders of the entry into the Shareholders' Deed of Release as a related party transaction, in accordance with the requirements of the Listing Rules.

5. The Directors' Deed of Release

Under the Company's articles of association, it is necessary for shareholders to approve the Company's waiver of any rights of the Company to make claims against the Relevant Directors, the Former Director and the personal representatives (and their successors in title) of any deceased Relevant Directors or of the Former Director in respect of the Distribution, since the members of the Board who are also Relevant Directors would have a potential conflict of interest in approving such a waiver as they are named as beneficiaries of the waiver. The only members of the Board who are not related parties are the Independent Directors, who were appointed to the Board after the date when the Distribution was paid.

In addition, the entry by the Company into the Directors' Deed of Release and consequential waiver of any rights of the Company to make claims against the Relevant Directors, the Former Director and the personal representatives (and their successors in title) of any deceased Relevant Directors or of the Former Director in respect of the Distribution, constitutes a related party transaction (as defined in the Listing Rules) as each of the Relevant Directors are and the Former Director is a related party for the purposes of the Listing Rules. As a result, the Resolution must be approved by the Company's shareholders who are not related parties. Accordingly, each of the Relevant Directors and the Former Director and their associates are precluded from voting on the Resolution and each of the Relevant Directors and the Former Director has undertaken to abstain, and to take all reasonable steps to ensure that their associates abstain, from voting on the Resolution.

The entry by the Company into the Directors' Deed of Release will not have any effect on the Company's financial position because, as with the position in relation to the Distribution and potential claims against past and present shareholders, the Company has not recorded or disclosed its right potentially to make claims against past and present directors in respect of the Distribution as an asset or contingent asset of the Company.

Again, under the Company's IFRS accounting policies, it could only record such a right as an asset when an inflow of economic benefits in favour of the Company as a result of such claim or claims being brought was virtually certain. The value of any economic benefit which the Company may derive from bringing claims against past and present directors is uncertain (and, in any case, incapable of reliable estimation) on the basis that past and present directors would be entitled to seek the court's relief against such claims and there can be no certainty as to the amounts (if any) which could be recovered by the Company.

In addition, under IFRS, a contingent asset is required to be disclosed only when an inflow of economic benefits in favour of the Company is probable. The directors of the Company have concluded that any inflow of economic benefits as a result of such claims is less than probable.

Therefore, the Company's entry into the Directors' Deed of Release does not involve the disposition of any recognised asset or contingent asset by the Company in favour of past or present directors.

As explained above, the entry by the Company into the Directors' Deed of Release constitutes a related party transaction (as defined in the Listing Rules). Therefore, the Resolution will also seek the specific approval of the Company's shareholders of the entry into the Directors' Deed of Release as a related party transaction, in accordance with the requirements of the Listing Rules.

6. The tax position of UK shareholders

The Company has drawn the attention of HM Revenue & Customs (**HMRC**) to the circumstances surrounding the payment of the Distribution and to the steps that are now proposed to address the position. HMRC has confirmed that the tax position of UK shareholders is not affected by any procedural irregularity in the Distribution. Therefore, based on HMRC's current understanding, the passing of the Resolution should have no effect on the UK tax position of such persons.

If any UK resident shareholder has any doubts about his or her tax position, he or she should consult with an independent professional adviser.

7. The tax position of non-UK shareholders

It is similarly not expected that the passing of the Resolution should have an effect on the tax position of US shareholders although the Company has not and does not intend to seek similar confirmation from the Internal Revenue Service as it has done from HMRC.

If any US or other non-UK resident shareholder has any doubts about his or her tax position, he or she should consult with an independent professional adviser.

8. Other information

The share capital of the Company as at 24 October 2016 (being the latest practicable date before the publication of this document) comprises 40,009,109 Ordinary Shares.

For information, as at 24 October 2016 (being the latest practicable date before the publication of this document), options to subscribe for shares in respect of a maximum 1,440,014 Ordinary Shares in the Company were outstanding which, if exercised, would represent approximately 3.60 per cent. of the Company's issued ordinary share capital at the relevant date.

Copies of the final forms of the Shareholders' Deed of Release and the Directors' Deed of Release are at the end of this document and available on the Company's website <http://www.scsplc.co.uk/investors/reports-and-presentations/year-2016.aspx> and in hard copy during normal business hours on any weekday (except for Saturdays, Sundays and public holidays) at the registered office of the Company and at the offices of Investec at 2 Gresham Street, London, EC2V 7QP up to the time of the Annual General Meeting. Copies will also be available at the place of the Annual General Meeting until the conclusion of the Annual General Meeting.

PART III – ADDITIONAL INFORMATION

1. The Company

The Company was incorporated and registered in England and Wales on 15 October 1996 with registered number 03263435 as a private company limited by shares under the name Pinco 852 Limited.

On 14 November 1996, the Company changed its name to ScS Group Limited, and on 22 January 2015 the Company was re-registered as a public limited company with the name ScS Group plc.

The Company's registered office is 45-49 Villiers Street, Sunderland, SR1 1HA (tel. +44 (0)191 514 6000). The principal legislation under which the Company operates is the laws of England and Wales.

2. Relevant Directors', Former Director's and Relevant Shareholder's interests

The interests of the Relevant Directors, the Former Director and the Relevant Shareholder who are related parties in the Ordinary Shares as at 24 October 2016 (being the latest practicable date before the date of this document) are as follows:

2.1. Relevant Directors' and Former Director's shareholdings:

Name	Number of Ordinary Shares ⁽¹⁾	Percentage of voting rights ⁽²⁾
Alan Smith	18,096	0.05%
David Knight	1,441,958	3.60%
Paul Daccus	Nil	Nil
Ron McMillan	Nil	Nil
Ron Turnbull	606,607	1.52%

(1) Including shares held by connected persons.

(2) On the basis that the total number of voting rights as at 24 October 2016 (being the latest practicable date before the publication of this document) is 40,009,109.

2.2. Relevant Directors' and Former Director's interests under the LTIP and CSOP:

Name	Date of award	Market price at award date	Vesting date	Maximum number of Ordinary Shares under award	Exercise price
David Knight ⁽¹⁾	30 March 2015	£1.75	28 January 2018	171,428	Nil
David Knight ⁽²⁾	17 October 2016	£1.79	17 October 2019	173,026	Nil
David Knight ⁽³⁾	21 January 2015	£1.75	28 January 2015	17,142	£1.75
David Knight ⁽⁴⁾	21 January 2015	£1.75	28 January 2015	5,630	£1.75
Ron Turnbull ⁽⁵⁾	30 March 2015	£1.75	28 January 2018	63,492	Nil

(1), (2), (4) and (5) LTIP award.

(3) CSOP options.

2.3. Relevant Shareholder's interests

The interest of the Relevant Shareholder in the Ordinary Shares as at 24 October 2016 (being the latest practicable date before the date of this document) appear in paragraph 4 below (Major Shareholders).

3. Service agreements

3.1. General terms

David Knight's salary for the financial year to 30 July 2016 was the sum of £300,000. His salary is reviewed each year.

The current annual fees of the Relevant Directors who are also Non-Executive Directors are set out in the table below.

Name	Position	Annual fees
Alan Smith	Non-Executive Chairman	£125,000
Paul Daccus	Non-Executive Director	Nil ⁽¹⁾
Ron McMillan	Non-Executive Director	£60,000

(1) In relation to Paul Daccus, the Company is obliged to make payment to Sun Capital Partners Management V, LLC of the sum of £60,000 per annum pursuant to the terms of a consultancy agreement dated 9 January 2015 entered into by the Company in connection with the appointment of Paul Daccus.

David Knight is expected to devote the whole of his time, attention and abilities to the performance of his duties during his agreed working hours and in return David Knight will receive the following benefits under the terms of his service agreement:

- an annual bonus, which is based on the EBITDA performance of the Group. The maximum award opportunity pursuant to David Knight's annual bonus is 140% of his base salary;
- pension benefits, equating to 20% of David Knight's base salary;
- a car allowance of an amount equal to £18,642 per annum;
- private medical insurance; and
- life assurance, which provides cover of an amount up to four times David Knight's base salary.

3.2. Termination provisions

David Knight

David Knight has a rolling service contract. The contract is terminable by the Company giving 12 months notice and by David Knight giving 12 months notice. David Knight may be put on garden leave during this time. This will not affect his entitlement to receive his normal salary and contractual benefits.

The Company may terminate David Knight's employment immediately by notice in certain circumstances, including where he has committed any serious breach or repeated or continued (after warning) breach of his obligations under his service agreement, been guilty of conduct tending to bring him or the Company or any Group company into disrepute, become bankrupt, failed to perform his duties to a satisfactory standard, been convicted of an offence under any legal provision (other than a motoring offence for which no custodial sentence is given), refused or neglected to comply with any reasonable order or direction given to him by the Company or if he becomes of unsound mind or is or becomes a patient for any purpose of any statute relating to mental health.

David Knight's service agreement also contain post-termination restrictions including: (i) in the course of any business concern which is in competition with the business of the Company or any Group companies offering to employ or engage or otherwise endeavouring to entice away from the Company any key employee; (ii) soliciting or endeavouring to entice away from the Company the business or custom of certain customers with a view to providing goods or services in competition with any Group company; (iii) soliciting or endeavouring to entice away from the Company the business or custom of certain prospective customers with a view to providing goods or services in competition with certain businesses of the Company and Group companies; (iv) providing goods or services to or otherwise having any business dealings with certain customers in the course of any business concern which is in competition with any businesses of the Company or the Group companies; (v) providing goods or services to or otherwise having any business dealings with certain prospective customers in the course of any business concern which is in competition with any business of the Company or any Group company; (vi) interfering or endeavouring to interfere with the supply of goods and/or services by certain suppliers to the Company or any Group company; and (vii) during any period of garden leave being engaged or concerned in any capacity in any business concern which is competition in any country in the world where the Company or any Group company has certain business interests. Each of the restrictions at (i) to (vi) apply for a period of 12 months.

The Company reserves the right to withhold payment under each of the annual bonus scheme and LTIP if David Knight is no longer employed or is under notice of termination for any reason at the due date for payment.

The Company reserves the right to reduce conditional awards granted to reduce sums payable to or recover sums paid to David Knight under each of the annual bonus and LTIP, subject to various claw-back provisions.

Relevant Directors who are also Non-Executive Directors

The Relevant Directors who are also Non-Executive Directors do not have service agreements. Alan Smith and Ron McMillan each have letters of appointment reflecting their responsibilities and commitments. The appointments of Alan Smith and Ron McMillan are not for fixed term periods; however, they are appointed in the expectation that they will serve for a minimum of three years.

The letter of appointment of Alan Smith (Non-Executive Chairman) can be terminated by either party giving the other not less than 3 months' written notice. The continuation of Alan Smith's letter of appointment is contingent on his satisfactory performance as Chairman of the Board and his re-election at Annual General Meetings of the Company.

The letter of appointment of Ron McMillan (Non-Executive Director) can be terminated by either party giving the other not less than 3 month's written notice. The continuation of Ron McMillan's letter of appointment is contingent on his satisfactory performance as a Non-Executive Director and his re-election at Annual General Meetings of the Company.

PART III – ADDITIONAL INFORMATION (continued)

Paul Daccus holds office as a Non-Executive Director of the Company pursuant to the terms of a relationship agreement dated 23 January 2015 between the Company, the Relevant Shareholder and Sun Capital Partners Management V, LLC (Paul Daccus being the director nominee appointed by the Relevant Shareholder) and the terms of a consultancy agreement entered into between Paul Daccus, the Company and Sun Capital Partners Management V, LLC with effect from 1 December 2014. The appointment is for an initial period of three years.

3.3. Incentive arrangements on termination of employment

The following sets out the treatment of outstanding elements of remuneration that would normally apply to the Relevant Directors upon termination of their employment.

David Knight

The Company has reserved the right to make a payment in lieu of notice on termination of David Knight's contract equal to his base salary and contractual benefits (excluding performance-related pay).

If notice of termination is given immediately following a change of control of the Company, the David Knight may request immediate termination of his contract, and payment of liquidated damages equal to the value of his base salary and contractual benefits.

In normal circumstances, David Knight has no entitlement in respect of loss of performance bonuses and all share awards would lapse following resignation. However, under certain circumstances (for example, "good leaver" or change in control), and solely at the Company's Remuneration Committee's discretion, annual bonus payments may be made and would ordinarily be calculated up to the date of termination only. In addition, awards made under the LTIP would, in those circumstances, generally be time pro-rated and remain subject to the application of the performance conditions at the normal measurement date. The Remuneration Committee also has a standard discretion to vary the application of time pro-rating in such cases. "Good leaver" treatments are applied in exceptional cases only.

In the event of any termination payment being made to David Knight (including any performance-related pay elements), the Remuneration Committee will take full account of David Knight's duty to mitigate any loss and, where appropriate, may seek independent professional advice and consider the views of shareholders as expressed in published guidance prior to authorising such payment.

Consistent with market practice, in the event of removal from office of David Knight, the Company may pay a contribution towards his legal fees and fees for outplacement services as part of a negotiated settlement and such other amounts as the Remuneration Committee considers to be necessary, having taken legal advice, in settlement of potential claims.

Relevant Directors who are also Non-Executive Directors

On termination, the Relevant Directors who are also Non-Executive Directors are only entitled to such fees and expenses as have accrued at the date of termination. They do not participate in any of the bonus, pension, share option or other incentive schemes.

Save as set out in this document, the Former Director is not party to any agreement with the Company.

4. Major shareholders

In so far as is known to the Company, as at 24 October 2016 (being the latest practicable date before the publication of this document), the following persons were interested, directly or indirectly, in three per cent or more of the voting rights attaching to the Ordinary Shares:

Name	Number of Ordinary Shares at date of notification	Percentage of voting rights ⁽¹⁾	Date of notification
Parlour Product Holdings (Lux) S.à.r.l.	16,620,160	41.54%	22 September 2016
Artemis Investment Management	4,818,692	12.04%	22 September 2016
River and Mercantile Asset Management	2,709,945	6.77%	22 September 2016
Milton Asset Management	2,705,812	6.76%	22 September 2016
Investec Asset Management	2,031,664	5.08%	22 September 2016
Columbia Threadneedle Investments	2,025,000	5.06%	22 September 2016
Henderson Global Investors	1,550,193	3.87%	22 September 2016
David Knight	1,441,958	3.60%	22 September 2016

(1) On the basis that the total number of voting rights as at 24 October 2016 (being the latest practicable date before the publication of this document) is 40,009,109.

5. Related party transactions

Save as set out in this document, the Company has not entered into any related party transactions with any of the Relevant Directors, the Former Director or the Relevant Shareholder.

6. Material contracts

There are no material contracts to which the Company or any member of the Group is a party which contain information that shareholders of the Company would reasonably require to make a properly informed assessment of how to vote.

7. Significant change

There has been no significant change in the financial or trading position of the Group since 30 July 2016, the date to which the results for the year ended 30 July 2016, being the last annual financial information for the Group, were prepared.

8. Consent

Investec has given and has not withdrawn its written consent to the inclusion in this document of the references to its name in the form and context in which they are given.

9. Documents on display

In addition to this document, copies of the following documents will be available for inspection at the Company's registered office at 45-49 Villiers Street, Sunderland, SR1 1HA and at the offices of Investec at 2 Gresham Street, London, EC2V 7QP during normal business hours on any weekday (excluding Saturdays, Sundays and public holidays) from the date of this document up to and including the date of the Annual General Meeting:

- 9.1. the Company's articles of association;
- 9.2. the Shareholders' Deed of Release;
- 9.3. the Directors' Deed of Release; and
- 9.4. the written consent referred to in paragraph 8 of this Part III.

PART IV – DEFINITIONS

The following definitions apply throughout this document unless the context otherwise requires:

Act means the Companies Act 2006;

AGM Circular means the Company's circular to shareholders which is concerned with the Annual General Meeting and which accompanies this document;

Annual General Meeting means the annual general meeting of the Company, to be held at 12:00 p.m. on 23 November 2016 at Ramside Hall Hotel, Durham, DH1 1TD, or any adjournment thereof, notice of which is set out in the Notice of AGM;

Board or **Directors** means the board of directors of the Company;

Company means ScS Group plc;

CREST means the paperless settlement procedure operated by Euroclear enabling system securities to be evidenced otherwise than by certificates and transferred otherwise than by written instrument;

CREST Manual means the rules governing the operation of CREST as published by Euroclear;

CSOP means the sub-plan to the LTIP which permits the grant of share options with a market value exercise price;

Directors' Deed of Release means a deed of release by which the Company waives any rights to make claims against the Relevant Directors and the Former Director in respect of the Distribution;

Distribution means the interim dividend of 2.8 pence per Ordinary Share paid on 22 May 2015;

Euroclear means Euroclear and Ireland Limited;

FCA Handbook means the FCA's Handbook of Rules and Guidance;

Financial Conduct Authority or **FCA** means the Financial Conduct Authority of the United Kingdom;

Form of Proxy means the form of proxy enclosed with this document for use by shareholders in connection with the Annual General Meeting;

Former Director means Ron Turnbull;

FSMA means the Financial Services and Markets Act 2000, as amended;

Group means ScS Group plc and each of its subsidiaries and subsidiary undertakings;

HMRC means Her Majesty's Revenue & Customs;

IFRS means the International Financial Reporting Standards promulgated by the International Accounting Standards Board (which includes standards and interpretations approved by the International Accounting Standards Board and International Accounting Standards issued under previous constitutions), together with its pronouncements thereon from time to time, as adopted by the European Union;

Independent Directors means Chris Muir and George Adams;

Investec means Investec Bank plc;

Listing Rules means the listing rules made by the FCA under Part VI of FSMA (as set out in the FCA Handbook), as amended;

LTIP means the Company's Long Term Incentive Plan;

Notice or **Notice of AGM** means the Notice of the Annual General Meeting which accompanies this document;

Ordinary Shares means ordinary shares of 0.1 pence each in the capital of the Company;

Recipient Shareholder means a shareholder of the Company who has received the Distribution;

Relevant Directors means Alan Smith, David Knight, Paul Daccus and Ron McMillan;

Relevant Shareholder means Parlour Product Holdings (Lux) S.à.r.l.;

Resolution means the resolution numbered 16 to be proposed at the Annual General Meeting, the full text of which is set out in the section headed “Notice of Annual General Meeting” in Part I of this document and in the Notice of AGM which accompanies this document; and

Shareholders’ Deed of Release means a deed of release in favour of all shareholders who appeared on the register of members on the record date for the Distribution from any and all claims which the Company has or may have in respect of the payment of the Distribution.

FORM OF SHAREHOLDERS' DEED OF RELEASE DEED POLL

THIS DEED POLL is made on ____ of _____ 2016.

BY **SCS GROUP PLC** (registered number 03263435) whose registered office is at 45-49 Villiers Street, Sunderland, SR1 1HA (the **Company**) in favour of the Recipient Shareholders (as defined below).

WHEREAS:

- (A) As explained in the Notice of Annual General Meeting addressed to the shareholders of the Company dated 25 October 2016 that is appended to this deed poll (the **AGM Notice**), the board of directors of the Company has become aware of a technical issue in respect of the Company's procedures for the payment of the interim dividend paid on 22 May 2015 (the **Distribution**).
- (B) The Company has been advised that, as a consequence of the Distribution having been made otherwise than in accordance with the Companies Act 2006, it may have claims against past and present shareholders who were recipients of the Distribution (or their personal representatives (and their successors in title) if they are deceased) (the **Recipient Shareholders**).
- (C) Pursuant to the Resolution set out in the AGM Notice and duly passed by the Company's shareholders in an annual general meeting on 23 November 2016, the Company proposes to waive and release any and all claims which it has or may have in respect of the Distribution against the Recipient Shareholders and wishes to enter into this deed poll in favour of the Recipient Shareholders in order to effect the same.

THIS DEED POLL WITNESSES as follows:

1. RELEASE

The Company unconditionally and irrevocably waives and releases each of the Recipient Shareholders from any and all liability that any such Recipient Shareholder has or may have to the Company and all claims and demands the Company has or may have against each of them in connection with receipt by them of all or part of the Distribution.

2. GOVERNING LAW

This deed poll is governed by English law. Any non-contractual obligations arising out of or in connection with this deed poll shall be governed by English law.

IN WITNESS of which this deed poll has been executed and has been delivered on the date which appears first on page 1.

EXECUTED as a deed poll by **ScS Group plc**

acting by.....
a director Director

and acting by
a director/the Company Secretary Director/Company Secretary

OR

In the presence of:

Witness Signature:

Name:

Address:

.....

.....

FORM OF DIRECTORS' DEED OF RELEASE

DEED POLL

THIS DEED POLL is made on ____ of _____ 2016.

BY SCS GROUP PLC (registered number 03263435) whose registered office is at 45-49 Villiers Street, Sunderland, SR1 1HA (the **Company**) in favour of certain current and a former director of the Company, whose names are set out in the schedule to this deed (the **Directors**) (or the personal representatives and their successors in title (as appropriate) of his estate if such Director is deceased).

WHEREAS:

- (A) As explained in the Notice of Annual General Meeting addressed to the shareholders of the Company dated 25 October 2016 that is appended to this deed poll (the **AGM Notice**), the board of directors of the Company has become aware of a technical issue in respect of the Company's procedures for the payment of the interim dividend paid on 22 May 2015 (the **Distribution**).
- (B) The Company has been advised that, as a consequence of the Distribution having been made otherwise than in accordance with the Companies Act 2006, it may have claims against each of the Directors (or the personal representatives and their successors in title (as appropriate) of his estate if such Director is deceased).
- (C) Pursuant to the Resolution set out in the AGM Notice and duly passed by the Company's shareholders in an annual general meeting on 23 November 2016, the Company proposes to waive and release any and all claims which it has or may have in respect of the Distribution against each of the Directors (or the personal representatives and their successors in title (as appropriate) of his estate if such Director is deceased) and wishes to enter into this deed poll in favour of the Directors and the personal representatives and their successors in title of the estate of any deceased Directors in order to effect the same.

THIS DEED POLL WITNESSES as follows:

1. RELEASE

The Company unconditionally and irrevocably waives and releases each of the Directors or the personal representatives and their successors in title (as appropriate) of his estate if such Director is deceased from any and all liability that any of them has or may have to the Company and all claims and demands the Company has or may have against each of them, including, without limitation, any derivative action from or on behalf of shareholders of the Company, in connection with the making of all or part of the Distribution.

2. GOVERNING LAW

This deed poll is governed by English law. Any non-contractual obligations arising out of or in connection with this deed poll shall be governed by English law.

IN WITNESS of which this deed poll has been executed and has been delivered on the date which appears first on page 1.

EXECUTED as a deed poll by **ScS Group plc**

acting by.....
a director Director

and acting by
a director/the Company Secretary Director/Company Secretary

OR

In the presence of:

Witness Signature:

Name:

Address:

.....

.....

SCHEDULE

Current Directors

Alan Smith
David Knight
Paul Daccus
Ronald McMillan

Former Director

Ronald Turnbull