SOFA • CARPET • SPECIALIST

The Sofa Carpet Specialist

Annual Report 2015

The Sofa Carpet Specialist

ScS is one of the UK's leading furniture and flooring retailers, operating from 96 stores.

Principally located in modern retail park locations and 30 House of Fraser concessions across the country – as far north as Dundee and as far south as Plymouth, offering a focused range of upholstered furniture and floorcoverings.

ScS has over 100 years of furniture retailing experience and our specialist staff are highly trained in their fields so that we can offer our customers the best service when they choose new sofas and flooring for their homes.

2015 Highlights

Financial Highlights

£276.7m +13.4%
Revenue

£127.2m +12.5%
Gross Profit

£7.6m -29.6%
EBITDA

£11.3m -17.5%
Adjusted EBITDA

5.56p
Loss per Share

13.75p
Adjusted Earnings per Share

- Gross sales up 13.2% to £292.2 million (2014: £258.2 million)
- Revenue up 13.4% to £276.7 million (2014: £244.1 million)
- Like-for-like order intake for the year ended 25 July 2015, up 5.0%
- Gross profit increased 12.5% to £127.2 million (2014: £113.0 million)
- Adjusted EBITDA £11.3 million (2014: £13.7 million)
- EBITDA £7.6 million (2014: £10.8 million)
- Operating profit before exceptional items (relating to the IPO) of £6.4 million (2014: £6.6 million)
- Loss per share 5.56 pence (2014: earnings 14.78 pence)
- Adjusted earnings per share 13.75 pence (2014: 17.50 pence)
- Strong balance sheet with cash of £21.1 million and no debt
- Recommended final dividend of 11.2 pence per share, total dividend 14.0 pence per share in line with the commitment made at the time of the Company's IPO in January

Operational Highlights

- House of Fraser concession launched in 30 stores in July 2014 with gross sales of £21.2 million (2014: £3.4 million)
- Three new stores opened in Abbotsinch in Glasgow, Croydon and Slough (total: 96 stores)
- New e-commerce platform for ScS trading website and bespoke House of Fraser 'For Living' website launched
- ScS online gross sales up 25.4% to £8.4 million (2014: £6.7 million)

Strategic Report

Corporate Governance

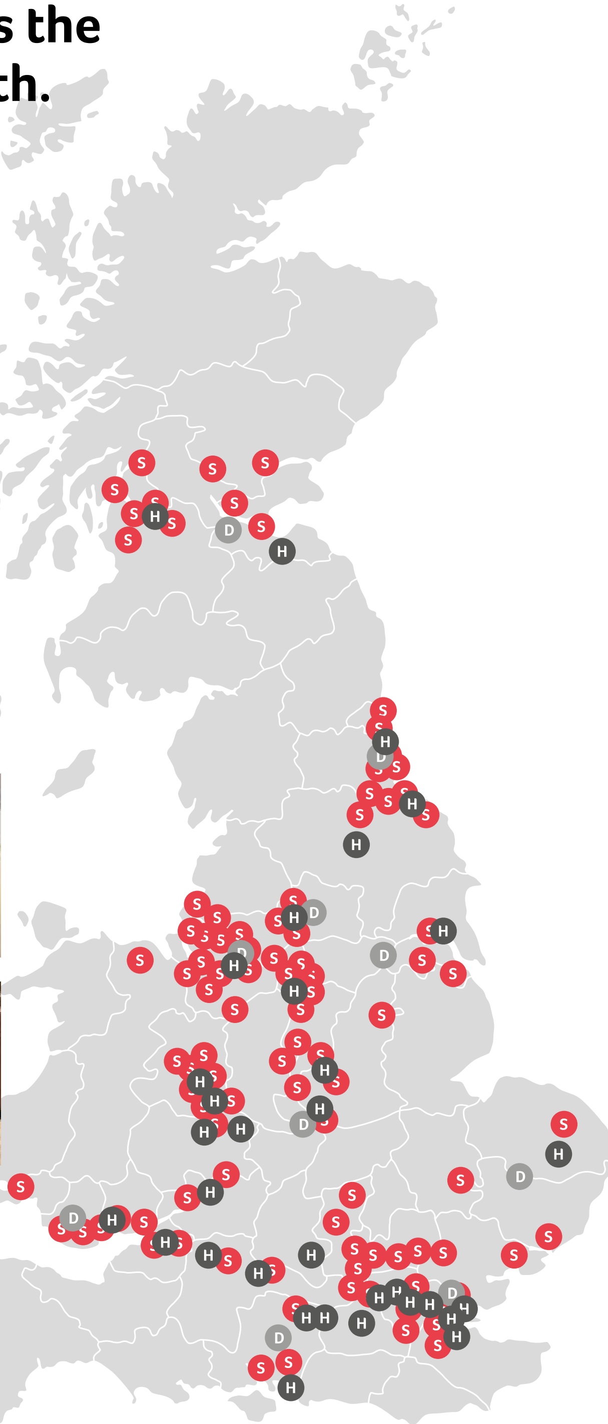
Financial Statements

ScS at a Glance

We trade from 96 stores and 30 House of Fraser department stores across the country – from Dundee to Plymouth.

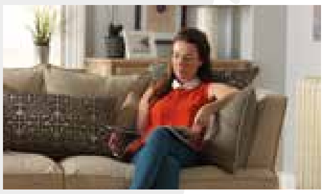
Our target is to open two or three new stores per year with 30 potential new store locations identified.

Our online sales grew to £8.4 million, up from just £0.5 million in 2009. We offer our full in store ranges, together with an additional express delivery selection, for customers where time is a priority; along with a dedicated site for our House of Fraser customers.



Key Products

1. **Upholstered furniture business**
Represented approximately 88% of total operating Group revenues in the financial year ended 25 July 2015 and specialises primarily in the retail of fabric and leather sofas and chairs.



2. **The flooring business**
Represented approximately 12% of total operating Group revenues in the financial year ended 25 July 2015 and focuses on the retail of carpets, as well as laminate and vinyl flooring.

See our 'Markets and Competitors' on page 16.

96
Stores across the UK

14,700 sq ft
Average store retail space

10
Distribution centres

30
House of Fraser concessions

Map key
- S ScS
- H House of Fraser concession
- D Distribution centres

Key Strengths

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 retailers of sofas and flooring
ScS is one of the largest retailers of sofas and flooring. A combination that give us scope to develop our current customer base, provide further 'sell-on' opportunities to our current customers and reach new customers through the development of our House of Fraser concessions.

Store portfolio
ScS currently operates from 96 stores in the UK, 94 of which are in out of town retail park locations. Investment in the store portfolio amounted to approximately £3 million in the last four years to ensure each store remains well presented, attractive and modern with a fashionable look and feel.

Growing online capability
Having grown online sales from approximately £0.5 million in 2009 to approximately £8.4 million in the year ended 25 July 2015, the website currently generates more sales than ScS's leading store. A new website was launched in July 2014, with ScS having invested approximately £0.8 million in a new platform this 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 and brands offering at a range of price points in order to appeal to a wide national customer base. This seeks to provide scope for growth as well as greater resilience in the event of an economic downturn.

Negative working capital business model
The Group operates a negative working capital business model with low ongoing capital expenditure requirements. The majority of product suppliers are paid at the end of the month following the month in which the furniture was delivered to 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. 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 shopper exercises.

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.

From in-store...

Store portfolio
ScS currently operates from 96 stores in the UK, 94 of which are in out of town retail park locations.

96

...to online

Growing online capability
Having grown online sales from approximately £0.5 million in 2009 to approximately £8.4 million in the year ended 25 July 2015, the website currently generates more sales than ScS's leading store.

8.4m

Our History

The Group's business commenced trading in Sunderland 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, and 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.

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.

2009

- Transactional online website launched
- La-Z-Boy, the first third party brand, is added to the ScS product range

2010

- Occasional tables, lamps and dining furniture added
- G Plan, the second third party brand is added
- SiSi Italia, the first own brand, is added to the ScS range

2011

- Interest-free credit offered on all products in every store

2012

- Flooring added to ScS range
- ScS re-branded as the Sofa Carpet Specialist

2013

- Endurance, the second own brand, is added to the range
- Three store House of Fraser pilots

2014

- Parker Knoll, the latest third party brand is added to the ScS range
- New website launched to provide enhanced online shopping experience
- 30 House of Fraser Concession stores launched under the House of Fraser ‘For Living’ brand

2015

- In January we listed on the London Stock Exchange
- Three new store openings

Chairman's Statement

> "The business has made good progress in many areas, particularly in pursuing key strategic priorities."
>
> **Alan Smith**
> **Chairman**

The Company's IPO in January was an important milestone in its development. By welcoming a new institutional shareholder base and an expanded Board with the broader skills and experience that go with being a PLC, we have laid important foundations for the continued long-term growth and success of the business.

Results
This has not been a year without challenges but the business has made good progress in many areas, particularly in pursuing key strategic priorities, including: continuing to broaden its sales base in new categories and channels; driving supply chain improvements to reduce costs and further improve customer service; and delivering a good flow of new store openings. However, trading conditions during the important Easter and May Bank Holiday periods this year proved disappointing, caused primarily by a particularly warm early spring and the timing of the general election campaign.

As expected, a normal pattern of trading resumed towards the end of the financial year.

Revenue in the year grew by 13.4% with like-for-like order intake up 5.0% but adjusted EBITDA for the 2014/15 year declined to £11.3 million (from £13.7 million in 2014) due to the initial losses on the House of Fraser concession agreement and the period of weaker trading.

Further details of the trading and financial performance of the business during the year are provided in the Financial Review section of this report.

£276.7m +13.4%
Revenue

£127.2m +12.5%
Gross Profit

We have a clear strategy for growth underpinned by strong cash flows and the Board remains positive about the Group's long-term prospects for the business. We are also encouraged by a strong trading performance in the first nine weeks of the current financial year.

Dividend

The Board is recommending an aggregate dividend payout of £5.5 million, representing a dividend per share of 14.0 pence, which reflects the Board's confidence in the Company's future and is in line with our commitment at the time of our IPO. This level of payout is the equivalent of a dividend yield of 8% at the IPO issue share price of 175 pence per share.

Governance and the Board

We have put together a strong, balanced Board with a good blend of skills and relevant experience. David Knight, CEO, and Ron Turnbull, CFO, were joined on the Board by myself and two other independent Non-Executive Directors: Ron McMillan at the time of the IPO, and George Adams more recently. Paul Daccus continues on the Board as a non-independent Non-Executive Director having been appointed by Sun Capital Partners Management V, LLC in their capacity as principal shareholder.

Ron Turnbull announced in early August 2015 that he intends to step down from the Board once a successor has been identified. We are very grateful to Ron for the significant contribution he has made to ScS during his 11 years with the business and wish him well for the future.

Ron McMillan is the senior Non-Executive Director and Chair of the Audit Committee. George Adams is Chair of the Remuneration Committee. They each contribute diverse, thoughtful and informed perspectives and also apply independent judgement and assiduous oversight to the operation of the Board.

Colleagues

Through our expansion programme in new stores and, concessions in House of Fraser stores, I'm delighted that we have welcomed 150 new colleagues into the business this year, bringing the total to over 1,700.

On behalf of the Board I would like to thank everyone in ScS, whether they work in stores, in the supply chain or in the office support areas, for their continued dedication and hard work. We want ScS to continue to be a great place to work and to shop, because only through the commitment and expertise of our colleagues can we deliver our mission to provide our customers with excellent service, value and quality.

Outlook

Improving consumer confidence in the UK and a robust housing market supports our belief that demand for high ticket items, and in particular for furniture and floor coverings, will continue to grow. We expect to benefit from this trend as we continue to pursue our strategy which is tightly focused on the targeted marketing of our range of branded and own designed products through our national ScS store portfolio, our House of Fraser concessions and our rapidly growing online channel.

Alan Smith
Chairman
14 October 2015

Our Values

Deliver an exceptional customer experience
We place emphasis on providing high levels of service throughout our customers journey from point of sale, though to delivery, and after sales service.

Extensive product range
We aim to offer our customers the best choice and value in the market-place, through our range of famous brands and own label products.

Knowledgeable team
We train our staff to talk accurately about our products so our customers can be confident they are making the right choice for their home.

Growth focused
Across the business we focus on growing sales and profits, by growing sales densities, diversifying the range and the development of our branded offering.

Chief Executive Officer's Review

"The business has grown well in terms of revenues, market shares and cash generation."

David Knight
Chief Executive Officer

We have a strong brand with broad consumer appeal, an excellent network of well-invested stores, modern infrastructure, a high returning and cash-generative business model and a long runway of opportunity to expand from our existing geographic footprint. Consequently I look forward to the year ahead and beyond with confidence.

£11.3m -17.5%
Adjusted EBITDA

13.75p
Adjusted Earnings per Share

Overview
This has been a challenging first year with trading over the Easter and early summer period being behind the prior year and our expectations. However, in many key areas we have made substantial progress on our strategic priorities. The growth of our flooring business, the development of the House of Fraser concession, our online sales channel and our broad product range allow us to drive sales across a more diverse range of customers, keeping operating expenses tightly controlled and thereby building the adaptability and resilience of the business to changing economic conditions.

The main elements of this strategy, which were laid out at the time of the IPO, remain the same and we're pleased to report that we have continued to make good progress, in particular with attracting a wider customer demographic.

Results
Our results for the financial year were adversely affected by a short, sharp dip in trading momentum in April and early May, which is seasonally a very important period for the business. This downturn in trading was caused primarily by a particularly warm early spring and the timing of the general election campaign. Our analysis suggests that the business did not lose market share during this period. Whilst trading returned to a normal pattern through the summer and beyond, the business wasn't able to recover the impact from the loss of footfall and trade in our stores during this key period.

The Board and senior management are confident that this was no more than a temporary setback as demonstrated by the positive like for like order intake to the end of the financial year and a continuation of that trend in the first nine weeks of the current financial year.

Expansion
We now operate from 96 stores across the UK, almost all of which are in modern out of town retail parks, often alongside competing furniture and floorcoverings retailers - plus the 30 House of Fraser concession units which we opened at the start of the last financial year.

We opened three new stores in the year – at Abbotsinch in Glasgow, Croydon and Slough, generating combined gross sales of £6.8 million and a positive contribution to the profitability in line with our expectations. Our first full year operating the House of Fraser concession has proved challenging for us as we have learned more about the customer and operating as a 'third party' but it did generate sales of £21.2 million in its first full year, albeit with a negative impact on our result. We believe that as the concession matures, it will make a positive contribution to the Group's profits.

Given the nature of our business and particularly the high-ticket character of the products we sell, we see the website primarily as a marketing tool and support for customers in their buying decisions, in conjunction with a visit to a store. However, the launch of our new website has made excellent progress; the convenience of ordering online continued to grow during the year with revenue increasing by £1.7 million, or 25.4%, to £8.4 million.

Current Trading and Outlook
We are encouraged by our trading performance since the start of the current financial year and we are in line with our expectations. However, we remain mindful that we continue to face strong comparatives during the remainder of the first half of the year and that a number of key trading periods are ahead of us.
With a strong brand, broad product range with good consumer appeal, an excellent network of well-invested stores with an opportunity to expand, from our existing geographic footprint, and growth from the continued development of the House of Fraser concession, the Group has a clear growth strategy. We look forward to the year ahead and beyond with confidence. Supported by our highly cash generative business model and strong cash position, the Board has proposed a final dividend payment of 11.2p making the total dividend 14.0p for the year, which meets the commitment made at the IPO.

Strategy
We have developed and implemented a strategy aimed at capitalising on the core underlying strengths of the business.

The strategy is designed to drive sales across a more diverse range of customers, products and channels whilst limiting increases in operating expenses and thereby also building the adaptability and resilience of the business to changing economic conditions.

The main elements of the strategy to date have been as follows and these remain the key focus for the whole ScS team:

- The introduction of a branded range of furniture products, including both third party and ScS private label brands;
- The development of a flooring offering, principally carpets, but including laminates and vinyl floorcoverings;
- The addition of a range of complementary products, including tables, dining furniture and accessories such as lamps and rugs;
- Extending the interest-free consumer credit offering to all products;
- The development of our online capability and offer; and
- The introduction of a furniture and flooring offer through a concession agreement in 30 House of Fraser department stores.

The above are monitored as Management Performance Indicators.

Our overall strategy and its main elements are explained in more detail on pages 12 and 13 of this report.

I'm pleased to report that we have continued to make good progress in all of these areas. I would particularly draw shareholders' attention to the growth of our flooring business, the development within House of Fraser, attracting a wider customer demographic through our branded product ranges and the growth we have achieved in our online sales channel.

Corporate Responsibility
At ScS we see our core purpose as helping customers find the perfect furniture and flooring for their home, suiting both their personal budget and their personal style. At the same time of course, we recognise that as a responsible business we have an obligation to operate in a manner that is both ethical and sustainable.

At ScS, Corporate Social Responsibility (CSR) is a key part of our business and is integrated into the day-to-day management of the Company. It is important to our reputation in the marketplace and to our customers and colleagues, as well as wider stakeholders in society and the communities we serve.

Our CSR programmes are focused on four key priority areas: Environment, where our emphasis is on recycling waste, reducing electricity usage and improving fuel efficiencies; Health & Safety, to ensure that our staff and customers can work and shop in a safe environment; Colleagues, where our focus is on seeking to ensure that ScS is a great place to work and develop; and Community, where we put great emphasis on local charitable fundraising.

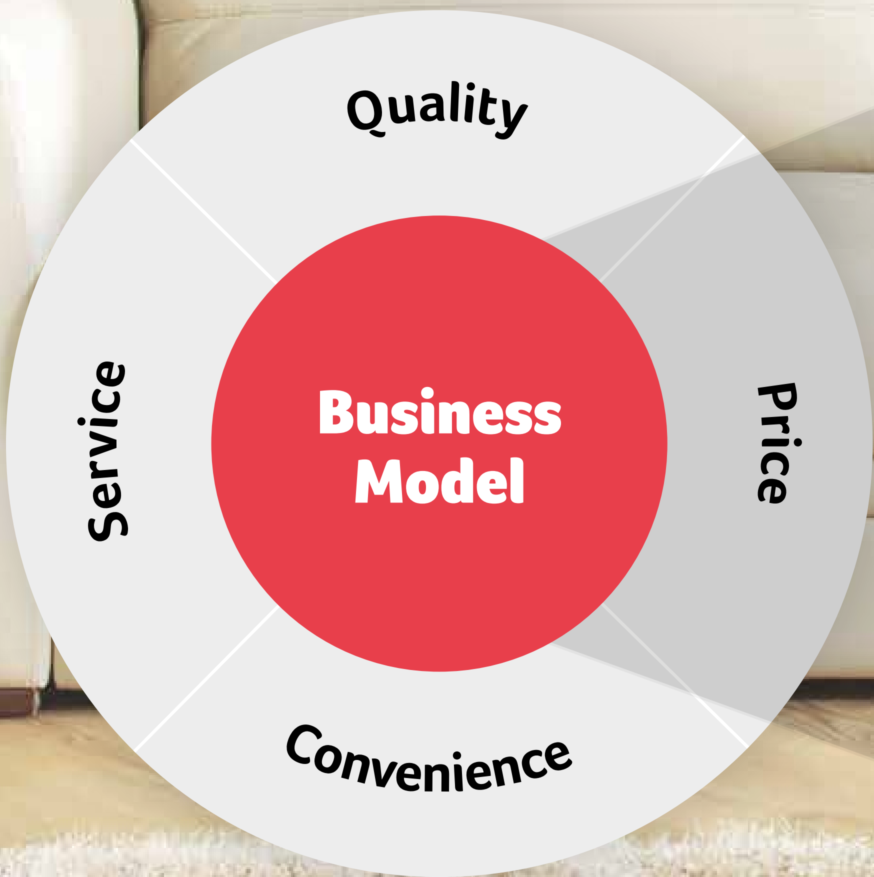
Further details of our CSR programmes and commentary on progress made during the year are provided in the Corporate Responsibility section of this report, beginning on page 22.

David Knight
Chief Executive Officer
14 October 2015

"At ScS we see our core purpose as helping customers find the perfect furniture and flooring for their home."

Our Business Model

The ScS business model is all about offering a high quality, competitively priced range of upholstered furniture, flooring and related products to our customers with great service – supported by experienced expert staff, modern comfortable stores, an efficient supply chain and low overhead costs – resulting in a great value offer for our customers.



Key elements of the ScS business model and how they combine to create value for customers and shareholders are:

An authoritative, competitively priced upholstery offer.
We are sofa specialists and this is the core of our customer proposition – offering customers a wide range of styles, fabrics, brands and value for money.

An authoritative, competitively priced carpets and flooring offer.
We are flooring specialists and offer a great selection of carpets and floorings.

Large, modern, comfortable stores.
Our customers can find all their home furnishing needs under one roof and our stores are designed to be convenient, welcoming and easy to shop in. Our online channel supports and complements our stores.

Excellent customer service which really differentiates ScS.
Our experienced, expert store and dedicated service teams help our customers make the right choices as well as provide first class after-sales service.

Interest-free credit being available on all our products.
As a retailer of higher ticket furniture items this is another core part of our offer for customers – particularly those who want the flexibility to plan their purchases and pay by instalments.

Our reliable supplier base ensures quality.
We source from a small group of specialist mainly UK-based suppliers, most of which we've worked with for many years.

Our cost-efficient supply chain, infrastructure and central overhead means we stay competitive.
Customer deliveries are executed by our own experienced workforce, which is central to our strategy of providing the best customer experience.

Added value for customers and shareholders

Our Strategy

Our strategy for growth has four main elements:

1

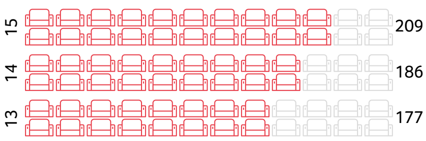
Increasing sales densities – by broadening the brand and product offer and raising brand awareness.

Sales per square foot in existing stores have grown by 74% since 2009 against a challenging market background – this has driven strong market share growth on a store base that has grown only modestly.

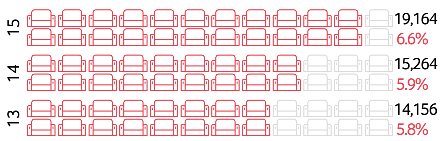
The key has been attracting more customers through a combination of broadening our offers, to include a wider range and segmentation of branded upholstered furniture and flooring; a step-change to our advertising spend taking it to circa 6% of gross sales over the last three years; and making our interest-free consumer credit offer available across all product categories.

Read more on pages 16 and 17.

Gross sales per square foot **£209**



Advertising spend **£19,164 (000)**
Advertising % of gross sales



2

A new channel opportunity – concessions in House of Fraser.

Although it is still early days for this new channel, it represents an exciting long-term sales opportunity for ScS – to further broaden the appeal of our brand through department store concession space and through the House of Fraser website.

Read more on page 15.

3

Filling in the white space – opening new stores.

Management has identified 30 potential new locations within the UK. We have a lot of scope to extend our modern network across the UK, in particular we are under represented in the South East of England. The key for us is a structured and manageable opening programme, ensuring that we get the very best location for our new stores.

Read more on page 9.

4

The online trading opportunity.

Online is a new but growing business for us. We believe the in-store experience – where customers try before they buy – will always be key to the purchase decision but online now represents 2.9% of sales. Online is not only complementary to our stores, it also gives us the opportunity to offer exclusive items – such as fabric ranges – and also faster delivery times.

Read more on page 14.

Our Strategy in Action

CASE STUDY

BROADENING THE OFFER – ONLINE

The Group has made a significant investment in its online platform. As well as generating more sales than the Groups leading stores the website has also proved to be key in driving in store footfall.

The Group launched its transactional website in April 2009. Sales and profits from the website have grown steadily, particularly over the last three years, from £0.5 million in 2009 to approximately £8.4 million in the year ending 25 July 2015. For the year ended 26 July 2014 online gross sales represented 2.6% of gross sales, this grew during FY2015 to 2.9%.

The Group's online offering is not only important as a complimentary sales channel, it provides a key marketing channel with many customers choosing to view and research products before visiting a physical store location.

The Group's online sales performance is reflective of the fact that 'big ticket' purchases are generally sold in a retail store environment rather than online.

Whilst the Group expects to see a continued sales growth online, via this channel, the prime objective of the 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 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 a purchase online without visiting a store.

The products available on the Group's website generally mirror the in-store offering but include a small range of additional 'web exclusive' 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 customer orders.

CASE STUDY

HOUSE OF FRASER – FOR LIVING

In March 2014, the Group entered into a concession agreement to develop a furniture and carpet offering in 30 House of Fraser Stores under the House of Fraser 'For Living' brand. This new partnership would allow the Group to establish a presence in new markets in the UK as well as the ability to target a different, more affluent customer base.

The agreement with House of Fraser sees the Group pay a commission to House of Fraser which is directly linked to the sales performance of the concessions.

Following a very successful pilot project in three stores the rollout of 30 House of Fraser concessions commenced in May 2014 and was completed by the end of July 2014. The launch of the 'For Living' brand was supported with lifestyle-led television and press advertising. This supported a product range which focuses on a small number of key brands with an emphasis on quality and design but retaining a market competitive price point.

The relationship with House of Fraser also allows the products to be retailed via House of Fraser's online store, their most profitable and award-winning retail channel.

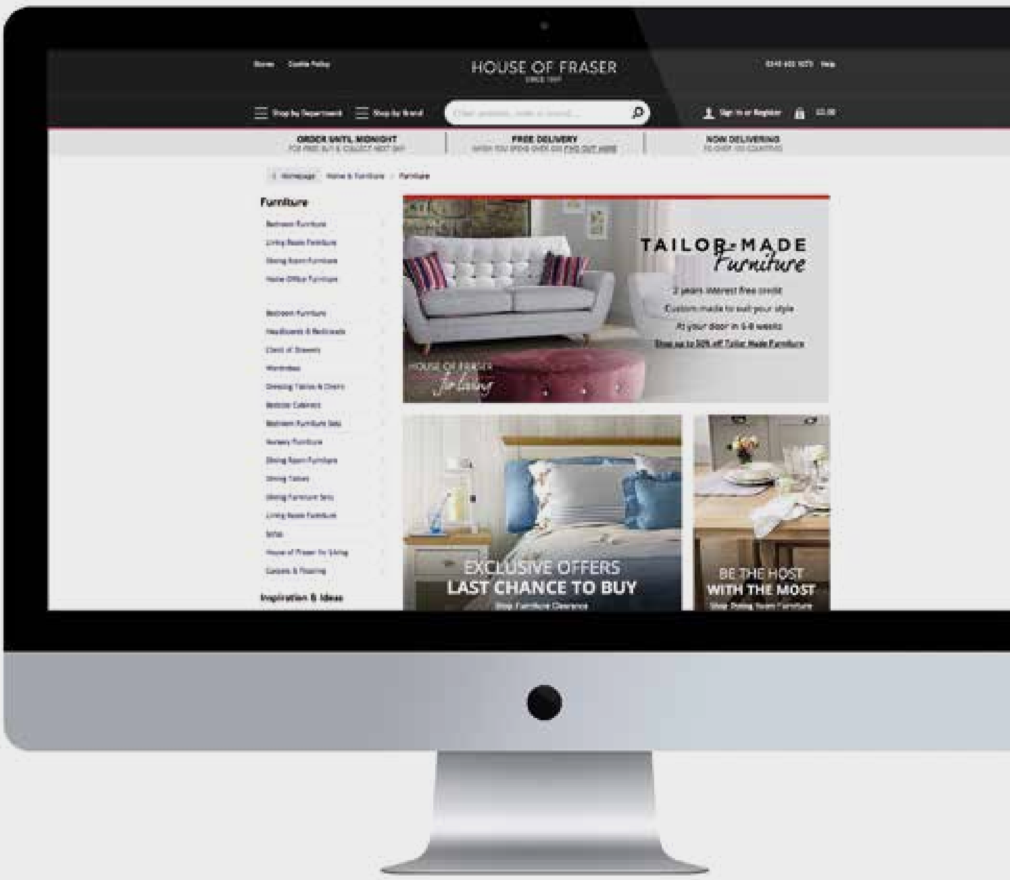
The Group were able to introduce Duresta branded products alongside Parker Knoll, G-Plan and La-Z-Boy as well as products from the house brand SiSi. Following the trial the Group invested approximately £1.4 million rolling out the new concessions.

Sales within House of Fraser are on a 'made to order' basis and are delivered directly to customers via the Group's existing distribution network, with the customer receiving a House of Fraser branded delivery. The retail team are supported by a Central Administration team and a Customer Service Team with any repairs being handled by the Group's highly skilled upholstery technicians.

The Group has also been contracted to manage House of Fraser's own brand range of furniture in the 30 stores where concessions are established plus an additional five locations. This 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 agreement with House of Fraser offers the Group 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 the Group's products to the total store portfolio. Retailing within the House of Fraser department stores has allowed ScS to move into new markets and target new customers located within town centres, away from the Group's more traditional focus of out of town retail parks. Given the predominantly branded offering, House of Fraser produces a transaction value 23% higher when compared to the Group's own store portfolio.

Whilst a number of the brands offered within House of Fraser overlap with ScS's own store offerings there has not been a material decrease in sales in the Group's stores located near to the House of Fraser concessions. During this start-up phase, the project as expected has returned a loss during the FY2015 financial year; however, the initial results are encouraging as there is no apparent cannibalisation of the ScS customer base and a growing interest in this new brand.



Our Markets and Competitors

ScS operates in the UK retail market for upholstered furniture and floorings.

The upholstered furniture market is worth an estimated £3.2bn sales per annum, and in which ScS is one of the leading retailers with a share of 8.1%. ScS is also becoming a major participant in the £1.7bn sales per annum floorcoverings market, which it only entered in 2012 and where it now has a 2% share.

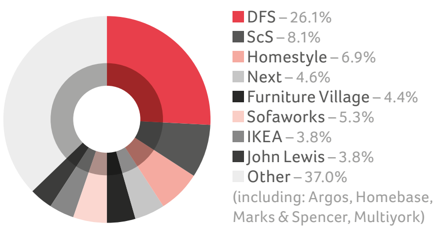
The signs are that the furniture and floorcoverings markets have returned to growth after a very challenging few years. The overall market contracted significantly as a result of the global financial crisis and the prolonged recession that followed it. The value of the upholstered furniture segment of the market fell from almost £4bn in 2007 to an estimated £3.2bn in 2015.

Looking ahead, the conditions necessary for the market to grow sustainably – improving consumer confidence and disposable income, a strengthening level of housing market activity and availability of affordable consumer credit for higher-ticket items – are all now in place. Consequently Verdict forecasts that ScS core markets are now set to resume strong growth – with 3.4% compound growth anticipated between 2015 and 2020 in upholstered furniture and 2.5% in floorcoverings.

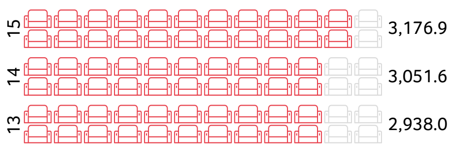
Our business mix has continued to evolve in line with our strategy to broaden our appeal by offering a wider range of brands – including third party brands – as well as flooring and accessories. Flooring now represents 11.8% of total gross sales.

Competitors

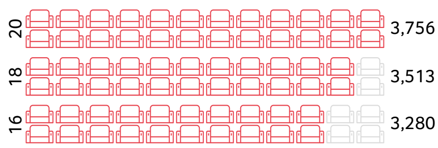
Upholstery market share **%**



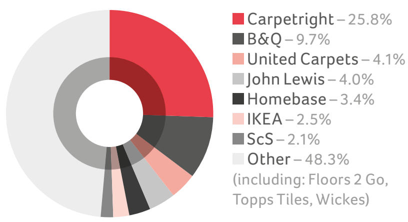
Upholstery market size **£3,176.9m**



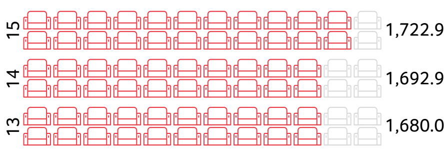
Upholstery market forecast **18.2%***



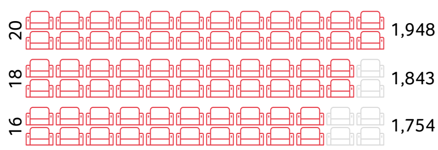
Floorcoverings market share **%**



Floorcoverings market size **£1,722.9m**



Floorcoverings market forecast **13.1%***



* Five-year growth rate (%).

Source: Verdict.

From sofas...

Upholstered furniture business
Represented approximately 88% of gross sales in the financial year ended 25 July 2015 and specialises primarily in the retail of fabric and leather sofas and chairs.

88%
Gross Sales

...to carpets

The flooring business
Represented approximately 12% of gross sales in the financial year ended 25 July 2015 and focuses on the retail of carpets, as well as laminate and vinyl flooring.

12%
Gross Sales

Financial Review and Key Performance Indicators

Gross Sales and Revenue

Gross sales increased by 13.2% on the previous financial year to £292.2 million (2014: £258.2 million) as a result of:

- An increase in upholstered furniture gross sales in ScS stores of £6.4 million or 2.9%;
- An increase in flooring gross sales in ScS stores of £1.4 million or 4.6%;
- An increase in online gross sales of £1.7 million or 25.4%;
- Three new stores, contributing gross sales of £6.8 million; and
- Gross sales from the House of Fraser concession, which was launched in 30 sites from the start of the financial year (2014: three sites), of £21.2 million (2014: £3.4 million).

Revenue, which represents gross sales less charges relating to interest-free credit sales (see note 3 – Segment information), increased by 13.4% on the previous financial year to £276.7 million (2014: £244.1 million).

Like-for-like order intake for the financial year ended 25 July 2015, calculated on the basis of all stores opened for 12 months or longer, was 5.0% up on the previous financial year.

Gross Profit

Our focus on generating growth has resulted in an increase in gross profit of £14.2 million or 12.5% to £127.2 million (2014: £113.0 million). However, gross margin as a percentage of gross sales reduced by 30 basis points to 43.5% (2014: 43.8%) reflecting the competitive promotions throughout the financial year, in particular, a 'free carpet' offer during the autumn (pre-Christmas) sale as we continued to successfully promote and grow the flooring business as well as increasing combined sales of furniture/flooring.

Operating Profit

Costs, whilst carefully controlled, increased due to ongoing investment to support the strategy for growth.

Distribution costs were £14.0 million (2014: £12.3 million), an increase of £1.7 million. This includes the impact of a new distribution centre in West Thurrock, London which was fully operational at the beginning of the financial year, to provide capacity for certain House of Fraser sites and the two ScS stores opened during the financial year in that region, Croydon and Slough. This also provides capacity for future growth in the South East of England.

Distribution costs expressed as a percentage of revenue were 5.1% (2014: 5.0%).

Administration expenses comprise store operating costs, advertising and marketing-expenditure and the cost of all head office-based functions and business support costs and include the IPO-related costs of £3.7 million (see 'Exceptional items' – note 6). Administration expenses were £110.3 million (2014: £94.1 million), an increase of £16.2 million, which, in addition to the exceptional costs, includes the operating costs of the additional 27 House of Fraser concession sites and the new ScS stores when compared to prior year. Administration costs, adjusted to add back the IPO-related costs of £3.7 million expressed as a percentage of revenue are 38.6% (2014: 38.5%).

Operating profit before exceptional items was £6.4 million (2014: £6.6 million). Although disappointing, relative to our expectations, this reflects the dip in trading momentum in April and early May (referred to in the Chief Executive Officers' report).

Net Finance (Costs)/Income

Net finance costs comprised principally the interest payable on the pre-IPO US$-denominated debt owed to the principal shareholder together with movements on exchange thereon, which is no longer payable (see 'Trade and other payables – current' – note 15). Net finance costs were £4.5 million (2014: net finance income £0.5 million) and include exceptional items of £0.6 million (2014: £nil) and a loss on exchange of £2.8 million (2014: gain on exchange £2.5 million).

Taxation

The total tax charge for the financial year of £0.5 million (2014: £ 1.2 million) comprises a corporation tax charge of £1.5 million (2014: £1.1 million) and a deferred tax credit of £1.0 million (2014: charge £0.1 million) which includes credits of £0.6 million in respect of prior years (2014: charges £0.5 million). The tax charge based on profit before tax, adjusted for IPO costs charged as exceptional operating items, is an effective rate of 25.8% (2014: 17.4%) which is higher than if the standard rate of corporation tax had been applied due to charges/(credits) not deductible/(taxable) for tax purposes, principally foreign exchange losses/(gains).

(Loss)/Profit After Tax and Earnings per Share

The statutory loss after tax is £2.2 million (2014: profit after tax £5.9 million) and based upon the number of shares in issue at admission the basic and fully diluted loss per share is 5.56p (2014: earnings 14.78p). Earnings per share based upon the number of shares in issue at admission and the (loss)/profit after tax adjusted for exceptional/non-recurring operating costs and non-recurring net finance (costs)/income are 13.75p (2014: 17.50p).

Cash Flow and Cash Equivalents

At an operational level the Group remained strongly cash generative with net cash flow from operations, after adjusting for total IPO costs and net interest paid, of £12.6 million (2014: £16.9 million).

Total investing activities of £4.1 million (2014: £3.1 million) included £2.5 million on new stores (2014: £nil), refurbishment expenditure £0.5 million (2014: £0.5 million) and £0.2 million (2014: £0.6 million) on the website.

The Group reorganisation pre-IPO included a small repayment of Group debt of £0.8 million (2014: £6.6 million) and capitalisation of the Group debt outstanding at that date.

The Group's cash and cash equivalents at the end of the financial year are very strong at £21.1 million (2014: £18.8 million), whilst debt, following the Group reorganisation, is £nil (2014: £22.5 million). At IPO the Group also put in place a £12 million committed revolving credit facility.

Dividend

An interim dividend of 2.8p per ordinary share was paid in May 2015. With confidence in the Group's future growth prospects, and supported by strong cash flow dynamics, robust financial position and new committed banking facilities, it is proposed to pay a final dividend of 11.2p per ordinary share, resulting in a total dividend of 14.0p, as indicated at IPO.

Ron Turnbull
Chief Financial Officer
14 October 2015

Key Performance Indicators

The Group's key financial performance indicators and how we have performed against them are as follows:

	2015	2014	2013
(1) Total year-on-year gross sales growth %	**13.2%**	5.1%	17.9%
(2) Like-for-like order intake growth %	**5.0%**	4.7%	13.3%
(3) Gross margin % of gross sales	**43.5%**	43.8%	43.7%

(4) Adjusted EBITDA

	2015 £m	2014 £m	2013 £m
Operating profit	**2.8**	6.6	6.1
Depreciation and impairment	**4.2**	4.0	4.2
Amortisation	**0.6**	0.2	0.3
EBITDA	**7.6**	10.8	10.6
IPO related costs	**3.7**	–	–
House of Fraser roll out costs	**–**	1.4	–
Management fees and other	**–**	1.5	1.3
Total EBITDA adjustments	**3.7**	2.9	1.3
Adjusted EBITDA	**11.3**	13.7	11.9

(5) Adjusted cash generated from operations

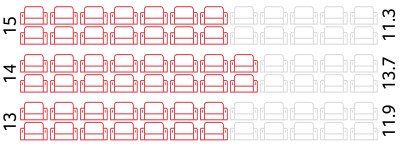
	2015 £m	2014 £m	2013 £m
Net cash from operating activities	**8.2**	13.8	8.1
EBITDA adjustments (4)	**3.7**	2.9	1.3
Net interest paid	**0.7**	0.2	0.1
Adjusted cash generated from operations	**12.6**	16.9	9.5

(6) Adjusted earnings per share – pence

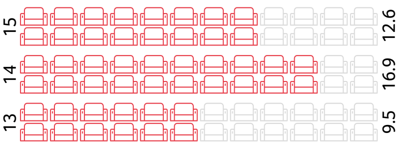
	2015 £m	2014 £m	2013 £m
(Loss)/Profit after tax	**(2.2)**	5.9	2.6
EBITDA adjustments (4)*	**3.7**	2.3	1.0
Net finance costs/(income)*	**4.0**	(1.2)	1.9
Adjusted profit after tax	**5.5**	7.0	5.5
Number of shares in issue	**40,000,000**	40,000,000	40,000,000
Adjusted earnings per share – pence	**13.75p**	17.50p	13.75p

* Net of tax.

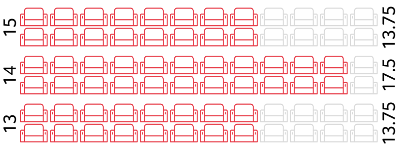
Adjusted EBITDA **£11.3m**



Adjusted cash generated from operations **£12.6m**



Adjusted earnings per share **13.75p**



Principal Risks and Uncertainties

The following principal risks and uncertainties are those that the Board has identified as having a potential detrimental impact on our corporate reputation, the operation of our business or on our ability to execute our strategy. The business takes a variety of steps to mitigate these risks and these are reviewed regularly as part of the oversight by the Audit Committee of the system of internal controls and reported on to the Board and the executive management team, which are collectively responsible for overall risk management.

Key Risk	Description	Mitigation
BRAND & REPUTATION	The Group recognises the need to protect its brand and reputation – failure to do so effectively could result in a loss of confidence by customers and or colleagues.	• The Group monitors carefully the key aspects of its business activities which have the potential to impact its reputation. • In particular, it regularly surveys or assesses customer service levels, product quality, colleague engagement and the integrity of its product sourcing. • An annual pricing plan is produced to ensure that promotions are verified against current guidelines.
COMPETITION	The Group operates in competitive and fragmented markets and against a wide variety of retailers and may face increased competition in its target markets. Failure to be aware of or respond to key changes in the competitive environment is a risk to our future success.	• Evolving, diversifying and developing our proposition for customers is a key element of the Group's strategy. • As such the business is continually responding to changing patterns of supply and demand in its core markets – broadening its appeal and its sales base. • Continuous monitoring of results, product and advertising performance and competitor activity.
REGULATION & COMPLIANCE	Many of the Group's activities are regulated by legislation and standards including trading, advertising, product quality, health & safety, the environment, data protection and the Bribery Act. Failure to comply with these may risk incurring financial and/or reputational damage.	• We monitor compliance actively with our existing obligations and we seek to adhere to internal policies, codes and standards where appropriate. • Colleagues are kept informed of these requirements via regular briefings and internal communications. • Operational management are responsible for liaising with the compliance function and external advisers where appropriate to ensure that new legislation is prepared for and managed. • Suppliers are subject to regular checks and independent product testing is regularly undertaken.
ECONOMIC ENVIRONMENT	A reduction in consumer confidence or activity levels and pricing in the housing market, resulting in a fall in consumer spending on discretionary high value items such as furniture, could be damaging to the performance of and prospects for the Group.	• We offer a range of products and price points in our categories to ensure that customers can trade up or down. • We maintain a low cost business model so that we stay competitive in our markets. • A key strand of our strategy has been to broaden and thereby diversify our product offering into categories such as flooring and third party brands.
CREDIT RISK & LIQUIDITY	The Group's level of indebtedness, its exposure to interest rate and currency rate volatility, the availability of supplier credit and the ability of suppliers to obtain credit risk insurance could have material adverse effects on the Group's cash position and overall financial condition.	• Developed strong relationship and credibility with credit insurers though regular communication and information sharing. • Robust forecasting facilities enable early discussion of possible issues increasing the chances of positive solutions. • Revolving credit facility of £12.0 million in place. • Suppliers provide regular updates on their Credit Insurance arrangements.
CREDIT RISK – CUSTOMERS	The Group's ability to offer interest-free credit to customers may be impaired as a result of high default levels, higher interest rates or the withdrawal or uncompetitive nature of consumer credit facilities provided by external finance companies – thereby reducing the competitiveness of a key part of the Group's customer proposition.	• The Group maintains a relationship with two credit providers to reduce the risk of the facility being withdrawn. • The Group regularly reviews default levels and meets regularly with the suppliers to discuss the facility. • The Group has obtained the relevant permissions to sell interest-free credit to customers from the FCA. • Regular training is provided to retail staff and any complaints regarding regulated activity are provided to the Board.

Key Risk	Description	Mitigation
SEASONALITY/ EXTREME WEATHER	Furniture retailing is highly seasonal in nature. Prolonged extreme cold, warm or unseasonal weather conditions may reduce footfall in our stores, resulting in weak sales, leading to potentially adverse effects on profitability.	• The Group constantly monitors national, divisional, regional and branch results. • This close monitoring and our ability to flex the marketing and advertising spend enables the Board to react quickly to changes in the marketplace.
PROPERTY – AVAILABILITY/ LEASE COSTS	The Group's business requires that it leases substantial amounts of retail space. The availability and cost of suitable leasehold store property is a key element of the Company's business model – permitting it to compete cost-effectively, alter the size and position of its stores when necessary and also expand into new locations as part of its strategy for growth. The Group's performance and prospects could be adversely affected were the availability and cost of suitable property to move unfavorably.	• Regular reviews with agents and monitoring of opportunities is undertaken. • Ensuring we have current information from landlords asset management and are aware of the development of new retail sites. • Work closely with our professional advisors to monitor progress and changes to rental evidence to predict future lease costs.
SUPPLY CHAIN/ INFRASTRUCTURE	A large proportion of the Group's products are supplied by a small number of key manufacturers. A supplier which ceases to trade could cause disruption to the supply of products to customers. Approximately 34% of the total products sold by the Group are manufactured in the Far East, presenting a difficulty in ensuring supplier compliance and an ethical supply chain.	• The Group has long-established and good working relationships with its key suppliers. These working relationships help provide early indications of any potential problems. • When sourcing products management ensures that at least two factories can produce each product providing a degree of resilience. • Market intelligence assists in identifying any early signs of failure. • Service level agreements are in place with all suppliers. • Whilst the Group sources some product from overseas, the contractual relationship is with long-standing UK businesses.
KEY MANAGEMENT	The business is reliant on the high quality, stability and experience in its senior management team – as well as strong operational management.	• The key senior executives and management are appropriately rewarded and incentivised through bonus and LTIP arrangements with a focus on retention as well as performance. • The Board has adopted a succession plan which includes strategy and contingency measures should key individuals not be available. • Key man cover is in place for the CEO and CFO positions.
PEOPLE	Retaining trained and engaged colleagues is essential to the delivery of the high standard of customer service, which is a key part of our proposition. Our future success is at risk if we do not recruit and retain high calibre people.	• Retention rates monitored and supported by an exit interview process. • The Group ensures terms and conditions of employment are fair and competitive in the sector. • The Group works to maintain its brand presence and aims to be seen as an 'employer of choice'.
IT SYSTEMS/ CONTINUITY/ CYBER RISK	The Group is reliant upon key IT systems and infrastructure – and any disruption to these could affect adversely the operation of the business. Data protection failure may lead to potential fine and or prosecution and a risk of reputational damage.	• 24-hour system monitoring is in place for business critical systems. • A disaster recovery site is available and a full disaster recovery plan is in place. • Regular system backups are taken and stored at the DR site. • The website sits behind the Demandware (third party) firewall with appropriate resilience built in. This resilience is tested and monitored by the Group.
PRODUCT LIABILITY CLAIMS	Failure to deliver a safe, quality product in line with customer expectations risks the reputation of the Group, resulting in loss of customer confidence and declining sales volumes.	• All suppliers have entered into a service level agreement with the Group. • Suppliers are required to provide evidence that the product supplied is complaint with all current regulations. • The Group carry out regular independent testing on products supplied to ensure ongoing compliance to current regulations. • Product performance is monitored via the customer service team and regular meetings are held with suppliers to help eliminate and reduce product issues.

Corporate Social Responsibility

At ScS we see our core purpose as helping customers find the perfect furniture and flooring for their home, suiting both our customer's budget and personal style. At the same time of course, we recognise that as a responsible business we have an obligation to operate in a manner that is both ethical and sustainable.

At ScS, Corporate Social Responsibility (CSR) is a key part of our business; it is important to our reputation in the marketplace, and to our customers and colleagues, as well as wider stakeholders. Our CSR strategy focuses on four priority areas: the Environment, Health and Safety, our Colleagues and our Community.

Environment

As a retailer we recognise that our operations will impact the environment, and we have a duty to ensure that both now and in the future we seek to minimise this impact. There are a number of important areas that we place emphasis on, to reduce the environmental impact of the business. Our focus is to maximise the level of waste recycling, reducing our electricity usage and improving our fuel efficiencies.

Waste Recycling

ScS is committed to reducing waste. All of our waste packaging, principally plastic and cardboard, generated by our stores, distribution centres and protecting the product we deliver directly to our customers, is collected and recycled. Over the last 12 months our strategies have reduced our waste volumes by 30% and 92% of waste materials collected are now recycled or diverted from landfill.

Greenhouse Gas Emissions Reporting

We aim to reduce our carbon footprint. All ScS sites now have automatic meter readers (AMR) fitted for recording electricity usage and meter loggers for recording gas usage. This allows greater control of costs by more accurate recording of data but also the policing of anomalies as these are highlighted within 24 hours.

ScS are currently trialling a building energy management system (BEMs) at four sites. This allows automatic computerised management of all energy usage, leading to maximising cost efficiencies and minimising downtime and wastage. Such systems include movement sensors to switch off equipment when it is not being used, light sensors to moderate lighting on signage and auto controls for heating and cooling.

In 2014 ScS installed new corporate signage at all sites incorporating the latest LED illumination technology. This, together with a progressive change to energy efficient lighting inside our stores, has produced a 10% reduction in electricity usage. It is anticipated that this figure will increase as a higher proportion of sites benefit in time from the new technology.

In 2015 we introduced the Paragon system of computerised management of our logistics operation. This allows the use of delivery vehicles to be optimised in terms of load en route, minimising the mileage required to achieve our customer deliveries, thus reducing fuel consumption.

Health and Safety

We take the welfare of our customers and employees very seriously. We are therefore committed to ensuring that our business has appropriate health and safety standards across out store portfolio as well as our distribution centres and our head office. We want to ensure that our customers and employees can shop and work in a safe environment. The Board has the ultimate responsibility for ensuring health and safety compliance. The business regularly monitors a number of KPI's including the number of accidents, particularly those that are required to be reported to the Health and Safety Executive.

In FY2015 there were five accidents reportable to the Health and Safety Executive. In FY2014 there were 12 reportable accidents.

Our Health and Safety Policy is communicated throughout the business and all our colleagues receive health and safety training that is appropriate to their job role. Observance of policy is monitored through regular health and safety audits and we ensure that we are abreast of all current statutory requirements.

Colleagues

Our people are core to our business, whether they work in our stores, are part of our distribution operation or are a member of our support teams. ScS is a growing business and in the last 12 months we have created 150 new jobs across our organisation.

We are an equal opportunities employer and we strive to ensure that no employee is discriminated against on the grounds of gender, race, religion, disability, sexual orientation or age. We want ScS to be a great place to work and everyone working in it has an equal opportunity to progress within the business.

ScS has held the Investors in People for the last 14 years, and we undertake regular culture surveys across our organisation to ensure that every employee has the opportunity to provide us with feedback about our workplace.

We offer apprentice opportunities within our business and in 2015, 25 new apprentices joined our business. Our aim is always to offer permanent roles to apprentices, where it is possible to do so on completion of their training. An open programme of NVQ training is offered to colleagues across the business and in 2015 48 NVQ's were awarded.

Our Time to Train policy gives colleagues the opportunity to engage in other external training opportunities, and if the course meets relevant business criteria the Company offers financial support towards this and, where required, a flexible work arrangement to allow them to attend their chosen course.

We reward our store teams through results-focused bonus and commission schemes, which allow our retail sales teams to earn rewards commensurate with performance.

In May 2015, we launched a share incentive plan that will allow all employees the opportunity to participate in the future success of ScS.

Community

ScS recognises its broader role in the local community. We are a supporter of the Foundation of Light Charity; based in the North East this charity works to improve the lives of children across the region. On a national level we have participated in fundraising events for Macmillan Cancer Support, Children in Need, Comic Relief and 52 Lives. We also make donations to other local and national charities often those recommended by colleagues.

"Over the last 12 months our strategies have reduced our waste volumes by 30% and 92% of waste materials collected are now recycled or diverted from landfill."

Caption: Left to right – Raising funds in store on Red Nose Day | Colleagues running the Race for Life | Our nationwide fundraiser for springboard for children with a bookmark competition, to promote children's literacy | ScS' nationwide McMillan Coffee Morning.

Board of Directors

Alan Smith Non-Executive Chairman	**David Knight** Chief Executive Officer	**Ron Turnbull** Chief Financial Officer
Date of Appointment		
22 October 2014*	1 January 2002	23 June 2004
Committee Membership		
Chairman of the Nomination Committee Audit Committee Remuneration Committee	N/A	N/A
Biography		
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. Alan Smith is also Chairman of the Nomination Committee and a member of the Remuneration and Audit Committee.	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.	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 Office 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.
External Appointments		
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		

* 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.

Ron McMillan
Non-Executive Director

Date of Appointment

22 October 2014*

Committee Membership

Chairman of the Audit Committee
Remuneration Committee
Nomination Committee

Biography

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.

Mr McMillan is the Chairman of the Audit Committee and was Chairman of the Remuneration Committee until 9 July 2015, at which point he became a member of that committee, he is also a member of the Nomination Committee.

External Appointments

N Brown Group plc
888 Holdings plc
B&M European Value Retail S.A.

Paul Daccus
Non-Executive Director

Date of Appointment

1 December 2014*

Committee Membership

Remuneration Committee
Nomination Committee
Audit Committee

Biography

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, LLP 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.

Mr Daccus is a member of the Remuneration, Nomination and Audit Committees.

External Appointments

Sun European Partners LLP
V&D Group Holdings B.V. (resigned 16 April 2015)
SAG Advisory 1 Ltd
Dreams Holdco Ltd
Dreams Toco Ltd
Zara UK Acquico Ltd
Zara UK Topco Ltd
Zara UK Midco Ltd

George Adams
Non-Executive Director

Date of Appointment

9 July 2015

Committee Membership

Chairman of the Remuneration Committee
Audit Committee
Nomination Committee

Biography

George Adams has a strong commercial and management background, with over 30 years of international experience across Europe and Asia. George spent 16 years with Kingfisher plc, in roles which included CEO of Europe Development, Group Commercial Director and Commercial Managing Director for B&Q. He has also held CEO positions at Spicers Group and Maxeda DIY Group and has both plc and private equity experience in the retail and consumer goods sector.

Mr Adams is Chairman of the Remuneration Committee and a member of the Audit and Nomination Committees.

External Appointments

Frontier Economics Ltd
Bagir plc (resigned 30 September 2015)
Whales and Dolphins Conservation Society

Corporate Governance Statement

Introduction

This corporate governance statement sets out the main elements of the Company's corporate governance structure and how it complies with the UK Corporate Governance Code. It also includes information required by the Listing Rules and the Disclosure Rules and Transparency Rules.

Role of the Board

The Board is committed to high standards of corporate governance. The Company has complied (except where otherwise stated below) and intends to continue to comply with the requirements of the UK Corporate Governance Code.

The Company is led and controlled by the Board which is collectively responsible for the long-term performance of the Group. The Board focuses on the strategy, performance and governance of the Group. The Board has delegated certain responsibilities to committees to assist in discharging its duties and the implementation of matters approved by the Board. A summary of the terms of reference of each committee is set out on page 28 and reports of each committee are set out on pages 30-41.

Detailed implementation of matters approved by the Board and operational day-to-day matters are delegated to the Executive Directors. The Executive Directors are also supported by experienced and able operational senior management.

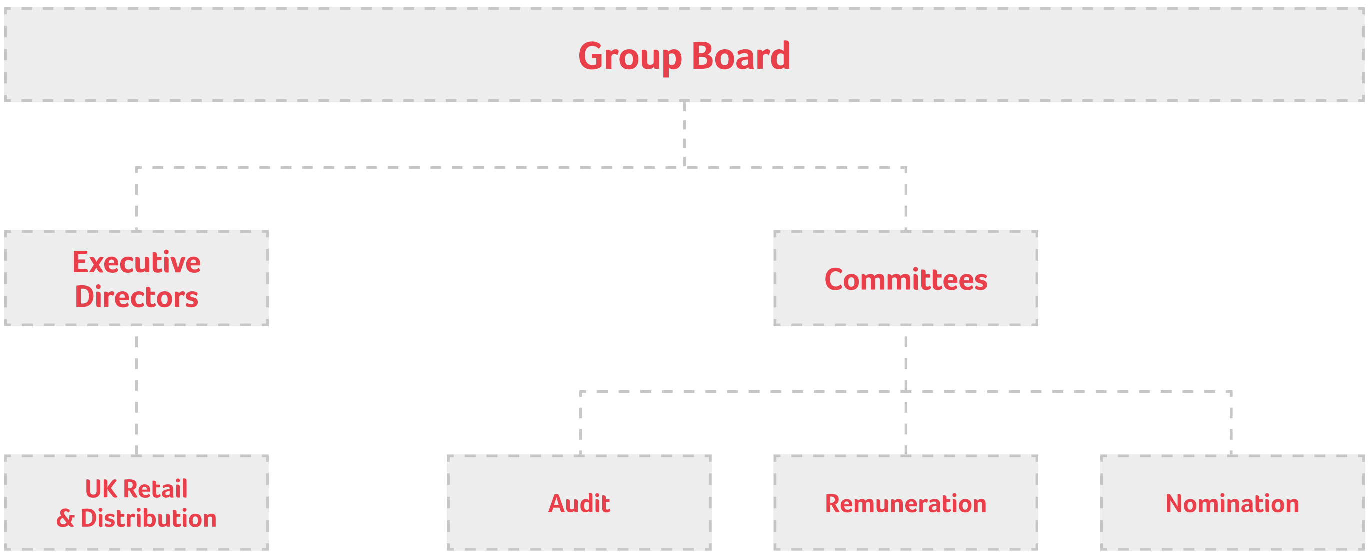
Matters Reserved for the Board

A formal schedule of matters is reserved for the Board for its approval, which includes:

- Approval of the Group's strategic aims and objectives, reviewing performance and business planning and oversight of the Group's operations.
- Approving any changes to the capital structure of the Group.
- Approving the financial reporting, budgets, dividend policy and any significant changes in accounting policies and practices of the Group.
- Ensuring maintenance of a sound system of internal control and risk management.
- Approval of any major capital projects and materially significant contracts for the Group.
- Ensuring a satisfactory dialogue with shareholders based on the mutual understanding of objectives.
- Approval of the structure, size and composition of the Board and the remuneration policy for all Directors and Senior Executives.
- Setting the division of responsibilities between the Chairman, Chief Executive and other Executive Directors.
- Undertaking a formal and rigorous review of the Board performance and corporate governance matters.
- Approval and supervision of any material litigation, insurance levels of the Group and the appointment of the Group's professional advisors.

There is a rolling programme of Board meetings throughout the year and there are six Board meetings presently scheduled for FY2016.

Structure Chart



All Board and committee members receive sets of Board packs in advance of the Board and committee meetings. For Board meetings this includes current trading, management accounts and detailed papers on other matters where Board approval is required. The CEO and CFO present reports to the Board at each meeting on trading, financial performance and operational matters, along with updates on any significant health and safety, litigation or regulatory matters.

Composition of the Board

The Board comprises the Chairman, two Executive Directors, two independent Non-Executive Directors and a Non-Executive Director appointed by Sun Capital Partners Management V, LLC in their capacity as the principal shareholder.

The UK Corporate Governance Code recommends that smaller companies have at least two independent Non-Executive Directors excluding the Chairman. The Company has met this requirement and has done so from 9 July 2015 to the date of this report, with the appointments of Ron McMillan (Senior Independent Director), appointed 22 October 2014; and George Adams, appointed 9 July 2015. The Chairman, Alan Smith, is also considered independent. Each of them is considered by the Board to be independent in character and judgement and free from relationships or circumstances which may affect, or could appear to affect the Director's judgement. Independence is determined by ensuring that the Non-Executive Directors do not have any material business relationships or arrangements (apart from their fees for acting as Non-Executive Directors) with the Group or its Directors which in the opinion of the Board could affect their independent judgement.

Paul Daccus is not regarded as independent for the purpose of the UK Corporate Governance Code in view of his position as a Director of Sun European Partner LLP and his interests in Sun Capital Partners Management V, LLC which hold shares in the Company.

On 22 October 2014, Sun Capital Partners Management V, LLC, entered into a Relationship Agreement with the Company. Under the terms of that agreement Sun Capital Partners Management V, LLC are entitled to appoint one Non-Executive Director to the Board for an initial period of three years. At the year ended 25 July 2015, Sun Capital Partners Management V, LLC, held 41.6% of the total issued shares in the Company.

The Board believe that the terms of the relationship agreement referred to above will ensure that the Company and other members of the Group are capable of carrying on their business independently of Sun Capital Partners Management V, LLC and that transactions and relationships between those parties and the Group are at arm's length on normal commercial terms.

All Directors have service agreements or letters of appointment in place and the details of the terms of these are set out in the Directors Remuneration Report on pages 33-41.

The Nomination Committee will review on an annual basis the Board's composition, experience and skills to ensure the effective working of the Board and the Standing Committees and the commitment of their members. The Chairman has met with each of the Non-Executive Directors during the year on a one-to-one basis, without the Executive Directors being present, to discuss matters relating to the Board, its balance and the monitoring powers of the Executive Directors.

The Chairman believes the current Board and Standing Committees have an appropriate balance of skills and experience to enable them to discharge their responsibilities effectively. Where Directors have external appointments, the Board is satisfied that they do not impact on the time the Director needs to devote to the Company.

Division of Responsibilities

The positions of Chairman and CEO are occupied by different individuals. There is a clear division of the roles and responsibilities between the Chairman and the CEO and no individual has unrestricted powers of decision making.

Alan Smith, as Chairman of the Board, is responsible for leading the Board, setting its agenda and overseeing its effectiveness. The Chairman facilitates the contribution of the Non-Executive Directors and constructive relations between them and the Executive Directors.

David Knight as CEO, together with Ron Turnbull as CFO, is responsible for the day-to-day management of the Group and the implementation of strategies approved by the Board and the implementation of other Board decisions.

Diversity

The Group is satisfied overall with its record on diversity, and is aware of the need to monitor and review its level of diversity. Whilst the Group would have preferred to appoint a female Non-Executive Director following the IPO, appointments will always be made on merit as opposed to on the basis of gender targets, and this is considered in the best interests of the Group and its shareholders.

Conflicts of Interest

Paul Daccus has an interest in the shares held by Sun Capital Partners Management V, LLC, which holds 41.6% of the Ordinary Share Capital and voting rights in the Company as a result of his Directorship of Sun European Partners LLP.

Except as referred to above there are no potential conflicts of interest between any of the Directors or senior management within the Group and their private interests.

Corporate Governance Statement Continued

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

Committees of the Board
The Board has established and delegated authority to an Audit Committee, Remuneration Committee and Nomination Committee. A summary of the terms of reference of each of these committees is set out below. The full terms of reference of each of the committees is available at ScS Group plc head office.

Audit Committee
The Audit Committee was set up in January 2015, immediately prior to the IPO and its composition includes all of the Non-Executive Directors and is chaired by Ron McMillan. The duties of the Audit Committee as delegated by the Board are contained in the terms of reference available at ScS Group plc head office, which in summary include:

- Monitoring the quality, effectiveness and independence of the external auditors approving their appointment, re-appointment and fee levels;
- Reviewing and monitoring the integrity of the financial statements and any other price sensitive information of the Group; and
- Keeping under review the adequacy and effectiveness of the Group's internal financial controls and internal control and risk management systems.

The members of the Audit Committee are Ron McMillan (Chair), Alan Smith, George Adams and Paul Daccus. Ron McMillan is an ICAEW chartered accountant and his experience formally as an audit partner of PwC fulfils the requirement under the UK Corporate Governance Code that one member of the Committee has recent and relevant financial experience. Save for George Adams who was appointed on 9 July 2015, the members have been on the Committee since its inception immediately before the IPO, and all four remain in place at the date of this report.

The Audit Committee meets not less than three times a year. Details of the activities of the Committee in the last financial year are set out in pages 30-32.

Remuneration Committee
The Remuneration Committee was set up in January 2015, immediately prior to the IPO. It comprises all of the Non-Executive Directors and is chaired by George Adams following his appointment on 9 July 2015. Prior to that date the Remuneration Committee was chaired by Ron McMillan. The Remuneration Committee sets the policy for the Group on executive remuneration. It determines the level of remuneration of the Chairman and the Executive Directors of the Company and makes recommendations in relation to other senior management.

In accordance with its terms of reference, the Committee prepares an annual Directors Remuneration Report for approval by shareholders at the Annual General Meeting of the Company. The terms of reference for the Remuneration Committee are available at ScS Group plc head office.

The members of the Remuneration Committee are George Adams (Chair), Alan Smith, Ron McMillan and Paul Daccus. Save for George Adams who was appointed on 9 July 2015, the members have been on the Committee since its inception immediately before the IPO, and all remain in place at the date of this report.

The Remuneration Committee meets not less than two times a year. Details of the activities of the Committee in the last financial year are set out on pages 33-41.

Nomination Committee
The Nomination Committee was set up in January 2015 immediately prior to the IPO, and it comprises all of the Non-Executive Directors. It is chaired by Alan Smith and its other members are Ron McMillan, George Adams and Paul Daccus.

In the lead up to the IPO the Company appointed the Non-Executive Directors, save for George Adams, to the Board before the Committee was constituted. The CEO met with each of them as part of the recruitment process. The Non-Executive Directors were selected based on a range of criteria, including retail and consumer goods sector and public company knowledge and experience.

The duties of the Nomination Committee as delegated to it by the Board are contained in the terms of reference available at ScS Group plc head office, which in summary include:

- Reviewing the structure, size and composition of the Board, including the balance of Executive and Non-Executive Directors;
- Putting in place plans for the orderly succession of appointments to the Board and to Senior Management; and
- Identifying and nominating candidates for the approval of the Board, to fill Board vacancies when they arise.

During the period from the IPO to the date of this report the committee have met once. Going forward the Committee will meet at least annually from the beginning of the current financial year.

During the 2015 financial year the Nomination Committee has reviewed the size, structure and composition of the Board, with regard to the experience and skills represented on it and the balance of Executive and Non-Executive Directors represented on it. The Committee has also formulated a succession planning process for the roles of CEO and CFO.

The Committee recommended the appointment of an additional independent Non-Executive Director to ensure that the Group met Corporate Governance Code recommendations. This resulted in the appointment of George Adams to the Board in July 2015.

The Committee recognised the need to keep under review certain areas where over the course of time, appointments may be appropriate to consider. The Nomination Committee also recognises the need to monitor and review diversity in relation to how the Group is led and represented. Appointments will always be made on merit-based, objective criteria, recognising diversity policy but without setting gender targets and this is considered to be in the best interests of the Group and its shareholders.

Directors Attendance

The Board held four meetings from the IPO up to 25 July 2015 and the attendance at the meetings was as follows:

Name	Board meetings	Remuneration Committee meetings	Audit Committee meetings	Nomination Committee meetings	Total
Alan Smith	4	1	2	1	8
David Knight	4	–	–	–	4
Ron Turnbull	4	–	–	–	4
Ron McMillan	4	1	2	1	8
Paul Daccus	3	1	1	1	6
George Adams*	2	–	1	1	4

* Appointed 9 July 2015.

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

Board Performance Evaluation

Given the period from the IPO to the end of the 2015 financial year was shorter that a 12-month cycle the Board has not yet undertaken a formal evaluation of the performance of the Board as a whole, the Chairman, individual Directors or the committees of the Board. A formal evaluation will be undertaken during the 2016 financial year following a full-year's cycle of the Board following the IPO. This will be repeated on an annual basis going forward, and at least once every three years with an external consultant to assist in the process are required by the UK Corporate Governance Code.

Re-Election of Directors

Whilst performance reviews are being undertaken in the 2016 financial year, based on the initial review by the Nomination Committee of the size, structure and composition of the Board with regard to the experience and skills represented on it, the Nomination Committee has recommended that each of the Directors be re-elected to the Board.

Risk Management and Internal Control

The Board has overall responsibility for ensuring that the Group maintains a strong system of internal control.

The system of internal control is designed to identify, manage and evaluate, rather than eliminate the risk of failing to achieve business objectives. It can therefore provide reasonable but not absolute assurance against material misstatement, loss or failure to meet objectives of the business due to the inherent limitations of any such system.

The key elements of the Group's system of internal controls area as follows:

Financial Reporting: monthly management accounts are provided to members of the Board which contain current financial reports. Reporting included an analysis of actual verses budgeted performance and reasons for any significant differences. The annual budget is reviewed and approved by the Board. The Company reports half-yearly and publishes trading updates in line with market practice.

Risk Management: the creation and maintenance of a risk register, which is continually updated and monitored, with full reviews occurring on at least an annual basis. Each risk identified on the risk register is allocated an owner, at least at the level of senior manager within the business, the action required (where necessary) or acceptance of the risk is also recorded. The risk registers are provided to the Board, key risks and appropriate mitigating actions are monitored by the Board.

Information on key risks and uncertainties of the Group are set out on pages 20 to 21.

Monitoring of Controls: There are formal policies and procedures in place to ensure the integrity and accuracy of accounting records of the Group and to safeguard its assets. The Board have carried out a review of the effectiveness of the internal controls during the year ended 25 July 2015 and for the period up to the date of approving the Annual Report and Financial Statements. The Board were satisfied after a review of the key risks to the business and relevant mitigating actions that they were acceptable for a business of the type, size and complexity as that operated by the Group.

Staff Policies: there are formal policies in place in relation to anti-bribery and corruption and whistleblowing policies in relation to the reporting of any suspected malpractice or wrongdoing.

Compliance Statement

For the period prior to listing on the London Stock exchange on the 28 January 2015, the Company did not have an obligation to comply with the provisions of the UK Corporate Governance Code published in September 2014. Since IPO, the code applies to the Company. A copy of the Code is available on the UK Financial Reporting Council's website at www.frc.org.uk. The Company has complied with the provisions of the Code during the period from IPO to 25 July 2015, as applicable, except where stated above in this report.

Shareholder Relations

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

Meetings and calls are regularly made with institutional investors and analysts in order to provide the best quality information to the market.

The Company will communicate with its shareholders though the Annual General Meeting, at which the Chairman will give an account of the progress of the business over the past year, and will provide the opportunity for shareholders to raise questions with the Chairman and the Chairs of each of the Committees of the Board.

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

Audit Committee Report

"I am pleased to present the inaugural Audit Committee Report."

Ron McMillan
Chairman of the Audit Committee
14 October 2015

Dear Shareholder

The Audit Committee exercises oversight of the Group's financial policies and reporting. It monitors the integrity of the financial statements and reviews and considers significant financial and accounting estimates and judgements. The Committee satisfies itself that the disclosures in the financial statements about these judgements and estimates are appropriate and obtains from the external auditors an independent view of the key disclosure issues and risks.

During the year the Committee considered the following:

- The Group's significant accounting policies and practices;
- The Group's exposure to tax and VAT issues;
- The risk registers prepared by management;
- Various accounting matters relating to the IPO;
- Fraud risk and its mitigation;
- The Group's business continuity and disaster recovery procedures; and
- The adequacy of the Group's systems and controls on which management relies.

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

Further information on the Committee's responsibilities and the manner in which these have been discharged are set out below.

I shall be available at the Annual General Meeting on 18 November 2015 to answer any questions you may have on this report and would thank my colleagues for their help and support during the year.

Committee Composition

The Committee comprises four members, two of whom are independent Non-Executive Directors. Two members constitute a quorum. The Committee must include one financially qualified member with recent and relevant financial experience. The Committee Chairman fulfils this requirement. All members are expected to have an understanding of financial reporting, the Group's internal control environment, relevant corporate legislation, the roles and functions of business support and external audit and the regulatory framework of the business.

The members of the Committee from its inception until the date of this report were Ron McMillan, Alan Smith and Paul Daccus. George Adams joined the Committee on 9 July 2015. Details of Committee meetings and attendance are set out in the Corporate Governance Statement on page 29.

Although not members of the Committee, David Knight as CEO and Ron Turnbull as CFO and representatives from the business support function and external auditors may attend the meetings.

Responsibilities

The responsibilities of the Committee, as delegated by the Board are set out in the terms of reference and are available from the Group's head office. They include the following:

- Monitoring the quality, effectiveness and independence of the external auditors and approving their appointment, re-appointment and fee level;
- Reviewing and approving the audit plan, and ensuring that it is consistent with the scope of the audit engagement;
- Reviewing and monitoring the integrity of the financial statements and other price sensitive financial releases of the Group;
- Assisting the Board with the development and execution of a risk management strategy, risk policies and current risk exposures including the maintenance of the Group's risk register;

- Keeping under review the adequacy and effectiveness of the Group's internal financial controls and internal control and risk management systems; and
- Monitoring the activities of the business support function and the external audit functions.

Activities

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

The key matters considered by the Committee during the year included:

- **Commercial arrangements with suppliers**
  The Group receives rebates and promotional support from suppliers. The Committee gained an understanding of these arrangements, discussed them with management and the external auditors and satisfied itself with the controls that are in place to ensure that amounts received and receivable from suppliers are properly accounted for on a monthly basis and that the related judgements are limited.

- **Accounting for interest-free credit charges**
  In previous periods and in line with advice then received, the Group accounted for charges associated with interest-free credit sales as a component of cost of sales. Current guidance is that such charges should be reflected as a component of revenue. Accordingly, the Committee concluded that the Group's presentation of this item should be modified.

- **Accounting for the IPO**
  In order to prepare itself for the IPO, a Group reorganisation and capital reduction was undertaken. In conjunction with the Group's auditors, the Committee reviewed the accounting which related to this reorganisation.

- **Internal controls**
  The Committee reviewed the Group's internal control environment and concluded that the Group maintains a robust system of internal control for the purpose of safeguarding the Group's assets, managing risk and, where appropriate, complying with regulation. This covers all material risks and related controls, including financial, operational and compliance controls together with mitigating actions and responsibilities. The Group's business support function focuses particularly on 'in store' activity and ensures that all transactions are properly accounted for. Going forward, the Group has appointed a Head of Internal Audit who will report to the Committee, and the business control function will be expanded to include non store internal audit activity.

In addition to the above, the Committee undertook the following:

- Approval of the external auditors terms of engagement and proposed fees;
- Consideration of the level of non-audit services provided by the Group's auditor and the formulation of a policy in relation to non-audit services provided to the Group. The Committee is satisfied that there are no conflicts of interest in relation to the non-audit work carried out in 2015. During the year, PwC charged the Group £960,000 (2014: £26,000) for non-audit related services. The majority of these fees related to the reporting accountant work on the Group's IPO and accordingly are non-recurring in nature. PwC were best placed to perform this work given their knowledge of the business and, after inspection of the safeguards put in place by PwC, the Audit Committee was satisfied that this did not impact the external auditors overall independence;
- Consideration of the significant risks included in the annual report;
- Consideration of the interim results and non-statutory financial statements of the Group for the half-year ended 24 January 2015;
- Consideration of the processes that are in place to ensure that assurance can be provided on whether the Annual Report and Accounts is considered to be fair, balanced and understandable. The Committee receives drafts and working papers relating to the Annual Report and Accounts in order to facilitate its review and input. Management representations, external and internal audit reviews have also taken place to provide this assurance to the Audit Committee and the Board;
- Consideration of this set of full-year annual report and financial statements of the Group;
- Consideration of significant areas of accounting estimation or judgement, including the Group reorganisation and accounting for the IPO fees and share options;
- Consideration of the role of the business support function and the development of an internal audit function; and
- Making recommendations to the Board in respect of the Committee's findings, and reporting on how the Committee has discharged its duties.

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

External Auditors

PwC have been the Group's auditors for seven years, with the current year being the first audit signed off by the partner who is currently responsible. The Committee has formally recommended that PwC be re-appointed as auditors at the forthcoming Annual General Meeting, and PwC has signalled its willingness to continue in office. Resolutions appointing PwC as auditors and authorising the directors to set remuneration will be proposed at the Annual General Meeting.

During the year PwC have been engaged in a number of activities for the Group. The vast majority of this work was carried out before and in preparation for the IPO and the Board and its advisors were of the opinion that PwC was best placed to undertake that work. PwC has satisfied the Board that, in relation to these activities, appropriate safeguards were put in place to ensure that the independence of the audit team was not impaired.

Going forward the Committee has established policies which will ensure that PwC is not engaged in any work which is not permitted under current guidance and that non audit fees will not exceed 70% of audit fees measured over a three-year period.

The Committee has in conjunction with the Board and the management team reviewed the effectiveness of the external auditors, both in relation to audit and non-audit services and has satisfied itself that the work undertaken by the external auditors was effective.

Audit Committee Report Continued

Risk Management

The Directors have overall responsibility for ensuring that the Group maintains a sound system of internal control. There are inherent limitations in any system of internal control and no system can provide absolute assurance against material misstatement, loss or failure. Equally, no system can guarantee elimination of the risk of failure to meet the objectives of the business. Against this background, the Committee oversaw the development of a risk management policy for the Group which, sets out risk appetite and tolerance, the framework within which risk is managed and the responsibilities and procedures attaining to the application of the policy.

The Group is proactive in ensuring that corporate and operational risks are identified, assessed and managed by identifying suitable controls. The Group maintains a Corporate Risk Register and an Operational Risk Register which detail:

1. The risks and impacts they may have;
2. Actions to mitigate the risks;
3. Risk scores to highlight the likelihood of occurrence;
4. The 'owners' of the risks; and
5. Target dates for actions by risk owners.

The Board is responsible for measuring the effectiveness of risk management and for regularly reviewing the Corporate Risk Registers. Management are responsible for monitoring risks on a quarterly basis and for reporting all new and identified risks to the Board.

A description of the key risks together with mitigating actions is set out on pages 20 to 21.

Prior to the listing the Company did not have an internal audit function and given the relatively low complexity of the business, relied upon the internal management controls and the business support function to provide assurance over the operational procedures and systems upon which the financial reporting is based. However, since the listing the Group has recognised the need to establish an internal audit team within the business. A Head of Internal Audit has now been appointed with a direct reporting line to the Committee. The Committee will work with him over the course of the next year to develop and strengthen the business support and the internal audit functions.

The Committee believes that appropriate internal controls are in place throughout the Group. The Group has a well-defined organisational structure, with clear lines of responsibility. The Group has a comprehensive financial reporting system and the Committee believes that the Group complies with the provisions of the UK Corporate Governance Code on internal controls.

Financial Reporting

Volume rebates and promotional support

In the year ended 25 July 2015 the Group received income from suppliers both from volume driven rebate arrangements and in the form of promotional support amounts given by suppliers for inventory placed on display within stores.

The volume arrangements are pre negotiated with suppliers and are split between suppliers with rebate 'hurdle' rates dependent on spend and those that have a flat rate. At the year end, the vast majority of hurdle rates were exceeded and therefore the level of judgement involved was significantly reduced. Where hurdle rates were not surpassed and the arrangements were not coterminous with the year end, judgements were required but the amounts involved were not material.

Promotional support amounts are paid by suppliers for goods used for display in store. These are funded through credit notes issued against purchases and are recognised on delivery. Accruals are made for goods received for which credit notes had not been received. The related amounts at the year end were not material and the level of judgement involved was low.

Accounting for the group reorganisation on the IPO

As part of the preparation for the IPO, a Group reorganisation exercise was undertaken. In order to make sure that all aspects of this were dealt with correctly we engaged appropriate legal, accounting and tax advisors to recommend on the steps necessary to revise the structure ready for the Groups admission to the London Stock Exchange. The reorganisation resulted in complexities in accounting. After consideration of the facts of the matter and the process taken to perform the step plan, we determined that the correct accounting treatment was that of a capital reorganisation; this resulted in the creation of a 'merger reserve' in the Consolidated statement of financial position of £25.5 million. The comparatives shown are those prior to the restructuring of the previous consolidated parent Parlour Product Topco Limited.

Another key consideration was in respect of International Accounting Standard 32: Financial Instruments; Presentation ('IAS 32') as to whether the costs incurred in relation to the IPO should be expensed or capitalised. It was determined since the costs were not directly attributable to the issuing of new shares that they should be expensed to the Consolidated statement of comprehensive income. Given their non recurring nature and materiality these have been presented as exceptional items of expense in the year of £3.7 million.

The Committee has reviewed the judgements made by management in respect of the above areas and, after discussion of the rationale, concurred with the treatment applied.

Ron McMillan
Chairman of the Audit Committee
14 October 2015

Directors' Remuneration Report

"On behalf of the Board, I am pleased to present the first Remuneration Committee Report since the IPO of the Company and its admission to trading on the London Stock Exchange on 28 January 2015."

George Adams
Chairman of the Remuneration Committee
14 October 2015

Dear Shareholder

On behalf of the Board, I am pleased to present the first Remuneration Committee report since the IPO of the Company and its admission to trading on the London Stock Exchange on 28 January 2015. The report provides both details of the remuneration of the Directors for the financial year 2015 and the forward looking policy for the Directors of the Group.

Performance and Rewards for 2015

The remuneration of the two Executive Directors of the Company along with the senior management of the Group was reviewed and a thorough external benchmarking process was undertaken. The CEO's salary remained unchanged and an interim increase was made to the CFO's salary in advance of the full-year remuneration policy review for FY2016. Senior managers' salaries remained mainly unchanged.

A Long-Term Incentive Plan was adopted by the Company in preparation for the IPO.

Remuneration Policy from 2016

The report sets out the Group's proposed, forward looking, Directors' Remuneration Policy for 2016 onward following the work of the Committee in 2015 for which shareholder approval is being sought at the AGM.

The key objective from the work undertaken by the Committee in reviewing and setting a forward looking remuneration policy to apply from 2016 onward has been to deliver simple, transparent and market competitive but not excessive packages to the Executive Directors and senior management, taking into account the interests and expectations of shareholders.

The forward looking remuneration policy is designed to achieve these objectives by ensuring that performance is rewarded against clearly defined targets for the Executive Directors and senior management both in the short and long term. Incentivising the management in this way should help to drive the delivery of the strategic aims of the Group and align pay to those objectives.

A key objective of the implementation of the remuneration policy from 2016 and going forward is to recognise the importance of both retaining and attracting high quality talent by the Group.

Format of the Report

The Company's Directors' Remuneration policy from FY2016 is set out on pages 34-39, which is subject to a shareholder vote at our 2015 AGM.

The Company's Annual Remuneration Report which details the remuneration paid to the Directors' in the FY2015, set out on pages 39-41 which is subject to a separate shareholder advisory vote at our 2015 AGM.

The following report details the Remuneration policy and the decisions on remuneration of the Directors of the Group for the year ended 25 July 2015. This report has been drafted in compliance with the disclosure requirements of the UK corporate governance code and the requirements of the UKLA listing rules. This report also complies with the provisions of the Companies Act 2006 and the large and medium-sized companies and groups (accounts and reports) (Amendment) regulations 2013 (Regulations).

Shareholder Feedback

The Committee recognises that the developing close relationships with shareholders can help its work in developing the remuneration policy.

The Committee welcomes any feedback you may have in relation to this report and the forward looking remuneration policy from FY2016.

Directors' Remuneration Report Continued

Introduction

Key developments for 2016

The Remuneration Committee has reviewed and put in place a forward looking Directors' Remuneration Policy for the Company with effect from the date of approval in relation to the Executive Directors, introducing a balanced structure between each of basic pay and performance related short and long-term rewards. It is currently intended that the policy will continue to apply from 18 November 2015 until the 2018 AGM.

Role of the Remuneration Committee

The Committee has responsibility for determining the Company's policy on remuneration of the Executive Directors and the Chairman and to recommend and monitor the level and structure of remuneration of other senior management of the Group.

The Committee's key aims in developing the Remuneration Policy are to attract, retain and motivate high-calibre senior management and to focus them on the delivery of the Group's strategic business objectives, to promote a strong and sustainable performance culture, to incentivise high growth and to align the interests of the Executive Directors and senior management with those of the shareholders. In promoting these objectives, the Committee's aims are to develop a remuneration policy in a simple transparent and understandable way and to ensure that no more than in necessary is paid. The framework for the forward looking policy from FY2016 has been structured to adhere to the principles of good corporate governance and having regard to pay across the wider workforce.

The Committee's terms of reference are available from the ScS Group plc head office.

There will be a vote on the forward looking remuneration policy and the remuneration report for 2015 at this year's AGM.

The Committee also welcomes feedback generally at any time which will be considered as part of its annual review of remuneration policy.

Remuneration Policy Report

Remuneration policy overview

Total remuneration packages for the Executive Directors established at the time of the IPO will provide the basis for the structure of Director Remuneration for the Group. Variable elements of reward including performance-based annual bonuses and long-term incentives will form a significant part of the overall remuneration package for Executive Directors and senior management.

During the year the Committee has undertaken a full remuneration policy review for implementation in FY2016. Prior to IPO, PwC carried out a benchmarking review and advised on remuneration structure, to assist the Company with the formulation of the forward looking remuneration policy set out below.

How the views of shareholders are taken into account

The Committee recognises that developing a dialogue with shareholders is constructive and informative in developing and applying the remuneration policy.

The Directors' remuneration policy

The Remuneration Committee presents the Directors' remuneration policy looking forward from FY2016.

Policy

Remuneration element	Purpose	Operation	Maximum
Base salary	This is the basic pay and reflects the individual's role, responsibilities and contribution to the Group.	Base salaries are reviewed annually with changes typically taking effect from the beginning of the relevant financial year. On reviews, consideration is given by the Committee to a range of factors including the Group's overall performance, market conditions and individual performance of executives and the level of salary increases given to employees across the Group. Base salaries are benchmarked against companies both main and AIM listed (excluding those in the financial services sector) who are of a similar size, sector and complexity. Similarly, in practice, the Committee will typically discount the data to recognise that the cost of living in the North East is lower than some other parts of the UK.	Given the requirements under current UK regulations for a formal cap, the Committee has limited the maximum salary it may award to 120% of the median salaries in the benchmark group. In practice though the Committee would normally expect to keep it at the median of this benchmark.

Remuneration element	Purpose	Operation	Maximum
Benefits	To provide Benefits which are valued by the individual and assist them in carrying out their duties.	The Group will provide market competitive benefits, which may periodically be reviewed. Executives will generally be eligible to receive those benefits on similar terms to other senior executives. The Committee has the discretion to add or remove benefits to remain market competitive or to meet the needs of the business. In addition, where the Committee considers it appropriate to do so, additional relocation expenses may be paid. Executives are entitled to a car allowance or a company car, car insurance, other running costs and fuel, death in service life assurance, private medical care and any other Group-wide benefits including employee discount. Business travel and associated hospitality are provided in the normal course of business.	The cost of benefits paid to an executive in any one year is capped at £100,000, but this may be exceeded in exceptional circumstances, for example, if the cost of a benefit were to increase significantly.
Pension	Provide a market competitive pension contribution (or equivalent cash allowance).	Executive Directors may take pension benefits as a contribution to defined contribution personal pension plans, or on reaching the lifetime limit for pension contributions the Executive Director can receive cash in lieu.	A total maximum value of 20% of base salary for Executive Directors and senior management.
Bonus	Provide an incentive linked principally to the financial performance of the Group.	The Committee intends all or the majority of the bonus to be based on financial measures, but has the discretion to introduce operational, corporate, divisional and/or individual performance measures if appropriate to the business. Performance conditions, once set, will generally remain unaltered, but the Committee has the right in its absolute discretion to make adjustments during any performance period to reflect any events arising which were unforeseen when the performance conditions were originally set by the Committee. Bonuses are normally paid in cash.	The current annual bonus potential for the CEO is 140% of base salary and 100% of base salary for the CFO and senior managers. The threshold bonus levels will be no more that 25% of their respective maxima. As the regulations require a formal cap for a three-year period, future bonus potential will only increase where appropriate against market data and, in any event, will be subject to an overall maximum of 200% of salary for any Executive Director.

Directors' Remuneration Report Continued

Remuneration element	Purpose	Operation	Maximum
Long-term incentives	Awards may be made annually of nil-cost options based on performance conditions. The Committee may set performance conditions typically over a three-year period.	Dividend equivalents will be made as either a cash payment or delivery of Plan Shares at exercise equal in value to the dividends payable on the number of Plan Shares in respect of which the Award is exercised between the Award Date and the date on which the Award vested. Malus and Clawback provisions apply to the awards made under the LTIP from 28 January 2015 onwards. Performance conditions, once set, will generally remain unaltered, but the Committee has the right in its absolute discretion to make adjustments during any performance period in case of events arising which were unforeseen when the performance conditions were first set by the Committee. Where a holding period is imposed in the discretion of the Committee in relation to any LTIP award, the default position (unless the Committee determines otherwise) is for the holding period to expire on the fifth anniversary of the date of grant of the relevant award.	The policy is to award Executive Directors nil cost share options equating to no more that 100% of their basic salary. No more than 25% of an award can be earned for a threshold performance.
Shareholding guidelines	Executive Directors are expected to maintain their shareholding levels once they have been obtained.	The Committee will review shareholding annually against policy. The Committee reserves the right to alter the shareholding guidelines during the period of the policy but without making the guidelines any less onerous overall.	The minimum required level of shareholding is 100% of base salary of the relevant executive.
Employee share plan	To encourage share ownership by employees and participation in the long-term success of the Group, the Group operates an employee share incentive plan for UK employees which was adopted in April 2015.	Executive Directors can participate in the employee share incentive plan (SIP) on the same terms as other employees of the Group in the UK.	Under the rules of the SIP employees can purchase a maximum of £1,800 worth of shares per annum from their pre-tax and pre-national insurance salary through a resident SIP trust.

Existing awards

In putting the Directors' Remuneration Policy to an advisory vote of shareholders, the Company will honour any commitments already entered into in the FY2016 with the Executive Directors, which are detailed in the Annual Remuneration report.

Remuneration policy and other employees

As part of the review of the remuneration policy for FY2016 the benchmarking review of the Executive Directors' remuneration also included a review of the remuneration of senior management. Following on from the benchmarking exercise that was undertaken prior to the IPO and in consideration of the Company Results for FY2015, the Remuneration Committee decided not to award any pay increases to Senior Managers at the start of FY2016.

As well as the Executive Directors, other senior management will also participate in the performance based annual incentive plan to be adopted under the remuneration policy above. A small group of senior management also participate in the long-term incentive plan for performance share awards.

The Company is committed to widespread share ownership. Following the IPO the Company made a number of awards under a long-term incentive plan which was adopted prior to admission. Also the Company employee share incentive plan (SIP), which was adopted prior to admission has been launched. Under the SIP, Executive Directors are eligible to participate on a consistent basis to all other employees.

In setting the remuneration policy going forward, the Committee will also have regard to pay structures across the broader Group. The Committee does not consult directly with employees when reviewing Executive Directors' remuneration, but it will take into account the general base salary increase for the broader workforce when undertaking annual salary reviews for the Executive Directors going forward. The Committee has taken advice from PwC, on the benchmarking and structure of remuneration packages for Executive Directors and senior management, but will be appointing a consultancy during FY2016 to give advice going forward.

Operation of variable pay

Annual Incentive Plan

The Committee will set the performance targets annually under the annual incentive plan to take account of the Company's strategic plan and financial performance. The performance targets are set by the Committee based on a range of factors including against the budget for the financial year. The metrics adopted by the Committee and the weighting of them may vary in relation to the Company's strategy each year.

The Committee sets a threshold pay-out, target and maximum pay out target under the plan.

Long-Term Incentive Plan

The Committee will regularly review the performance targets in relation to the LTIP to take account of the Company's strategic plan and financial performance. Targets will be set by the Committee at the time of the grant of each award. In making the award for FY2016 the committee is adopting market-based performance conditions for the LTIP based on EPS growth. The target ranges for FY2016 onwards are set out in the annual remuneration report.

Clawback

The Annual Incentive Plan and LTIP rules include provisions for malus and clawback within a three-year period following payment or vesting if the Committee concludes that there has been a material mis-statement of financial results, or there are circumstances which would have warranted summary dismissal of the participant, or there are circumstances having an impact on the reputation of the Company which justify clawback being operated, or where the Committee discovers information from which it concludes that a bonus or award was paid or vested to a greater extent than it should have been.

Potential reward scenarios

The graphs below show an estimate of the Executive Directors' remuneration package for the financial year ending 30 July 2016, as a percentage of total potential remuneration and total value, for the policy as it will be implemented for FY2016. Share price movements and dividend accrual have been excluded from the indicative scenarios below.

Assumptions

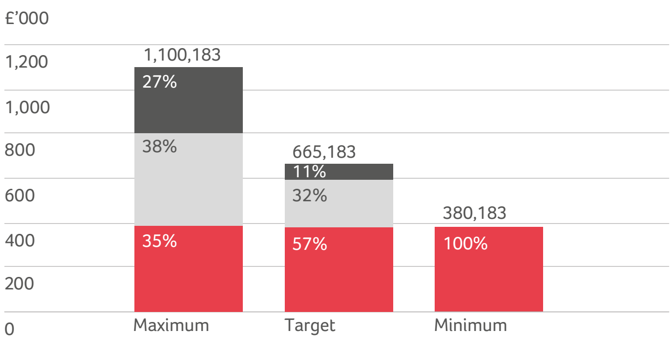
- The minimum scenario reflects fixed remuneration only which is base salary, pension and benefits.
- The on target scenario reflects the fixed remuneration plus 50% of the maximum annual bonus under the annual incentive plan, and 25% vesting under the LTIP being the threshold level (assuming an award of 100% of salary to Executive Directors under the LTIP).
- The maximum scenario reflects fixed remuneration plus 100% of the maximum annual bonus under the annual incentive plan which is 140% of base salary for the CEO and 100% of base salary for the CFO and 100% vesting under the LTIP (assuming an award of 100% of salary under the LTIP).

Recruitment and promotions

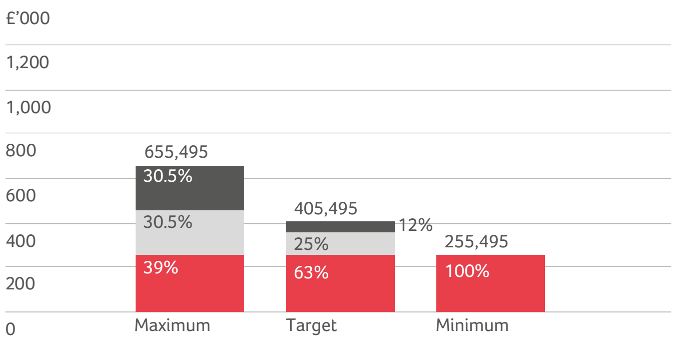
The remuneration package for a new Executive Director would be set in accordance with the terms of the Company's remuneration policy at the time of the appointment.

Additionally on appointment of any new Executive Director (whether by external recruitment of internal promotion) the remuneration policy will permit the following:

- The UK regulations do not require that caps on fixed pay apply to a new recruit and the Committee reserves the right to set fixed pay at such levels as it considers necessary although, in practice, it envisages abiding by the caps set out in this policy.
- If a new Executives salary is set on appointment below the median market rates, phased increases (as a percentage of salary) above those granted generally to other employees may be awarded subject to the individual's performance and development.
- The Company may compensate a new Executive Director for amounts forgone from the individual's former employer in addition to ongoing remuneration provided under the policy (as permitted under Listing Rules) taking account of the amount forfeited, the extent of any performance conditions, the nature of the award and the time period for vesting.
- The annual incentive plan would operate in accordance with its terms pro-rated for the period of employment and depending on the appointment timing, different performance targets might be set as the Committee considers appropriate.



David Knight, Chief Executive Officer



Ron Turnbull, Chief Financial Officer

Fixed Variable LTIP

Directors' Remuneration Report Continued

- On an internal appointment, any variable pay element awarded in respect of the individual's former role would be allowed to pay out according to its terms, with any relevant adjustment to take account of the appointment. Any other ongoing remuneration obligations existing prior to the appointment would also continue.
- On any appointment, the Committee may agree that the Company will meet the appropriate relocation expenses.

Service contract and payments for loss of office

Main provisions on termination

The service contract for the CEO and CFO is indefinite but terminable either by the Company or the Executive Director on 12 months' notice. Both service contracts are dated 19 December 2014.

An Executive Directors' service contract can also be terminated without notice or payment of compensation except for pay accrued up to the termination date on the occurrence of certain events such as gross misconduct.

Payment in lieu of notice equal to the base salary only for the unexpired period of notice can be paid under the Executive Directors' Service agreements.

There are no enhanced provisions on a change of control under the Executive Directors' service contracts.

Any new contracts will be on similar terms.

The service contracts of the Executive Directors are available for inspection at the registered office of the Company.

Annual bonus on termination

There is no contractual entitlement to annual bonus on termination or if an Executive Director is under notice. Under the Annual Incentive Plan, the Committee has absolute discretion to permit a bonus to be paid to a leaver or under notice based on the full or part year performance, subject to consideration by the Committee of the reasons for the individual leaving. A full or pro-rata time based bonus may be awarded, and this may be paid either at or before the normal payment date.

Performance share plans on termination

Share-based awards made under the Company's share plans are governed by the relevant plan rules. Under the rules of the LTIP, awards lapse if they have not vested on giving or being given notice of termination of employment for any reason, unless the Committee in its discretion permits an award to vest in whole or in part and on such terms as it may specify in its absolute discretion. Awards which may have vested before giving or receiving notice of termination of employment remain exercisable for a period of six months after leaving or (if later) the expiry of any holding period which the award was subject to. The Committee has the discretion to extend this period.

Chairman and Non-Executive Directors

Fees

The level and structure of fees for the Non-Executive Directors was set by the Board from admission. The fees of the Non-Executive Directors are set by the Board taking account of the Chairmanship of Board Committees and the time and responsibility of the roles of each of them. The fees are paid in cash. The Committee has responsibility for determining fees paid to the Chairman of the Board. All fees are subject to the aggregate fee cap for Directors in the articles of association, which is currently £400,000 per annum.

Details of the fees paid to the Non-Executive Directors are set out in the Remuneration Report. The Chairman and the Non-Executive Directors are entitled to be reimbursed of all expenses reasonably incurred by them in the performance of their duties. The Chairman and Non-Executive Directors do not participate in any bonus or share plans of the Company.

The Non-Executive Directors do not have service contracts. They are appointed for an initial three year period subject to being re-elected by members annually.

Remuneration element	Purpose	Operation	Maximum
Non-Executive Directors Fees.	Helps recruit and retain high quality, experienced individuals. Reflects time commitment and role.	The level and structure of fees was set by the board at admission. The fees consist of an annual basic fee plus additional fees paid for the Chairmanship of Board Committees. Limited benefits relating to travel and accommodation may be provided in relation to the performance of any Director's duties. Non-executive Directors fees are set by the Executive Directors with reference to external data on fee levels in similar businesses, having taken account of the responsibilities of individual Directors and their expected annual time commitment.	The aggregate amount of Directors' Fees is limited by the Company's Articles of Association.

Letters of appointment
All of the Non-Executive Directors of the Company have letters of appointment dated 22 October 2014 for an initial period of three years and are subject to three months' notice of termination by either side at any time and subject to annual re appointment as a Director by the shareholders, save for George Adams whose letter of appointment is dated 9 July 2015. The appointment letters provide that no other compensation is payable on termination.

Insurance
All of the members of the Board have the benefit of Directors and Officers liability Insurance which gives them cover for legal action which may arise against them personally.

Annual Remuneration Report

Executive Directors remuneration in FY2015

Elements of remuneration
The Executive Directors receive a base salary and other benefits. Neither the CEO nor the CFO received an annual bonus in the FY2015.

Long-term incentive awards have been made to the CEO and CFO during 2015. The vesting of the long-term incentives is dependent upon the achievement of performance targets which were set by the Committee before the awards were made. Details of the performance targets are set out on page 39.

During FY2015 the Executive Directors also 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 Executive Director has an option to acquire ordinary shares in exchange for their shareholding in Parlour Product Topco Ltd shares and the Company has the equivalent option for itself or a nominate person to acquire their shareholding in Parlour Product Topco Ltd shares in exchange for ordinary shares.

The Executive Directors also entered into a restricted share agreement with the Company and Principal Shareholder which contains certain restrictions on the ordinary shares in the Company to be acquired by them pursuant to the Options Agreements.

Details of the options awarded are set out on page 40.

Salary
A benchmark review exercise was carried out prior to the IPO. As a result of this exercise the CFO's salary was increased prior to the IPO, the CEO's salary remained unchanged.

There have been no further reviews of the Executive Director's salary pending the full remuneration policy being completed by the Committee. The Remuneration Committee considered whether an increase should be awarded at the start of FY2016, however as a decision was taken to offer no pay increases across the Company the Committee agreed to leave the Executive Directors' salaries unchanged for FY2016.

The current basic salaries as at 14 October 2015 are:

- David Knight £300,000 (26 July 2014: £300,000)
- Ron Turnbull £200,000 (26 July 2014: £175,000)

The CEO's salary is considered to be broadly reflective of a median position against the benchmark data, prior to the IPO the CFO's salary was approximately 10% behind the median position and was increased in FY2015 to reflect the median position.

Pension and other benefits
The Executive Directors are eligible to pension benefits equating to 20% of their basic salary, which are non-contributory. The CEO participated in the pension scheme however the CFO has reached his lifetime limit and receives a payment in lieu of pension contributions equating to 20% of his basic salary.

The CEO receives a car allowance of £18,642 and the CFO receives a car allowance of £11,909.

The Executive Directors are also provided with private medical insurance and are also provided with Life Assurance that provides cover of up to four times base salary.

Annual bonus
The Executive Directors did not receive any bonus during FY2015 as the threshold EBITDA target was not reached.

The bonuses for the Executive Directors going forward are subject to the terms of the performance-based Annual Incentive Plan set out in the Remuneration policy on pages 34-39 above.

For FY2016 the maximum bonus opportunity for the CEO is 140% of base salary and for the CFO is 100% of base salary. Under the awards for FY2016 the bonus is based on the achievement of an EBITDA target. No bonus is paid unless a threshold level of EBITDA is achieved. The Committee does not disclose the targets in advance as they are commercially sensitive and it is not market practice to do so. Suitable disclosure of the financial target ranges will be included in next year's report retrospectively.

Long-term incentives
On IPO a long-term incentive plan was awarded to the Executive Directors. The CEO was awarded 171,428 and the CFO, 114,285 ordinary shares at £nil cost. Subject to meeting the performance conditions, the awards will vest on the third anniversary of the IPO. The award cannot be exercised prior to the 28 January 2018. Following the announcement of the 2017 accounts the long-term incentive plan shall vest as follows.

EPS figure	Percentage of award that vests
Less than 24 pence	Nil
24 pence	25%
Greater than 24 pence but less than 28 pence	Straight-line basis between 25% and 100%
28 pence	100%

Malus and clawback rules apply to the award.

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

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

Directors' Remuneration Report Continued

Single figure table of total remuneration (Executive Directors) – audited

The audited table below shows the aggregate remuneration of the Directors of the Company during the FY2015 and for the Financial Year 2014:

		Salary £	Bonus £	Benefits £	LTIP £	Pension £	Total £
David Knight	2014	300,000	177,450	20,336**	0	60,000	557,786
	2015	**300,000**	**0**	**20,183**	**0**	**60,000**	**380,183**
Ron Turnbull	2014	175,000	73,938	15,943**	0	35,000	299,881
	2015	**200,000**	**0**	**15,495**	**0**	**40,000***	**255,495**

* The CFO has reached his lifetime limit and receives a payment in lieu of pension contributions equating to 20% of his basic salary.
** Benefits of the Directors are discussed in detail on page 35.

Remuneration of the Chairman and Non-Executive Directors – audited

The fee levels and structure of the Non-Executive Directors was set by the Board from Admission. No review is expected during FY2016.

The fees of the Non-Executive Directors are set by the Board and take account of the Chairmanship of Board committees and the time and responsibility of the roles of each of them.

The fees paid for 2015 to the Non-Executive Directors were as follows:

	£
Alan Smith	95,192
Ron McMillan	46,846
George Adams	3,923

No fees were paid in 2014 as the Non-Executive Directors were not in post. There were no other amounts disclosable for the Non-Executive Directors for the year.

Share awards made to Directors

Immediately following the IPO the Executive Directors retained an interest in B ordinary shares and/or 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 the CEO and CFO:

- David Knight 1,270,530 ordinary shares
- Ron Turnbull 508,212 ordinary shares

The Option Agreements were entered into in order to provide for an orderly winding up of certain management incentive arrangements which had been established prior to Admission and the arrangements were fully described in the Company's prospectus published in connection with the IPO on 23 January 2015 (**'IPO Prospectus'**). The Ordinary Shares subject to the Option Agreements were allotted to the ScS Group Employee Benefit Trust (**'EBT'**) on Admission. Pursuant to the terms of the Option Agreements, the relevant Directors and PDMRs have exchanged B and D ordinary shares in the capital of Parlour Product Topco Limited, for Ordinary Shares.

For the avoidance of doubt, the aggregate interests in Ordinary Shares and Ordinary Shares under options held by the Executive Directors have not changed from what was disclosed in the IPO Prospectus.

As described in the IPO Prospectus, the Ordinary Shares acquired by the Executive Directors as a result of the option exercise are subject to lock-up agreements pursuant to which the Ordinary Shares may generally not be sold or otherwise disposed of for a period of 12 months from the date of the option exercise without the prior written consent of Investec (not to be unreasonably withheld or delayed). The Ordinary Shares are also subject to a further restriction (also described in the IPO Prospectus) restricting sales or transfers of the Ordinary Shares up to a certain percentage. This is the same percentage of its Ordinary Shares held by Parlour Products Holdings (Lux) S.a.r.l (**'Principal Shareholder'**) immediately prior to admission as the Principal Shareholder has sold (either in the IPO or subsequently), and this restriction applies until the fourth anniversary of admission.

Payments to past Directors and loss of office payments – audited

There were no payments to past Directors for loss of office in the year ended 25 July 2015.

Directors' shareholding and share interests – audited

The table below sets out the number of shares held or potentially held be Directors (including connected persons or related parties where relevant) as at the financial year end 2015. There were no share ownership guidelines or requirements for either the Executive Directors or the Non-Executive Directors in the financial year ended 2015.

Director	Shares held beneficially	Unvested options
Alan Smith	11,429	–
Ron McMillan	–	–
George Adams	–	–
Paul Daccus	–	–

Name	Y/E 25.07.15	Share interests held beneficially*	Nil cost options subject to performance **	Option awards vested on admission ***	Totals
David Knight	Number	1,441,958	171,428	22,772	1,636,158
	Value at year end	£2,126,888	£252,856	£33,589	£2,413,333
Ron Turnbull	Number	622,498	114,285	9,109	745,892
	Value at year end	£918,185	£168,570	£13,436	£1,100,191

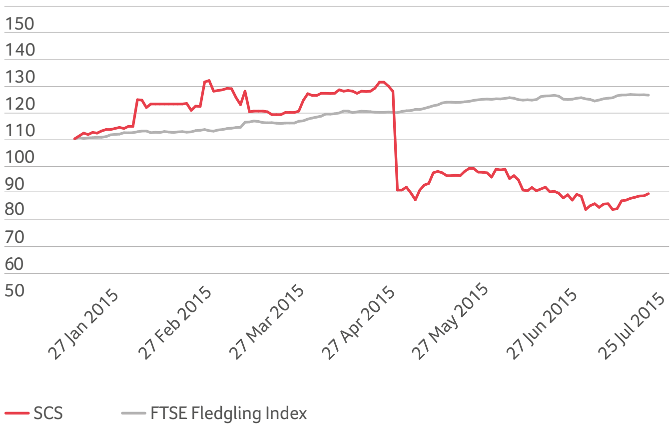
* 1,270,530 of the CEO's interests and 580,212 of the CFO's interests are exchangeable for ordinary shares in the capital of the Company pursuant to the terms of the Option Agreements entered into.
** Awards vest subject to EPS performance over a three year period.
*** Option awards are vested and are exercisable until 20 January 2025 at an exercise price of £1.75.

The value of share interests at the year end is based on the closing share price at 25 July 2015 of £1.475.

No awards were exercised during the financial year.

Performance graph and pay table

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



Remuneration of the CEO

David Knight £300,000, Bonus £nil, LTIP £nil.

Changes in the remuneration of the CEO

Total remuneration of individuals undertaking the role of CEO in each of the past 5 years Is as follows:

		Salary £	Bonus £	Benefits £	LTIP £	Pension £	Total £
David Knight	2015	300,000	0	20,183	0	60,000	380,183
David Knight	2014	300,000	177,450	20,336	0	60,000	557,786
David Knight	2013	247,500	274,073	16,302	0	49,500	586,875
David Knight	2012	247,500	199,635	13,929	0	71,625	532,689
David Knight	2011	247,500	0	17,265	0	49,500	314,265

The table below shows the percentage changes in the CEO's remuneration between the financial year ended 26 July 2014 and the 25 July 2014 compared to the amounts for UK full time employees of the group for each of the following elements of pay:

	2015 £	2014 £	% Change
CEO			
Salary	**300,000**	300,000	0%
Benefits	**20,183**	20,336	(1%)
Bonus	**£0**	£177,450	(100%)
Average per Employee			
Salary	**23,400**	23,300	0.4%
Benefits	**661**	617	7%
Bonus	**1,400**	1,400	0%

Relative importance of the spend on pay

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

	FY2014 £'000	**FY2015 £'000**	% Change
Total pay for employees	42,870	**49,141**	14.6%
Distributions to shareholders	–	**5,524**	–

Remuneration Committee

The members of the committee for the 2015 financial year were George Adams (Committee Chairman, appointed 10 July 2015), Alan Smith, Ron McMillan and Paul Daccus.

The responsibilities of the Committee are set out in the Corporate Governance section of the Annual Report on page 28.

The Committee may invite the Executive Directors or other members of the senior management to attend meetings and assist the Committee in its deliberations as appropriate. No person is present during any deliberations relating to their own remuneration or involved in determining their own remuneration.

The attendance of members of the Committee at meetings of it was as follows:

Name	Attendance
Alan Smith	1
Ron McMillan	1
Paul Daccus	1
George Adams*	–

* Appointed 9 July 2015.

Advisers to the Committee

Advisers are to be appointed during FY2016. Advice to date has been sought from PwC.

This report has been approved by the Board of Directors of the Company and signed on behalf of the board by:

George Adams
Chairman of the Remuneration Committee
14 October 2015

Directors' Report

Results and Dividend
The Group's loss after tax for the financial year ended 25 July 2015 of £2.2 million (2014: profit £5.9 million) is reported in the consolidated statement of income on page 48.

The Board is recommending a final dividend of 11.2p per ordinary share, which together with the interim dividend of 2.8p per ordinary share paid in May 2015 is a total dividend of 14.0p, and this reflects the commitment announced at IPO.

Going Concern
The Group generates strong cash flows, reflecting the negative working capital requirements of the business model. In addition the Group has a committed £12 million revolving credit facility in place. The Group's forecasts and projections show that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its condensed interim financial statements.

Events Since the Balance Sheet Date
Other than those described in note 27 there have been no events since the balance sheet date that either require adjustment to the financial statements or are important in the understanding of the Company's current position.

Financial Risk Management
See note 24 of the Financial Statements.

Corporate Social Responsibility
Our CSR activity is set out in the Corporate Social Report on pages 22 to 23, which form part of this report.

Employee Involvement
The Group's policy is to actively involve its employees in the business and to ensure that matters of concern to them, including the aims and objectives and the financial and economic factors which impact thereon, are communicated in an open and regular manner. This is achieved principally through three sales conferences held at appropriate times during the year supported by regular senior management meetings and briefings, both on a national and regional basis, and a comprehensive weekly newsletter which is made available to all employees.

The Group is an equal opportunities employer and strives to ensure that disabled people are not discriminated against on the grounds of their disability. The Group's objective is to ensure equal opportunities for all, whether applying for vacancies or already in employment, in career development and promotion.

Directors and Their Interests
Details of the Directors of the Company as at 25 July 2015 are shown on pages 24 and 25 and their interests in shares and share awards made to them under share incentive schemes in the Company are shown in the Directors' Remuneration Report on pages 39-41, which form part of this report. There have been no changes in the Board of the Company since that date.

Directors' Indemnities
As permitted by the Company's Articles of Association, the Directors have the benefit of an indemnity which is applicable in certain circumstances. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance.

Employee benefit trust
The Company established the ScS Group plc Employee Benefit Trust (EBT) with Sanne Fiduciary Services Limited as the Trustees in Jersey in January 2015. The purpose of the EBT is to facilitate the winding up of pre-admission management incentive arrangements, holding ordinary shares in the Company which will be acquired by the Executive Directors and relevant key management in accordance with a put and call agreement within the period six to 12 months following admission.

The EBT has waived any dividends which it may be entitled to receive in respect of ordinary shares held by it, and has also agreed to waive voting rights to such shares.

Major Interest in Shares
As at 30 September 2015 the following shareholders have notified the Company of their interest in 3% or more of the Company's issued share capital:

	Number of shares held	% of issued share capital
Parlour Products Holdings (Lux Sarl)	16,620,160	41.55
River & Mercantile Asset Mgt	2,962,625	7.41
ScS Group PLC Employee Benefit Trust	2,722,563	6.81
Columbia Threadneedle Investments	2,419,572	6.05
Investec Asset Mgt	2,051,664	5.13
Artemis Investment Mgt	1,900,000	4.75
Miton Asset Mgt	1,724,478	4.31
Henderson Global Investors	1,645,714	4.11
Independent Investment Trust	1,300,000	3.25

Annual General Meeting
A notice convening the Company's first Annual General Meeting on 18 November 2015 will be issued to shareholders separately.

Corporate Governance
The compliance by the Company with the UK Corporate Governance Code are set out in the Corporate Governance Report on pages 26 to 29, which form part of this report.

Auditors
PricewaterhouseCoopers LLP is the Company's independent auditor. A resolution to reappoint PricewaterhouseCoopers LLP as auditors will be put to the members at the Annual General Meeting.

In addition, the Directors as at the date of this report consider that the Annual Report & Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's and the Group's performance, business model and strategy.

Ron Turnbull
Company Secretary
14 October 2015

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- state whether IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and parent company financial statements respectively.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess a Company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed on pages 24 and 25 confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and loss of the Group;
- the Directors' Report and the Group Operating and Financial Review include a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces;
- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- he/she has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Ron Turnbull
Company Secretary
14 October 2015

Independent Auditors' Report to the Members of ScS Group plc

Report on the Group Financial Statements

Our opinion

In our opinion, ScS Group plc's Group financial statements (the 'financial statements'):

- give a true and fair view of the state of the Group's affairs as at 25 July 2015 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

What we have audited

The financial statements comprise:

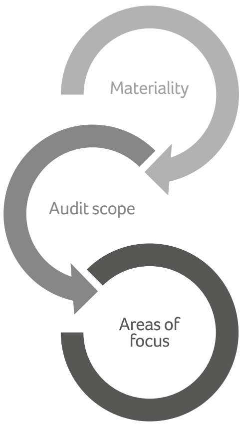
- the Consolidated Statement of Financial Position as at 25 July 2015;
- the Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated Statement of Cash Flows for the year then ended;
- the Consolidated Statement of Changes in Equity for the year then ended; and
- the Notes to the Consolidated Financial Statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report and Financial Statements (the 'Annual Report'), rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

Our audit approach

Overview



- Overall Group materiality: £1.38 million which represents 0.5% of revenue.
- We performed an audit of the complete financial information of the Group's trading entity A Share & Sons Limited, the holding company and all other subsidiaries (excluding dormant entities).

Our areas of focus were:

- Accounting for the Group reorganisation taking place preceding the groups Initial Public Offering (IPO).
- Supplier arrangements, are material and can involve judgement.

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)').

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as 'areas of focus' in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
Accounting for the Group reorganisation taking place preceding the Groups' Initial Public Offering (IPO) *Refer to pages 30-32 (Audit Committee Report) and page 55 (Critical accounting estimates and judgments).* In preparation for the IPO during the year, the Group undertook a capital reorganisation and executed a complex step plan, which included the insertion of a new holding company, share exchanges and repayment arrangements for inter-company balances held with the previous owners. The execution of the accounting for the reorganisation for the IPO represented a heightened risk of material misstatement due to the magnitude and complexity of the accounting entries required. Significant legal and professional costs were incurred during the process, including those relating to the Admission of the Group's shares on the London Stock Exchange, fees to advisors and expenses relating to capital structuring, which are recognised as exceptional costs in the consolidated statement of comprehensive income. The accounting treatment for these costs is a complex area and requires the Directors to apply significant judgement in assessing whether the costs relate to the issuance of a new equity instrument and should be capitalised or whether they should be expensed directly to the consolidated statement of comprehensive income.	For the capital reorganisation and restructuring, we tested whether the accounting treatment for these transactions was consistent with the underlying substance of the transaction and accounting standards. We involved our internal specialists in this field to ensure the correct accounting conclusions had been reached by the client. We assessed the classification and accuracy of the exceptional costs incurred by agreeing a sample of costs incurred to third party invoices, We concurred that, as no new equity instruments were created on IPO and that the costs were non-recurring in nature, they were correctly expensed in the consolidated statement of comprehensive income and presented as exceptional items. We found management's judgements and application of relevant accounting standards and the execution of the accounting for the restructuring as a whole to be supported by the evidence we obtained.
Supplier arrangements are material and can involve judgement *Refer to pages 30-32 (Audit Committee Report) and page 55 (Critical accounting estimates and judgments).* The Group receives significant rebates from its suppliers. These include volume-based rebates on purchases made from key product suppliers throughout the year and promotional support given by suppliers for display stocks and positioning of their products within advertising. **Volume rebates**: These are negotiated by ScS Group plc as part of its dealings in the normal course of business with suppliers. There is a percentage rebate given by suppliers based on sales levels; these rates often vary based on spend with that supplier. In volume rebates, the judgement arises when the agreements are not co-terminus with the Group's year end and where these contain spending thresholds or 'hurdle rates' that, if hit, will change the rebate percentage offered for all spend in the period. The impact of judgement is reduced through quarterly settlement of rebates and because the vast majority of non-coterminous agreements had exceeded the hurdle rate as at the date of the Group's year end. We focussed on this area to check that volume rebates accounted for were supported by contracts, calculated reasonably and accounted for in the right period. **Promotional support**: This comprises contributions made by suppliers for display models to be used in new and existing stores. The level of promotional support is dependent on the inventory ScS Group plc purchases as display models for use within its stores. Promotional support is part of the supply of goods agreement with suppliers. We focussed on whether the group was entitled to the amounts recognised as income during the year. The risk is lessened as the level of judgement concerned is minimal in these balances with suppliers issuing a credit note against the inventory item with the amount settled net. The year end debtor is also immaterial.	We sent confirmation requests to a sample of suppliers, asking them to confirm the rebate terms and rebate percentage included in the contract as well as the overall spend in the year. The responses we received corroborated the information we had been provided with. We did not receive responses for the full population; where a response was not received, we agreed terms to the underlying contract. For the total supplier spend during the year, we tested on a sample basis to invoice and settlement agreeing that the rebate was calculated in line with the rebate agreement. No issues were noted on any of the above procedures. Management calculate the income derived from volume rebates based on an average rebate level, which is a weighted average rebate percentage across all suppliers, based on actual historic rebate levels, which is used as a proxy for the actual rebate levels. Management then perform a calculation of the rebate on a supplier by supplier basis to demonstrate that any difference between that and the amount booked was not material. We recalculated this supplier by supplier rebate entitlement amount for the full year, checking that the correct hurdle rate was used, based on the spend required as stipulated in the agreement, having tested the inputs to the calculation as outlined above. We concurred with management that the actual charge was not materially different from the amount recognised using the above methodology. We tested promotional support amounts in the consolidated statement of comprehensive income on a sample basis by tracing them to the underlying credit note from the supplier. No issues were noted with this testing.

Independent Auditors' Report to the Members of ScS Group plc Continued

Report on the Group Financial Statements Continued

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the Group's accounting processes and controls and applying our experience in the retail sector.

The Group is based in and operates solely in the UK market from its 96 stores and 30 House of Fraser concessions. It has one trading entity, A Share & Sons Limited, and three UK based holding companies including ScS Group plc. The timing of the audits for the statutory accounts for the Group, parent company and the subsidiary companies took place at the same point in time and, as such, as at the date of this opinion we have audited all material balances across the Group.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall Group materiality	£1,380,000 (2014: £1,288,000).
How we determined it	0.5% of revenue.
Rationale for benchmark applied	We have used 0.5% of revenue as the benchmark for our materiality calculations due to the low margin nature of the business and our judgement around what would affect the decisions of the users of the financial statements.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.069 million (2014: £0.064 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the Directors' statement, set out on page 42, in relation to going concern. We have nothing to report having performed our review.

As noted in the Directors' statement, the directors have concluded that it is appropriate to prepare the financial statements using the going concern basis of accounting. The going concern basis presumes that the Group has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's ability to continue as a going concern.

Other Required Reporting

Consistency of other information

Companies Act 2006 opinion

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

• information in the Annual Report is: – materially inconsistent with the information in the audited financial statements; or – apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or – otherwise misleading.	We have no exceptions to report arising from this responsibility.
• the statement given by the directors on page 43, in accordance with provision C.1.1 of the UK Corporate Governance Code (the "Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's performance, business model and strategy is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit.	We have no exceptions to report arising from this responsibility.
• the section of the Annual Report on pages 30-32, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report arising from this responsibility.

Adequacy of information and explanations received
Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

Directors' remuneration
Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from these responsibilities.

Corporate governance statement
Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Company's compliance with ten provisions of the UK Corporate Governance Code. We have nothing to report having performed our review.

Responsibilities for the Financial Statements and the Audit

Our responsibilities and those of the Directors
As explained more fully in the Directors' Responsibilities Statement set out on page 43, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other Matter
We have reported separately on the Company financial statements of ScS Group plc for the year ended 25 July 2015 and on the information in the Directors' Remuneration Report that is described as having been audited.

Jonathan Greenaway (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
14 October 2015

(a) The maintenance and integrity of the ScS Group plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated Statement of Comprehensive Income

for the year ended 25 July 2015

	Notes	2015 £'000	2014 £'000
Gross sales	3	**292,163**	258,206
Revenue	3	**276,734**	244,133
Cost of sales		**(149,583)**	(131,131)
Gross profit		**127,151**	113,002
Distribution costs		**(14,041)**	(12,303)
Administrative expenses		**(110,343)**	(94,091)
Operating profit from continuing operations	4	**2,767**	6,608
Analysed as:			
Operating profit before exceptional items		**6,420**	6,608
Exceptional items	6	**(3,653)**	–
Profit after exceptional items		**2,767**	6,608
Finance costs	7	**(4,515)**	(1,967)
Finance income	8	**20**	2,515
Net finance (costs)/income		**(4,495)**	548
(Loss)/profit from continuing operations before taxation		**(1,728)**	7,156
Taxation	9	**(496)**	(1,243)
(Loss)/profit for the year from continuing operations		**(2,224)**	5,913
Attributable to:			
Owners of the parent			
(Loss)/profit attributable and total comprehensive (expense)/income for the year		**(2,224)**	5,913
(Loss)/Earnings per share (expressed in pence per share):			
Basic (loss)/earnings per share	10	**(5.56)p**	14.78p

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

There are no other sources of comprehensive (expense)/income.

Consolidated Statement of Changes in Equity

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
At 28 July 2013	**–**	**–**	**–**	**–**	**4,839**	**4,839**
Profit for the year	–	–	–	–	5,913	5,913
Share-based payments	–	–	–	–	56	56
Dividend paid	–	–	–	–	(6,555)	(6,555)
At 26 July 2014	**–**	**–**	**–**	**–**	**4,253**	**4,253**
At 27 July 2014	**–**	**–**	**–**	**–**	**4,253**	**4,253**
Loss for the year	–	–	–	–	(2,224)	(2,224)
Share-based payments	–	–	–	–	234	234
Proceeds from shares issued	50	70,000	–	–	–	70,050
Capital reduction	–	(70,000)	–	–	–	(70,000)
Share buyback	(13)	–	13	–	–	–
Group re-organisation	–	–	–	25,511	–	25,511
Dividend paid	–	–	–	–	(1,044)	(1,044)
At 25 July 2015	**37**	**–**	**13**	**25,511**	**1,219**	**26,780**

Consolidated Statement of Financial Position

as at 25 July 2015

	Notes	2015 £'000	2014 £'000
Non-current assets			
Intangible assets	11	**1,291**	1,407
Property, plant and equipment	12	**25,005**	25,524
Total non-current assets		**26,296**	26,931
Current assets			
Inventories	13	**20,705**	20,001
Trade and other receivables	14	**8,887**	8,316
Cash and cash equivalents		**21,055**	18,794
Total current assets		**50,647**	47,111
Total assets		**76,943**	74,042
Capital and reserves attributable to the equity shareholders of the parent			
Share capital	18	**37**	–
Capital redemption reserve		**13**	–
Merger reserve		**25,511**	–
Retained earnings		**1,219**	4,253
Equity shareholder funds		**26,780**	4,253
Total equity		**26,780**	4,253
Non-current liabilities			
Trade and other payables	16	**5,668**	5,332
Deferred tax liability	17	**530**	1,569
Total non-current liabilities		**6,198**	6,901
Current liabilities			
Current income tax liabilities		**675**	227
Trade and other payables	15	**43,290**	62,661
Total current liabilities		**43,965**	62,888
Total liabilities		**50,163**	69,789
Total equity and liabilities		**76,943**	74,042

The notes on pages 52 to 66 are an integral part of these consolidated financial statements.

The financial statements on pages 48 to 66 were approved by the Board and authorised for issue on 14 October 2015 and signed on its behalf by:

David Knight
Chief Executive Officer

ScS Group plc: Registered number 03263435

Consolidated Statement of Cash Flows

for the year ended 25 July 2015

	Notes	2015 £'000	2014 £'000
Cash flows from operating activities			
(Loss)/Profit before taxation		**(1,728)**	7,156
Adjustments for:			
Depreciation of property plant and equipment	12	**4,185**	3,938
Amortisation of intangible assets	11	**596**	225
Share-based payments	20	**234**	56
Finance costs	7	**4,515**	1,967
Finance income	8	**(20)**	(2,515)
		7,782	10,827
Changes in working capital:			
Increase in inventories	13	**(704)**	(1,443)
(Increase)/decrease in trade and other receivables	14	**(571)**	1,619
Increase in trade and other payables		**3,492**	4,267
Decrease in provisions		**–**	(260)
Cash generated from operations		**9,999**	15,010
Interest paid	7	**(731)**	(189)
Income taxes paid		**(1,088)**	(1,000)
Net cash flow generated from operating activities		**8,180**	13,821
Cash flows used in investing activities			
Purchase of property, plant and equipment	12	**(3,666)**	(1,992)
Payments to acquire intangible assets	11	**(480)**	(1,102)
Interest received	8	**20**	13
Net cash flow used in investing activities		**(4,126)**	(3,081)
Cash flows used in financing activities			
Repayment of borrowings from related party		**(799)**	(6,583)
Dividends paid		**(1,044)**	(6,555)
Proceeds of share issue		**50**	–
Net cash flow used in financing activities		**(1,793)**	(13,138)
Net increase/(decrease) in cash and cash equivalents		**2,261**	(2,398)
Cash and cash equivalents at beginning of year		**18,794**	21,192
Cash and cash equivalents at end of year		**21,055**	18,794

Notes to the Consolidated Financial Statements

1. General information

ScS Group plc (the 'Company') is a company incorporated and domiciled in the UK (Company registration number 03263435). The address of the registered office is 45-49 Villiers Street, Sunderland, SR1 1HA. The Company and its subsidiaries' (the 'Group') principal activity is the provision of upholstered furniture and flooring, trading under the name ScS. The shares in the Company were admitted to the Official List of the London Stock Exchange (LSE) on 28 January 2015.

2. Accounting policies

Basis of preparation

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) as they apply to the financial statements of the Group for the year ended 25 July 2015 and applied in accordance with the Companies Act 2006 as applicable to companies using IFRS and interpretations issued by the IFRS Interpretations Committee (IFRS IC) and under the historic cost convention. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 25 July 2015.

The Group's deemed transition date to IFRS is 27 July 2013. 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 Group has not applied any of the optional exemptions under IFRS 1.

The Group financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated.

Group restructuring

In connection with the admission to the LSE, the Group undertook a reorganisation of its corporate structure which resulted in the Company becoming the ultimate holding company of the Group. Prior to the reorganisation the ultimate holding company was Parlour Product Topco Limited.

The transaction was accounted for as a capital reorganisation since it did not meet the definition of a business combination under IFRS 3. In a capital reorganisation, the consolidated financial statements of the Group reflect the predecessor carrying amounts of Parlour Product Topco Limited for the comparative information presented since no substantive economic changes have occurred and the creation of a merger reserve in equity.

Going concern

The Group generates strong cash flows, reflecting the negative working capital requirements of the business model. In addition the Group has a committed £12 million revolving credit facility in place. The Group's forecasts and projections show that the Group has adequate resources to continue to operational existence for the foreseeable future.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its condensed interim financial statements.

New standards, amendments and interpretations

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

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 Group considered to be applicable to the Group are set out below. Management are still considering the potential impact of these standards on the Group's consolidated financial statements.

IFRS 9 'Financial instruments', on 'Classification and measurement' (effective 1 January 2018). 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 Group is yet to assess the impact of IFRS 9 on its consolidated financial information.

IFRS 15, 'Revenue from contracts with customers' (effective 1 January 2017) 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 Group is yet to assess the impact of IFRS 15 on its consolidated financial information.

Basis of consolidation
The Group financial statements consolidate the financial statements of ScS Group PLC and the entities it controls (its subsidiaries) drawn up to within seven days of 31 July each year.

Subsidiaries
Subsidiaries are entities controlled by the Company. Control exists when the 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
Intra-Group balances, and any gains and losses or income and expenses arising from intra-Group transactions, are eliminated in preparing the consolidated financial information. Gains arising from transactions with jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Losses are eliminated in the same way as gains, but only to the extent that there is no evidence of impairment.

Segmental reporting
Segments are reported in a manner consistent with the internal reporting to the Board of Directors (see note 3 – 'Segment information').

Revenue
Revenue represents amounts invoiced for goods and services, net of discounts, charges associated with Interest free credit sales 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 – 20% to 33% straight-line per annum.

The carrying value of intangible assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Notes to the Consolidated Financial Statements Continued

2. Accounting policies Continued

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 displaying and promoting their product are recognised as a reduction in the advertising and marketing costs to which they relate.

Supplier rebates

Rebates receivable from suppliers are based upon the volume of business with each supplier and are recognised in the income statement in cost of sales or credited to stock as appropriate on an earned basis, by reference to the supplier revenue.

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 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 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 Group in exchange for the issue of shares in the Company is recognised as an expense in the financial statements of the subsidiary company to which services have been supplied. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares issued, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of shares that are expected to vest. At each balance sheet date, the Group revises its estimates of the number of shares that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

Provisions
Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Critical accounting judgements and estimates
The preparation of the financial statements 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 Directors consider that the following estimates and judgements are likely to have the most significant effect on the amounts recognised in the consolidated historical financial information.

Exceptional items
The Group presents as exceptional items on the face of the income statement, those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

Volume rebates and promotional support
The Group receives income from suppliers in two principal ways, being volume rebates and promotional support. Volume rebates are based on agreed rates based on the level of spend with suppliers in the year. Where these arrangements are not coterminous with the year end these are accrued based on management's judgement as to whether the turnover targets will be achieved for the individual supplier.

Promotional support is received on new display models placed into stores on an invoice by invoice basis based on pre-negotiated agreements.

Accounting for the Group restructuring on the IPO
As part of the preparation for the IPO a Group restructuring exercise was undertaken. This restructure was accounted for as a capital reorganisation. The accounting for this results in the creation of a merger reserve in the Consolidated statement of financial position. The comparatives shown are those prior to the restructuring of the previous consolidated parent Parlour Product Topco Limited.

Notes to the Consolidated Financial Statements Continued

3. Segment information

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

The Directors consider the business to be one main type of business generating gross sales and revenue from the retail of upholstered furniture and flooring. All gross sales and revenue (loss)/profit before taxation, assets and liabilities are attributable to the principal activity of the Group and other related services. All gross sales and revenues are generated in the United Kingdom.

An analysis of gross sales is as follows:

	Year ended 25 July 2015 £'000	Year ended 26 July 2014 £'000
Sale of goods	**273,491**	241,593
Associated sale of warranties	**18,672**	16,613
	292,163	258,206

In the 2014 financial statements included in the prospectus and in accordance with guidance at the time, charges associated with interest-free credit were included in cost of sales. In line with current guidance, these charges are now deducted from gross sales in arriving at revenue. Charges for interest-free credit in 2015 and 2014 were £15,429k and £14,073k respectively. This change in presentation has no impact on reported profit in either year.

4. Operating profit

Operating profit is stated after charging:

	Year ended 25 July 2015 £'000	Year ended 26 July 2014 £'000
Fees payable to the company auditors for the audit of parent company and consolidated financial statements	**59**	4
Fees paid for other services:		
– audit of the Company's subsidiaries	**85**	86
– tax compliance	**13**	18
– tax advisory	**–**	13
– other non-audit services	**960**	–
Depreciation of property, plant and equipment – owned	**4,185**	3,938
Impairment of property, plant and equipment – owned	**–**	–
Amortisation of computer software	**596**	225
Operating lease rentals – plant and machinery	**2,180**	1,957
Operating lease rentals – land and buildings	**23,262**	22,221

Other non-audit services above principally relate to the Group's initial public offering.

5. Employees and Directors

5.1 Staff costs

	Year ended 25 July 2015 £'000	Year ended 26 July 2014 £'000
Wages and salaries	**43,901**	38,469
Social security costs	**4,077**	3,547
Other pension costs (note 22)	**929**	798
Share-based payments (note 20)	**234**	56
	49,141	42,870

The average monthly number of employees (including Executive Directors) during the year was as follows:

	Year ended 25 July 2015 Number	Year ended 26 July 2014 Number
Sales	**704**	648
Office and managerial	**682**	585
Services and warehousing	**352**	303
Cleaning	**27**	25
	1,765	1,561

5.2 Directors' emoluments

	Year ended 25 July 2015 £'000	Year ended 26 July 2014 £'000
Aggregate emoluments	**682**	763
Other pension costs (note 22)	**100**	95

Highest paid Director	Year ended 25 July 2015 £'000	Year ended 26 July 2014 £'000
Aggregate emoluments	**320**	498
Other pension costs (note 22)	**60**	60

5.3 Key management compensation

Key management comprises the Directors of the trading subsidiary, A. Share & Sons Limited, and excludes the Group Directors and Non-Executive Directors disclosed in 5.2 above.

The key management compensation is as follows:

	Year ended 25 July 2015 £'000	Year ended 26 July 2014 £'000
Aggregate emoluments	**636**	827
Deferred contribution pension cost	**112**	105
Share based payments	**86**	56

Notes to the Consolidated Financial Statements Continued

6. Exceptional items

Items that are material either because of their size and nature, or that are non-recurring, are considered as exceptional items and are presented within the line items in the income statement to which they best relate.

Exceptional costs comprise:

	Notes	Year ended 25 July 2015 Administrative expenses £'000	Year ended 25 July 2015 Finance costs £'000	Year ended 26 July 2014 £'000
Management fees	6(a)	**1,100**	**–**	–
IPO deal fees	6(b)	**2,553**	**–**	–
Bank facility fees	6(c)	**–**	**555**	–
		3,653	**555**	–

6 (a) Management fees payable to an affiliate of the parent undertaking, Sun Capital Partners, Inc. in relation to the termination of a management service agreement due to the IPO.
6 (b) Legal and professional fees related to the IPO.
6 (c) Banking and legal fees related to the committed £12.0 million revolving credit facility.

7. Finance costs

	Notes	Year ended 25 July 2015 £'000	Year ended 26 July 2014 £'000
Foreign exchange losses on amounts owed to related parties		**2,829**	–
Interest payable on amounts owed to related parties		**955**	1,778
Bank facility fees	6(c)	**555**	–
Other finance costs		**176**	189
		4,515	1,967

8. Finance income

	Year ended 25 July 2015 £'000	Year ended 26 July 2014 £'000
Foreign exchange gains on amounts owed to related parties	**–**	2,502
Bank interest received	**20**	13
	20	2,515

9. Taxation

(a) Analysis of tax charge in the year

	Year ended 25 July 2015 £'000	Year ended 26 July 2014 £'000
Current tax:		
UK corporation tax on (loss)/profits for the year	**1,492**	1,387
Adjustments in respect of prior years	**43**	(283)
Total current tax	**1,535**	1,104
Deferred tax:		
Origination and reversal of temporary differences	**(489)**	(362)
Adjustments in respect of prior years	**(550)**	501
Total deferred tax (note 17)	**(1,039)**	139
Income tax charge in the statement of comprehensive income	**496**	1,243

(b) Factors affecting tax expense for the year

The tax charge assessed on the profit for the year is higher (2014: higher) than the standard rate of corporation tax in the UK of 20.67% (2014: 22.33%). The differences are explained below:

	Year ended 25 July 2015 £'000	Year ended 26 July 2014 £'000
(Loss)/Profit before taxation	**(1,728)**	7,156
(Loss)/Profit before tax at 20.67% (2014: 22.33%)	**(357)**	1,598
Effects of:		
Other expenses not deductible	**796**	43
Depreciation not eligible for tax purposes	**82**	108
Foreign exchange loss/(gain) not deductible/(taxable)	**585**	(558)
Adjustment in respect of prior years	**(507)**	218
Impact of changes in tax rates	**(103)**	(166)
Total taxation charge in the statement of comprehensive income	**496**	1,243

(c) Factors that may affect future tax charges

The standard rate of corporation tax in the UK changed from 21% to 20% with effect from 1 April 2015. Further reductions in the corporation tax rate from 20% to 19% from 1 April 2017, then 18% from 1 April 2020 were announced in the Summer Budget 2015 but have not yet been substantively enacted. Accordingly, the profits for this period are taxed at an effective rate of 20.67% and deferred taxation has been calculated based on a rate of 20%.

10. Earnings per share

	Year ended 25 July 2015 £'000	Year ended 26 July 2014 £'000
(Loss)/profit attributable to owners of the Company	**(2,224)**	5,913
Basic number of shares in issue	**40,000,000**	40,000,000
Basic earnings per share (in pence per share)	**(5.56)**	14.78

The basic number of shares in issue is as at IPO as this reflects the underlying number of shares. The 2014 comparatives have been adjusted retrospectively to allow for comparability.

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

11. Intangible assets

	25 July 2015 £'000
	Computer software
Cost	
At 27 July 2014	3,713
Additions	480
At 25 July 2015	**4,193**
Accumulated amortisation	
At 27 July 2014	2,306
Charge for the year	596
At 25 July 2015	**2,902**
Net book amount	
At 25 July 2015	**1,291**
At 26 July 2014	**1,407**

Notes to the Consolidated Financial Statements Continued

11. Intangible assets Continued

	26 July 2014 £'000
	Computer software
Cost	
At 28 July 2013	2,611
Additions	1,102
At 26 July 2014	**3,713**
Accumulated amortisation	
At 28 July 2013	2,081
Charge for the year	225
At 26 July 2014	**2,306**
Net book amount	
At 26 July 2014	**1,407**
At 27 July 2013	**530**

12. Property, plant & equipment

	Freehold land and buildings £'000	Leasehold property £'000	Computer equipment £'000	Fixtures and fittings £'000	Total £'000
Cost					
At 27 July 2014	159	44,429	11,556	25,212	81,356
Additions	–	2,009	385	1,272	3,666
At 25 July 2015	**159**	**46,438**	**11,941**	**26,484**	**85,022**
Accumulated depreciation					
At 27 July 2014	79	23,612	11,028	21,113	55,832
Charge for the year	3	2,720	259	1,203	4,185
At 25 July 2015	**82**	**26,332**	**11,287**	**22,316**	**60,017**
Net book amount					
At 25 July 2015	**77**	**20,106**	**654**	**4,168**	**25,005**
At 26 July 2014	80	20,817	528	4,099	25,524

Cost					
At 28 July 2013	159	43,611	11,258	24,336	79,364
Additions at cost	–	818	298	876	1,992
At 26 July 2014	**159**	**44,429**	**11,556**	**25,212**	**81,356**
Accumulated depreciation					
At 28 July 2013	76	20,932	10,620	20,266	51,894
Charge for the year	3	2,680	408	847	3,938
At 26 July 2014	**79**	**23,612**	**11,028**	**21,113**	**55,832**
Net book amount					
At 26 July 2014	**80**	**20,817**	**528**	**4,099**	**25,524**
At 27 July 2013	**83**	**22,679**	**638**	**4,070**	**27,470**

The net book value of leasehold properties is as follows:

	25 July 2015 £'000	26 July 2014 £'000
Short leaseholds	**20,029**	20,737
Long leaseholds	**77**	80
	20,106	20,817

13. Inventories

	25 July 2015 £'000	26 July 2014 £'000
Finished goods	**20,705**	20,001

The cost of inventories as an expense and included in cost of sales amounted to £156,194,000 (2014: £136,064,000).

The charge for the year relating to inventories written off amounted to £353,000 (2014: £265,000).

14. Trade and other receivables

	25 July 2015 £'000	26 July 2014 £'000
Trade receivables	**3,376**	3,266
Other receivables	**2,180**	1,672
Prepayment	**3,331**	3,378
	8,887	8,316

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

The carrying amounts of trade and other receivables are all denominated in Pounds Sterling.

The majority of the trade receivables are due from finance houses with which there are existing relationships and no history of default.

The bad debt provision is not considered material for disclosure.

15. Trade and other payables – current

	25 July 2015 £'000	26 July 2014 £'000
Trade payables	**24,356**	21,349
Borrowing from related party	**–**	22,526
Payments received on account	**7,247**	7,159
Other taxation and social security payable	**3,449**	3,129
Accruals	**8,238**	8,498
	43,290	62,661

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

Borrowings from related parties, which include interest capitalised and are repayable upon demand, are analysed as follows:

	25 July 2015 £'000	26 July 2014 £'000
23,987,885 Series 1 – 8% Unsecured payment in kind notes of US$1.00 each	**–**	13,987
9,233,000 Series 2 – 8% Unsecured payment in kind notes of US$1.00 each	**–**	8,539
	–	22,526

As part of the Group reorganisation in the period, the borrowings from related parties were capitalised or repaid.

16. Trade and other payables – non-current

	25 July 2015 £'000	26 July 2014 £'000
Lease incentives	**5,668**	5,332

Notes to the Consolidated Financial Statements Continued

17. Deferred tax

Deferred tax liability

The Group's movements in deferred taxation during the current financial year and previous year are as follows:

	25 July 2015 £'000	26 July 2014 £'000
Opening deferred tax liability	**1,569**	1,430
Charged/(credited) to profit and loss account arising from the origination and reversal of temporary differences (note 9)	**(1,039)**	139
Closing deferred tax liability	**530**	1,569

Deferred taxation has been fully provided for in respect of:		
Accelerated capital allowances	**1,609**	2,176
Losses	**(119)**	–
Other timing differences	**(1,079)**	(1,151)
Capital gains held over	**119**	544
Closing deferred tax liability	**530**	1,569

The Group also has a balance of £nil (2014: £527,000) in relation to losses in respect of which no deferred tax asset has been recognised.

18. Called-up share capital

	Notes	Number of shares Number	Ordinary shares £'000	Share premium £'000	Total £'000
At 28 July 2014		1	–	–	–
Share sub-division	18(a)	99,999	–	–	–
Shares issued/proceeds	18(a)	5,000,000,000	50	70,000	70,050
Capital reduction	18(a)	–	–	(70,000)	(70,000)
Consolidation of shares	18(b)	(4,963,079,840)	–	–	–
Share sub-division	18(b)	37,020,160	–	–	–
Share re-designation and buyback	18(b)	(37,020,160)	(13)	–	(13)
Shares issued/proceeds	18(c)	257,277	–	–	–
Shares issued/proceeds	18(d)	2,722,563	–	–	–
At 25 July 2015		**40,000,000**	**37**	**–**	**37**

Authorised, allotted and fully paid share capital is 40,000,000 of £0.0001p each (2014: one ordinary share of £1 each).

18(a) As part of the Group reorganisation on 21 January 2015 the existing £1 share capital which consisted of one ordinary share was subdivided into 100,000 (£0.00001) ordinary shares. A further 4,999,900,000 (£0.00001) ordinary shares were issued to the principal shareholder for cash.

A further 100,000 (£0.00001) ordinary shares were issued to the principal shareholder as consideration for the acquisition of the entire 'A' ordinary shares in issue in Parlour Product Topco Limited. The value attributable to the acquisition was £70,000,000 thereby creating a share premium of £69,999,999. This was subsequently reduced through a capital reduction.

18(b) The shares in issue were consolidated down to 37,020,160 ordinary shares of £0.001351 per share and subdivided into 37,020,160 ordinary shares of £0.001 per share and 37,020,160 ordinary shares of £0.000351 per share.

The ordinary £0.000351 shares were redesignated as deferred shares and bought back out of distributable reserves for total consideration of £0.01 and held as Treasury shares.

18(c) On 22 January 2015 the Company issued 257,277 ordinary (£0.001) shares in exchange for the 750 'C' ordinary shares held by a senior manager in Parlour Product Topco Limited.

18(d) On 28 January 2015 the Company issued a further 2,722,563 ordinary shares of £0.001 each to the ScS Group plc Employee Benefit Trust (refer to Directors' Report).

19. Dividends

An interim dividend of 2.8p per ordinary share was declared by the Board of directors on 22 March 2015 and paid on 22 May 2015. It has been recognised in shareholders' equity in the year to 25 July 2015.

A final dividend of 11.2p per ordinary share was proposed by the Board of Directors.

At 25 July 2015 the retained earnings of the parent company amounted to £67.2 million.

20. Share-based payments

The Group operates equity-settled share schemes for certain employees that are intended to act as a long-term incentive to help retain key employees and Directors who are considered important to the success of the business.

Pre-admission management incentive arrangements

The management equity plan (MEP) was introduced in November 2009. On 27 November 2009, five Directors subscribed for B ordinary shares in Parlour Product Topco Limited 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 Parlour Product Topco Limited for a price of £462. On an exit (sale, listing, liquidation) of Parlour Product Topco Limited 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. Further shares (D ordinary shares in Parlour Product Topco Limited) 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.

On the Group restructure, one Director exchanged his shares in Parlour Product Topco Limited for shares in ScS Group plc pursuant to the reorganisation. The remaining Directors retained their shares in Parlour Product Topco Limited and entered into an option agreement to acquire ordinary shares in ScS Group plc in exchange for their shares in Parlour Product Topco Limited, exercisable between six and 12 months from the date of admission. The number of ordinary shares in ScS Group plc that each Director can acquire on exercise of this option is the number which, at the Offer Price of £1.75, reflects the value of their shares in Parlour Product Topco Limited at admission.

Post-admission incentive arrangements

The ScS Group plc Long-Term Incentive Plan (LTIP) was adopted on 21 January 2015 conditional upon admission. The LTIP allows for various types of awards and the following grants over shares in ScS Group plc were made during the year:

(i) £nil cost options conditional on the IPO taking place (approved on 21 January 2015).
(ii) Market value options under a HMRC approved Company Share Option Plan conditional on the IPO taking place (approved on 21 January 2015).
(iii) Unapproved market value options conditional on the IPO taking place (approved on 21 January 2015).
(iv) Performance based £nil cost options granted on 30 March 2015 (the performance condition is based on EPS as set out in the consolidated audited financial statements of the Group for the FY2017).

Fair value of awards

The awards granted have been valued by an independent third party using the Black-Scholes model. No performance conditions were included in the fair value calculations.

The expected life is the estimated time period to exercise. The expected volatility is calculated by reference to the historic volatility of the Company from the period between admission and the date of grant and historic volatilities of comparator companies measured over a period commensurate with the expected life. The dividend yield is based on the target dividend yield set at IPO (with the exception of awards that give an entitlement to receive dividend equivalents). The risk-free interest rate is the yield on UK government bonds of a term consistent with the expected life. The level of vesting is estimated at the balance sheet date and will be trued up until the vesting date.

	LTIP (pre IPO nil cost options)		LTIP (CSOP market value options)		LTIP (Directors' awards)		LTIP (all awards)	
	Share awards	Average exercise price	Share awards	Average exercise price	Share awards	Average exercise price	Share awards	Average exercise price
Outstanding as at 28 July 2013	–	–	–	–	–	–	–	–
Granted	–	–	–	–	–	–	–	–
Forfeited	–	–	–	–	–	–	–	–
Exercised	–	–	–	–	–	–	–	–
Expired	–	–	–	–	–	–	–	–
Outstanding as at 27 July 2014	–	–	–	–	–	–	–	–
Granted	571,421	£0.000001	68,659	£1.75	445,711	£0.000001	1,085,791	£0.11
Forfeited	–	–	–	–	–	–	–	–
Exercised	–	–	–	–	–	–	–	–
Expired	–	–	–	–	–	–	–	–
Outstanding as at 25 July 2015	571,421	£0.000001	68,659	£1.75	445,711	£0.000001	1,085,791	£0.11
Exercisable at 25 July 2015	–	£0.000001	68,659	£1.75	–	£0.000001	68,659	£1.75
Exercisable at 27 July 2014	–	–	–	–	–	–	–	–

Note: Weighted average share price for all LTIP awards during the year.

Notes to the Consolidated Financial Statements Continued

20. Share-based payments Continued

Fair value of awards Continued

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

	2015	2015	2015
Grant date	**21 January 2015**	**21 January 2015**	**30 March 2015**
Share price at grant date	**£1.75**	**£1.75**	**£2.05**
Exercise price	**£nil**	**£1.75**	**£nil**
Number of employees	**25**	**6**	**6**
Shares issued	**571,421**	**68,659**	**445,711**
Expected volatility	**33.7%**	**36.2%**	**33.7%**
Expected life (years)	**3**	**5**	**3**
Risk-free interest rate	**0.70%**	**1.06%**	**0.69%**
Expected dividend yield	**8%**	**8%**	**0%**
Fair value per share	**£1.38**	**£0.24**	**£2.05**
Estimated vesting	**100%**	**100%**	**0%**

The total charge for the year relating to employee share-based payment plans was £234,000 (2014: £56,000) which is in relation to equity-settled share-based payment transactions. There are no liabilities arising from share-based payment transactions.

21. Capital commitments

Capital commitments contracted for but not provided amounted to £nil (2014: £1,538,000).

22. Pension commitments

The Group operates several defined contribution pension schemes for the benefit of its staff. The assets of the schemes are held separately from those of the Group in independently administered funds. The pension charges represent contributions payable by the Group to these funds and are shown in note 3. Amounts outstanding at the year end were £114,000 (2014: £106,000) and are held in accruals.

23. Financial commitments

The future aggregate minimum lease payments under non-cancellable operating leases as set out below:

	Land and buildings		Plant and machinery	
	2015 £'000	2014 £'000	**2015 £'000**	2014 £'000
Operating leases which expire:				
Within one year	**–**	120	**312**	308
Within two to five years	**13,641**	6,683	**3,930**	3,756
After five years	**184,665**	205,997	**–**	–
	198,306	212,800	**4,242**	4,064

24. Financial instruments – risk management

Financial risk management policy

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

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

Credit risk

The finance for all Group's credit sales is provided from external financing companies who bear the whole risk of customer defaults on repayment. The Group's financial assets which are past due and not impaired are deemed not material for disclosure. The remaining balance is deemed fully recoverable due to the use of finance houses to mitigate the risk of recoverability. There have been no gains/ losses on financial liabilities.

Cash and deposits are invested with Lloyds plc.

Liquidity risk

The Group's exposure to liquidity risk is low, as historically working capital requirements have been funded entirely by inter-Company debt and self-generated cash flow. The Group now has a £12 million committed revolving credit facility as of the time of the IPO.

Financial instruments by category

Financial assets and liabilities are classified in accordance with IAS 39. No financial instruments have been reclassified or derecognised in the year. There are no financial assets which are pledged or held as collateral. The Group does not hold any financial assets or liabilities held as fair value through the income statement, defined as being in a hedging relationship or any available for sale financial assets.

All financial assets are deemed to be loans and receivables at amortised cost and their carrying value equal to their fair value.

All financial liabilities are held at amortised cost and their carrying value equal to their fair value and there is no variance between this at initial recognition and the transaction price.

All financial assets and liabilities are based on readily observable prices and market data (level 1).

Capital management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern and retain financial flexibility to provide returns for shareholders and benefits for other stakeholders. The Group considers capital to be equity and cash.

The Group manages its capital through continued focus on free cash flow generation and setting the level of capital expenditure and dividend in the context of the current period and forecast free cash flow.

25. Related parties

Loans from related parties

The Group received the following loans from Parlour Product Holding (Lux) Sarl, the principal shareholder:

- Unsecured interest free loan of US$6,125,000 payable on maturity at 12 August 2068;
- 23,987,885 Series 1 – 8% unsecured payment in kind notes of US$1.00 payable on demand;
- 9,233,000 Series 2 – 8% unsecured payment in kind notes of US$1.00 payable on demand; and
- 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:

	25 July 2015 £'000	26 July 2014 £'000
Unsecured interest free loan		
Opening balance	–	3,708
Foreign exchange loss/(gain)	–	(150)
Repaid	–	(3,558)
Closing balance	–	–
Series 1 payment in kind notes		
Opening balance	**13,987**	17,405
Issued	**593**	1,117
Repaid	**(748)**	(3,025)
Foreign exchange loss/(gain)	**1,756**	(1,510)
Capitalised in period	**(15,588)**	–
Closing balance	–	13,987
Series 2 payment in kind notes		
Opening balance	**8,539**	8,720
Issued	**362**	661
Foreign exchange loss/(gain)	**1,073**	(842)
Capitalised in period	**(9,974)**	–
Closing balance	–	8,539

The amounts capitalised in the period were part of the Group reorganisation.

Notes to the Consolidated Financial Statements Continued

25. Related parties Continued

Purchases of goods and services

Management fees and expenses have been paid to an affiliate of the principal shareholder under the terms of a Management Services Agreement as follows:

	Year ended 25 July 2015 £'000	Year ended 26 July 2014 £'000
Management fees and expenses	**152**	981
Termination fee (note 6 (a))	**1,100**	–
	1,252	981

Holdings in subsidiaries are disclosed in the parent company accounts in note 2. Only ScS Furnishings Limited is not included in the consolidation on the grounds of materiality.

Letter of credit

At 26 July 2014 the Bank of Montreal had provided Barclays Bank plc, the Group's bankers at that date, with an irrevocable standby letter of credit for £6.0 million to underwrite merchant services transactions in A Share & Sons Limited, the Group's trading subsidiary. Sun Capital Partners Inc., the ultimate owner of the principal shareholder, had provided a guarantee in favour of the Bank of Montreal for any losses suffered in connection with such irrevocable standby letter of credit. This standby letter of credit was cancelled as part of the Group reorganisation.

26. Contingent liabilities

The subsidiary undertakings of the Group are party to a debenture with Lloyds Bank plc which grants fixed and floating charges over the assets of each subsidiary undertaking.

27. Post-balance sheet events

Pursuant to management's share option agreement on 5 October 2015 management exercised their right to exchange their combined stake of 7.4% in Parlour Product Topco Limited for an aggregated 6.8% stake in ScS Group plc. As at the date of signing this report all subsidiary undertakings are wholly owned directly or indirectly by ScS Group plc.

Independent Auditors' Report to the Members of ScS Group plc

Report on the Company Financial Statements

Our opinion

In our opinion, ScS Group plc's Company financial statements (the 'financial statements'):

- give a true and fair view of the state of the Company's affairs as at 25 July 2015;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements comprise:

- the Company Balance Sheet as at 25 July 2015; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Other Required Reporting

Consistency of other information

Companies Act 2006 opinion

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

ISAs (UK & Ireland) reporting

Under International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)") we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- otherwise misleading.

We have no exceptions to report arising from this responsibility.

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' remuneration report – Companies Act 2006 opinion

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Independent Auditors' Report to the Members of ScS Group plc Continued

Responsibilities for the Financial Statements and the Audit

Our responsibilities and those of the Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 43, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements (the "Annual Report") to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other Matter

We have reported separately on the Group financial statements of ScS Group plc for the year ended 25 July 2015.

Jonathan Greenaway (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
14 October 2015

(a) The maintenance and integrity of the ScS Group plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Parent Company Information

Company Balance Sheet

	Notes	25 July 2015 £'000	26 July 2014 £'000
Investments	3	**70,000**	–
Current assets			
Debtors	4	**17**	–
Cash at bank and in hand		**–**	–
		17	–
Creditors: amounts falling due within one year	5	**(2,779)**	–
Net current liabilities		**(2,762)**	–
Net assets		**67,238**	–
Capital and reserves			
Called-up share capital	6	**37**	–
Capital redemption reserve	7	**13**	–
Profit and loss account	7	**67,188**	–
Total shareholders' funds		**67,238**	–

The notes on pages 70 to 72 form an integral part of these financial statements.

The financial statements on pages 69 to 72 were approved by the Board and authorised for issue on 14 October 2015 and signed on its behalf by:

David Knight
Chief Executive Officer

Parent Company Information Continued

1. Accounting policies

Basis of preparation

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

No profit and loss is presented by the Company as permitted by Section 230 of the Companies Act 1985 and the Company has taken the exemptions under FRS1 to not present a cash flow statement.

Fixed asset investments

Fixed asset investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment.

Taxation

The tax charge for the financial period is based on the profit for the financial period.

2. Directors emoluments

No Executive Directors received any remuneration for their services to the company (2014: nil). All Executive Directors remuneration was borne by another group company, A Share and Sons Limited. These costs have been consolidated into the groups financial statements and are disclosed along with the Non-Executive Directors fees, within the Remuneration report on pages 33-41.

3. Investments

	Subsidiary undertaking £'000
Cost and net book value	
At 27 July 2014	–
Additions	70,000
At 25 July 2015	**70,000**

The subsidiaries, which were owned and incorporated in the United Kingdom at the beginning of the financial year were are as follows:

Name	Principal activity	Class of shares held	% of Holdings
Parlour Product Topco Limited	Holding company	Ordinary	92.4%
Held by subsidiary undertakings			
Parlour Product Holding Limited	Holding company	Ordinary	100%
A. Share & Sons LImited	Specialist retailer of upholstered furniture	Ordinary	100%
ScS Furnishings Limited	Dormant Company	Ordinary	100%

The Group reorganisation in January 2015 (see Strategic Report) resulted in ScS Group plc becoming the ultimate parent undertaking prior to the IPO on 28 January 2015.

All Shares carry equal voting rights and are deemed to be controlled by ScS Group plc.

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

Parlour Product Topco is only 92.4% owned by the Group as the remainder is owned by the senior management of the Group.

Pursuant to management's share option agreement on 5 October 2015 management exercised their right to exchange their combined stake of 7.4% in Parlour Product Topco Limited for an aggregated 6.8% stake in ScS Group plc. As at the date of signing this report all subsidiary undertakings are wholly owned directly or indirectly by ScS Group plc.

ScS Furnishings Limited is exempt from audit as it is dormant. It's aggregate amount of capital and reserves is £1.

4. Debtors

	2015 £'000	2014 £'000
Prepayments and accrued income	**17**	–

5. Creditors: amounts falling due within one year

	2015 £'000	2014 £'000
Amounts owed to group undertakings	**2,661**	–
Accruals and deferred income	**118**	–
	2,779	–

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

6. Called-up share capital

	Notes	Number of shares Number	Ordinary shares £'000	Share premium £'000	Total £'000
At 28 July 2014		1	–	–	–
Share sub-division	6(a)	99,999	–	–	–
Shares issued/proceeds	6(a)	5,000,000,000	50	70,000	70,050
Capital reduction	6(a)	–	–	(70,000)	(70,000)
Consolidation of shares	6(b)	(4,963,079,840)	–	–	–
Share sub-division	6(b)	37,020,160	–	–	–
Share re-designation and buyback	6(b)	(37,020,160)	(13)	–	(13)
Shares issued/proceeds	6(c)	257,277	–	–	–
Shares issued/proceeds	6(d)	2,722,563	–	–	–
At 25 July 2015		**40,000,000**	**37**	**–**	**37**

Authorised, allotted and fully paid share capital is 40,000,000 of £0.0001p each (2014: one ordinary share of £1 each).

6(a) As part of the Group reorganisation on 21 January 2015 the existing £1 share capital which consisted of one ordinary share was subdivided into 100,000 (£0.00001) ordinary shares. A further 4,999,900,000 (£0.00001) ordinary shares were issued to the principal shareholder for cash.

A further 100,000 (£0.00001) ordinary shares were issued to the principal shareholder as consideration for the acquisition of the entire 'A' ordinary shares in issue in Parlour Product Topco Limited. The value attributable to the acquisition was £70,000,000 thereby creating a share premium of £69,999,999. This was subsequently reduced through a capital reduction.

6(b) The shares in issue were consolidated down to 37,020,160 ordinary shares of £0.001351 per share and subdivided into 37,020,160 ordinary shares of £0.001 per share and 37,020,160 ordinary shares of £0.000351 per share.

The ordinary £0.000351 shares were redesignated as deferred shares and bought back out of distributable reserves for total consideration of £0.01 and held as treasury shares.

6(c) On 22 January 2015 the Company issued 257,277 ordinary (£0.001) shares in exchange for the 750 'C' ordinary shares held by a senior manager in Parlour Product Topco Limited.

6(d) On 28 January 2015 the Company issued a further 2,722,563 ordinary shares of £0.001 each to the ScS Group plc Employee Benefit Trust.

Parent Company Information Continued

7. Reconciliation of movements in shareholders' funds and movement on reserves

	Share premium account £'000	Capital redemption reserve £'000	Called-up share capital £'000	Profit and loss account £'000	**Total 2015 £'000**	Total 2014 £'000
At 27 July 2014	–	–	–	–	**–**	–
Group reorganisation	70,000	13	37	–	**70,050**	–
Capital reduction	(70,000)	–	–	70,000	**–**	–
Dividend paid	–	–	–	(1,044)	**(1,044)**	–
Loss for the financial year	–	–	–	(1,768)	**(1,768)**	–
At 25 July 2015	**–**	**13**	**37**	**67,188**	**67,238**	**–**

8. Dividends

An interim dividend of 2.8p per ordinary share was declared by the Board of Directors on 22 March 2015 and paid on 22 May 2015. It has been recognised in shareholders' equity in the year to 25 July 2015.

A final dividend of 11.2p per ordinary share was proposed by the Board of Directors.

Company Information

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Company Number
Registered in Enlgand: 03263435

Listing
Ordinary Shares of ScS Group plc are listed with a premium listing on the London Stock Exchange.

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