

SKAGEN CONSCIENCE CAPITAL LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014



SKAGEN CONSCIENCE CAPITAL LIMITED

COMPANY INFORMATION

DIRECTORS

Jonathon R A Bond (Chairman - appointed 9 May 2014)
Ignace E M Bogaert (appointed 14 November 2014 and resigned 30 June 2015)
Waldemar Schmidt (appointed 1 December 2014)
Annette Reynolds (appointed 9 December 2014)
Louisa P Mann (appointed 9 December 2014)
Mark P Sorensen (appointed 9 December 2014)
Garvin Brown (appointed 1 January 2015)
Dr Linda Wilding (appointed 1 January 2015)
Christina P Sorensen-Lotter (appointed 5 March 2015)

COMPANY SECRETARY

C Holliday

REGISTERED NUMBER

09031653

REGISTERED OFFICE

Farncombe House
Broadway
Worcestershire
WR12 7LJ

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Cornwall Court
19 Cornwall St
Birmingham
West Midlands
B3 2DT

SKAGEN CONSCIENCE CAPITAL LIMITED

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SKAGEN CONSCIENCE CAPITAL LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

INTRODUCTION

The directors present their strategic report on the group for the year ended 31 December 2014.

BUSINESS REVIEW

Skagen Conscience Capital Limited ("SCCL" or the "company") was incorporated on 09 May 2014 and took over ownership of a diverse portfolio of companies ("Skagen group" or "group") on 21 November 2014. The group's principal activities continued to be operating hotels and conference centres (Farncombe Estate Holdings Ltd and Ruths Hotel A/S), the manufacturing and sale of ecological cleaning and washing products (People Against Dirty PBC and Ecover Co-ordination Centre NV, and collectively referred to as "PAD"), and the development and production of water purification systems (Water Technology Holdings Pty). Furthermore the group has interests in shipbuilding (Danish Yachts A/S) and real estate (Farncombe Estate Holdings Ltd and AHK No.206 A/S).

Turnover increased by 2.6% during the year primarily due to the continued growth of the PAD business.

Total operating loss increased by 21.7% during the year. This increase was predominantly the result of £17.8m exceptional administrative expenses in the year.

The loss for the financial year decreased by 11.3%. However, this is stated after net exceptional expenses of £3.7m in 2014 compared to £nil in 2013.

The consolidated financial statements have been prepared under FRS 102 and the principles of predecessor accounting. Further details of the basis of consolidation are included in note 1.3.

As part of the reorganisation the group refinanced its debt and Skagen Finance Limited issued £123.5m of loan notes to Skagen Holdings Limited pursuant to a loan note instrument dated 21 November 2014. Further details of the refinancing are included in note 18.

PRINCIPAL RISKS AND UNCERTAINTIES

We consider the following matters to be the principal risks and uncertainties affecting the Skagen group. These may not be exhaustive and there might be additional unknown risks that could have an adverse effect on the business.

Our business is subject to numerous risks as a result of having significant operations and sales in international markets, including foreign currency fluctuations and currency exchange.

The Skagen group is a global business which holds assets, incurs liabilities, earns revenues and pays expenses in a variety of currencies other than the Pounds Sterling, and operations outside the UK generate a significant portion of net revenue. Fluctuations in exchange rates for foreign currencies may reduce the value of revenues, profits and cash flows received from non-UK markets, increase supply costs (as measured in GBP) in those markets, or otherwise adversely impact business results or financial condition.

SKAGEN CONSCIENCE CAPITAL LIMITED

STRATEGIC REPORT (Continued) FOR THE YEAR ENDED 31 DECEMBER 2014

The ability to achieve our business objectives is dependent on how well we can compete with our local and global competitors in new and existing markets and channels.

The ecological products, hotel and leisure industries are highly competitive. Across all of our categories, we compete against a wide variety of global and local competitors. As a result, we experience ongoing competitive pressures in the environments in which we operate, as well as challenges in maintaining profit margins. To address these challenges, we must be able to respond successfully to competitive factors, including pricing, promotional incentives and trade terms. In addition, the emergence of new sales channels and business models may affect customer and consumer preferences as well as market dynamics. Failure to respond successfully to competitive factors and effectively compete in new sales channels could negatively impact on our results.

A significant change in customer relationships or in customer demand for Method & Ecover products could have a significant impact on our business.

The PAD business, owners of the Method & Ecover brands, sells most of its products via retail customers, which include mass merchandisers, grocery stores, drug stores, distributors, ecommerce and high-frequency stores. Our success is dependent on our ability to manage successfully relationships with our retail trade customers, which includes our ability to offer trade terms that are mutually acceptable and are aligned with our pricing and profitability targets. Continued consolidation among our retail customers could create significant cost and margin pressure on our business, and our business performance could suffer if we cannot reach agreement with a key retail customer based on our trade terms and principles. Our business could also be negatively impacted if a key retail customer were to significantly reduce the inventory level of our products or experience a significant business disruption.

If the reputation of the Method or Ecover brand eroded significantly, it could have a material impact on our financial results.

The ecological reputation of our brands form the foundation of our relationships with key stakeholders and other constituencies, including consumers, customers and suppliers. The quality and safety of our products are critical to our business. Our financial success is directly dependent on the success of our brands. Our results could also be negatively impacted if one of our brands suffers a substantial impediment to its reputation due to a significant product recall, product-related litigation, allegations of product tampering or the distribution and sale of counterfeit products. Additionally, negative or inaccurate postings or comments on social media or networking websites about the company or one of its brands could generate adverse publicity that could damage the reputation of our brands. If we are unable to effectively manage real or perceived issues, including concerns about safety, quality, efficacy or similar matters, sentiments toward our products could be negatively impacted and our financial results could suffer. Our PAD business also devotes significant time and resources to programs that are consistent with our corporate values and are designed to protect and preserve our reputation, such as social responsibility and environmental sustainability. If these programmes are not executed as planned or suffer negative publicity, the company's reputation and financial results could be adversely impacted.

The financial performance of Danish Yachts remains challenging and its turnaround is reliant on one key customer.

The demand for maritime vessels remains uncertain in the current global economic climate and the financial performance of Danish Yachts suffered as a consequence. The post year end decision to sell the group's shareholding in Danish Yachts (disclosed in Note 26) was ultimately taken to give Danish Yachts a more secure future as part of a larger ship building group in the challenging and competitive environment in which it operates.

SKAGEN CONSCIENCE CAPITAL LIMITED

STRATEGIC REPORT (Continued) FOR THE YEAR ENDED 31 DECEMBER 2014

Our business results depend on our ability to successfully manage ongoing organisational change.

Our financial targets assume a consistently improved level of innovation and efficiencies in productivity to meet the challenges facing the businesses of the Group. If we are unable to react to these challenges whilst continuing to invest in business growth, our financial results could be adversely impacted.

KEY PERFORMANCE INDICATORS

Following a review of the metrics considered most appropriate to measure the performance and progress of the group, the key performance indicators that are to be adopted for future reporting are shown below.

Group turnover

Group turnover represents amounts receivable for goods and services supplied, net of discounts, returns and sales taxes.

2014: £156.0m

2013: £152.0m

Gross margin

Gross margin percentage is gross profit expressed as a percentage of group turnover.

2014: 42.5%

2013: 39.6%

Operating loss excluding exceptional items

Operating loss excluding exceptional items is operating loss adding back exceptional administrative expenses.

2014: £33.3m

2013: £42.0m

Net debt

Net debt is the sum of short and long term debt minus cash at bank and in hand (note 30).

2014: £150.2m

2013: £331.5m

SKAGEN CONSCIENCE CAPITAL LIMITED

STRATEGIC REPORT (Continued) FOR THE YEAR ENDED 31 DECEMBER 2014

FINANCIAL INSTRUMENTS

The group's activities expose it to a variety of financial risks including price, credit, liquidity and cash flow risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance.

Foreign exchange risk - The group mainly operates in the European Union and the United States. The exchange risk largely concerns positions and future transactions in USD, EURO and DKK. On the basis of a risk analysis, the Management of SCCL from time to time decides to hedge some of these positions. Hedge accounting is not applied.

Credit risk - Financial instruments that potentially subject the group to concentration of credit risk consist primarily of cash and cash equivalents and accounts receivable. The group maintains its cash and cash equivalents at commercial banks. The group generally does not require collateral from its customers and generally requires payment on normal commercial terms. The group periodically evaluates the collectability of its accounts receivable and provides an allowance for potential credit losses as necessary based on historical experience.

Liquidity risk - The group mitigates liquidity risk by managing the cash requirements of its operations. The group also manages liquidity risk via revolving credit facilities and long term debt. During the year new loans notes were issued to ensure that it will have sufficient cash to meet operational needs. The maturity profile of the group's liabilities is analysed in note 19.

Cash flow - The group has financial assets and liabilities which are exposed to changes in market interest rates. Changes in interest rates impact primarily on deposits, loans and borrowings by changing their future cash flows (variable rate). Management does not currently have a formal policy of determining how much of the group's exposure should be at fixed or variable rates and the group generally does not use hedging instruments to minimise its exposure. However, at the time of taking new loans or borrowings, management uses its judgement to determine whether it believes that a fixed or variable rate would be more favourable for the group over the expected period until maturity. Sensitivity analysis has not been provided due to the low level of 3rd party loans and borrowings within the group. The group's significant interest-bearing assets and liabilities are disclosed in notes 16, 18 and 19.

This report was approved by the board on 10 February 2016 and signed on its behalf.



Jonathon R A Bond
Chairman

SKAGEN CONSCIENCE CAPITAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

The directors present their report and the audited financial statements of the group and the company for the year ended 31 December 2014.

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the annual report and the financial statements of the group and the company in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements of the group and the company for each financial year. Under that law the directors have elected to prepare group and company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements of the group and the company unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. In preparing these financial statements of the group and the company, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements of the group and the company on the going concern basis unless it is inappropriate to presume that the group will continue in business.

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 of the group and the company comply with the Companies Act 2006. 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.

DIVIDENDS PROPOSED

The loss for the year, including non-controlling interests, amounted to £41.6 million (2013: £46.9 million).

No dividends have been proposed or paid in respect of the years ended 31 December 2013 and 31 December 2014.

DIRECTORS

The directors who served during the year and up to the date of signing were:

Jonathon R A Bond (Chairman - appointed 9 May 2014)
Ignace E M Bogaert (appointed 14 November 2014 and resigned 30 June 2015)
Waldemar Schmidt (appointed 1 December 2014)
Annette Reynolds (appointed 9 December 2014)
Louisa P Mann (appointed 9 December 2014)
Mark P Sorensen (appointed 9 December 2014)
Garvin Brown (appointed 1 January 2015)
Dr Linda Wilding (appointed 1 January 2015)
Christina P Sorensen-Lotter (appointed 5 March 2015)

SKAGEN CONSCIENCE CAPITAL LIMITED

DIRECTORS' REPORT (Continued) FOR THE YEAR ENDED 31 DECEMBER 2014

FUTURE DEVELOPMENTS AND POST BALANCE SHEET EVENTS

The directors remain committed to improving the financial performance of the group and maintaining the focus on sustainability and ethical business practice.

On 31 July 2015 the group disposed of its entire shareholding in Danish Yachts A/S (see note 26). The group has also commenced a restructure of the European operations of PAD.

EMPLOYEES

The group take diversity and equality seriously and all applicants are given a full and fair consideration. In the event an employee becomes disabled, all efforts will be made where possible to ensure that they can continue with our organisation. Policies and procedures are in place to prevent any instances of bullying and harassment to ensure that all employees have equal opportunities.

All employees are encouraged to work towards the business strategy and rewarded sufficiently to both retain and attract talent into the organisation. Salaries of all employees are considered in light of business performance and individual performance together with pay of employees at similar levels. Bonuses are awarded where individuals are deemed to have contributed over and above that expected of them to the performance of the business. The business reserves the right to withhold bonuses where an individual is not considered to have performed at the appropriate level.

Due to the nature of the business, all employees are closely managed and work with their respective peers and seniors in small groups. We welcome all input both inside and outside of any appraisals and value the ideas they put forward. Due to this method we are also able to communicate the performance of the business to all employees and encourage the discussion of our progress and ideas on any aspect where we feel there could be improvements. The group frequently organise events outside of work to continue building on relationships at work and believe these help the employees come forward when there are issues or they have suggestions to make that can improve our performance in any area.

RESEARCH AND DEVELOPMENT ACTIVITIES

The research and development performed by the company, mainly by the PAD business, focuses on product development, development of raw materials and product safety. The product research and development relates to both fundamental research and applied research. The total research and development expenses included in the 2014 consolidated statement of comprehensive income was £1.8m (2013: £7.7m).

MATTERS COVERED BY THE STRATEGIC REPORT

Under s414C(11), the strategic report contains a fair review of the business; the principal risks and uncertainties faced by the business; the key financial and non-financial performance indicators; and details of financial instruments included in the financial statements.

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as each director is aware, there is no relevant audit information of which the company and the group's auditors are unaware, and
- that the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company and the group's auditors are aware of that information.

SKAGEN CONSCIENCE CAPITAL LIMITED

**DIRECTORS' REPORT (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2014**

This report was approved by the board on *10 February 2016* and signed on its behalf.



Jonathon R A Bond
Chairman

SKAGEN CONSCIENCE CAPITAL LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SKAGEN CONSCIENCE CAPITAL LIMITED

Report on the financial statements

Our opinion

In our opinion, Skagen Conscience Capital Limited's group financial statements and parent company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2014 and of the group's loss and cash flows for the year then ended;
- 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, included within the Annual Report, comprise:

- consolidated and company balance sheets as at 31 December 2014;
- consolidated statement of comprehensive income for the year then ended;
- consolidated statement of cash flows for the year then ended;
- consolidated statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

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.

Other matters on which we are required to report by exception

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 parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

SKAGEN CONSCIENCE CAPITAL LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SKAGEN CONSCIENCE CAPITAL LIMITED

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 this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement, 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 International Standards on Auditing (UK and Ireland) ("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 parent 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 group's and the parent 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 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.



Matthew Walker (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

Date: 10 February 2016

SKAGEN CONSCIENCE CAPITAL LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014**

| | Note | 2014 £M | 2013 £M |
|---|------|---------------|---------------|
| Turnover | 3 | 156.0 | 152.0 |
| Cost of sales | | (89.7) | (91.8) |
| Gross profit | | 66.3 | 60.2 |
| Selling and distribution costs | | (21.0) | (17.3) |
| Administrative expenses | | (78.6) | (84.9) |
| Administrative expenses- exceptional | 6 | (17.8) | - |
| Operating loss | 4 | (51.1) | (42.0) |
| Loss from participating interests | 14 | (1.0) | - |
| Loss on disposal of subsidiary undertaking | 29 | (2.2) | - |
| Loss on ordinary activities before interest and taxation | | (54.3) | (42.0) |
| Interest receivable and similar income | 9 | 0.5 | 3.1 |
| Interest payable and similar charges | 10 | (1.6) | (8.8) |
| Interest payable and similar charges- exceptional | 6 | 14.1 | - |
| Net interest income / (expense) | | 13.0 | (5.7) |
| Loss on ordinary activities before taxation | | (41.3) | (47.7) |
| Taxation on loss on ordinary activities | 11 | (0.3) | 0.8 |
| Loss for the financial year | | (41.6) | (46.9) |
| Owners of the parent company | | (41.3) | (46.5) |
| Non-controlling interest | | (0.3) | (0.4) |
| | | (41.6) | (46.9) |
| Other comprehensive income for the year | | - | - |
| Total comprehensive loss for the year | | (41.6) | (46.9) |
| Owners of the parent company | | (41.3) | (46.5) |
| Non-controlling interest | | (0.3) | (0.4) |
| | | (41.6) | (46.9) |

The notes on pages 18 to 50 are an integral part of these financial statements.

SKAGEN CONSCIENCE CAPITAL LIMITED
REGISTERED NUMBER: 09031653

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2014

| | Note | 2014 £M | 2013 £M |
|---|------|---------------------------|-----------------------------|
| Non-current assets | | | |
| Intangible assets | 12 | 135.2 | 122.2 |
| Tangible assets | 13 | 91.7 | 83.4 |
| Investments | 14 | 22.0 | 22.0 |
| | | <u>248.9</u> | <u>227.6</u> |
| Current assets | | | |
| Stocks | 15 | 26.1 | 19.8 |
| Debtors: Amounts falling due within one year | 16 | 32.0 | 31.5 |
| Debtors: Amounts falling due after more than one year | 16 | 7.1 | 13.0 |
| Cash at bank and in hand | | 21.8 | 36.0 |
| | | <u>87.0</u> | <u>100.3</u> |
| Creditors: Amounts falling due within one year | 17 | <u>(48.2)</u> | <u>(61.8)</u> |
| Net current assets | | 38.8 | 38.5 |
| Total assets less current liabilities | | <u>287.7</u> | <u>266.1</u> |
| Creditors: Amounts falling due after more than one year | 18 | (165.6) | (338.7) |
| Provisions for liabilities | 21 | (25.7) | (26.8) |
| Net assets | | <u><u>96.4</u></u> | <u><u>(99.4)</u></u> |
| Capital and reserves | | | |
| Called up share capital | 22 | 213.3 | - |
| Share premium | | - | 70.1 |
| Revaluation reserve | | 8.7 | 8.9 |
| Merger reserve | | 94.2 | - |
| Third party interest in group equity | | (0.6) | (0.3) |
| Retained earnings | | (219.2) | (178.1) |
| Total equity | | <u><u>96.4</u></u> | <u><u>(99.4)</u></u> |

The financial statements were approved and authorised for issue by the board and were signed on its behalf on



Jonathon R A Bond
Chairman

10 February 2016


The notes on pages 18 to 50 are an integral part of these financial statements.

SKAGEN CONSCIENCE CAPITAL LIMITED
REGISTERED NUMBER:09031653

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2014

| | Note | 2014 £M |
|--|------|---------------------|
| Fixed assets | | |
| Investments | 14 | 188.8 |
| | | <u>188.8</u> |
| Current assets | | |
| Debtors: Amounts falling due within one year | 16 | 11.4 |
| Creditors: Amounts falling due within one year | 18 | (12.5) |
| Net current assets | | <u>(1.1)</u> |
| Total assets less current liabilities | | <u>187.7</u> |
| Net assets | | <u><u>187.7</u></u> |
| Capital and reserves | | |
| Called up share capital | 22 | 213.3 |
| Retained earnings | | (25.6) |
| Total equity | | <u><u>187.7</u></u> |

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

10 February 2016


Jonathon R A Bond
Chairman

The notes on pages 18 to 50 are an integral part of these financial statements.

SKAGEN CONSCIENCE CAPITAL LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2014

| | Share capital £M | Share premium £M | Revaluation reserve £M | Merger reserve £M | Retained earnings £M | Equity attributable to owners of parent company £M | Non-controlling interests £M | Total equity £M |
|---|---------------------|------------------------|------------------------------|-------------------------|----------------------------|---|------------------------------------|--------------------|
| At 1 January 2014 | - | 70.1 | 8.9 | - | (178.1) | (99.1) | (0.3) | (99.4) |
| Loss for the year | - | - | - | - | (41.3) | (41.3) | (0.3) | (41.6) |
| Other comprehensive income for the year | - | - | - | - | - | - | - | - |
| Total comprehensive income for the year | - | - | - | - | (41.3) | (41.3) | (0.3) | (41.6) |
| Shares issued during the year | 213.3 | - | - | - | - | 213.3 | - | 213.3 |
| Result of group restructure under predecessor accounting | - | (70.1) | - | 94.2 | - | 24.1 | - | 24.1 |
| Transfer to retained earnings | - | - | (0.2) | - | 0.2 | - | - | - |
| Total contributions by and distributions to owners | 213.3 | (70.1) | (0.2) | 94.2 | 0.2 | 237.4 | - | 237.4 |
| At 31 December 2014 | 213.3 | - | 8.7 | 94.2 | (219.2) | 97.0 | (0.6) | 96.4 |

The notes on pages 18 to 50 are an integral part of these financial statements.

SKAGEN CONSCIENCE CAPITAL LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2013**

| | Share capital £M | Share premium £M | Revaluation reserve £M | Retained earnings £M | Equity attributable to owners of parent company £M | Non-controlling interests £M | Total equity £M |
|--|---------------------|---------------------|------------------------------|----------------------------|--|------------------------------------|--------------------|
| At 1 January 2013 | - | 68.7 | 9.5 | (132.2) | (54.0) | 0.1 | (53.9) |
| Loss for the year | - | - | - | (46.5) | (46.5) | (0.4) | (46.9) |
| Other comprehensive income for the year | - | - | - | - | - | - | - |
| Total comprehensive income for the year | - | - | - | (46.5) | (46.5) | (0.4) | (46.9) |
| Share premium contributed in kind through loans | - | 1.4 | - | - | 1.4 | - | 1.4 |
| Transfer to retained earnings | - | - | (0.6) | 0.6 | - | - | - |
| Total contributions with owners recognised directly in equity | - | 1.4 | (0.6) | 0.6 | 1.4 | - | 1.4 |
| At 31 December 2013 | - | 70.1 | 8.9 | (178.1) | (99.1) | (0.3) | (99.4) |

SKAGEN CONSCIENCE CAPITAL LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2014**

| | Retained earnings £M | Share capital £M | Total equity £M |
|---|-------------------------------------|---------------------------------|----------------------------|
| Loss for the year | (25.6) | - | (25.6) |
| Total comprehensive income for the year | (25.6) | - | (25.6) |
| Shares issued during the year | - | 213.3 | 213.3 |
| Transactions with owners recognised directly in equity | - | 213.3 | 213.3 |
| At 31 December 2014 | (25.6) | 213.3 | 187.7 |

SKAGEN CONSCIENCE CAPITAL LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014**

| | Note | 2014 £M | 2013 £M |
|---|------|---------------|---------------|
| Cash flows from operating activities | | | |
| Loss for the financial year | | (41.6) | (46.9) |
| Adjustments for: | | | |
| Amortisation of intangible assets | 12 | 9.7 | 7.9 |
| Impairment of intangible assets | 12 | 11.2 | 15.3 |
| Loss on disposal of intangible assets | 12 | 0.4 | - |
| Impairment of tangible assets | 13 | 1.4 | 2.9 |
| Depreciation of tangible assets | 13 | 5.3 | 5.2 |
| Loss on disposal of tangible assets | 13 | 4.0 | - |
| (Increase)/decrease in stocks | 15 | (6.3) | 6.8 |
| Impairment of loans due from related parties | 6 | 5.2 | - |
| Loss from participating interest | | 1.0 | - |
| Loss on disposal of subsidiary (net of proceeds) | | 2.2 | - |
| Loss/(gain) on foreign exchange | | 7.7 | (2.5) |
| Interest paid | 10 | 1.6 | 8.8 |
| Interest paid – exceptional | 6 | (14.1) | - |
| Interest received | 9 | (0.5) | (3.1) |
| Taxation | 11 | 0.3 | (0.8) |
| Decrease/(increase) in debtors | 16 | 4.7 | (5.6) |
| Increase in creditors | 17 | 12.7 | 20.2 |
| Decrease in provisions | 21 | (0.7) | (2.1) |
| Net cash generated from operating activities | | <u>4.2</u> | <u>6.1</u> |
| Cash flows from investing activities | | | |
| Purchase of intangible assets | 12 | (30.4) | (3.8) |
| Purchase of tangible assets | 13 | (19.8) | (26.3) |
| Proceeds from sale of tangible assets | | - | 0.4 |
| Proceeds from sale of subsidiary | | 1.2 | - |
| Purchase of investments | | - | (8.3) |
| Net cash used in investing activities | | <u>(49.0)</u> | <u>(38.0)</u> |

SKAGEN CONSCIENCE CAPITAL LIMITED

**CONSOLIDATED STATEMENT OF
CASH FLOWS
FOR THE YEAR ENDED 31
DECEMBER 2014**

| | Note | 2014 £M | 2013 £M |
|--|------|-------------|-------------|
| Cash flows from financing activities | | | |
| Issue of ordinary shares | 22 | 213.3 | - |
| Net increase/(decrease) in bank loans | 30 | 5.9 | (2.8) |
| Net (decrease)/increase in group loans | 30 | (188.6) | 61.9 |
| Interest paid | | (1.3) | (8.3) |
| | | <hr/> | <hr/> |
| Net cash generated from financing activities | | 29.3 | 50.8 |
| | | <hr/> | <hr/> |
| Net (decrease)/increase in cash at bank and in hand | | (15.5) | 18.9 |
| Cash and cash equivalents at beginning of year | | 36.0 | 17.1 |
| Cash and cash equivalents at the end of the year | | <u>20.5</u> | <u>36.0</u> |
| Cash and cash equivalents consist of: | | | |
| Cash at bank and in hand | | 21.8 | 36.0 |
| Bank overdraft | | (1.3) | - |
| Cash and cash equivalents | | <u>20.5</u> | <u>36.0</u> |

The notes on pages 18 to 50 form part of these financial statements.

SKAGEN CONSCIENCE CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1. ACCOUNTING POLICIES

1.1 GENERAL INFORMATION

Skagen Conscience Capital Limited is incorporated and domiciled in the UK. The date of incorporation was 9 May 2014.

The address of its registered office is Farncombe House, Broadway, Worcestershire, WR12 7LJ.

1.2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared on a going concern basis, under the historical costs convention as modified by the revaluation of land and buildings and certain financial assets and liabilities measured at fair value through profit or loss and in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

FRS 102 is mandatory for accounting periods beginning on or after 1 January 2015, but may be applied early to periods ending on or after 31 December 2012. Skagen Conscience Capital Limited has taken the option to apply the standard early in the preparation of these financial statements.

Information of the impact first-time adoption of FRS 102 is given in note 27.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires group management to exercise judgement in applying the company's accounting policies (see note 2).

The financial statements are presented in Pound Sterling and all values are rounded to the nearest hundred thousand except where indicated.

Parent company disclosure exemptions

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The loss after tax of the parent company for the year was £25.6m. The company was incorporated on 9 May 2014 and subsequently no comparative has been disclosed.

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objections to, the use of exemptions by the company's shareholders.

The company has taken advantage of the following exemptions:

- No statement of cash flows has been presented for the parent company;
- Disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the group as a whole; and
- No disclosures have been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole.

The following principal accounting policies have been consistently applied:

SKAGEN CONSCIENCE CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1. ACCOUNTING POLICIES (Continued)

1.3 BASIS OF CONSOLIDATION

The consolidated financial statements present the results of the company and its subsidiaries ("the group") together with the groups share of the results of associates made up to 31 December as they formed a single entity. The 2013 comparatives are the audited results of Skagen B.V. (the comparable group entity prior to the acquisition of the Skagen group) converted to UK sterling and transitioned to FRS 102.

The consolidation of the subsidiaries acquired as part of the significant group restructure on 21 November 2014 has been prepared under the principles of predecessor accounting, whereby an acquirer is not required to be identified, and all entities are included at their pre-combination carrying amounts. The effect of this is that the financial statements of the combined group represent a continuation of the Skagen B.V. financial statements. This accounting treatment leads to no goodwill and differences on consolidation between consideration and fair value of the underlying net assets and this difference is included within equity as a merger reserve.

Subsidiaries are those entities in which the group has power to govern the financial and operating policies so as to obtain economic benefits. The existence and effect of potential voting rights that are presently exercisable or convertible are considered when assessing whether the group controls another entity. Special purpose entities whose activities are conducted on behalf of the group, where the special purpose entity is exposed to limited risks and the group has the right to obtain the majority of the benefits of the entity, are deemed to be under the control of the group and are consolidated. The results of subsidiaries acquired during the year are included in the consolidated statement of comprehensive income from the date on which control is transferred to the group. Accounting policies of subsidiaries are changed when necessary to ensure consistency with the accounting policies adopted by the group.

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting.

The group's share of post-acquisition profit or loss is recognised in the statement of comprehensive income with a corresponding adjustment to the carrying value amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of profit or loss of investment" in the consolidated statement of comprehensive income.

Any subsidiary undertaking or associate sold or acquired during the year are included up to, or from, the date of change of control or change of significant influence respectively. Where control of a subsidiary is lost, the gain or loss is recognised in the consolidated statement of comprehensive income. The cumulative amounts of any exchange differences on translation, recognised in equity, are not included in the gain or loss on disposal and are transferred to retained earnings. The gain or loss also includes amounts included in other comprehensive income that are required to be reclassified to profit or loss, but excludes those amounts that are not required to be reclassified.

SKAGEN CONSCIENCE CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1. ACCOUNTING POLICIES (Continued)

Intercompany transactions and balances are eliminated on consolidation.

Adjustments are made to eliminate the profit and loss arising on transactions with associates to the extent of the group interest in the entity.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 01 January 2013.

1.4 GOING CONCERN

The group has both cash resources and existing facilities to meet its day to day working capital requirements. The related party facilities were renewed post year end and are guaranteed for the period covered by the going concern review. Current forecasts indicate that the group expects to be able to operate within these facilities for the whole of the foreseeable future. Accordingly, the directors believe it is appropriate to prepare the financial statements on the going concern basis.

1.5 REVENUE

Sales of goods

Income from the supply of goods is recognised as soon as all substantial rights and risks relating to the title to the goods are transferred to the customer. Income is stated net of discounts, returns and value added taxes.

Sales of services

Income from the provision of services is recognised based on the ratio of services provided until the balance sheet date to the total service provision. Income is stated net of discounts, returns and value added taxes.

Contract revenue and costs

When the outcome of a contract can be estimated reliably, contract revenue and costs are recognised as revenue and costs in the consolidated statement of comprehensive income under the percentage-of-completion method. The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised as revenue in the consolidated statement of comprehensive income only to the extent of contract costs incurred that are likely to be recoverable; contract costs are recognised as expenses in the period in which they were incurred. When the outcome of a contract can be estimated reliably, revenue is recognised using the percentage-of-completion method by reference to the services provided up to the balance sheet date.

SKAGEN CONSCIENCE CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1. ACCOUNTING POLICIES (Continued)

Profit or loss is determined as the difference between contract revenue and contract costs. Contract revenue comprises the initial amount agreed in the contract; variations in contract work, claims and incentive payments are also included in contract revenue to the extent that they may have been agreed with the customer and are capable of being reliably measured. Contract costs comprise costs that relate directly to the specific contract, costs that are attributable to contract activity in general and can be allocated to the contract, and such other costs as are specifically chargeable to the customer under the terms of the contract.

If it is probable that total contract costs will exceed total contract revenue, any expected excess of total contract costs over total contract revenue for the contract is recognised as an expense immediately within cost of sales. The provision for the loss is recognised within construction contracts.

1.6 EXCEPTIONAL ITEMS

Items that are material in size, unusual or infrequent in nature, are disclosed separately as exceptional items in the consolidated statement of comprehensive income.

The separate reporting of exceptional items, which are presented as exceptional within the relevant category in the consolidated statement of comprehensive income, helps to provide an indication of the group's underlying business performance. The principal items which may be included as exceptional items are:

- significant profit/(loss) on the disposal of non-current assets;
- impairment of non-current assets; and
- the costs and benefits associated with significant corporate, financial or operational restructuring, including acquisitions.

1.7 INTANGIBLE ASSETS

GOODWILL

Goodwill represents the difference between amounts paid on the cost of a business combination and the fair value of the group's share of its identifiable assets and liabilities at the date of acquisition. Goodwill is amortised on a straight line basis to the consolidated statement of comprehensive income over its useful economic life.

OTHER INTANGIBLE ASSETS

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

SKAGEN CONSCIENCE CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1. ACCOUNTING POLICIES (Continued)

The estimated useful lives range as follows:

| | | |
|--|---|--------------|
| Goodwill | - | 5 - 20 years |
| Software | - | 3 - 5 years |
| Trademarks, customer relations/ concession and licenses | - | 5 - 27 years |

Amortisation is calculated on a straight line basis. Amortisation is charged to administrative expenses in the consolidated statement of comprehensive income.

The intangible assets are reviewed for impairment where new circumstances indicate the carrying value may be impaired.

1.8 TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at historical cost less accumulated depreciation with the exception of certain revalued properties. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

| | | |
|--|---|----------------|
| Freehold buildings | - | 25 - 100 years |
| Plant, equipment and other fixed assets | - | 3 - 20 years |

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the statement of comprehensive income.

Assets under construction are stated at cost and are not depreciated until they are brought into use.

1.9 REVALUATION OF TANGIBLE FIXED ASSETS

The group's freehold hotel and office buildings are carried at current year value at the balance sheet date. Other freehold buildings, primarily production facilities, are held at historic cost. Fair values are determined from market based evidence and valuations are performed with sufficient regularity to ensure that the carrying amount does not differ from what would be determined using fair value.

Revaluation gains and losses are recognised in the consolidated statement of comprehensive income unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the losses are recognised in the consolidated statement of comprehensive income.

SKAGEN CONSCIENCE CAPITAL LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

1. ACCOUNTING POLICIES (Continued)

1.10 INVENTORIES

Raw materials, finished goods

Inventories are carried at the lower of cost (principally by the FIFO method, reflecting material, labour and production overhead) and net realisable value. In valuing stocks, appropriate allowance is made for obsolete or slow moving goods. Labour and overhead costs are based on standard hourly rates and standard hours per product which approximate actuals.

Construction contracts

Construction contracts are carried at contract revenue generated, based on percentage of completion method, which is comprised of contract costs incurred and attributable profits. Where appropriate, recognised losses and progress billings are deducted from construction contracts. Construction contracts are recognised as a current liability where progress billings exceed contract revenue.

Realisable value represents the estimated selling price less directly attributable selling expenses, net of an allowance for obsolescence of stocks were applicable.

1.11 INVESTMENTS

Investments in subsidiaries and associates are recorded at historical cost, less any provision for impairment.

Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recorded at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associate includes goodwill identified on acquisition. Where the associate investment has net liabilities the group will provide for its share of losses if the group has a constructive obligation to fund their investment.

1.12 DEBTORS

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

1.13 CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions. Cash equivalents are highly liquid investments with original maturity of three months or less.

In the consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the company's cash management.

SKAGEN CONSCIENCE CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1. ACCOUNTING POLICIES (Continued)

1.14 BASIC FINANCIAL INSTRUMENTS

The group only enters into basic financial instruments transactions, with the exception of interest rate derivatives, that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, cash and bank balances, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Financial liabilities including loans and other accounts receivable and payable, are initially measured at present value of the future payments and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitutes a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially and subsequently, at the present value of the future payment discounted at a market rate of interest for a similar debt instrument.

Financial assets that are measured at amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the consolidated statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derivative financial instruments are recognised initially at their fair value and re-measured at fair value at each period end. Derivative financial instruments are categorised as held for trading. The gain or loss on re-measurement to fair value is recognised immediately in the consolidated statement of comprehensive income. The group has not applied hedge accounting.

1.15 CREDITORS

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost.

SKAGEN CONSCIENCE CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1. ACCOUNTING POLICIES (Continued)

1.16 LONG-TERM LIABILITIES

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, being the amount received taking account of any premium or discount, less transaction costs.

Any difference between the proceeds (net of transaction costs) and the redemption value is recognised as interest in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

1.17 SHARE BASED PAYMENTS

One of the subsidiaries operates an equity settled share based compensation plan. The fair value of the shares under such plans is recognised as an expense in the consolidated statement of comprehensive income. Fair value is determined using the Black-Scholes Option Pricing Model. The amount to be expensed over the vesting period is determined by reference to the fair value of share incentives excluding the impact of any non-market vesting conditions. Non-market vesting conditions are considered as part of the assumptions about the number of share incentives that are expected to vest. At each balance sheet date, the group revises its estimates of the number of share incentives that are expected to vest. The impact of the revision on original estimates, if any, is recognised in the consolidated statement of comprehensive income, with a corresponding adjustment to equity over the remaining vesting period.

1.18 SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

1.19 RELATED PARTY TRANSACTIONS

The group discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with members of the same group that are wholly owned.

1.20 FOREIGN CURRENCY TRANSLATION

The company's functional and presented currency is Pounds Sterling.

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

SKAGEN CONSCIENCE CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1. ACCOUNTING POLICIES (Continued)

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of comprehensive income within interest receivable or payable. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within administrative expenses.

On consolidation, the results of overseas operations are translated into Pounds Sterling at an average rate for the year. All assets and liabilities of overseas operations are translated at the rate ruling at the year end. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

1.21 FINANCE COSTS

Finance costs are charged to the consolidated statement of comprehensive income over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

1.22 EMPLOYEE BENEFITS

Defined contribution pension plan

The group operates defined contribution plans for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations. The contributions are recognised as an expense when they fall due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

Payroll expense and related contributions

Wages, salaries, payroll tax, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the group.

1.23 INTEREST INCOME

Interest income is recognised in the consolidated statement of comprehensive income using the effective interest method.

1.24 PROVISIONS

Provisions are made where an event has taken place that gives the group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

SKAGEN CONSCIENCE CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1. ACCOUNTING POLICIES (Continued)

Provisions are charged as an expense to the consolidated statement of comprehensive income in the year that the group becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet.

1.25 CURRENT AND DEFERRED TAXATION

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company and the group operate and generate income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Current and deferred tax assets and liabilities are not discounted.

2. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimate 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.

The items in the financial statements where these estimates and judgements have been made include:

SKAGEN CONSCIENCE CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

2. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

2.1 USEFUL ECONOMIC LIVES OF TANGIBLE ASSETS

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 13 for the carrying amount of the tangible assets, and note 1.8 for the useful economic lives for each class of assets.

2.2 INVENTORY PROVISIONING

It is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. See note 15 for the net carrying amount of the inventory and associated provision.

2.3 IMPAIRMENT OF DEBTORS

The group makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 16 for the net carrying amount of the debtors and associated impairment provision.

2.4 IMPAIRMENT OF INVESTMENTS

The group makes an estimate of the recoverable value of investments. When assessing impairment of investments, management considers factors including the financial results, future outlook and market value. See note 14 for the net carrying amount of investments.

2.5 IMPAIRMENT OF INTANGIBLE ASSETS

The group makes an estimate of the recoverable value of intangible assets. When assessing impairment of intangible assets, management considers factors including the value in use and the fair value less costs to sell. See note 12 for the net carrying amount of the intangible assets.

2.6 REVALUATION OF FREEHOLD HOTEL AND OFFICE BUILDINGS

The group carries its freehold hotel and office buildings at fair value, with changes in fair value being recognised in retained earnings. The group engaged independent valuation specialists to determine fair value over a rolling 3 year period. The value used a valuation technique based on a discounted cash flow model as there is a lack of comparable market data because of the nature of the property. The determined fair value of the property is most sensitive to the estimated rental yield as well as the long term vacancy rate.

SKAGEN CONSCIENCE CAPITAL LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

3. ANALYSIS OF TURNOVER

An analysis of turnover by category is as follows:

| | 2014 £M | 2013 £M |
|---------------|--------------|--------------|
| Sale of goods | 144.6 | 145.0 |
| Services | 11.4 | 7.0 |
| | <u>156.0</u> | <u>152.0</u> |

Analysis of turnover by country:

| | 2014 £M | 2013 £M |
|--------------------------|--------------|--------------|
| Europe | 77.1 | 69.6 |
| United States of America | 72.8 | 75.5 |
| Rest of World | 6.1 | 6.9 |
| | <u>156.0</u> | <u>152.0</u> |

4. OPERATING LOSS

The operating loss is stated after charging/(crediting):

| | 2014 £M | 2013 £M |
|---|------------|------------|
| Depreciation of tangible assets | 5.3 | 5.1 |
| Amortisation of intangible assets, including goodwill | 9.7 | 7.8 |
| Operating lease rentals | | |
| Land & buildings | 1.5 | 1.5 |
| Plant & machinery | 0.2 | 0.2 |
| Impairment of fixed/ intangible assets | 12.6 | - |
| Impairment of trade receivables | 0.1 | 0.1 |
| Impairment of inventory | (0.2) | (0.1) |
| Inventory recognised as an expense | 73.2 | 71.7 |
| Foreign exchange loss/ (gain) | 7.7 | (2.5) |
| Loss on sale of fixed assets | 4.0 | - |
| Research and development costs | <u>1.8</u> | <u>7.7</u> |

During the year the consolidated audit fees payable to the auditors were £432,046 (2013: £360,497) for audit services and £48,340 (2013: £31,995) for non-audit services.

SKAGEN CONSCIENCE CAPITAL LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

5. STAFF COSTS

Staff costs were as follows:

| | 2014 £M | 2013 £M |
|-----------------------|-------------|-------------|
| Wages and salaries | 39.7 | 30.2 |
| Social security costs | 3.8 | 1.8 |
| Other pension costs | 1.0 | 0.4 |
| | <u>44.5</u> | <u>32.4</u> |

Included in wages and salaries is a total expense of share-based payments of £0.2m (2013: £0.1m) which arises from transactions accounted for as equity settled share-based payment transactions.

The average monthly number of employees, including the directors, during the year was as follows:

| | 2014 No. | 2013 No. |
|--------------------------------------|-------------|-------------|
| Production, selling and distribution | 483 | 477 |
| Administrative | 180 | 178 |
| | <u>663</u> | <u>655</u> |

Key management compensation

Key management includes the directors and members of senior management. The compensation paid or payable to key management for employee services is shown below as follows:

| | 2014 £M | 2013 £M |
|--|------------|------------|
| Salaries and other short term benefits | 1.9 | 1.4 |
| Post-employment benefits | 0.1 | - |
| | <u>2.0</u> | <u>1.4</u> |

SKAGEN CONSCIENCE CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

6. EXCEPTIONAL COSTS

| | Group 2014 £M | Group 2013 £M |
|--|---------------------|---------------------|
| Impairment of intangible assets | (11.2) | - |
| Impairment of freehold buildings | (1.4) | - |
| Impairment of loans owed by related parties (note 16) | (5.2) | - |
| Total administrative expenses- exceptional | (17.8) | - |
| Interest payable waived following group reorganisation | 14.1 | - |
| Total interest payable and similar charges- exceptional | 14.1 | - |
| Total exceptional items | (3.7) | - |

7. SHARE BASED PAYMENTS

In 2013, the group approved the adoption of The Ecover Long Term Incentive Plan (the "Plan"). Under the Plan, share options may be granted to persons who are, at the time of the grant, employees, officers, directors of the Ecover Coordination Centre NV ("ECC") or a subsidiary of ECC. Employees of the ECC group are eligible to receive share options under the Plan. The maximum number of shares which may be granted under the Plan is equal to 8% of the issued and outstanding share capital of ECC as of 31 December, 2012. The exercise price of incentive share options granted under the Plan must be at least equal to 100% of the fair value of ECC's common share capital at the date of grant, as determined by their board of directors.

The Plan provides for the grant of incentive and nonstatutory share options to employees, nonemployee directors and consultants of the ECC group. Options granted under the Plan are generally subject to a four-year vesting period whereby 25% vesting occurs after one-year period, and 6.25% vesting occurs on a quarterly basis thereafter. Vested option shares may be exercised up to ten years from the grant date, as defined in the underlying grant agreement. Unexercised options expire within 3 to 12 months of termination of employment, depending upon the circumstances surrounding the termination.

At the discretion of the ECC's board of directors, certain options may be exercisable immediately at the grant date but are subject to a repurchase right, under which ECC may buy back any unvested shares at their original exercise price in the event of an employee's termination prior to full vesting. All other options are exercisable only to the extent vested. At 31 December 2014 and 2013 there were no shares that had been early exercised by employees, officers or directors of the ECC group that were subject to ECC'S repurchase right.

The Plan allows for cash settlement by ECC, and therefore, is liability classified. The options are re-measured each reporting period until final settlement. The mark to market impact of these awards is pushed down to the ECC subsidiary each period as a capital contribution from ECC, and is included in share-based payment expense.

SKAGEN CONSCIENCE CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

7. SHARE BASED PAYMENTS

The estimated fair value of stock options granted during the years ended 31 December 2014 and 2013 was £0.5m and £0.4m, respectively, and was determined by using the Black-Scholes option pricing model on the date of grant, which takes into account inputs such as the exercise price, the value of the underlying common shares at the grant date, expected term, expected volatility, risk-free interest rate, and dividend yield. The expected term was determined based on consideration of the option term, vesting period and history of terminations. The expected volatility is based on the implied volatility of publicly-traded options on stock of ECC's self-designated peer group. The risk-free interest rate is based on the yield of a U.S. Treasury zero-coupon issue with a remaining term equal to the expected term of the option. The dividend yield is zero as ECC is not expected to make any dividend payments in the foreseeable future.

The assumptions used to value the share options at 31 December 2014 and 2013, were as follows:

| | 2014 | 2013 |
|-----------------------------|-------------------|-----------|
| Contractual Life (in years) | 8.1 and 9.1 | 9.1 |
| Expected term (in years) | 4.3 and 5.3 years | 5.3 years |
| Volatility | 30% | 30% |
| | 1.37% and | |
| Risk-free interest rate | 1.8% | 0.9% |
| Estimated forfeiture rate | 10% | 10% |

The share-based compensation expense for the years ended 31 December 2014 and 2013 was £0.2m and £0.1m, respectively, which represented the year-to-date amortisation of the grant date fair value of options vested on a straight-line basis over the vesting period of the award. As of 31 December 2014 and 2013, there was £0.6m and £0.3m, respectively, of total unrecognised compensation cost related to nonvested share-based compensation arrangements granted under the Plan, which is expected to be recognized over a weighted-average period of 2.5 years.

No further disclosures are considered necessary as the impact of the scheme is currently not material to the group.

SKAGEN CONSCIENCE CAPITAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

8. DIRECTORS REMUNERATION

| | 2014 £M | 2013 £M |
|--|------------|------------|
| Aggregate remuneration in respect of qualifying services | 1.4 | 1.0 |
| Defined contribution scheme contributions | 0.1 | - |
| | <u>1.5</u> | <u>1.0</u> |

3 directors (2013: *nil*) are accruing benefits under a defined contribution pension scheme. None of the directors received shares in respect of qualifying services or exercised share options.

In respect of the highest paid director:

| | 2014 £M | 2013 £M |
|--|------------|------------|
| Aggregate remuneration in respect of qualifying services | 0.5 | 0.5 |
| Accrued pension at the end of the year | - | - |
| | <u>0.5</u> | <u>0.5</u> |

The highest paid director did not exercise or receive share options during the year or prior year.

9. INTEREST RECEIVABLE

| | 2014 £M | 2013 £M |
|---------------------------|------------|------------|
| Other interest receivable | 0.5 | 3.1 |
| | <u>0.5</u> | <u>3.1</u> |

10. INTEREST PAYABLE AND SIMILAR CHARGES

| | 2014 £M | 2013 £M |
|-------------------------------------|------------|------------|
| Interest payable to related parties | 0.3 | 7.7 |
| Other interest payable | 1.3 | 1.1 |
| | <u>1.6</u> | <u>8.8</u> |

SKAGEN CONSCIENCE CAPITAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

10. INTEREST PAYABLE AND SIMILAR CHARGES (continued)

Included in interest payable and similar charges- exceptional is £14.1m of interest forgiven by Ecolife B.V for the period to 31 December 2013 (see notes 6 and 25).

Further information on the interest rates are included in notes 18 and 19.

11. TAXATION

| | 2014 £M | 2013 £M |
|--|--------------|--------------|
| Current tax | | |
| Current tax on profits for the year | 0.4 | 1.2 |
| Total current tax | <u>0.4</u> | <u>1.2</u> |
| Deferred tax | | |
| Origination and reversal of timing differences | (0.1) | (2.0) |
| Total deferred tax | <u>(0.1)</u> | <u>(2.0)</u> |
| Taxation on loss on ordinary activities | <u>0.3</u> | <u>(0.8)</u> |

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is higher than (2013: *lower than*) the standard rate of corporation tax in the UK of 21.5% (2013: 23.25%). The differences are explained below:

| | 2014 £M | 2013 £M |
|---|---------------|---------------|
| Loss on ordinary activities before tax | <u>(41.3)</u> | <u>(47.7)</u> |
| Loss multiplied by the standard rate of tax in the UK of 21.5% (2013: 23.25%) | (8.9) | (11.1) |
| Effects of: | | |
| Losses not recognised for tax relief | 8.2 | 14.6 |
| Expenses not deductible for tax purposes | 2.0 | 1.3 |
| Overseas tax differentials | (1.0) | (5.6) |
| Total tax charge for the year | <u>0.3</u> | <u>(0.8)</u> |

SKAGEN CONSCIENCE CAPITAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

11. TAXATION (Continued)

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The March 2013 Budget Statements announced changes to the UK Corporation tax rates that were substantively enacted as part of the Finance Bill 2013 on 2 July 2013. These reduced the main rate of corporation tax from 21% from 1 April 2014 and to 20% from 1 April 2015. As the changes have been substantively enacted at the balance sheet date their effects are included in these financial statements. The July 2015 Budget Statements announced further changes to the UK Corporation which will reduce the main rate of corporation tax to 19% from 1 April 2017 and to 18% from 1 April 2020. As the changes have not been substantively enacted at the Balance Sheet date their effects are not included in these financial statements.

12. INTANGIBLE ASSETS

Group

| | Goodwill £M | Software £M | Trademarks, customer relations and licenses £M | Concessions £M | Total £M |
|----------------------------|----------------|----------------|--|-------------------|--------------|
| Cost | | | | | |
| At 1 January 2014 | 72.3 | 3.0 | 69.1 | 1.3 | 145.7 |
| Additions | 0.3 | 0.1 | 29.3 | 0.7 | 30.4 |
| Disposals | - | (1.2) | - | - | (1.2) |
| Foreign exchange | 1.0 | - | 2.9 | - | 3.9 |
| At 31 December 2014 | 73.6 | 1.9 | 101.3 | 2.0 | 178.8 |
| Amortisation | | | | | |
| At 1 January 2014 | 14.8 | 2.5 | 5.8 | 0.4 | 23.5 |
| Charge for the year | 3.7 | 0.2 | 5.1 | 0.7 | 9.7 |
| On disposals | - | (0.8) | - | - | (0.8) |
| Impairment charge | 3.2 | - | 8.0 | - | 11.2 |
| At 31 December 2014 | 21.7 | 1.9 | 18.9 | 1.1 | 43.6 |
| Net book value | | | | | |
| At 31 December 2014 | 51.9 | - | 82.4 | 0.9 | 135.2 |
| <i>At 31 December 2013</i> | <i>57.5</i> | <i>0.5</i> | <i>63.3</i> | <i>0.9</i> | <i>122.2</i> |

Impairment charges relate to the goodwill and licences of the Ecover business.

SKAGEN CONSCIENCE CAPITAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

13. TANGIBLE ASSETS

| | Land and buildings £M | Plant and equipment £M | Total £M |
|-----------------------------|-----------------------------|------------------------------|--------------------|
| Cost or valuation | | | |
| At 1 January 2014 | 92.2 | 21.4 | 113.6 |
| Additions | 12.8 | 7.0 | 19.8 |
| Disposals | (3.0) | (3.0) | (6.0) |
| Foreign exchange | 0.3 | 0.8 | 1.1 |
| At 31 December 2014 | 102.3 | 26.2 | 128.5 |
| Depreciation | | | |
| At 1 January 2014 | 19.7 | 10.5 | 30.2 |
| Charge owned for the period | 2.6 | 2.7 | 5.3 |
| Disposals | - | (2.0) | (2.0) |
| Impairment | 1.4 | - | 1.4 |
| Foreign exchange | 0.1 | 1.8 | 1.9 |
| At 31 December 2014 | 23.8 | 13.0 | 36.8 |
| Net book value | | | |
| At 31 December 2014 | <u>78.5</u> | <u>13.2</u> | <u>91.7</u> |
| <i>At 31 December 2013</i> | <i><u>72.5</u></i> | <i><u>10.9</u></i> | <i><u>83.4</u></i> |

As at 31 December 2013 the group's freehold hotel and office buildings were revalued on the basis of open market value assuming existing use by independent qualified valuers. The commercial property valuations were undertaken in accordance with the Practice Statement and Guidance Notes set out in the Royal Institute of Chartered Surveyors Appraisal and Valuation Standards by Paul Rabbette Limited, a firm of Independent Chartered Surveyors. The residential property valuations were undertaken by Colliers International Property Advisors UK LLP in accordance with the definitions in the RICS valuation – Professional Standards, incorporating the International Valuation Standards, and the valuation was provided in accordance with the Valuations Standards, Practice Statements and Guidance notes contained therein.

As allowed by FRS 102, the book values of the properties were adjusted to the revalued amounts and the resultant gross surplus was credited to the revaluation reserve.

If the revalued land and buildings, excluding additions during the year, had not been included at valuation they would have been included under the historical cost convention as follows:

| | 2014 £M | 2013 £M |
|--------------------------|-------------|-------------|
| Cost | 21.1 | 21.1 |
| Accumulated depreciation | (3.3) | (3.0) |
| | <u>17.8</u> | <u>18.1</u> |

SKAGEN CONSCIENCE CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

14. FIXED ASSET INVESTMENTS

Group

| | Trade Investments £M | Associate Undertakings £M | Total Investments £M |
|--|----------------------------|---------------------------------|----------------------------|
| Cost or valuation | | | |
| At 1 January 2014 and 31 December 2014 | <u>22.0</u> | <u>-</u> | <u>22.0</u> |

TRADE INVESTMENTS

| Name | Country of incorporation | Class of share | Holding |
|---------------|-----------------------------|----------------|---------|
| Blu Homes Inc | USA | Ordinary | 14.02% |

ASSOCIATE UNDERTAKINGS ACCOUNTED FOR UNDER THE EQUITY METHOD

| Name | Country of incorporation | Class of share | Holding |
|-------------------------------|-----------------------------|----------------|---------|
| Initiate Design Group Limited | UK | Ordinary | 40% |
| Water Technology Holdings Pty | Singapore | Ordinary | 30% |
| Key Mail Canada | Canada | Ordinary | 50% |
| Great City Attractions Ltd | Singapore | Ordinary | 2% |
| Led Lease & Finance B.V | The Netherlands | Ordinary | 30% |
| Clean Soul Ltd | South Korea | Ordinary | 50% |

The group's share of the associates' loss for the year of £1.0m (2013: £nil) is included in the consolidated statement of comprehensive income.

SKAGEN CONSCIENCE CAPITAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

14. FIXED ASSET INVESTMENTS (Continued)

| Company | Trade Investments £M | Subsidiary Undertakings £M | Total Investments £M |
|-------------------------------|----------------------------|----------------------------------|----------------------------|
| Cost or valuation | | | |
| Additions | 40.9 | 172.4 | 213.3 |
| Impairment charge in the year | (18.9) | (5.6) | (24.5) |
| At 31 December 2014 | <u><u>22.0</u></u> | <u><u>166.8</u></u> | <u><u>188.8</u></u> |

The impairment above relates to Danish Yachts A/S, Sorven Limited and Blu Homes Inc.

TRADE INVESTMENTS

| Name | Country of incorporation | Class of share | Holding |
|---------------|--------------------------|----------------|---------|
| Blu Homes Inc | USA | Ordinary | 14.02% |

SUBSIDIARY UNDERTAKINGS

All of the subsidiaries have been included in the consolidated financial statements. A list of the subsidiaries held during the year is set out below:

| Name | Country of incorporation | Holding |
|---------------------------------|--------------------------|---------|
| 2ndAir BV | Netherlands | 100% |
| ABInt Holding BV | Netherlands | 98.8% |
| AHK No. 206 A/S ¹ | Denmark | 100% |
| Aquaver BV | Netherlands | 100% |
| BGS BVBA | Belgium | 100% |
| Big Green Smile Limited | UK | 50.1% |
| Danish Yachts A/S ¹ | Denmark | 100% |
| Dormy House Hotel Limited | UK | 100% |
| Ecover Asia Limited | Hong Kong | 100% |
| Ecover Belgium NV | Belgium | 100% |
| Ecover Co-ordination Centre NV | Belgium | 100% |
| Ecover Deutschland GmbH | Germany | 100% |
| Ecover France SAS | France | 100% |
| Ecover India Limited | India | 100% |
| Ecover UK Limited | UK | 100% |
| Ecover US Inc | US | 100% |
| EPC NV | Belgium | 100% |
| EPC SAS | France | 100% |
| ERC NV | Belgium | 100% |
| Eurobrand Partners (UK) Limited | UK | 100% |

SKAGEN CONSCIENCE CAPITAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

14. FIXED ASSET INVESTMENTS (Continued)

| Name | Country of incorporation | Holding |
|--|---------------------------------|----------------|
| Farncombe Estate Holdings Limited ¹ | UK | 100% |
| Farncombe Estate Limited | UK | 100% |
| G4 Sec Systems SA | Greece | 100% |
| Held AG | Switzerland | 100% |
| Method Products Limited | UK | 100% |
| Method Products Limited | Hong Kong | 100% |
| Method Products PBC | USA | 100% |
| PAD Japan | Japan | 100% |
| People Against Dirty Australia Pty Ltd | Australia | 100% |
| PAD BV | Netherlands | 100% |
| People Against Dirty Manufacturing PBC | USA | 100% |
| People Against Dirty PBC | USA | 100% |
| People Against Dirty Plant Holdings PBC | USA | 100% |
| People Against Dirty Property Management LLC | USA | 100% |
| Round The World PromOcean Limited | UK | 100% |
| Ruths Hotel A/S ¹ | Denmark | 100% |
| Skagen BV ¹ | Netherlands | 100% |
| Skagen Finance Company BV | Netherlands | 100% |
| Skagen Finance Limited ¹ | UK | 100% |
| Skagen Property Company BV | Netherlands | 100% |
| Skagen Services BV | Netherlands | 100% |
| Skagen Services (UK) Limited ¹ | UK | 100% |
| Sorven Limited ¹ | UK | 100% |
| The Fish Hotel Limited | UK | 100% |

¹ Directly owned by the company

All shares held by the Company are ordinary equity shares.

SPECIAL PURPOSE ENTITIES

All of the special purpose entities have been included in the consolidated financial statements.

| Name | Country of incorporation |
|--------------------------------------|---------------------------------|
| Brownfield Revitalization XXXIV, LLC | USA |
| CDF Suballocatee XXIV, LLC | USA |
| USBCDC Investment Fund 81, LLC | USA |
| USBCDE Sub-CDE 126, LLC | USA |
| USBCDE Sub-CDE 132, LLC | USA |
| VAF Sub-CDE XXX, LLC | USA |

SKAGEN CONSCIENCE CAPITAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

15. STOCKS

| | Group 2014 £M | <i>Group 2013 £M</i> | Company 2014 £M |
|-------------------------------------|------------------------------|------------------------------|--------------------------------|
| Raw materials and consumables | 8.9 | 7.1 | - |
| Finished goods and goods for resale | 17.1 | 13.6 | - |
| Work in progress | 0.8 | - | - |
| Provision for impairment | (0.7) | (0.9) | - |
| | <u>26.1</u> | <u>19.8</u> | <u>-</u> |

The difference between purchase price or production cost of stocks and their replacement cost is not material.

16. DEBTORS

| | Group 2014 £M | <i>Group 2013 £M</i> | Company 2014 £M |
|-------------------------------------|------------------------------|------------------------------|--------------------------------|
| Due after more than one year | | | |
| Loans due from related parties | 0.8 | 7.5 | - |
| Other receivables | 2.2 | 0.7 | - |
| Deferred tax | 4.1 | 4.8 | - |
| | <u>7.1</u> | <u>13.0</u> | <u>-</u> |

SKAGEN CONSCIENCE CAPITAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

16. DEBTORS (Continued)

| | Group 2014 £M | Group 2013 £M | Company 2014 £M |
|----------------------------------|------------------------------|------------------------------|--------------------------------|
| Due within one year | | | |
| Trade debtors | 23.0 | 25.8 | - |
| Amounts due from related parties | 4.4 | - | 10.9 |
| Other debtors | 2.4 | 1.9 | 0.5 |
| Prepayments and accrued income | 2.2 | 3.8 | - |
| | <u>32.0</u> | <u>31.5</u> | <u>11.4</u> |

Trade debtors are stated after provision for impairment of £0.1m (2013: £0.1m).

The group has a loan due from its associate Water Technology Holdings Pty. Interest is charged at the LIBOR rate for 12 months Euro deposits plus a margin ranging from 300 to 400 basis points. The loan is unsecured and is repayable in 2015. The directors have impaired the loan receivable by £5.2m (2013: £nil) in the year due to the financial performance of the associate.

Amounts owed by group companies are repayable on demand, unsecured and interest free.

17. CREDITORS: Amounts falling due within one year

| | Group 2014 £M | Group 2013 £M | Company 2014 £M |
|---------------------------------|------------------------------|------------------------------|--------------------------------|
| Trade creditors | 17.4 | 16.0 | - |
| Bank overdraft | 1.3 | - | - |
| Bank loans | 9.1 | 8.4 | - |
| Amounts owed to related parties | 0.3 | 20.5 | 12.5 |
| Taxation and social security | 0.9 | 0.4 | - |
| Other creditors | - | 3.4 | - |
| Accruals and deferred income | 19.2 | 13.1 | - |
| | <u>48.2</u> | <u>61.8</u> | <u>12.5</u> |

Further disclosure of bank loans is included under note 19.

Further disclosure of amount owed to related parties is included under note 18.

SKAGEN CONSCIENCE CAPITAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

18. CREDITORS: Amounts falling due after more than one year

| | Group 2014 £M | <i>Group 2013 £M</i> | Company 2014 £M |
|----------------------------------|------------------------------|------------------------------|--------------------------------|
| Bank loans | 23.5 | 18.3 | - |
| Amounts owed to related parties | 137.8 | 320.3 | - |
| Derivative financial instruments | 0.1 | 0.1 | - |
| Other creditors | 4.2 | - | - |
| | <u>165.6</u> | <u>338.7</u> | <u>-</u> |

Further disclosure of bank loans is included under note 19.

Skagen Finance Limited issued £123.5m of loan notes to Skagen Holdings Limited pursuant to a loan note instrument dated 21 November 2014. Interest is charged at the LIBOR rate for sterling deposits of one month as at the start of the relevant interest period plus 158 basis points per annum. The facility has no fixed expiry date. As at the 31 December 2014 the group had issued £123.5m of loan notes which is repayable by 21 November 2019. The balance outstanding as at 31 December 2014, including accrued interest, was £123.8m.

£311.1m of the amounts owed to related parties in 2013 relate to a loan facility with Ecolife B.V. The drawn down part of the Skagen B.V. facility of €160m and of the Skagen Finance Company B.V. facilities of €150m and USD \$181m entered into in 2012. This balance consists of amounts denominated in multiple currencies and are repayable in December 2015 and December 2018 respectively. The companies pay interest of Euribor plus 200 basis points on the Euro denominated part, LIBOR plus 200 basis points on the British Pounds denominated part and CIBOR plus 200 basis points on the Danish Crowns denominated part and LIBOR plus 200 basis points on the US Dollars denominated part. No security was provided. The average interest rate during 2013 was 2.7%. The amounts owed to related parties were settled in November 2014 via a combination of loan repayments and swapping loans for equity in the group (see note 25).

All other amounts due to related parties are unsecured, interest free and are repayable on demand.

SKAGEN CONSCIENCE CAPITAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

19. BANK LOANS

| | Group 2014 £M | Group 2013 £M | Company 2014 £M |
|---|------------------------------|------------------------------|--------------------------------|
| Amounts falling due within one year | | | |
| Bank loans | 9.1 | 8.4 | - |
| Amounts falling due after more than one year | | | |
| Bank loans due 1- 2 years | 3.1 | 3.4 | - |
| Bank loans due 2- 5 years | 10.4 | 11.3 | - |
| Bank loans due after more than 5 years | <u>10.0</u> | <u>3.6</u> | <u>-</u> |
| Total bank loans | <u><u>32.6</u></u> | <u><u>26.7</u></u> | <u><u>-</u></u> |

Further disclosure of derivative financial instruments is included under note 20.

The present value of the long term loans approximates the book value.

An accounts receivable factoring agreement with a 3rd party bank. Under the terms of the agreement, the subsidiary company can borrow up to 80% financing of their UK trade receivables. The assigned trade receivables bear an invoice finance fee of 0.07% (inclusive of VAT), and a discount charge that is tied to the EURIBOR (applicable rate was 1.93% as at 31 December 2014 (2013: 0.2%)). As at 31 December 2014 the factored amount included in creditors was £0.7m (2013: £1.0m).

A revolving credit facility with U.S. Bank National Association allows aggregate borrowing up to \$11,000,000, with outstanding balances bearing interest at LIBOR plus an applicable margin. The weighted average interest rate for borrowings under the facility for the year ended 31 December 2014 was 2.19% (2013: 2.42%). The facility is secured on the company's assets and matures on 20 June 2018. The facility also provides for standby letters of credit and securing facility leases. At 31 December 2014 the balance outstanding under the facility was £nil (2013: £nil).

A 5 year term loan of \$25.0m with U.S. Bank National Association bears interest at LIBOR plus an applicable margin. Interest is payable quarterly and the effective interest rate as at 31 December 2014 was 2.25% (2013: 3.02%). The facility is secured on the company's assets and matures on 20 June 2018. At 31 December 2014 the balance outstanding under the loan was £14.8m (2013: £15.7m).

On 12 September 2014 the company entered into a 7 year term loan of \$7.0m with U.S. Bank National Association which bears interest at LIBOR plus an applicable margin. Interest is payable quarterly and the effective interest rate as at 31 December 2014 was 2.41%. The facility is secured on the company's assets and matures on 12 September 2021. At 31 December 2014 the balance outstanding under the loan was £4.6m.

SKAGEN CONSCIENCE CAPITAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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19. BANK LOANS (Continued)

New Markets Tax Credit

On 12 September 2014, the group entered into a financing arrangement with a US bank to fund the construction of the group's US factory. The loan funding obtained under the US New Market Tax Credits programme was received by a number of US special purpose entities which are controlled by the group. The loan amounts due to the bank are £6.2m at 31 December 2014. The loan is secured and is repayable in full by 31 December 2044. The loans attract interest at between 1-2%.

The following facilities also exists within the group:

A guarantee of DKK 50.0m has been given by Danish Yachts A/S as security for debt to group companies.

EPC SAS has a €1.3m guarantee given by ABN AMRO Bank N.V. for KBC loan.

SKAGEN CONSCIENCE CAPITAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

20. FINANCIAL INSTRUMENTS

The group and company has the following financial instruments:

| | Group 2014 £M | Group 2013 £M | Company 2014 £M |
|--|------------------------------|------------------------------|--------------------------------|
| Financial assets measured at amortised cost | | | |
| Trade receivables | 23.0 | 25.8 | - |
| Amounts owed by related parties | 5.2 | 7.5 | 11.4 |
| Other debtors | 4.6 | 2.6 | - |
| | <u>32.8</u> | <u>35.9</u> | <u>11.4</u> |
| Financial liabilities measured at fair value through profit or loss | | | |
| Derivative financial instruments | <u>0.1</u> | <u>0.1</u> | <u>-</u> |
| Financial liabilities measured at amortised cost | | | |
| Bank loans and overdrafts | 33.9 | 26.7 | - |
| Trade creditors | 17.4 | 16.0 | - |
| Amounts owed to related parties | 138.1 | 340.8 | 12.5 |
| Other creditors | 4.2 | 3.4 | - |
| | <u>193.6</u> | <u>386.9</u> | <u>12.5</u> |

Derivative Financial Instruments

In June 2013 and September 2014, the group entered into interest rate swap agreements ("swap agreements") with a US Bank, that involve the exchange of fixed interest rate payments on notional amounts that are reduced periodically in exchange for floating interest rate payments that equal half of the interest due to term loans. The key terms under the swap agreements are as follows:

| <u>Trade date</u> | <u>Notional Amount USD \$</u> | <u>Fixed Interest Rate Paid</u> | <u>Variable Interest Rate Received</u> | <u>Effective Date</u> | <u>Expiration Date</u> |
|-------------------|---------------------------------------|---|--|-----------------------|------------------------|
| 21 June 2013 | 11,250,000 | 1.3675% | 1.2500% | 1 June 2013 | 31 May 2018 |
| 16 September 2014 | 3,500,000 | 2.2850% | 2.6250% | 12 September 2014 | 13 September 2021 |

At 31 December 2014 the swap agreements had an aggregate fair value liability of £0.1m (2013: £0.1m liability), which is included in other creditors due greater than one year in the balance sheet. No fair value gain or loss has been recognised in the consolidated statement of comprehensive income as an interest expense for the swap agreements for the year ended 31 December 2014 (2013: fair value loss of £0.1m).

SKAGEN CONSCIENCE CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
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20. FINANCIAL INSTRUMENTS (Continued)

The group determined the fair value of its interest rate swaps by discounting the expected contractual cash flows, using a discount rate derived from observable LIBOR curves. The key inputs can be determined with reasonable reliability and objectivity, as they are derived principally from observable market data; therefore, the interest rate swap is categorized within level 2 of the fair value hierarchy.

21. PROVISIONS

Group

| | Deferred tax £M | Other provisions £M | Total £M |
|--|--------------------|---------------------------|-------------|
| At 1 January 2014 | 24.5 | 2.3 | 26.8 |
| Utilised/ released to the profit or loss | (0.4) | (0.7) | (1.1) |
| | <u>24.1</u> | <u>1.6</u> | <u>25.7</u> |
| At 31 December 2014 | | | |

The other provisions consists of, amongst others, warranty and subsidies. The provisions are mainly of long term nature.

DEFERRED TAXATION

| | Group 2014 £M | Group 2013 £M |
|--|---------------------|---------------------|
| Acquired intangible assets | 22.5 | 22.9 |
| Revaluation of freehold hotel and office buildings | 1.6 | 1.6 |
| | <u>24.1</u> | <u>24.5</u> |

The net deferred tax liability expected to reverse in 2015 is £1.4m. This primarily relates to the reversal of timing differences on acquired intangible assets.

The group has unrecognised deferred tax assets amounting to £77.0m (2013: £68.1m) as the directors do not consider it probable that they will be recovered in the foreseeable future.

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NOTES TO THE FINANCIAL STATEMENTS
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22. SHARE CAPITAL

Group and
Company
2014
£M

Allotted, called up and fully paid

213,281,658 - Ordinary shares of £1 each 213.3

213,281,658 ordinary shares of £1.00 each were authorised, allotted and issued during the year. There is a single class of share capital.

23. PENSION COMMITMENTS

The group operates defined contribution plans for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. The total pension cost for the year was £1.0m (2013: £0.4m). As at 31 December 2014, there were no pension contributions unpaid (2013: £nil).

24. COMMITMENTS UNDER OPERATING LEASES

At 31 December the group had annual commitments under non-cancellable operating leases as follows:

| | Group 2014 £M | Group 2013 £M |
|--|---------------------|---------------------|
| Not later than 1 year | 1.5 | 1.3 |
| Later than 1 year and not later than 5 years | <u>2.8</u> | <u>3.0</u> |
| | <u>4.3</u> | <u>4.3</u> |

The company had no commitments under non-cancellable operating leases as at the balance sheet date.

SKAGEN CONSCIENCE CAPITAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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25. RELATED PARTY TRANSACTIONS

Group

The group has related party transactions and balances with associate undertakings as follows:

| | 2014 Debtor £m | 2014 Interest receivable £m | 2013 Debtor £m | 2013 Interest receivable £m |
|-------------------------------|----------------------|--------------------------------------|----------------------|--------------------------------------|
| Water Technology Holdings Pty | 4.4 | 0.4 | 7.1 | 0.2 |
| Initiate Design Group Limited | 0.4 | - | 0.2 | - |
| Inca Holdings Limited | - | 0.1 | - | 0.3 |
| LED Lease & Finance B.V. | <u>0.4</u> | <u>-</u> | <u>0.2</u> | <u>-</u> |
| Total | <u>5.2</u> | <u>0.5</u> | <u>7.5</u> | <u>0.5</u> |

The following related party transactions occurred as part of the group restructure in November 2014.

Skagen Holdings Limited purchased 100 ordinary shares in Skagen Conscience Capital Limited from Skagen Services (UK) Limited for £100.

Skagen Holdings Limited subscribed to 213,281,558 ordinary £1.00 shares in Skagen Conscience Capital Limited for £213,281,558.

Skagen Finance Limited has issued £123.5m of loan notes to Skagen Holdings Limited pursuant to a loan instalment dated 21 November 2014.

Skagen N.V. subscribed an additional £141.9m of share capital in Skagen B.V. by swapping loans to equity within the group.

Skagen N.V. sold its entire shareholding in Skagen B.V. to Skagen Conscience Capital Limited for a consideration of £123.8m.

Ecolife B.V. sold intellectual property to PAD BV for a total value of £29.1m.

Ecolife B.V. waived the group interest payable totalling £21.7m, of which £7.6m related to 2014 and £14.1m related to 2013 and earlier.

Ecolife B.V. received loan repayments totalling £201.9m.

Company

The company has been recharged administrative costs of £1.6m from Skagen Services (UK) Limited.

The company has the following intercompany debtors/ (creditors) balances as at 31 December 2014:

| | 2014 £M | 2013 £M |
|------------------------------|--------------|------------|
| Skagen Holdings Limited | 10.9 | - |
| Skagen Finance Limited | (10.9) | - |
| Skagen Services (UK) Limited | <u>(1.6)</u> | <u>-</u> |

Related party transactions as part of the formation of the company and the acquisition of investments are included in the group disclosures above.

SKAGEN CONSCIENCE CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

26. POST BALANCE SHEET EVENTS

On 31 July 2015 the group sold its entire shareholding in Danish Yachts A/S for a cash consideration of £0.2m. A dowry of £1.9m is payable to the purchaser on 31 December 2015 resulting in a net cash outflow of £1.7m on disposal. The carrying value of the investment at the date of disposal was £nil resulting in a loss of £1.7m.

During September 2015 the PAD business commenced a restructure of its European operations. This includes a review of the product offering and a rationalisation of production.

27. FIRST TIME ADOPTION OF FRS 102

This is the first year that the group have presented its results under FRS 102. The last financial statements under Dutch GAAP were for the year ended 31 December 2013. The date of transition to FRS 102 was 1 January 2013. The loss for the year ended 31 December 2013 has not changed as a result of changes in accounting policies due to the transition from the GBP conversion of Dutch GAAP to FRS 102.

Set out below are the changes in accounting which reconcile the total equity as at 1 January 2013 and 31 December 2013 between the GBP conversion of Dutch GAAP as previously reported and FRS 102.

| | 1 January 2013 £M | 31 December 2013 £M |
|---|-------------------------|---------------------------|
| GBP conversion of Dutch GAAP as previously reported | (60.4) | (105.9) |
| Revaluation of freehold hotel and office buildings | 8.1 | 8.1 |
| Deferred tax liability on revalued buildings | <u>(1.6)</u> | <u>(1.6)</u> |
| FRS 102 | <u>(53.9)</u> | <u>(99.4)</u> |

Revaluation of freehold hotel and office buildings and deferred tax impact.

FRS 102 permits the revaluation of freehold land buildings. Previously under Dutch GAAP the group did not recognise in the group financial statements the property revaluations of hotel and office buildings recorded in subsidiaries. The deferred tax liability on the revalued amount had also not been recognised in the group financial statements. Accordingly at transition an asset of £8.1m was recognised in tangible fixed assets and the resulting deferred tax liability of £1.6m was recognised in provisions for deferred tax.

28. CONTROLLING PARTY

The company is a wholly owned subsidiary of Skagen Holdings Limited, a company incorporated in Guernsey. The controlling parties of Skagen Holdings Limited are the trustees of the Skagen Business Trust.

SKAGEN CONSCIENCE CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

29. DISPOSAL OF SUBSIDIARY UNDERTAKING

On 7 August 2014 the group sold its entire shareholding in Inca Holdings Limited for a cash consideration of £1.2m. A loss on disposal of £2.2m has been recognised in the consolidated statement of comprehensive income, which includes a profit of £1.0m for the group's share of the 2014 profit up to the date of disposal.

30. NET DEBT

The group analysis of net debt is as follows:

| | 2013 £m | Cashflow £m | Non-cash changes £m | 2014 £m |
|---|----------------|----------------|---------------------------|----------------|
| Cash at bank and in hand | 36.0 | (14.2) | - | 21.8 |
| Bank overdraft | - | (1.3) | - | (1.3) |
| Cash and cash equivalents net of overdraft | 36.0 | (15.5) | - | 20.5 |
| Bank loans | (26.7) | (5.9) | - | (32.6) |
| Amounts owed to group undertakings | (340.8) | 188.6 | 14.1 | (138.1) |
| Total net debt | (331.5) | 167.2 | 14.1 | (150.2) |

Non-cash changes include £14.1m of loan interest forgiven by Ecolife B.V.