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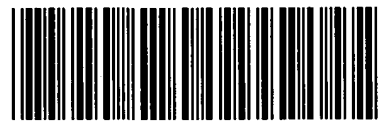
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SKAGEN CONSCIENCE CAPITAL LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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SKAGEN CONSCIENCE CAPITAL LIMITED

COMPANY INFORMATION

DIRECTORS

Jonathon R A Bond (Chairman)
Ignace E M Bogaert (resigned 30 June 2015)
Waldemar Schmidt
Annette Reynolds
Anne L P Mann
Mark P Sorensen
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

BDO LLP
Two Snowhill
Birmingham
B4 6GA

SKAGEN CONSCIENCE CAPITAL LIMITED

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SKAGEN CONSCIENCE CAPITAL LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

INTRODUCTION

The directors present their strategic report on the group for the year ended 31 December 2015.

BUSINESS REVIEW

Skagen Conscience Capital Limited ("SCCL" or the "company") holds investments in a diverse portfolio of companies ("Skagen group" or "group"). The group's principal activities continued to be operating hotels (Farncombe Estate Holdings Ltd and Ruths Hotel A/S), the manufacturing and sale of ecological cleaning and washing products (People Against Dirty PBC and People Against Dirty Holdings Limited, 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 real estate (Farncombe Estate Holdings Ltd, AHK No.206 A/S and Skagen Property Limited).

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 decision to sell the group's shareholding in Danish Yachts (disclosed in Note 28) 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.

The Ecover brand of PAD in Europe has underperformed for a number of years and a major restructuring was undertaken during the year, consolidating manufacturing in Belgium, rationalising and re-costing the product range and reorganising the European commercial function.

Other businesses faced significant challenges during the year, most notably Water Technology Holdings Pty and Blu Homes, resulting in provisions against these assets.

The fixed assets of the group were reduced by those sold as part of the Danish Yachts disposal, with other material changes relating to the revaluation of certain hotels within the group. Working capital levels have been maintained broadly in line with those of last year.

Looking forward the macroeconomic uncertainty associated with Brexit and the potential foreign currency implications remain a focus for management as noted below.

Turnover increased by 4.5% during the year primarily due to the continued growth of the PAD business.

Total operating loss increased by 6.5% during the year. This increase was the result of an additional £13.0m exceptional administrative expenses in the year and a reduction in both selling and distribution costs and administration expenses.

The loss for the financial year increased by 40.6%. However, this is stated after net exceptional expenses of £24.6m in 2015 compared to £3.7m in 2014.

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 2015

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 group 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 business's reputation and financial results could be adversely impacted.

SKAGEN CONSCIENCE CAPITAL LIMITED

STRATEGIC REPORT (Continued) FOR THE YEAR ENDED 31 DECEMBER 2015

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 are shown below.

Group turnover

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

2015: £163.0m

2014: £156.0m

Gross margin

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

2015: 40.7%

2014: 42.5%

Operating loss excluding exceptional items

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

2015: £23.6m

2014: £33.3m

Finance costs

Finance costs is the net interest expense in respect of facilities provided by third parties.

2015: £1.3m

2014: (£13.0m)

Net debt

Net debt is the sum of short and long term debt minus cash at bank and in hand (note 29).

2015: £144.3m

2014: £150.2m

SKAGEN CONSCIENCE CAPITAL LIMITED

STRATEGIC REPORT (Continued) FOR THE YEAR ENDED 31 DECEMBER 2015

FINANCIAL INSTRUMENTS

The group's activities expose it to a variety of financial risks including foreign exchange, 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.

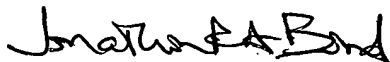
Foreign exchange risk - The group mainly operates in the European Union and the United States. The exchange risk largely concerns positions and future transactions in USD, EURO and DKK. On the basis of a risk analysis, the Management of SCCL from time to time decides to hedge some of these positions. 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 the group will have sufficient cash to meet operational needs. The maturity profile of the group's liabilities is analysed in note 18 and 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 **27 September 2016** and signed on its behalf.



Jonathon R A Bond
Chairman

SKAGEN CONSCIENCE CAPITAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

The directors present their report and the audited financial statements of the group and the company for the year ended 31 December 2015.

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). 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 judgements 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 £58.5 million (2014: £41.6 million).

No dividends have been proposed or paid in respect of the years ended 31 December 2014 and 31 December 2015.

DIRECTORS

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

Jonathon R A Bond (Chairman)
Ignace E M Bogaert (resigned 30 June 2015)
Waldemar Schmidt
Annette Reynolds
Anne L P Mann
Mark P Sorensen
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 2015

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.

In July 2016 Skagen Conscience Capital Limited made the decision that it would no longer support the WTH Group or Memsys BV (formerly Aquaver BV) and as a consequence Memsys GmbH entered administration. At 31 December 2015 the group had provided in full for the non-controlling interests share of the Water Technologies Holdings PTE Limited group consolidated net liabilities of £6.7m.

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 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 group, 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 2015 consolidated statement of comprehensive income was £2.3m (2014: £1.8m).

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.

SKAGEN CONSCIENCE CAPITAL LIMITED

**DIRECTORS' REPORT (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2015**

DIRECTORS' INDEMNITY INSURANCE

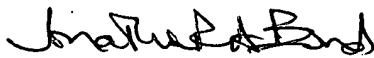
The group and company maintains directors' and officers' liability insurance which gives appropriate cover for any legal action brought against the directors and/or officers. In accordance with section 236 of the Companies Act 2006, qualifying third party indemnity provisions are in place for the directors in respect of liabilities incurred as a result of their office, as far as is permitted by law. Both the insurance and indemnities applied throughout the period and continue through to the date of this Directors' Report.

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.

This report was approved by the board on **27 September 2016** and signed on its behalf.



Jonathon R A Bond
Chairman

SKAGEN CONSCIENCE CAPITAL LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SKAGEN CONSCIENCE CAPITAL LIMITED

We have audited the financial statements of Skagen Conscience Capital Limited for the year ended 31 December 2015 which comprise the Consolidated Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group and Company Statement of Changes in Equity, the Consolidated Statement of Cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, 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). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2015 and of the group's loss 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.

Opinion on other matters 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.

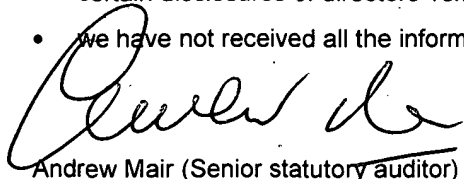
SKAGEN CONSCIENCE CAPITAL LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SKAGEN CONSCIENCE CAPITAL LIMITED

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Andrew Mair (Senior statutory auditor)
for and on behalf of **BDO LLP, Statutory auditor**
Birmingham
United Kingdom

Date: 28 September 2016

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

SKAGEN CONSCIENCE CAPITAL LIMITED
REGISTERED NUMBER: 09031653

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	Continuing £M	Discontinued £M	Total 2015 £M	Continuing £M	Discontinued £M	Total 2014 £M
Turnover	3	160.8	2.2	163.0	145.3	10.7	156.0
Cost of sales		(93.3)	(3.4)	(96.7)	(80.0)	(9.7)	(89.7)
Gross profit		67.5	(1.2)	66.3	65.3	1.0	66.3
Selling and distribution costs		(17.2)	(0.1)	(17.3)	(20.6)	(0.4)	(21.0)
Administrative expenses		(70.3)	(2.3)	(72.6)	(75.1)	(3.5)	(78.6)
Administrative expenses- exceptional	6	(25.6)	(5.2)	(30.8)	(17.8)	-	(17.8)
Operating loss	4	(45.6)	(8.8)	(54.4)	(48.2)	(2.9)	(51.1)
Loss from participating interests	14	(0.1)	-	(0.1)	(1.0)	-	(1.0)
Loss on disposal of participating interest	14	(0.2)	-	(0.2)	-	-	-
Loss on disposal of subsidiary undertaking	28	-	(5.4)	(5.4)	(2.2)	-	(2.2)
Loss on ordinary activities before interest and taxation		(45.9)	(14.2)	(60.1)	(51.4)	(2.9)	(54.3)
Interest receivable and similar income	9	0.4	0.1	0.5	0.5	-	0.5
Interest payable and similar charges	10	(7.9)	(0.1)	(8.0)	(1.5)	(0.1)	(1.6)
Interest payable and similar charges- exceptional	6	6.2	-	6.2	14.1	-	14.1
Net interest (expense) / income		(1.3)	-	(1.3)	13.1	(0.1)	13.0
Loss on ordinary activities before taxation		(47.2)	(14.2)	(61.4)	(38.3)	(3.0)	(41.3)
Taxation on loss on ordinary activities	11	2.9	-	2.9	(0.3)	-	(0.3)
Loss for the financial year		(44.3)	(14.2)	(58.5)	(38.6)	(3.0)	(41.6)
Owners of the parent company				(58.3)			(41.3)
Non-controlling interest				(1.7)			(0.3)
De-recognition of irrecoverable amount				1.5			-
Non-controlling interest				(0.2)			(0.3)
				(58.5)			(41.6)
Other comprehensive expense for the year							
Reduction in revaluation reserve				(5.8)			-
Taxation on revaluation reserve				(0.6)			-
Currency translation differences				(1.6)			-
Other comprehensive expense for the year				(8.0)			-
Total comprehensive loss for the year				(66.5)			(41.6)
Owners of the parent company				(66.3)			(41.3)
Non-controlling interest				(0.2)			(0.3)
				(66.5)			(41.6)

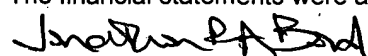
The notes on pages 18 to 52 are an integral part of these financial statements.

SKAGEN CONSCIENCE CAPITAL LIMITED
REGISTERED NUMBER: 09031653

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2015

	Note	2015 £M	2014 £M
Non-current assets			
Intangible assets	12	127.0	135.2
Tangible assets	13	82.0	91.7
Investments	14	3.6	22.0
		<u>212.6</u>	<u>248.9</u>
Current assets			
Stocks	15	28.9	26.1
Debtors: Amounts falling due within one year	16	37.3	32.0
Debtors: Amounts falling due after more than one year	16	7.4	7.1
Cash at bank and in hand		19.4	21.8
		<u>93.0</u>	<u>87.0</u>
Creditors: Amounts falling due within one year	17	(54.6)	(48.2)
Net current assets		<u>38.4</u>	<u>38.8</u>
Total assets less current liabilities		<u>251.0</u>	<u>287.7</u>
Creditors: Amounts falling due after more than one year	18	(154.9)	(165.6)
Provisions for liabilities	21	(27.1)	(25.7)
Net assets		<u><u>69.0</u></u>	<u><u>96.4</u></u>
Capital and reserves			
Called up share capital	22	209.2	213.3
Share premium		-	-
Capital contribution		2.2	-
Revaluation reserve		2.3	8.7
Merger reserve		135.2	94.2
Retained earnings		(279.1)	(219.2)
Total equity attributable to owners of the parent company		<u>69.8</u>	<u>97.0</u>
Non controlling interests		<u>(0.8)</u>	<u>(0.6)</u>
Total equity		<u><u>69.0</u></u>	<u><u>96.4</u></u>

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



27 September 2016

Jonathon R A Bond
Chairman

The notes on pages 18 to 52 are an integral part of these financial statements.

SKAGEN CONSCIENCE CAPITAL LIMITED
REGISTERED NUMBER:09031653

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2015

	Note	2015 £M	2014 £M
Fixed assets			
Investments	14	123.4	188.8
		<u>123.4</u>	<u>188.8</u>
Current assets			
Stock	15	2.2	-
Debtors: Amounts falling due within one year	16	<u>0.7</u>	<u>11.4</u>
		2.9	11.4
Creditors: Amounts falling due within one year	17	(23.4)	(12.5)
Net current liabilities		<u>(20.5)</u>	<u>(1.1)</u>
Total assets less current liabilities		<u>102.9</u>	<u>187.7</u>
Net assets		<u><u>102.9</u></u>	<u><u>187.7</u></u>
Capital and reserves			
Called up share capital	22	209.2	213.3
Retained earnings		<u>(106.3)</u>	<u>(25.6)</u>
Total equity		<u><u>102.9</u></u>	<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



27 September 2016

Jonathon R A Bond
Chairman

The notes on pages 18 to 52 are an integral part of these financial statements.

SKAGEN CONSCIENCE CAPITAL LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	Share capital £M	Capital contribution £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 2015	213.3	-	8.7	94.2	(219.2)	97.0	(0.6)	96.4
Loss for the year	-	-	-	-	(58.3)	(58.3)	(0.2)	(58.5)
Other comprehensive income for the year	-	-	-	-	-	-	-	-
Revaluation of assets	-	-	(5.8)	-	-	(5.8)	-	(5.8)
Taxation on revaluation reserve	-	-	(0.6)	-	-	(0.6)	-	(0.6)
Foreign exchange	-	-	-	-	(1.6)	(1.6)	-	(1.6)
Total comprehensive income for the year	-	-	(6.4)	-	(59.9)	(66.3)	(0.2)	(66.5)
Shares issued during the year	36.9	-	-	-	-	36.9	-	36.9
Capital reduction (note 22)	(41.0)	-	-	41.0	-	-	-	-
Capital contribution	-	2.2	-	-	-	2.2	-	2.2
Transfer to retained earnings	-	-	-	-	-	-	-	-
Total contributions by and distributions to owners	(4.1)	2.2	-	41.0	-	39.1	-	39.1
At 31 December 2015	209.2	2.2	2.3	135.2	(279.1)	69.8	(0.8)	69.0

The notes on pages 18 to 52 are an integral part of these financial statements.

SKAGEN CONSCIENCE CAPITAL LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 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 52 are an integral part of these financial statements.

SKAGEN CONSCIENCE CAPITAL LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Retained earnings £M	Share capital £M	Total Equity £M
At 1 January 2015	(25.6)	213.3	187.7
Loss for the year	<u>(80.7)</u>	<u>-</u>	<u>(80.7)</u>
Total comprehensive income for the year	(80.7)	-	(80.7)
Shares issued during the year	-	36.9	36.9
Capital reduction	<u>-</u>	<u>(41.0)</u>	<u>(41.0)</u>
Transactions with owners recognised directly in equity	<u>-</u>	<u>(4.1)</u>	<u>(4.1)</u>
At 31 December 2015	<u><u>(106.3)</u></u>	<u><u>209.2</u></u>	<u><u>102.9</u></u>

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Retained earnings £M	Share capital £M	Total equity £M
Loss for the year	<u>(25.6)</u>	<u>-</u>	<u>(25.6)</u>
Total comprehensive income for the year	(25.6)	-	(25.6)
Shares issued during the year	<u>-</u>	<u>213.3</u>	<u>213.3</u>
Transactions with owners recognised directly in equity	<u>-</u>	<u>213.3</u>	<u>213.3</u>
As at December 2014	<u><u>(25.6)</u></u>	<u><u>213.3</u></u>	<u><u>187.7</u></u>

The notes on pages 18 to 52 are an integral part of these financial statements

SKAGEN CONSCIENCE CAPITAL LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Note	2015 £M	2014 £M
Cash flows from operating activities			
Loss for the financial year		(58.5)	(41.6)
Adjustments for:			
Amortisation of intangible assets	12	12.5	9.7
Impairment of intangible assets	12	0.1	11.2
Loss on disposal of intangible assets	12	-	0.4
Impairment of tangible assets	13	1.3	1.4
Depreciation of tangible assets	13	6.6	5.3
Loss on disposal of tangible assets	13	0.8	4.0
Impairment of investments	14	18.4	-
Increase in stock	15	(2.0)	(6.3)
Impairment of loans due from related parties	6	-	5.2
Loss from participating interest		0.1	1.0
Loss on disposal of participating interest (net of proceeds)		0.2	-
Loss on disposal of subsidiary (net of proceeds)		5.2	2.2
Loss on foreign exchange		2.8	7.7
Interest payable	10	8.0	1.6
Interest payable – exceptional	6	(6.2)	(14.1)
Interest receivable	9	(0.5)	(0.5)
Taxation (credit)/expense less amount paid	11	(4.3)	0.3
(Increase)/decrease in debtors	16	(8.7)	4.7
(Decrease)/increase in creditors	17	(3.3)	12.7
Increase/(decrease) in provisions	21	2.2	(0.7)
Net cash (used in)/generated from operating activities		(25.3)	4.2
Cash flows from investing activities			
Purchase of intangible assets	12	-	(30.4)
Purchase of tangible assets	13	(5.3)	(19.8)
Proceeds from sale of tangible assets		2.2	-
Proceeds from sale of subsidiary		0.2	1.2
Acquisition cost less cash acquired		0.2	-
Net cash used in investing activities		(2.7)	(49.0)

SKAGEN CONSCIENCE CAPITAL LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Note	2015 £M	2014 £M
Cash flows from financing activities			
Issue of ordinary shares	22	36.9	213.3
Net (decrease)/increase in bank loans	29	(2.5)	5.9
Net decrease in group loans	29	(5.7)	(188.6)
Interest paid		<u>(1.8)</u>	<u>(1.3)</u>
Net cash generated from financing activities		<u>26.9</u>	<u>29.3</u>
 Net decrease in cash at bank and in hand		 (1.1)	 (15.5)
Cash and cash equivalents at beginning of year		20.5	36.0
Cash and cash equivalents at the end of the year		<u>19.4</u>	<u>20.5</u>
 Cash and cash equivalents consist of:			
Cash at bank and in hand		19.4	21.8
Bank overdraft		-	(1.3)
Cash and cash equivalents		<u>19.4</u>	<u>20.5</u>

The notes on pages 18 to 52 are an integral part of these financial statements.

SKAGEN CONSCIENCE CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES

1.1 GENERAL INFORMATION

Skagen Conscience Capital Limited is incorporated and domiciled in the UK.

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 cost 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.

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 group'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 £80.7m (2014: £25.6m).

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:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the group and the parent company would be identical;
- 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 2015

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 group's share of the results of associates made up to 31 December as if they formed a single entity.

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. 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 investments in associates are 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. 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 2015

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's interest in the entity.

In accordance with the transitional exemption available in FRS 102, the group chose not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 1 January 2013. Therefore, the group continues to recognise a merger reserve which arose on a past business combination that was accounted for as a merger in accordance with the UK GAAP as applied at that time.

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 during the year and are committed 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 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 up to the balance sheet date to the total service provision. Income is stated net of discounts, returns and value added taxes.

SKAGEN CONSCIENCE CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES (Continued)

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.

The estimated useful lives range as follows:

Goodwill	-	5 - 20 years
Software	-	3 - 5 years
Trademarks, customer relationships 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.

SKAGEN CONSCIENCE CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES (Continued)

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 in the statement of comprehensive income.

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

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

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 other 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 operating results

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.

Realisable value represents the estimated selling price less directly attributable selling expenses, net of an allowance for obsolescence of stocks were applicable. The impairment loss is recognised immediately in profit or loss.

SKAGEN CONSCIENCE CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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 associates 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 group's cash management.

1.14 CREDITORS

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

SKAGEN CONSCIENCE CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES (Continued)

1.15 FINANCIAL INSTRUMENTS

The group 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 payable, are initially measured at the 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 terms 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 payments 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 group 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 in the consolidated statement of comprehensive income. The group has not applied hedge accounting.

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.

SKAGEN CONSCIENCE CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES (Continued)

1.17 SHARE BASED PAYMENTS

One of the subsidiaries operates a cash 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 creditors 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 within 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.

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 average rates are recognised in other comprehensive income.

SKAGEN CONSCIENCE CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES (Continued)

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 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 a number of defined contribution pension plans for its employees. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. Once the contributions have been paid the group 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 group 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.

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.

SKAGEN CONSCIENCE CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES (Continued)

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 charge 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 group operates and generate taxable income.

Deferred tax 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.

1.26 OPERATING LEASES

Leases are accounted for as operating leases where the risks and rewards of ownership are retained by the lessor and the rental charges are charged to administrative expenses in the group statement of comprehensive income on a straight-line basis over the life of the lease.

1.27 CAPITAL AND RESERVES

Called up share capital - represents the nominal value of shares that have been issued.

Capital contribution – represents the fair value adjustment on loan notes provided at less than market value.

Revaluation reserve – represents the movements on revaluation of freehold land and buildings.

Merger reserve – this arose on a past group reconstruction in accordance with UK GAAP at that time.

Retained earnings – represents cumulative profit and losses, net of dividends paid and other adjustments.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

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 the 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 the 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.

SKAGEN CONSCIENCE CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

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 other comprehensive income. The group engages independent valuation specialists to determine fair value over a rolling 3 year period. The value uses 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 properties. The determined fair value of the properties is most sensitive to the estimated rental yield as well as the long term vacancy rate.

2.7 FAIR VALUE OF FINANCIAL LIABILITIES

Financial liabilities are recognised at fair value under the provisions of FRS102. In the case of interest free loan notes subscribed for by related parties this is discounted based on the number of year's expected before the loan will be repaid (see note 18) and using a discount rate of 2.0832%.

3. ANALYSIS OF TURNOVER

An analysis of turnover by category is as follows:

	2015 £M	2014 £M
Sale of goods	150.2	144.6
Services	12.8	11.4
	<u>163.0</u>	<u>156.0</u>

Analysis of turnover by country:

	2015 £M	2014 £M
Europe	72.8	77.1
United States of America	86.8	72.8
Rest of World	3.4	6.1
	<u>163.0</u>	<u>156.0</u>

SKAGEN CONSCIENCE CAPITAL LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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4. OPERATING LOSS

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

	2015 £M	2014 £M
Depreciation of tangible assets	6.6	5.3
Amortisation of intangible assets, including goodwill	12.5	9.7
Operating lease rentals		
Land & buildings	1.8	1.5
Plant & machinery	0.3	0.2
Impairment of tangible / intangible assets	1.4	12.6
Impairment of investments	18.4	-
Impairment of trade receivables	0.6	0.1
Impairment of inventory	6.1	(0.2)
Inventory recognised as an expense	89.0	73.2
Foreign exchange loss	2.8	7.7
Loss on sale of fixed assets	0.8	4.0
Share-based payment	0.4	0.2
Defined contribution pension cost	1.2	1.0
Research and development costs	<u>2.3</u>	<u>1.8</u>

Fees payable to the company's auditor for the audit of the parent company and the group's consolidated financial statements were £45,000. Fees payable to the company's auditor for the audit of the company's subsidiaries were £46,000.

Fees payable to other audit firms for the audit of the company's subsidiaries were £578,000 (2014: £432,000) for the audit of the parent company, the group's consolidated financial statements and the audit of the company's subsidiaries). Fees payable to other audit firms for non-audit services were £153,000 (2014: £48,340).

5. STAFF COSTS

Staff costs (including directors) were as follows:

	2015 £M	2014 £M
Wages and salaries	37.5	39.7
Social security costs	4.2	3.8
Other pension costs	1.2	1.0
	<u>42.9</u>	<u>44.5</u>

Included in wages and salaries is a total expense for share-based payments of £0.4m (2014: £0.2m) which arises from transactions accounted for as equity settled share-based payment transactions.

SKAGEN CONSCIENCE CAPITAL LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

5. STAFF COSTS (Continued)

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

	2015 No.	2014 No.
Production, selling and distribution	470	483
Administrative	228	180
	<u>698</u>	<u>663</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:

	2015 £M	2014 £M
Salaries and other short term benefits	2.5	1.9
Post-employment benefits	0.2	0.1
	<u>2.7</u>	<u>2.0</u>

6. EXCEPTIONAL COSTS

	Group 2015 £M	Group 2014 £M
Impairment of investments (note 14)	(18.4)	-
Impairment of work in progress (note 15) - discontinued	(5.2)	-
Restructuring costs (continuing)	(4.2)	-
Impairment of intangible and tangible assets	(1.4)	(11.2)
Settlement of legal dispute	(1.6)	-
Impairment of loans owed by related parties (note 16)	-	(5.2)
Impairment of freehold buildings	-	(1.4)
Total administrative expenses- exceptional	<u>(30.8)</u>	<u>(17.8)</u>
Interest payable waived	6.2	14.1
Total interest payable and similar charges- exceptional	<u>6.2</u>	<u>14.1</u>
Total exceptional items	<u>(24.6)</u>	<u>(3.7)</u>

Impairment of intangible and tangible assets relate to Water Technology Holdings Pty.

Restructuring costs totalling £3.7m (2014: £nil) relate to the European operations of the PAD business and £0.5m relate to the Water Technologies group.

SKAGEN CONSCIENCE CAPITAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

7. SHARE BASED PAYMENTS

In 2012, 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 with 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 option 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 2015 and 2014 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 the share-based payment expense.

The estimated fair value of stock options granted during the years ended 31 December 2015 and 2014 was £0.8m and £0.5m, 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 2015 and 2014, were as follows:

	2015	2014
Contractual Life (in years)	8.1 and 9.1	8.1 and 9.1
Expected term (in years)	3.3 and 5.9	4.3 and 5.3 years
Volatility	25%	30%
Risk-free interest rate	1.31% and 1.63%	1.37% and 1.8%
Estimated forfeiture rate	10%	10%

SKAGEN CONSCIENCE CAPITAL LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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7. SHARE BASED PAYMENTS (Continued)

The share-based compensation expense for the year's ended 31 December 2015 and 2014 was £0.4m and £0.2m 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 2015 and 2014, there was £0.9m and £0.6m, 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 1.8 years.

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

8. DIRECTORS REMUNERATION

	2015 £M	2014 £M
Aggregate remuneration in respect of qualifying services	1.5	1.4
Defined contribution pension scheme contributions	0.1	0.1
	<u>1.6</u>	<u>1.5</u>

3 directors (2014: 3) 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:

	2015 £M	2014 £M
Aggregate remuneration in respect of qualifying services	0.7	0.5
	<u>0.7</u>	<u>0.5</u>

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

9. INTEREST RECEIVABLE

	2015 £M	2014 £M
Other interest receivable	0.5	0.5
	<u>0.5</u>	<u>0.5</u>

SKAGEN CONSCIENCE CAPITAL LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

10. INTEREST PAYABLE AND SIMILAR CHARGES

	2015 £M	2014 £M
Interest payable to related parties	6.4	0.3
Other interest payable	1.6	1.3
	<u>8.0</u>	<u>1.6</u>

In addition to the interest payable and similar charges above, £6.2m of interest was forgiven by Skagen Holdings Limited and this is shown in interest payable and similar charges (exceptional) in the consolidated statement of comprehensive income (2014: £14.1m of interest forgiven by Ecolife B.V) (see notes 6 and 25).

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

11. TAXATION

	2015 £M	2014 £M
Current tax		
Current tax on profits for the year	0.9	0.4
Total current tax	<u>0.9</u>	<u>0.4</u>
Deferred tax		
Origination and reversal of timing differences	(2.2)	(0.1)
Prior year adjustment	(1.6)	-
Total deferred tax	<u>(3.8)</u>	<u>(0.1)</u>
Taxation (credit)/charge on loss on ordinary activities	<u>(2.9)</u>	<u>0.3</u>

SKAGEN CONSCIENCE CAPITAL LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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11. TAXATION (Continued)

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is higher than (2014: *higher than*) the standard rate of corporation tax in the UK of 20.25% (2014: 21.5%). The differences are explained below:

	2015 £M	2014 £M
Loss on ordinary activities before tax	<u>(61.4)</u>	<u>(41.3)</u>
	2015 £M	2014 £M
Loss multiplied by the standard rate of tax in the UK of 20.25% (2014: 21.5%)	(12.4)	(8.9)
Effects of:		
Losses not recognised	7.5	8.2
Expenses not deductible for tax purposes	6.6	2.0
Overseas tax rate differentials	(2.7)	(1.0)
Prior year effects	(1.6)	-
Effect of prior year tax losses utilised	<u>(0.3)</u>	<u>-</u>
Total tax(credit)/charge for the year	<u>(2.9)</u>	<u>0.3</u>

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The 2016 budget confirmed that the UK corporation tax rate will reduce to 19% to apply from 1 April 2017 and to 18% from 1 April 2020. This will reduce the group's future tax charge accordingly.

SKAGEN CONSCIENCE CAPITAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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12. INTANGIBLE ASSETS

Group

	Goodwill £M	Software £M	Trademarks, customer relationships and licenses £M	Concessions £M	Total £M
Cost					
At 1 January 2015	73.6	1.9	101.3	2.0	178.8
Acquisitions	-	0.1	0.1	-	0.2
Impairment	-	-	(0.1)	-	(0.1)
Foreign exchange	2.5	-	3.5	0.1	6.1
At 31 December 2015	76.1	2.0	104.8	2.1	185.0
Amortisation					
At 1 January 2015	21.7	1.9	18.9	1.1	43.6
Charge for the year	3.3	-	9.0	0.2	12.5
Foreign exchange	0.7	-	1.1	0.1	1.9
At 31 December 2015	25.7	1.9	29.0	1.4	58.0
Net book value					
At 31 December 2015	50.4	0.1	75.8	0.7	127.0
<i>At 31 December 2014</i>	<i>51.9</i>	<i>-</i>	<i>82.4</i>	<i>0.9</i>	<i>135.2</i>

SKAGEN CONSCIENCE CAPITAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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13. TANGIBLE ASSETS

	Land and buildings £M	Plant, equipment and other fixed assets £M	Total £M
Cost or valuation			
At 1 January 2015	102.3	26.2	128.5
Acquisitions	-	2.0	2.0
Additions	0.7	4.6	5.3
Disposals	(4.9)	(1.7)	(6.6)
Revaluation	(5.8)	-	(5.8)
Impairment (note 6)	-	(1.3)	(1.3)
Foreign exchange	0.5	(1.8)	(1.3)
At 31 December 2015	92.8	28.0	120.8
Depreciation			
At 1 January 2015	23.8	13.0	36.8
Charge for the period	2.2	4.4	6.6
Disposals	(1.9)	(1.6)	(3.5)
Foreign exchange	-	(1.1)	(1.1)
At 31 December 2015	24.1	14.7	38.8
Net book value			
At 31 December 2015	<u>68.7</u>	<u>13.3</u>	<u>82.0</u>
<i>At 31 December 2014</i>	<i><u>78.5</u></i>	<i><u>13.2</u></i>	<i><u>91.7</u></i>

As at 31 December 2015 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. The residential property valuations were undertaken 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 reduction in value recognised in other comprehensive income.

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

	2015 £M	2014 £M
Historic cost	31.4	23.8
Accumulated depreciation	(3.5)	(3.3)
	<u>27.9</u>	<u>20.5</u>

SKAGEN CONSCIENCE CAPITAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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14. FIXED ASSET INVESTMENTS

Group

	Trade Investments £M	Associated Undertakings £M	Total Investments £M
Cost or valuation			
At 1 January 2015	22.0	-	22.0
Additions	-	0.5	0.5
Impairment	(18.4)	-	(18.4)
Disposals	-	(0.5)	(0.5)
	<u>-</u>	<u>(0.5)</u>	<u>(0.5)</u>
At 31 December 2015	<u>3.6</u>	<u>-</u>	<u>3.6</u>

TRADE INVESTMENTS

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

The impairment relates to Blu Homes Inc as the valuation of the investment as at 31 December 2015 was less than the recorded cost.

ASSOCIATED UNDERTAKINGS ACCOUNTED FOR UNDER THE EQUITY METHOD

Name	Country of incorporation	Class of share	Holding
Initiate Design Group Limited	UK	Ordinary	40%
Key Mail Canada	Canada	Ordinary	50%
Led Lease & Finance B.V	Netherlands	Ordinary	30%
Clean Soul Ltd	South Korea	Ordinary	50%

The group's share of the associates' loss for the year of £0.1m (2014: £1.0m) is included in the consolidated statement of comprehensive income.

On 31 December 2015 the group sold its entire shareholding in Initiate Design Group Limited. The carrying value of the investment at the date of disposal was £0.5m and the loss on disposal and the group's share in the participating interest are included in the consolidated statement of comprehensive income was £0.2m.

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**NOTES TO THE FINANCIAL STATEMENTS
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14. FIXED ASSET INVESTMENTS (Continued)

Company	Trade Investments £M	Subsidiary Undertakings £M	Total Investments £M
Cost or valuation			
At 1 January 2015	22.0	166.8	188.8
Additions	-	43.1	43.1
Disposals	-	(42.4)	(42.4)
Impairment charge	(18.4)	(47.7)	(66.1)
At 31 December 2015	<u>3.6</u>	<u>119.8</u>	<u>123.4</u>

The additions relate to Danish Yachts A/S, Farncombe Estate Holdings Limited, Initiate Design Group Limited, People Against Dirty Holdings Limited, Skagen BV, Skagen Property Limited and Water Technologies Holdings PTE Limited.

The disposals relate to Initiate Design Group Limited and Danish Yachts A/S (see note 28) and a £41.0m capital reduction in Skagen BV.

The impairment above relates to Blu Home Inc, Skagen BV, Skagen Finance Limited and Water Technologies Holdings PTE Limited as the valuation of the investments as at 31 December 2015 was less than the recorded cost.

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 ^{1,2}	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%

SKAGEN CONSCIENCE CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
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14. FIXED ASSET INVESTMENTS (Continued)

Name	Country of Incorporation	Holding
Ecover US Inc	US	100%
EPC NV	Belgium	100%
ERC NV	Belgium	100%
Eurobrand Partners (UK) Limited	UK	100%
Faircombe Estate Limited	UK	100%
G4 Sec Systems SA	Greece	100%
Held AG	Switzerland	100%
Method Products Limited	UK	100%
Method Products PBC	Hong Kong	100%
Method Products PBC	USA	100%
PAD BV	Netherlands	100%
PAD Japan	Japan	100%
People Against Dirty Australia Pty Ltd	Australia	100%
People Against Dirty Manufacturing PBC	USA	100%
People Against Dirty Holdings Limited ¹	UK	100%
People Against Dirty PBC	UK	100%
People Against Dirty Plant Holdings PBC	USA	100%
People Against Dirty Property Management LLC	USA	100%
People Against Dirty UK Limited	UK	100%
Round The World PromOcean Limited	UK	100%
Rutis Hotel A/S ¹	Denmark	100%
Skagen BV ^{1,3}	Netherlands	100%
Skagen Finance Limited ¹	UK	100%
Skagen Property Company BV	UK	100%
Skagen Property Limited ¹	Netherlands	100%
Skagen Services (UK) Limited ¹	UK	100%
Sorven Limited ¹	UK	100%
The Fish Hotel Limited	UK	100%
Water Technologies Holdings PTE Limited ⁴	UK	30%

¹ Directly owned by the company

² Disposed of on 31 July 2015

³ On 1 January 2015 Ecover Group BV, Skagen Finance Company BV and Skagen Service BV merged into Skagen BV

⁴ Control obtained in 2015 and fully consolidated in the results for the year ended 31 December 2015.

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
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15. STOCKS

	Group 2015 £M	Group 2014 £M	Company 2015 £M	Company 2014 £M
Raw materials and consumables	12.9	8.9	-	-
Finished goods and goods for resale	15.3	17.1	-	-
Work in progress	7.5	0.8	7.4	-
Provision for impairment	(6.8)	(0.7)	(5.2)	-
	<u>28.9</u>	<u>26.1</u>	<u>2.2</u>	<u>-</u>

The cost of stocks expensed in the year and included within cost of sales was £89m (2014: £73.2m).

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

Following the disposal of Danish Yachts A/S the group retained the responsibility to complete and deliver a vessel which was not complete at the date of disposal. As at 31 December 2015 work in progress included costs of £7.4m in relation to the vessel and a provision for impairment of £5.2m is included within the provision for impairment and recognised as an exceptional administrative expense under discontinued operations.

16. DEBTORS

	Group 2015 £M	Group 2014 £M	Company 2015 £M	Company 2014 £M
Due after more than one year				
Loans due from related parties	0.8	0.8	-	-
Other debtors	1.7	2.2	-	-
Deferred tax	4.9	4.1	-	-
	<u>7.4</u>	<u>7.1</u>	<u>-</u>	<u>-</u>

SKAGEN CONSCIENCE CAPITAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

16. DEBTORS (Continued)

	Group 2015 £M	Group 2014 £M	Company 2015 £M	Company 2014 £M
Due within one year				
Trade debtors	26.8	23.0	-	-
Amounts due from related parties	2.6	4.4	-	10.9
Other debtors	5.5	2.4	0.7	0.5
Prepayments and accrued income	2.4	2.2	-	-
	<u>37.3</u>	<u>32.0</u>	<u>0.7</u>	<u>11.4</u>

Trade debtors are stated after provision for impairment of £0.6m (2014: £0.1m).

Amounts due from related parties are stated after provision for impairment of £nil (2014: £5.2m).

Included in amounts due from related parties as at 31 December 2014 is a loan due from its associate Water Technology Holdings Pty. Interest was charged at the LIBOR rate for 12 months Euro deposits plus a margin ranging from 300 to 400 basis points. The loan was unsecured and is repayable in 2015. The directors impaired the loan receivable by £5.2m in the year ended 2014 due to the financial performance of the associate. The Water Technology Holdings Pty loan eliminates on consolidation as at 31 December 2015.

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

Deferred tax assets represent tax losses to the extent deemed recoverable at the balance sheet date.

17. CREDITORS: Amounts falling due within one year

	Group 2015 £M	Group 2014 £M	Company 2015 £M	Company 2014 £M
Trade creditors	15.2	17.4	-	-
Bank overdraft	-	1.3	-	-
Bank loans	7.8	9.1	-	-
Amounts owed to related parties	5.0	0.3	18.0	12.5
Taxation and social security	2.1	0.9	-	-
Other creditors	3.8	-	2.0	-
Accruals and deferred income	20.7	19.2	3.4	-
	<u>54.6</u>	<u>48.2</u>	<u>23.4</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 2015**

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

	Group 2015 £M	Group 2014 £M	Company 2015 £M	Company 2014 £M
Bank loans	21.3	23.5	-	-
Amounts owed to related parties	129.6	137.8	-	-
Derivative financial instruments	0.3	0.1	-	-
Other creditors	3.7	4.2	-	-
	<u>154.9</u>	<u>165.6</u>	<u>-</u>	<u>-</u>

Further disclosure of bank loans is included under note 19.

During 2015 Skagen Finance Limited issued £153.6m of loan notes to Skagen Holdings Limited, a related party, pursuant to a multi-currency loan note instrument dated 21 November 2014. £47.8m of the loan notes were repaid during the period. The loan notes are interest free and are repayable by 21 November 2019 or earlier at the discretion of the issuer, (see note 2.7). Interest was previously charged on the loan notes, however this was amended via special resolution on 26 November 2015 to a zero rate and the interest accrued was waived at this date. Whilst the contractual terms do not require repayment before 21 November 2019, the group expects repayment to take place in late 2016. The balance outstanding as at 31 December 2015 was £105.8m. The interest free loan note has been discounted in accordance with FRS102 (see note 2.7) resulting in the recognition of a £2.2m capital contribution in the year.

(2014: 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.)

Skagen Finance Limited issued £26.0m of loan notes to Skagen Holdings Limited pursuant to a loan note instrument dated 9 December 2015. Interest is charged at the LIBOR rate for sterling deposits of one month as at the start of the relevant Interest Period plus 370 basis points per annum. The loan notes are repayable by 9 December 2020. The balance outstanding as at 31 December 2015 was £26.0m.

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
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19. BANK LOANS

	Group 2015 £M	Group 2014 £M	Company 2015 £M	Company 2014 £M
Amounts falling due within one year				
Bank loans	7.8	9.1	-	-
Amounts falling due after more than one year				
Bank loans due 1- 2 years	4.2	3.1	-	-
Bank loans due 2- 5 years	7.0	10.4	-	-
Bank loans due after more than 5 years	<u>10.1</u>	<u>10.0</u>	<u>-</u>	<u>-</u>
Total bank loans	<u><u>29.1</u></u>	<u><u>32.6</u></u>	<u><u>-</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.

The group is party to an accounts receivable factoring agreement with a third 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 1.94% as at 31 December 2015 (2014: 1.93%)). As at 31 December 2015 the factored amount included in creditors was £0.9m (2014: £0.7m).

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 2015 was 2.17% (2014: 2.19%). The facility is secured on the US subsidiary's assets and matures on 20 June 2018. The facility also provides for standby letters of credit and securing facility leases of £0.1m. At 31 December 2015 the balance outstanding under the facility was £nil (2014: £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 2015 was 2.08% (2014: 2.25%). The facility is secured on the US subsidiary's assets and matures on 20 June 2018. At 31 December 2015 the balance outstanding under the loan was £13.1m (2014: £14.8m).

On 12 September 2014 a US subsidiary's 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 2015 was 2.08% (2014: 2.41%). The facility is secured on that company's assets and matures on 12 September 2021. At 31 December 2015 the balance outstanding under the loan was £4.6m (2014: £4.6m).

Under the revolving credit facility and term loans, the group is required to maintain certain financial covenants, including a fixed charge ratio, leverage ratio and current ratio. As of December 2015 the group has met these covenants.

SKAGEN CONSCIENCE CAPITAL LIMITED

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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 £6.3m at 31 December 2015 (2014: £6.2m). The loan is secured and is repayable in full by 31 December 2044. The loans attract interest at between 1-2%.

The group has a number of account receivable factoring agreements with various 3rd party banks. Under the terms of the agreements certain subsidiary companies can borrow up to 80% financing of their trade receivables. At 31 December 2015 the balance outstanding under the factoring agreements was £4.2m (2014: £6.1m).

A loan with KBC Bank bears interest at 3 month Euribor plus a marge of 0.30% per annum. The loan is secured on a factory in France and is repayable by 31 March 2017. At 31 December 2015 the balance outstanding under the loan facility was £0.4m (2014: £0.8m).

The group has a number of other immaterial loans which as at 31 December 2015 totalled £0.4m.

SKAGEN CONSCIENCE CAPITAL LIMITED

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20. FINANCIAL INSTRUMENTS

The group and company has the following financial instruments:

	Group 2015 £M	Group 2014 £M	Company 2015 £M	Company 2014 £M
Financial assets measured at amortised cost				
Trade receivables	26.8	23.0	-	-
Amounts owed by related parties	3.4	5.2	-	10.9
Other debtors	7.2	4.6	0.7	0.5
	<u>37.4</u>	<u>32.8</u>	<u>0.7</u>	<u>11.4</u>
Financial liabilities measured at fair value through profit or loss				
Derivative financial instruments	<u>0.3</u>	<u>0.1</u>	<u>-</u>	<u>-</u>
Financial liabilities measured at amortised cost				
Bank loans and overdrafts	29.1	33.9	-	-
Trade creditors	15.2	17.4	-	-
Amounts owed to related parties	134.6	138.1	18.0	12.5
Other creditors	7.5	4.2	2.0	-
	<u>186.4</u>	<u>193.6</u>	<u>20.0</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%	2.2500%	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 2015 the swap agreements had an aggregate fair value liability of £0.3m (2014: £0.1m liability), which is included in creditors due greater than one year. The fair value loss of £0.2m has been recognised in the consolidated statement of comprehensive income as an interest expense for the swap agreements for the year ended 31 December 2015 (2014: fair value loss of £nil).

The group can terminate the swap agreement at any time. The bank can terminate the swap agreements if specified adverse events occur.

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 2015	24.1	1.6	25.7
New provisions recognised	-	2.5	2.5
Utilised/ released to the profit or loss	(0.8)	(0.3)	(1.1)
At 31 December 2015	<u>23.3</u>	<u>3.8</u>	<u>27.1</u>

Other provisions consists of, amongst others, restructuring, warranties and subsidies. The restructuring provision relating to the European operations of the PAD business and Water Technology Group is expected to be utilised in 2016. The remaining provisions are mainly of a long term nature.

DEFERRED TAXATION

	Group 2015 £M	Group 2014 £M
Acquired intangible assets	22.7	22.5
Revaluation of freehold hotel and office buildings	0.6	1.6
	<u>23.3</u>	<u>24.1</u>

The net deferred tax liability expected to reverse in 2016 is £2.0m. This primarily relates to the reversal of timing differences on acquired intangible assets.

The group has unrecognised deferred tax assets amounting to £85.2m (2014: £77.0m) as the directors do not consider it probable that they will be recovered in the foreseeable future.

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22. SHARE CAPITAL

	Group and Company 2015 £M	Group and Company 2014 £M
Allotted, called up and fully paid		
209,237,738 (2014: 213,281,658) - Ordinary shares of £1 each	<u>209.2</u>	<u>213.3</u>

There is a single class of share capital. In the year 36,924,662 ordinary shares of £1.00 each were authorised, allotted and issued. The shares issued were at par and settled in cash. In the year 40,968,582 ordinary shares of £1.00 each were reduced at par. The capital reduction is connected with a decrease in the investment values which eliminate on consolidation under predecessor accounting. The share capital reduction is a non-cash merger reserve movement.

23. PENSION COMMITMENTS

The group operates a number of defined contribution pension plans for its employees. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The total pension cost for the year was £1.2m (2014: £1.0m). As at 31 December 2015, there were no pension contributions unpaid (2014: £nil).

24. COMMITMENTS UNDER OPERATING LEASES

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

	Group 2015 £M	Group 2014 £M
Not later than 1 year	1.1	1.5
Later than 1 year and not later than 5 years	<u>1.8</u>	<u>2.8</u>
	<u>2.9</u>	<u>4.3</u>

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

SKAGEN CONSCIENCE CAPITAL LIMITED

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

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

Group	2015		2014	
	Debtor	Interest receivable	Debtor	Interest receivable
	£M	£M	£M	£M
Water Technology Holdings Pty	-	-	4.4	0.4
Initiate Design Group Limited	-	0.1	0.4	-
Inca Holdings Limited	-	-	-	0.1
LED Lease & Finance B.V.	<u>0.8</u>	<u>-</u>	<u>0.4</u>	<u>-</u>
	<u>0.8</u>	<u>0.1</u>	<u>5.2</u>	<u>0.5</u>

On 31 December 2015 the group sold its entire shareholding in Initiate Design Group Limited. The carrying value of the investment at the date of disposal was £0.5m and the loss on disposal and the group's share in the participating interest included in the consolidated statement of comprehensive income was £0.2m.

Included within amounts due from related parties due within one year is a debtor balance of £2.6m (2014: *£nil*) due from Ecolife B.V.

Included within amounts owed to related parties falling due within one year is a creditor balance of £5.0m payable to Skagen Holdings Limited.

Included within amounts owed to related parties falling due after more than one year is a creditor balance of £129.6m (2014: £123.8m) which includes a £2.2m (2014: *£nil*) fair value discount (see note 2.7) payable to Skagen Holdings Limited.

Skagen Holdings Limited waived group interest payable totaling £6.2m.

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

Water Technology Holdings Pty is fully consolidated from 1 January 2015.

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.

SKAGEN CONSCIENCE CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

25. RELATED PARTY TRANSACTIONS (Continued)

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

Ecolife B.V. waived the group interest payable totaling £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 £5.8m from Skagen Services (UK) Limited (2014: £1.6m).

The company has the following intercompany debtors/ (creditors) balances as at 31 December 2015:

	2015 £M	2014 £M
Skagen B.V.	(4.0)	-
Skagen Holdings Limited	(5.0)	10.9
Skagen Finance Limited	(1.4)	(10.9)
Skagen Services (UK) Limited	<u>(7.6)</u>	<u>(1.6)</u>

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

In July 2016 Skagen Conscience Capital Limited made the decision that it would no longer support the WTH Group or Memsys BV (formerly Aquaver BV) group and as a consequence Memsys GmbH entered administration. At 31 December 2015 the group had provided in full for the non-controlling interests share of the Water Technologies Holdings PTE Limited group consolidated net liabilities of £6.7m (see note 6 & 30).

26. POST BALANCE SHEET EVENTS

In July 2016 Skagen Conscience Capital Limited made the decision that it would no longer support the WTH Group or Memsys BV (formerly Aquaver BV) group and as a consequence Memsys GmbH entered administration. At 31 December 2015 the group had provided in full for the non-controlling interests share of the Water Technologies Holdings PTE Limited group consolidated net liabilities of £6.7m.

27. 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 2015**

28. DISPOSAL OF SUBSIDIARY UNDERTAKING

On 31 July 2015 the group disposed of its entire shareholding in Danish Yachts A/S. The £5.4m loss on sale is included in the consolidated statement of comprehensive income and comprises of the following:

The values of assets and liabilities disposed	£M
Tangible assets	3.2
Stocks	0.2
Debtors	4.8
Creditors	<u>(5.0)</u>
Total net assets disposed	3.2
Net sale consideration paid	
Net cash consideration received at date of disposal	(0.2)
Dowry payable to purchaser (included in other creditors)	1.9
Final purchase price adjustment paid to purchaser	<u>0.3</u>
Total net sale consideration payable	2.0
 Legal and professional costs related to the disposal	 <u>0.2</u>
Loss on sale of Danish Yachts A/S	<u>5.4</u>

29. NET DEBT

The group analysis of net debt is as follows:

	2014 £M	Cashflow £M	Non-cash changes £M	2015 £M
Cash at bank and in hand	21.8	(2.4)	-	19.4
Bank overdraft	<u>(1.3)</u>	<u>1.3</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents net of overdraft	20.5	(1.1)	-	19.4
Bank loans	(32.6)	2.5	1.0	(29.1)
Amounts owed to group undertakings	<u>(138.1)</u>	<u>5.7</u>	<u>(2.2)</u>	<u>(134.6)</u>
Total net debt	<u>(150.2)</u>	<u>7.1</u>	<u>(1.2)</u>	<u>(144.3)</u>

Net cash changes include the impact of foreign exchange and the discounting of interest free loan notes (see note 2.7).

SKAGEN CONSCIENCE CAPITAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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30. ACQUISITION OF SUBSIDIARY UNDERTAKING

The group obtained control of Water Technology Holdings Pty in January 2015 whilst keeping its shareholding at 30%. The results of the Water Technology Holdings Pty group have been fully consolidated for the year ended 31 December 2015 (accounted for as an associate under the equity method for the year ended 31 December 2014).

The fair values of assets and liabilities acquired

	£M
Intangible assets	0.2
Tangible assets	2.0
Stocks	0.8
Debtors	12.4
Cash at bank and in hand	0.2
Creditors	<u>(22.3)</u>
Total net assets acquired	<u>(6.7)</u>
Less: 30% share of net liabilities previously recognised	1.5
Less: Transfer of past impairment provision	<u>5.2</u>
Total net assets recognised at acquisition	<u>=</u>

The group had previously recognised an impairment provision of £5.2m against the related party loans, but this has been transferred as the loans eliminate in full upon consolidation.

Under predecessor accounting the group had already recognised 30% of the share of net liabilities totalling £1.5m and held provisions against amounts receivable from the associate of £5.2m as at 31 December 2014.

31. CONTINGENT LIABILITIES

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

Skagen Conscience Capital Limited has a DKK20m guarantee relating to the vessel retained following the disposal of Danish Yachts A/S.