Tel.: +45 39 15 52 00
koebenhavn@bdo.dk
www.bdo.dk

BDO Statsautoriseret revisionsaktieselskab
Havneholmen 29
DK-1561 Copenhagen V
CVR no. 20 22 26 70

NEPCON F.M.B.A.

SKINDERGADE 23, 3. TH., 1159 KØBENHAVN K

ANNUAL REPORT

1 JANUARY - 31 DECEMBER 2017

The Annual Report has been presented and adopted at NEPCon F.M.B.A.'s Annual General Meeting on 26 June 2018

Jan Peter Feil

The English part of this document is an unofficial translation of the original Danish text, and in case of any discrepancy between the Danish text and the English translation, the Danish text shall prevail.

CVR NO. 18 04 46 33

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ASSOCIATION DETAILS

Association	NEPCon F.M.B.A. Skindergade 23, 3. th. 1159 Copenhagen K
	CVR no.: 18 04 46 33 Established: 5 August 1994 Registered Office: Copenhagen Financial Year: 1 January - 31 December
Board of Directors	Nicolai Andreas Clausen, Chairman Peter Michael Buron, Vice-Chairman Elizabeth Jane Murphy Katie Jean Miller Jacob Andersen Sterling Roman Poljatšenko
Board of Executives	Hando Hain Justinas Janulaitis Peter Feilberg
Auditor	BDO Statsautoriseret revisionsaktieselskab Havneholmen 29 1561 Copenhagen V
Bank	Merkur Bank De Mezas Vej 1-3 8000 Aarhus
Law Firm	LOU Advokatfirma Frederiksberggade 2 1459 Copenhagen K

STATEMENT BY BOARD OF DIRECTORS AND MANAGEMENT

Today the Board of Directors and management have discussed and approved the Annual Report of NEPCon F.M.B.A. for the financial year 1 January - 31 December 2017.

The Annual Report is presented in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the Association's financial position at 31 December 2017 and of the results of the Association's operations for the financial year 1 January - 31 December 2017.

The Management's Review includes in our opinion a fair presentation of the matters dealt with in the review.

We recommend the Annual Report be approved at the Annual General Meeting.

Copenhagen, 26 June 2018

Board of Executives

Hando Hain	Justinas Janulaitis	Peter Feilberg

Board of Directors

Nicolai Andreas Clausen Chairman	Peter Michael Buron Vice-Chairman	Elizabeth Jane Murphy
Katie Jean Miller	Jacob Andersen Sterling	Roman Poljatšenko

INDEPENDENT AUDITOR'S REPORT

To the Board of directors of NEPCon F.M.B.A.

Qualified Opinion
We have audited the Financial Statements of NEPCon F.M.B.A. for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, notes and a summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

Except for the possible effects of the matter described in the "Basis for Qualified Opinion" paragraph, it is our opinion that the Financial Statements give a true and fair view of the assets, liabilities and financial position of the Association at 31 December 2017 and of the results of the Association operations for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

Basis for Qualified Opinion
We have not been able to obtain sufficient and suitable audit evidence for the value of the investments in subsidiaries in the comparative figures. We have not been provided with audited financial statements for the financial year of 2016. As a result, hereof we have not been able to conclude whether the included amounts, is subject to changes or not.

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the “Auditor’s Responsibilities for the Audit of the Financial Statements” section of our report. We are independent of the Association in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. In our opinion, the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such Internal control as management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT

Auditor's Responsibility for the Financial Statements
Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITOR'S REPORT

Statement on Management’s Review
Management is responsible for Management’s Review.

Our opinion on the Financial Statements does not cover Management’s Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management’s Review and, in doing so, consider whether Management’s Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management’s Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that Management’s Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of Management’s Review.

Copenhagen, 26 June 2018

BDO Statsautoriseret revisionsaktieselskab
CVR no. 20 22 26 70

Steen Klit Andersen
State Authorised Public Accountant
MNE no. mne10425

MANAGEMENT'S REVIEW

Principal activities
NEPCon (Nature Economy and People Connected) is an international non-profit organisation that works to build capacity and commitment for mainstreaming sustainability. For over 20 years, we have worked to foster sustainable land use and responsible trade in forest commodities. We do this through innovation projects, training and sustainability services.

Exceptional matters
In preparing the current financial statements the association has corrected the misstatements regarding work in progress, result from operations in subsidiaries and investments in group companies which were misstated as of 31.12.2016 and for the year then ended.

The effect of above misstatement in work in progress is that the net revenue for 2016 was stated at EUR 5,114,177 which is an understatement by EUR 7,855 compared to the actual revenue. Related to the same reason – work in progress - the result from operations in subsidiaries was stated at EUR 195,029 which is an overstatement by EUR 20,616 for year 2016.

The third adjustment was made in the Balance Sheet for investments in group companies as of 31.12.2016. The investments in group companies was stated at EUR 554,962 which is an understatement of EUR 272,389. The reason for the understatement was that the investments with negative equity were included in the amount and therefore reduced the value of total sum of investments in group companies instead of being deducted from receivables due from the subsidiary to the parent organisation.

As per above, the comparative figures for 2016 are adjusted in current financial statements to reflect the situation that should have been reported for 31.12.2016 and the year then ended, net effect being EUR 12,762 in total.

An extended audited annual report, including management's report and more detailed overview of 2017 result, developments and major activities is available at www.nepcon.org.

Significant events after the end of the financial year
During 2017, NEPCon entered negotiations with the global environmental non-profit organisation Rainforest Alliance (RA) regarding potential acquisition of the certification business segment of RA. The purchase agreement is expected to be signed and the transaction to be finalised during 2018.

No other significant events have occurred after the end of the financial year being of material importance for the association’s financial position.

INCOME STATEMENT 1 JANUARY - 31 DECEMBER

	Note	2017 EUR	2016 EUR
GROSS PROFIT		**2.243.740**	**2.108.165**
Staff costs	1	-2.053.988	-1.781.762
Depreciation, amortisation and impairment losses		-148.552	-167.203
Other operating expenses		0	-58.693
OPERATING PROFIT		**41.200**	**100.507**
Result of equity investments in group		349.329	174.414
Other financial income	2	529	88.378
Other financial expenses	3	-4.138	-11.912
PROFIT FOR THE YEAR		**386.920**	**351.387**

PROPOSED DISTRIBUTION OF PROFIT

Allocation to reserve for net revaluation according to equity value		349.329	174.413
Distributions		3.521	942
Accumulated profit		34.070	176.032
TOTAL		**386.920**	**351.387**

BALANCE SHEET AT 31 DECEMBER

ASSETS	Note	2017 EUR	2016 EUR
Development projects completed		286.578	309.751
Intangible fixed assets	4	**286.578**	**309.751**
Other plant, machinery, tools and equipment		23.145	40.005
Tangible fixed assets	5	**23.145**	**40.005**
Equity investments in group enterprises		827.350	690.765
Other securities		13.371	13.859
Receivables from group enterprises		46.566	16.907
Rent deposit and other receivables		13.404	20.860
Fixed asset investments	6	**900.691**	**742.391**
FIXED ASSETS		**1.210.414**	**1.092.147**
Trade receivables		255.701	175.722
Contract work in progress		279.381	393.693
Receivables from group enterprises		581.631	613.897
Other receivables		15.119	40.033
Prepayments and accrued expenses		38.775	83.686
Receivables		**1.170.607**	**1.307.031**
Cash and cash equivalents		**382.401**	**155.149**
CURRENT ASSETS		**1.553.008**	**1.462.180**
ASSETS		**2.763.422**	**2.554.327**

BALANCE SHEET AT 31 DECEMBER

EQUITY AND LIABILITIES	Note	2017 EUR	2016 EUR
Net capital		512	512
Reserve for net revaluation according to equity value		652.645	490.000
Reserve for development costs		286.578	309.752
Retained profit		923.422	679.494
EQUITY	7	**1.863.157**	**1.479.758**
Bank loan		0	16.601
Payables to group enterprises		42.666	60.849
Long-term liabilities	8	**42.666**	**77.450**
Bank debt		18.668	21.898
Prepayments received concerning work in progress		17.964	159.661
Prepayments received from customers		5.907	25.270
Trade payables		400.501	362.130
Payables to group enterprises		281.430	233.374
Other liabilities		133.129	194.786
Current liabilities		**857.599**	**997.119**
LIABILITIES		**900.265**	**1.074.569**
EQUITY AND LIABILITIES		**2.763.422**	**2.554.327**

Contingencies etc. 9

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	2017 EUR	2016 EUR	Note
Staff costs			1
Average number of employees 15 (2016: 13)			
Wages and salaries	2.049.256	1.761.330	
Social security costs	4.733	20.433	
Other staff costs	-1	-1	
	2.053.988	**1.781.762**	
Other financial income			2
Other interest income	529	88.378	
	529	**88.378**	
Other financial expenses			3
Other interest expenses	4.138	11.912	
	4.138	**11.912**	

Intangible fixed assets 4

	Development projects completed
Cost at 1 January 2017	735.192
Additions	109.419
Cost at 31 December 2017	**844.611**
Depreciation at 1 January 2017	425.440
Depreciation for the year	132.593
Depreciation at 31 December 2017	**558.033**
Carrying amount at 31 December 2017	**286.578**

Costs incurred while developing new services, tools and other major assets used over the longer period in the future (e.g. new website, services, IT platforms etc) are capitalized as assets in the balance sheet. The capitalised costs include staff working time measured at direct employment costs plus a reasonable overhead as well all external expenses made in the course of development activities.

Association's development projects include obtaining accreditations for new certification services that the management see are in demand on the markets as well the implementation of new systems and tools that will significantly improve both the service delivery and back-office processes in the organisation. The development projects being active in 2017 are progressing as planned and are expected to become completed in 2018/19.

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Tangible fixed assets 5

	Other plant, machinery, tools and equipment
Cost at 1 January 2017	127.827
Additions	6.436
Disposals	-40.675
Cost at 31 December 2017	**93.588**
Depreciation and impairment losses at 1 January 2017	87.822
Reversal of depreciation of assets disposed of	-33.338
Depreciation for the year	15.959
Depreciation and impairment losses at 31 December 2017	**70.443**
Carrying amount at 31 December 2017	**23.145**

Fixed asset investments 6

	Equity investments in group enterprises	Other securities
Cost at 1 January 2017	200.765	13.371
Disposals	-26.060	0
Cost at 31 December 2017	**174.705**	**13.371**
Revaluation at 1 January 2017	490.000	0
Dividend	-337.767	0
Profit/loss for the year	349.329	0
Other adjustments	151.083	0
Revaluation at 31 December 2017	**652.645**	**0**
Carrying amount at 31 December 2017	**827.350**	**13.371**

	Receivables from group enterprises	Rent deposit and other receivables
Cost at 1 January 2017	46.566	13.404
Cost at 31 December 2017	**46.566**	**13.404**
Carrying amount at 31 December 2017	**46.566**	**13.404**

NOTES

Note

Investments in subsidiaries (EUR)

Name and registered office	Equity	Profit/loss for the year	Ownership
NEPCon SIA, Latvia	67.968	26.247	100 %
NEPCon OU, Estonia	190.393	59.143	100 %
NEPCon Sp z o.o., Poland	213.416	112.307	100 %
NEPCon OOO, Russia	174.890	168.564	100 %
NEPCon LT UAB, Lithuania	15.836	35.715	100 %
NEPCon Asia OOO, Russia	-	-	100 %
NEPCon UK Ltd., Great Britain	149.918	102.980	100 %
NEPCon Spain S.L., Spain	-	-69.490	100 %
Nature, Ecology & People Consult Sweden AB, Sweden	5.197	13.870	100 %
NEPCon Bulgaria EOOD, Bulgaria	-	10.737	100 %
NEPCon Group s.r.o., Crech Republic	7.591	-248	100 %
NEPCon Certificering ApS, Denmark	2.142	-30.751	100 %
Nature Ecology and People Consult Sdn Bhd, Malaysia	-	-65.072	100 %
NEPCon Vietnam Ltd., Vietnam	-	-14.673	100 %

NOTES

Note

Equity 7

	Share capital	Reserve for net revaluation according to equity value	Reserve for development costs	Retained profit	Total
Equity at 1 January 2017	512	354.196	0	1.137.812	1.492.520
Change of equity due to correction of errors		135.804	309.752	-458.318	-12.762
Adjusted equity at 1 January 2017	**512**	**490.000**	**309.752**	**679.494**	**1.479.758**
Value adjustments of equity		151.083		-151.083	
Proposed distribution of profit		349.329		34.070	383.399
Value adjustments of equity			-23.174	23.174	
Dividends from group enterprises		-337.767		337.767	
Equity at 31 December 2017	**512**	**652.645**	**286.578**	**923.422**	**1.863.157**

Long-term liabilities 8

	1/1 2017 total liabilities	31/12 2017 total liabilities	Repayment next year	Debt outstanding after 5 years
Bank loan	16.601	0	0	0
Payables to group enterprises	60.849	42.666	0	0
	77.450	**42.666**	**0**	**0**

Contingencies etc. 9

Contingent liabilities

The association has provided a self-declaration guarantee to Merkur, Den Almennyttige Andelskasse on behalf of the subsidiary NEPCon Certificering ApS as the collateral for the credit cards used by the subsidiary. No other contracts of guarantee or pledges have been given by the association.

Regarding the liabilities, the organisation has received the guarantee from Danish Vaekstfonden as the collateral for the bank loan.

ACCOUNTING POLICIES

The Annual Report of NEPCon F.M.B.A. for 2017 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class B and certain provisions applying to reporting class C.

The Annual Report is prepared consistently with the accounting principles used last year.

Comparative figures

The association has in the financial year corrected errors regarding work in progress, result from operations in subsidiaries and investments in group companies, which the association has misstated in previous years.

The net effect of the above error is that net revenue for 2016 was stated at EUR 5.114.177 which is an understatement of EUR 7.855 as compared to the actual income. Further the result from operations in subsidiaries was stated at EUR 195.029 which is an overstatement of EUR 20.616. Finally the investments in group companies was stated at EUR 554.962 which is an understatement of EUR 272.389. The understatement of investments in group companies is do to that investments with a negative equity has been deducted in the value of investments in group companies.

The comparative figures for 2016 are adjusted in the annual report to reflect the situation which should have been shown at 31 December 2016, in total EUR 12.762.

INCOME STATEMENT

Net revenue

Net revenue from sale of consultancy and other services is recognised in the Income Statement if supply and risk transfer to purchaser has taken place before the end of the year and if the income can be measured reliably and is expected to be received. Net revenue is recognised exclusive of VAT, duties and less discounts related to the sale.

Other operating expenses

Other operating expenses include items of a secondary nature in relation to the enterprises' principal activities, including loss from sale of intangible and tangible fixed assets.

Cost of sales

Cost of sales comprise costs incurred to achieve the net revenue for the year, including direct and indirect costs.

Other external expenses

Other external expenses include cost of sales, administration etc.

Staff costs

Staff costs comprise wages and salaries, including holiday pay and pensions and other costs for social security etc. for the association’s employees.

Investments in subsidiaries

The income statement of the parent association recognises the proportional share of the results of each subsidiary after full elimination of intercompany profits/losses and deduction of amortisation of goodwill.

Financial income and expenses

Financial income and expenses include interest income and expenses, financial expenses of finance leases, realised and unrealised gains and losses arising from investments in financial assets, debt and transactions in foreign currencies. Financial income and expenses are recognised in the income statement by the amounts that relate to the financial year.

ACCOUNTING POLICIES

BALANCE SHEET

Intangible fixed assets
Development costs comprise costs, including wages and salaries, and amortisation, which directly or indirectly can be related to the association's development activities and which fulfil the criteria for recognition.

Tangible fixed assets
Other plants, fixtures and equipment are measured at cost less accumulated depreciation and impairment losses.

The depreciation base is cost less estimated residual value after end of useful life.

The cost includes the acquisition price and costs incurred directly in connection with the acquisition until the time when the asset is ready to be used.

Straight-line depreciation is provided on the basis of an assessment of the expected useful lives of the assets and their residual value:

	Useful life	Residual value
Other plants, fixtures and equipment..	3 years	0 %

Profit or loss on disposal of tangible fixed assets is stated as the difference between the sales price less selling costs and the carrying amount at the time of sale. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Fixed asset investments
Investments in subsidiaries are measured in the association's balance sheet under the equity method.

Investments in subsidiaries are measured in the Balance Sheet at the proportional share of the enterprises' carrying equity value, calculated in accordance with the parent association's accounting policies with deduction or addition of unrealised intercompany profits or losses and with addition or deduction of the residual value of positive or negative goodwill.

Net revaluation of investments in subsidiaries and associates is transferred under the equity to reserve for net revaluation under the equity value method to the extent that the carrying amount exceeds the acquisition value.

Subsidiaries with a negative carrying equity value are measured to DKK 0 and any amounts due from these enterprises are written down by the association's share of the negative equity to the extent that it is deemed to be irrecoverable. If the carrying negative equity value exceeds accounts receivable, the residual amount is recognised under provision for liabilities to the extent that the association's has a legal or actual liability to cover the subsidiary's deficit.

Impairment of fixed assets
The carrying amount of intangible fixed and tangible assets together with fixed assets, which are not measured at fair value, are valued on an annual basis for indications of impairment other than that reflected by amortisation and depreciation.

In the event of impairment indications, an impairment test is made for each asset or group of assets, respectively. If the net realisable value is lower than the carrying amount, the assets are written down to the lower value.

The recoverable amount is calculated at the higher of net selling price and capital value. The capital value is determined as the fair value of the expected net cash flows from the use of the asset or group of assets and the expected net cash flows from sale of the asset or group of assets after the end of its useful life.

ACCOUNTING POLICIES

Receivables
Receivables are measured at amortised cost which usually corresponds to nominal value. The value is reduced by impairment losses to meet expected losses.

Contract work in progress
Work in progress on contract is measured at the sales value of the work performed. The sales value is measured on the basis of the degree of completion on the balance sheet date and the total anticipated revenue related to the specific piece of work in progress.

Accruals, assets
Accruals recognised as assets include costs incurred relating to the subsequent financial year.

Distribution to non-profit purposes
NEPCon distributes funds for non-profit purposes. From 2007 and onwards the registration of non-profit distributions is made through net capital from designated fund for non-profit purposes.
The fund for non-profit purposes consists of accumulated surplus revenues of all years excluding the surplus revenues of subsidiaries. Accumulated surplus revenues of subsidiaries are accounted separately in the reserve of net revaluation of subsidiaries' value according to the equity method. Dividends paid from subsidiaries to parent organisation (NEPCon Danish entity) reduce the reserve of net valuation according to the equity method and increase the fund for non-profit purposes.
The fund for non-profit purposes reduced by actual amounts distributed for non-profit purposes principally reflects the equity of NEPCon Danish entity without the value of subsidiaries.

Liabilities
Amortised cost of current liabilities usually corresponds to nominal value.

Foreign currency translation
Transactions in foreign currencies are translated at the rate of exchange on the transaction date. Exchange differences arising between the rate on the transaction date and the rate on the payment date are recognised in the income statement as a financial income or expense.

If the foreign exchange position is considered to hedge future cash flows, the unrealised exchange adjustments are recognised directly in the equity.

Receivables, payables and other monetary items in foreign currencies that are not settled on the balance sheet date are translated at the exchange rate on the balance sheet date. The difference between the exchange rate on the balance sheet date and the exchange rate at the time of occurrence of the receivables or payables is recognised in the income statement as financial income or expenses.

Fixed assets acquired in foreign currencies are translated at the rate of exchange on the transaction date.