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CVR no. 20 22 26 70

**NEPCON F.M.B.A.**  
**SKINDERGADE 23 3. TH., 1159 KØBENHAVN K**  
**ANNUAL REPORT**  
**1 JANUARY - 31 DECEMBER 2018**

**The Annual Report has been presented and  
adopted at NEPCon F.M.B.A.'s Annual General  
Meeting on 27 June 2019**

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**Peter Feilberg**

*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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**COMPANY DETAILS**

<b>Association</b>	NEPCon F.M.B.A. Skindergade 23 3. th. 1159 Copenhagen K  CVR No.: 18 04 46 33 Established: 15 August 1994 Registered Office: Copenhagen Financial Year: 1 January - 31 December
<b>Board of Directors</b>	Nicolai Andreas Clausen, chairman Peter Michael Buron, vice-chairman Tasso Azevedo Katie Jean Miller Jacob Andersen Sterling Roman Polyachenko
<b>Board of Executives</b>	Hando Hain Justinas Janulaitis Peter Feilberg Jon Jickling
<b>Auditor</b>	BDO Statsautoriseret revisionsaktieselskab Havneholmen 29 1561 Copenhagen V
<b>Bank</b>	Merkur Bank De Mezas Vej 1-3 8000 Aarhus
<b>Law Firm</b>	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 2018.

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 Company's financial position at 31 December 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018.

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, 27 June 2019

### Board of Executives

\_\_\_\_\_  
Hando Hain

\_\_\_\_\_  
Justinas Janulaitis

\_\_\_\_\_  
Peter Feilberg

\_\_\_\_\_  
Jon Jickling

### Board of Directors

\_\_\_\_\_  
Nicolai Andreas Clausen  
Chairman

\_\_\_\_\_  
Peter Michael Buron  
Vice-Chairman

\_\_\_\_\_  
Tasso Azevedo

\_\_\_\_\_  
Katie Jean Miller

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Jacob Andersen Sterling

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Roman Polyachenko

## INDEPENDENT AUDITOR'S REPORT

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

### Opinion

We have audited the Financial Statements of NEPCon F.M.B.A. for the financial year 1 January - 31 December 2018, 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.

In our opinion, the Financial Statements give a true and fair view of the assets, liabilities and financial position of the Company's at 31 December 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

### Basis for Opinion

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 Company 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. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

### 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

### Auditor's Responsibilities for the Audit of 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

## INDEPENDENT AUDITOR'S REPORT

- 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 Company'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 Company 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.

### **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, 27 June 2019

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.

### Development in activities and financial position

In February 2018, the certification division of the Rainforest Alliance, RA-Cert and NEPCon publicly announced their intention to join. Subsequently in July, the parties finalised and signed a purchase and sale agreement with the approval of the Board of Directors from NEPCon and Rainforest Alliance. The integration plan committed to employ the same staff based in the same countries from RA-Cert, and to continue to offer services that both NEPCon and RA-Cert delivered in forestry, agriculture, responsible sourcing, biomass, carbon footprinting, and tourism.

Rainforest Alliance and NEPCon worked together to transition RA-Cert clients and partners to NEPCon, making NEPCon responsible for the delivery of their ongoing certification and verification services.

October 1 2018 marked the official joining of RA-Cert with NEPCon to unify their sustainability certification services at a global scale. The acquisition bolsters NEPCon's reach and scale, enabling the newly expanded organisation to better drive impact on the ground and achieve its mission.

### Significant events after the end of the financial year

No events have occurred after the end of the financial year of material importance for the associations's financial position.

**INCOME STATEMENT 1 JANUARY - 31 DECEMBER**

	Note	2018 EUR	2017 EUR
<b>GROSS PROFIT</b> .....		<b>2.735.639</b>	<b>2.142.927</b>
Staff costs.....	1	-1.605.993	-1.953.175
Depreciation, amortisation and impairment losses.....		-133.610	-148.552
<b>OPERATING PROFIT</b> .....		<b>996.036</b>	<b>41.200</b>
Result of equity investments in group.....		716.370	349.329
Other financial income.....	2	13.313	529
Other financial expenses.....	3	-849.346	-4.138
<b>PROFIT BEFORE TAX</b> .....		<b>876.373</b>	<b>386.920</b>
Tax on profit/loss for the year.....		0	0
<b>PROFIT FOR THE YEAR</b> .....		<b>876.373</b>	<b>386.920</b>
<b>PROPOSED DISTRIBUTION OF DIVIDEND</b>			
Allocation to reserve for net revaluation according to equity value.....		716.370	349.329
Distributions.....		0	3.521
Retained earnings.....		160.003	34.070
<b>TOTAL</b> .....		<b>876.373</b>	<b>386.920</b>



## BALANCE SHEET AT 31 DECEMBER

ASSETS	Note	2018 EUR	2017 EUR
Development projects completed.....		3.005.756	286.578
<b>Intangible fixed assets.....</b>	<b>4</b>	<b>3.005.756</b>	<b>286.578</b>
Other plant, machinery, tools and equipment.....		14.128	23.145
<b>Tangible fixed assets.....</b>	<b>5</b>	<b>14.128</b>	<b>23.145</b>
Equity investments in group enterprises.....		1.335.918	827.350
Other securities.....		27.074	13.371
Receivables from group enterprises.....		525.879	46.566
Rent deposit and other receivables.....		21.669	13.404
<b>Fixed asset investments.....</b>	<b>6</b>	<b>1.910.540</b>	<b>900.691</b>
<b>FIXED ASSETS.....</b>		<b>4.930.424</b>	<b>1.210.414</b>
Trade receivables.....		488.730	255.701
Contract work in progress.....		235.772	279.381
Receivables from group enterprises.....		1.391.247	581.631
Other receivables.....		712.370	15.119
Prepayments and accrued expenses.....		196.387	38.775
<b>Receivables.....</b>		<b>3.024.506</b>	<b>1.170.607</b>
<b>Cash and cash equivalents.....</b>		<b>245.557</b>	<b>382.401</b>
<b>CURRENT ASSETS.....</b>		<b>3.270.063</b>	<b>1.553.008</b>
<b>ASSETS.....</b>		<b>8.200.487</b>	<b>2.763.422</b>

## BALANCE SHEET AT 31 DECEMBER

EQUITY AND LIABILITIES	Note	2018 EUR	2017 EUR
Net capital.....		512	512
Reserve for net revaluation according to equity value.....		825.370	652.645
Reserve for development costs.....		351.215	286.578
Retained profit.....		1.542.417	923.422
<b>EQUITY.....</b>	<b>7</b>	<b>2.719.514</b>	<b>1.863.157</b>
Trade payables.....		1.572.052	0
Payables to group enterprises.....		289.372	42.666
Other liabilities.....		1.341.382	0
<b>Long-term liabilities.....</b>	<b>8</b>	<b>3.202.806</b>	<b>42.666</b>
Short-term portion of long-term liabilities.....	8	393.013	0
Bank debt.....		403.309	18.668
Prepayments received concerning work in progress.....		0	17.964
Contract work in progress.....		220.362	0
Prepayments received from customers.....		138.076	5.907
Trade payables.....		501.376	400.501
Payables to group enterprises.....		457.442	281.430
Other liabilities.....		164.589	133.129
<b>Current liabilities.....</b>		<b>2.278.167</b>	<b>857.599</b>
<b>LIABILITIES.....</b>		<b>5.480.973</b>	<b>900.265</b>
<b>EQUITY AND LIABILITIES.....</b>		<b>8.200.487</b>	<b>2.763.422</b>
Contingencies etc.	9		
Charges and securities	10		

## NOTES

	2018 EUR	2017 EUR	Note
<b>Staff costs</b>			<b>1</b>
Average number of employees 14 (2017: 15)			
Wages and salaries.....	1.575.989	1.948.443	
Social security costs.....	30.004	4.733	
Other staff costs.....	0	-1	
	<b>1.605.993</b>	<b>1.953.175</b>	
<b>Other financial income</b>			<b>2</b>
Other interest income.....	13.313	529	
	<b>13.313</b>	<b>529</b>	
<b>Other financial expenses</b>			<b>3</b>
Group enterprises.....	759.211	0	
Other interest expenses.....	90.135	4.138	
	<b>849.346</b>	<b>4.138</b>	
<b>Intangible fixed assets</b>			<b>4</b>
		Development projects completed	
Cost at 1 January 2018.....		844.613	
Additions.....		180.496	
Addition from mergers and acquisition of company.....		2.654.538	
<b>Cost at 31 December 2018.....</b>		<b>3.679.647</b>	
Depreciation at 1 January 2017.....		558.033	
Depreciation for the year.....		115.858	
<b>Depreciation at 31 December 2018.....</b>		<b>673.891</b>	
<b>Carrying amount at 31 December 2018.....</b>		<b>3.005.756</b>	

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, new business entities and client base 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 the development activities. In year 2018 these expenditures in total amount of EUR 180,496 have been capitalized as intangible assets (in 2017: EUR 109,419).

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 that were active in 2018 are progressing as planned and are expected to become completed in 2019-2020.

In addition, the cost for acquisition of RA-Cert are capitalized with a total amount of EUR 2,654,538.

## NOTES

		Note
<b>Tangible fixed assets</b>		<b>5</b>
	Other plant, machinery, tools and equipment	
Cost at 1 January 2018.....	93.587	
Additions.....	8.737	
Disposals.....	-29.618	
<b>Cost at 31 December 2018.....</b>	<b>72.706</b>	
Depreciation and impairment losses at 1 January 2018.....	70.444	
Reversal of depreciation of assets disposed of.....	-29.618	
Depreciation for the year.....	17.752	
<b>Depreciation and impairment losses at 31 December 2018.....</b>	<b>58.578</b>	
<b>Carrying amount at 31 December 2018.....</b>	<b>14.128</b>	
<b>Fixed asset investments</b>		<b>6</b>
	Equity investments in group enterprises	Other securities
Cost at 1 January 2018.....	174.706	13.371
Additions.....	335.842	13.703
<b>Cost at 31 December 2018.....</b>	<b>510.548</b>	<b>27.074</b>
Revaluation at 1 January 2018.....	652.645	0
Exchange adjustment.....	12.105	0
Dividend.....	-199.488	0
Profit/loss for the year.....	716.370	0
Other adjustments.....	-356.262	0
<b>Revaluation at 31 December 2018.....</b>	<b>825.370</b>	<b>0</b>
<b>Carrying amount at 31 December 2018.....</b>	<b>1.335.918</b>	<b>27.074</b>
	Receivables from group enterprises	Rent deposit and other receivables
Cost at 1 January 2018.....	46.566	13.404
Additions.....	504.763	8.265
Disposals.....	-25.450	0
<b>Cost at 31 December 2018.....</b>	<b>525.879</b>	<b>21.669</b>
<b>Carrying amount at 31 December 2018.....</b>	<b>525.879</b>	<b>21.669</b>

NOTES

Note

Investments in subsidiaries (EUR)

Name and registered office	Equity	Profit/loss for the year	Ownership
NEPCon SIA, Latvia.....	35.584	-32.384	100 %
NEPCon OU, Estonia.....	112.798	-77.596	100 %
NEPCon Sp z o.o., Poland.....	41.271	33.482	100 %
NEPCon OOO, Russia.....	475.055	322.351	100 %
NEPCon LT UAB, Lithuania.....	95.062	73.628	100 %
NEPCon Asia OOO, Russia.....	-	-	100 %
NEPCon UK Ltd., Great Britain.....	185.451	36.895	100 %
NEPCon Spain S.L., Spain.....	-67.135	-93.312	100 %
Nature, Ecology & People Consult Sweden AB, Sweden.....	10.275	5.286	100 %
NEPCon Bulgaria EOOD, Bulgaria.....	-35.280	-5.113	100 %
NEPCon Group s.r.o., Crech Republic.....	7.637	101	100 %
NEPCon Certificering ApS, Denmark.....	-93.331	-100.799	100 %
Nature Ecology and People Consult Sdn Bhd, Malaysia.....	-172.934	-91.252	100 %
NEPCon Vietnam Ltd., Vietnam.....	-35.431	-27.115	100 %
NEPcon (Beijing) Technical Promotion Co., Ltd., China.....	-71.093	-71.093	100 %
NEPCon Canada Inc., Canada.....	58.677	58.670	100 %
PT Nature Economy and People Connected, Indonesia.....	-10.620	-55.499	80 %
Nepcon Bolivia S.R.L., Bolivia.....	-40.822	-122.576	80 %
Nepcon Costa Rica S.A., Costa Rica.....	-38.746	-39.445	80 %
Nature Economy People Connected (NEPCon), Ghana.....	18.210	18.210	100 %
NEPCon Guatemala Certificaciones, Limitada, Guatemala.....	-51.829	-52.643	90 %
Nepcon Kenya Limited, Kenya.....	35.923	35.219	80 %
Nepcon Mexico A.C., Mexico.....	-77.033	-78.167	100 %
Nepcon Peru S.A.C., Peru.....	-18.482	-22.197	80 %
Nepcon LLC, USA.....	259.975	242.508	100 %

In entities where NEPCon F.M.B.A. owns less than 100% of subsidiary's equity capital, the remaining 10% and 20% of shares is owned by NEPCon OÜ, the group entity in Estonia. All entities in above list are thus 100% owned by NEPCon group.

## NOTES

	<b>Note</b>
<b>Equity</b>	<b>7</b>

	Share capital	Reserve for net revaluation according to equity value	Reserve for development costs	Retained profit	Total
Equity at 1 January 2018.....	512	652.645	286.578	923.422	1.863.157
Foreign exchange adjustments..				-32.121	-32.121
Value adjustments of equity....		-344.157		356.262	12.105
Proposed distribution of profit..		716.370		160.003	876.373
Transferred to reserve for development costs.....			64.637	-64.637	
Dividends from group enterprises.....		-199.488		199.488	
<b>Equity at 31 December 2018..</b>	<b>512</b>	<b>825.370</b>	<b>351.215</b>	<b>1.542.417</b>	<b>2.719.514</b>

**Long-term liabilities****8**

	31/12 2018 total liabilities	Repayment next year	Debt outstanding after 5 years	31/12 2017 total liabilities	Repayment 2018
Trade payables.....	1.965.065	393.013	0	0	0
Payables to group enterprises..	289.372	0	0	42.666	0
Other liabilities.....	1.341.382	0	0	0	0
	<b>3.595.819</b>	<b>393.013</b>	<b>0</b>	<b>42.666</b>	<b>0</b>

**Contingencies etc.****9****Contingent liabilities**

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

**Charges and securities****10**

NepCon F.M.B.A. has issued letter of comfort to the subsidiary, NepCon Certificering ApS, committing the company to continue providing support in the form of cash and cash equivalents should the need arise.

NepCon F.M.B.A. has as security for bank debt and agreed overdraft facility, charged its equity investments in group enterprises, trade receivables and contract work in progress.

NepCon F.M.B.A. has provided a self-declaratio guarantee of DKK 8,0 mil., to Merkur, Den Almennyttige Andelskasse on behalf of the subsidairy NepCon Certificering ApS as the collateral for bank debt established.

## ACCOUNTING POLICIES

The Annual Report of NEPCon F.M.B.A. for 2018 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 applied last year.

## 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.

Project and contract work sales are accrued for projects that are not completed at the end of the financial year.

### Other operating income

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

### 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.

### Tax

The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the income statement by the portion that may be attributed to the profit for the year, and is recognised directly in the equity by the portion that may be attributed to entries directly to the equity.

**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 plant, fixtures and equipment.....	3-5 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.

Profit or loss from sale of tangible fixed assets is stated as the difference between sales price less cost of sales and the carrying amount at the time of sale. Profit or loss is recognised in the Income Statement.

**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.

Deposits include rental deposits which are recognised and measured at amortised cost. Deposits are not depreciated.



## ACCOUNTING POLICIES

### 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.

### 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. The degree of completion is measured at different job stages which is based on average completion calculated on statistics.

Costs relating to sales work and obtaining of contracts are recognised in the Income Statement as and when they are incurred.

### Accruals, assets

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

### Tax payable and deferred tax

Current tax liabilities and receivable current tax are recognised in the balance sheet as the calculated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and taxes paid on account.

Deferred tax is measured on the temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carry-forwards, are measured at the expected realisable value of the asset, either by set-off against tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that under the legislation in force on the balance sheet date would be applicable when the deferred tax is expected to crystallise as current tax. Any changes in the deferred tax resulting from changes in tax rates, are recognised in the income statement, except from items recognised directly in equity.

### Liabilities

Amortised cost of current liabilities usually corresponds to nominal value.

## ACCOUNTING POLICIES

### 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.