NEPCon F.M.B.A.

Skindergade 23, 3 th
1159 København K

Annual report
1 January 2016 - 31 December 2016

The annual report has been presented and approved on the company's general meeting the

24/05/2017

Jan Peter Feil
Chairman of general meeting

Content

Company information

Reporting company

NEPCon F.M.B.A.
Skindergade 23, 3 th
1159 København K

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e-mail:	info@nepcon.org
CVR-nr:	18044633
Reporting period:	01/01/2016 - 31/12/2016

Main financial institution

Merkur Andelskasse A/S

De Mezas Vej 1-3
8000 Aarhus C
DK Danmark

Auditor

ELLEY REVISION, REGISTRERET REVISIONSANPARTSSELSKAB
Ydingvej 1
8752 Østbirk
DK Danmark

CVR-nr:	10938694
P-number:	1000156094

Statement by Management

The Board of Executives and the Board of Directors have considered and approved the annual report for the financial year of 2016 for NEPCon. The annual report has been prepared in accordance with the Danish Financial Statement Act, class B. In our opinion, the accounting policies used are appropriate and the annual report gives a true and fair view of the Association's assets, liabilities, financial position and profit of the year. We recommend the annual report to be approved at the Annual General Assembly.

Copenhagen, the 16/05/2017

Management

Peter Feilberg	Justinas Janulaitis
Inga Tönisson	Hando Hain

Board of directors

Nicolai Andreas Clausen	Peter Michael Buron
Jacob Andersen Sterling	Jonathan Lee Jickling
Elizabeth Jane Murphy	Alexandra Lauren Banks
Debora van Boven-Flier	

The independent auditor's report on financial statements

To the Board of NEPCon

Qualified Opinion

We have audited the Financial Statements of NEPCon for the financial year 1 January - 31 December 2016, which comprise income statement, balance sheet and notes, including a summary of significant accounting policies, for the Company. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements, apart from mentioned in “Basis for Opinion with qualification”, give a true and fair view of the Company’s financial position at 31 December 2016 and of the results of the Company’s operations for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis for qualified opinion

Referring to note no 2 in the annual report, we make our reservation for the value of the subsidiary companies due to the reason that the annual accounts of subsidiary companies have not been audited by us or any other independent auditor(s).

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 rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion with qualification.

Responsibilities of management 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 responsibility

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 of accounting information 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.

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 State-ments, 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 the 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 Statement Act. We did not identify any material misstatement of Management's Review.

Østbirk, 16/05/2017

Claus Elley
registreret revisor
ELLEY REVISION, REGISTRERET REVISIONSANPARTSSELSKAB
CVR: 10938694

Management's Review

Main 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. NEPCon has adopted a vision, mission and a set of guiding principles that reflect our organisational culture and values:

NEPCon's vision is a world where human choices ensure a sustainable future.

NEPCon's mission is to build capacity and commitment for mainstreaming sustainability.

Throughout the years, NEPCon has operated based on a set of guiding principles, which have slightly evolved during the past decade. Various management decisions are made in the context of these principles and they also reflect the values of the organisation. Within the latest long-term strategy development in 2014, these principles were collectively named The NEPCon Way.

Our work –Services and projects with high potential for change
- We choose our activities based on transparency, credibility and potential for change
- We seek to be at the forefront of technical innovation to enhance our activities
- We engage in improving the standards and governance of the systems we work with
- We engage in projects targeted to promote and support sustainable development

Reach and Impact – Expanding consciously into mission critical areas
- We seek to expand in regions and market segments with highest potential for impact
- We aim to minimize system costs while maximising the impact and credibility
- We develop and implement systems to monitor the impacts of our activities
- We seek to add value by addressing the needs and gaps in global sustainability efforts

Brand and Networks – Innovative leadership in mainstreaming sustainability
- We openly share our expertise, knowledge and tools to mainstream sustainability
- We nurture and expand our networks among responsible businesses, consumer organisations and NGOs
- We operate ourselves according to the sustainability principles we promote
- We observe ethical business practices, expecting same from our clients and partners

The Organisation – Passionate people in supportive organizational framework
- We strive to be a financially healthy organisation to better fulfil our mission
- We seek and engage passionate and positive staff with high integrity
- We reward engagement, execution and excellence
- We continuously support the professional and personal development of our people

The surplus revenue (profit) from NEPCon's activities will be reinvested in activities, which support the above-mentioned objectives. The Association also aims to accumulate the surplus to a certain level of retained earnings (equity) to be financially stable and secured against possible economic fluctuations in the long term.

Development in activities and economic conditions
The Association's surplus revenue for the year 2016 amounts to EUR 364,149 which is slightly higher but generally very close to the year 2015 result. As always, surplus revenue of the year will be transferred into the fund for non-profit purposes.

Since the establishment of NEPCon the accumulated surplus transferred to fund for non-profit purposes amounts to EUR 1,338,611 and resources utilised from this fund to EUR 200,800 (see the equity statement).

As of 31 December 2016, the net balance of the fund for non-profit purposes was EUR 1,137,811 (31 December 2015: EUR 881,272).

In addition, the equity of NEPCon group includes accumulated surplus revenues of subsidiaries in amount of EUR 354,196 (31 December 2015: EUR 247,529) and the Association's main capital in the amount of EUR 512. Thus, the total equity capital of the NEPCon Group is EUR 1,492,519 as of 31 December 2016 (EUR 1,129,313 as of 31 December 2015, EUR 832,055 as of 31 December 2014 and EUR 655,533 as of 31 December 2013) (see the equity statement). Referring to NEPCon's year 2020 strategical target – to accumulate equity capital to the level of 6 months operating costs as a stability reserve - the 2016 year-end equity status indicates that the organisation is on track in moving towards the target.

Financially, year 2016 has been remarkable by continued growth and success in project implementation work and related revenues. Similarly, NEPCon also experienced very high net growth (new certificates minus terminated certificates) within certification/assurance service areas.

The revenues of NEPCon group in total have increased by 34% from 2015 to 2016 (14% increase from 2014 to 2015). Biggest proportion of this has been projects' work including mainly activities funded by public funding agencies (EU Commission, DFID, DANIDA, NOPEF etc) but the growth in assurance activities has contributed significantly as well.

The total revenues of NEPCon group, including its twelve active subsidiaries, amounted to EUR 6.6 million in 2016 (EUR 4.9 million in 2015, EUR 4.3 million in 2014, EUR 3.85 million in 2013 (excluding certification administration, FSC accreditation fees and intra-group transactions).

In connection to the development work made during the years 2011-2015 for additional services, accreditations, website, tools and systems NEPCon has capitalised the costs related to these efforts in balance sheet as intangible non-current assets. In 2016 NEPCon did not capitalise further development expenditures. As of 31 December 2016, the net balance of capitalised development costs after the deduction of annual amortisation was EUR 309,752 (in 2015: EUR 455,587, see non-current assets' section in Balance Sheet).
Capitalised development costs are amortised (written off to expenses) within 5 years from their recognition in assets.

The results of the subsidiaries have been incorporated into the current financial statements based on the annual financial reports of NEPCon subsidiaries. As the result of internal controls towards the subsidiaries' accounts, NEPCon consider the information provided by the subsidiaries as materially correct and sufficient.

Management
In 2016, NEPCon's management group consists of an Executive Director, a Finance Director, an Operations Director, a Programme Director and a Fundraising and HR Director, who together assume the overall responsibility for the management of the Association.

Branch organisations are organised as Regional Offices with their own managers, who refer to the Operations Director.

Our Regional Offices promote and deliver NEPCon's certification services. These are wholly owned daughter companies established as limited liability companies in the country where they are located. The Regional Offices are organised under the self-managing division NEPCon certification, which handles the full range of administrative and executive functions required for our certification services. This includes issuance and suspension of certificates, quality management and accreditation.

Programmes and development
Within 2016 NEPCon has both continued to grow its portfolio of services as well as the client portfolio within existing and new service areas. In terms of service areas, we have continued to expand our services under Sustainable Biomass Program (SBP). In December 2016 NEPCon underwent accreditation audit by an international accreditation body Accreditation Services International (ASI) for SBP accreditation and also for Roundtable for Sustainable Palm Oil (RSPO) Supply Chain accreditation. We have significantly

increased the portfolio of our SBP clients and in early 2017 the first RSPO supply chain certificate was issued by NEPCon.

In parallel NEPCon has continued to offer certification services under the schemes of Forest Stewardship Council (FSC), Programme for Endorsement of Forest Certification Schemes (PEFC) and Rainforest Alliance/Sustainable Agriculture Network (SAN). We also engaged in sustainable tourism auditing, in collaboration with The Long Run, using their sustainable tourism standard for Global Ecosphere Retreats (GER) recognition.

Projects and Fundraising
During 2016, NEPCon has signed 11 new contracts to implement projects from 2016 and onwards worth approximately EUR 1.3 million. These projects make an important contribution to NEPCon´s mission to promote the sustainable management of natural resources. The projects add to already ongoing projects which range from a study on sustainable forest management in Europe for DG Environment (European Commission), over support to local communities in Liberia to compensate for illegal timber trade, to assessments on a global scale of national legal risks related to timber, palm oil, soy and cattle in more than 70 countries. The assessments provide industry members, who would like to prioritise sustainable sourcing, with important and useful information. Related to this, NEPCon is developing an information platform, which will make available a wide range of tools to assist in legal and sustainable sourcing.

The platform has the potential to take sustainable sourcing from theory to practice and have tremendous impact in the work of hindering illegal and harmful deforestation and destructive management of forests. The aim is that all companies sourcing forest impact commodities will be able to find targeted support in the tools and risk assessments to ensure legal and thereby more sustainable trade. Numerous donors like DANIDA, FSC, DFID and the European Commission have financed these projects which build on NEPCon’s more than 20 years of experience with development projects.

In Vietnam, this risk based approach was tested in practice for the last 3 years. The results from this project funded by the EC, are very promising and have received impressive media attention on national scale in Vietnam. The project evaluation underlined that the target group was very content with the project and the trainings offered to small and medium sized enterprises in Vietnam.

In addition, NEPCon has worked extensively with training, risk assessments, information sharing and other work related to supporting legal trade in countries such as Gabon, Honduras, Congo, Philippines, Malaysia and the EU.

NEPCon is also involved in securing sustainable energy production though the use of biomass for pellets and chips. Work has been completed in Portugal, Denmark, Latvia, Estonia and Lithuania to help address that sourcing of biomass is in line with the requirements from the Sustainable Biomass Program. The goal is to ensure that wood is used for biofuel without negative impact on the environment. This is a major contribution to mitigate climate change at large scale.

One of our projects has helped to improve livelihoods through better natural resource management in Kenya. This includes basing agriculture processes on rainwater reservoirs for irrigation to mitigate climate change. The project
also works with restauration of degraded lands and market linkage between farmers and the consumer market in Kenya and Scandinavia. The project has proven very important in the areas where severe drought was experienced. The results from this project point towards practical ways of handling climate change where people and wildlife are
threatened on their very existence.

Another important UNDP financed project began in Malaysia where NEPCon has supported the development of management plans for protected areas for many years. This includes the development of business and improved management plans, stakeholder involvement and an assessment of training and capacity needs. The aim is to find synergy between the protection of biodiversity, livelihoods for communities and income generation. It has the potential to identify long-term solutions to secure forests in South East Asia.

Communications
During 2016, Communications focused on the following activities:

Online presence & Social media: To better reflect the nature of NEPCon organisation – as an NGO, we changed our domain from www.nepcon.net to www.nepcon.org in June 2016. We also started another process to revamp our website to present the new organisational structure and to enhance the intuitive navigation. One more language version, Romanian was added this year. The website had 62,442 visitors this year, of which 37.7% are returning visitors. We became more active on our social channels, namely Twitter, LinkedIn and YouTube this year. Especially just in September 2016, we organically reached 42,500 people in Twitter.

News service: We re-branded our newsletter this year under the NEPCon name and aimed at transforming this into an organisational newsletter instead of the previous thematic one. This enables us to cover more topics of our work, such as CSR and a wide range of NEPCon activities from services to projects. We produced five issues of the newsletter in 2016. The total views for news articles under the newsroom in all languages are 16,924 in 2016.

Publications: Communications continued to support programme and project teams to produce and revise a number of new publications, ranging from presentations, roll-up banners and leaflets to fact sheets, info sheets, infographics and position papers.

Quality assurance & internal support: Communications continued to conduct quality assurance of public facing documents and provide support across the organisation. We organised two internal training courses on video producing skills and editing & proofreading this year.

Strengthening Communications Team: The new set-up of the team, with two new team members with the right skills mix, has enhanced the ability of the Communications team to respond to communications needs from the ongoing projects and the whole organisation in general.

Digital material management: We introduced the first NEPCon online photo library at https://nepcon-photo.smugmug.com/ in March 2016. Total views reached 70,285 during the period of March and December 2016.

Regional Offices
In 2016 NEPCon strengthened its management capacity in three regional offices: Spain, Bulgaria and Russia. Both in Spain and Bulgaria new regional office managers started to work, while in Russia already existing management capacity from Lithuanian regional office was used to increase focus on resource and job planning as well as service delivery in Russia.

In July 2016 NEPCon established a daughter company NEPCon Vietnam Ltd., located in Ho Chi Minh city in Vietnam. This legal entity is an important step towards better establishment of NEPCon and its activities in South East Asia. Vietnam is not considered as separate regional office in NEPCon structure but the legal entity is needed for better customer service and employment of staff. Vietnam is managed as part of Regional Office Malaysia.

2016 was a very successful year for NEPCon certification portfolio growth. The net growth of all certificates during 2016 was 184 (432 new certificates issued). This includes the following services: FSC, PEFC, LegalSource, SBP, and CFM. Such growth has resulted in 1910 certificates being served by NEPCon the end of 2016. Service areas that grew most in 2016 are: FSC CoC – 93 certificates net growth, SBP – 47, FSC FM – 21, PEFC COC – 16, LegalSource – 4, PEFC FM – 2, CFM – 1. Lithuanian regional office had far the biggest net growth of certificates during 2016 resulting in 97 net growth, followed by Polish Regional Office with a net growth of 57 certificates and Russian regional office – 37. Extraordinary situation regarding certificate number occurred in Bulgaria where a large share of clients moved to competing certification body. Another important benchmark was reached in 2016 in FSC FM certification, where
FSC certified forest area exceeded 30 million ha of certified forest with a bit more than 21 million ha in

Russia. This is more than 15% of world's FSC certified forest area and more than 16% of all FSC FM certificates in the world.

Successful growth in certification and verification services as well focus on performance has led to improved financial result from regional offices, that were on target with the budgeted sales and surplus revenues as predicted in 2016 budget.

Extraordinary events
On 1 December 2016, NEPCon was informed by ASI – the FSC accreditation organisation – that we had been suspended from taking on new FSC Forest Management or Chain of Custody clients in Russia. We believe that the decision to suspend us was based on inaccurate information and we disagree with it. We filed a formal appeal with ASI within 24 hours of their notification to us. As of 19 April 2017, NEPCon is again working in Russia with no restrictions on our FSC certification work and no suspension of our FSC accreditation.

In the beginning of December 2016, NEPCon fell victim to a cybercrime – so called CEO-scam - and lost EUR 58,693 through unauthorised payments to criminals. This cost is shown as cost under extraordinary activities in the Profit and Loss Statement.

Distribution for non-profit purposes
In 2016, the Association has utilised EUR 942 for non-profit purposes (EUR 56,878 in 2015 and EUR 8,630 in 2014), total accumulated distributions since the establishment of NEPCon amount to EUR 200,800. The remaining surplus revenues have been reserved for building up a bigger equity capital for NEPCon to maintain good financial stability and to be secured against any possible unexpected fluctuations in the operations.

Events following the financial year end
In January 2017, the Russian region was excluded from the scope of NEPCon's accreditations for SBP certification. This was the direct consequence of the suspension of FSC accreditation in Russia described above under extraordinary events because the SBP approval requires an active accreditation to either FSC or PEFC. As the result of getting suspension for FSC accreditation lifted in April 2017, the SBP accreditation (approval) is now active as well.

NEPCon has in detail worked through the reasons presented for the suspension of our FSC accreditation by the accreditation body and find these unjustified. In connection to severe challenges in communicating with accreditation body, NEPCon succeeded to restore the accreditation scope only in April 2017. At the time of preparing the current financial statements, the association considers steps for legal action to remedy the losses caused by above described suspension.

There have not been any other significant events after the balance sheet date embracing our evaluation of the financial statements of the company.

Accounting Policies

The annual report has been prepared in accordance with the regulation applying to Reporting class B. There have been options of certain rules in reporting class C.

Generally
The financial statements of NEPCon for the financial year 2016 are prepared in accordance with the Danish Financial Statements Act, class B. The accounting policies applied are unchanged from last year.

Basis of preparation
Income is recognised in the income statement as earned. Value adjustments of financial assets and liabilities are measured at fair value or amortised cost.

Costs incurred to obtain earnings for the year are recognised in the profit and loss account. This also includes depreciations and devaluations, provisions and reversals due to changes in accounting estimates of amounts previously recognised in the income statement.

Assets are recognised in the balance sheet when it is deemed likely that future economic benefits will accrue to the Association and the value of these assets can be measured reliably.

Liabilities are recognised in the balance sheet when it is deemed to arise and when reliable measurement is possible.
At the first recognition, assets and liabilities are measured at cost value. Subsequently, the assets and liabilities will be measured as described below.

Certain financial assets and liabilities are measured at amortised cost by what means recognition of a constant net yield over the maturity. Amortised cost is stated as original cost value less repayment and addition/deduction of the accumulated amortisation of the difference between cost value and nominal amount.

On recognition and measurement, allowance is made for any gains, losses and risks that arise before presentation of the annual report and which confirm or deny matters that existed at the balance sheet date.

Income statement
Profit and loss account
Net sales
Net sales includes the sale of consultancy and other services recognised in the financial statements, providing risks are transferred to the buyer at the end of the financial year.

Concerning projects, sales are accrued for projects that are not completed at the end of the financial year.

Net sales also include the group administration and various support services and other services provided to subsidiary companies.

Financial revenues and expenses
Financial revenues and expenses include interests on receivables and payables. Furthermore, financial revenues and expenses include costs incurred on finance leases, realized and unrealised value adjustments concerning securities, debt and transactions in foreign currencies.

Financial revenues and expenses are recognised in the profit and loss account in the amounts relating to the financial year.

Distribution to non-profit purposes
NEPCon distributes funds for non-profit purposes. From 2007 and onwards the registration of nonprofit

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.

Capitalisation of development costs
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.

Balance sheet
Long-term financial investments
Investments in subsidiaries are recognised in the balance sheet according to the equity-method.

Work in progress and debtors
Work in progress is measured at the expenses incurred inclusive overhead with a quota of the profit.
Receivables from debtors are measured at amortised cost, which usually corresponds to the nominal value. Value is reduced by provisions for bad debts.

Accruals
Accruals recognised under assets include costs incurred concerning subsequent financial years.
Accruals recognised under liabilities include accruals of income in subsequent periods, mainly advance payments from clients and project donors.

Liabilities
Financial liabilities are recognised initially at the proceeds received less transaction costs incurred. Subsequently, liabilities are measured at amortised cost.

Foreign currency transactions
Transactions in foreign currencies are converted using the exchange rate at transaction date.
Occurred exchange rate differences between the transaction date and the payment date are recognised in the profit and loss account as a financial item.

For the currency exchanges carried out to protect future cash flows, the valuation adjustments are recognised on the net capital and reserves.

Receivables, liabilities and monetary items, which are accounted on the balance sheet date are measured at the rate ruling at balance sheet date. Any differences between the exchange rate at balance sheet date and the exchange rate at the time when the associated transaction was incurred, is recognised in the profit and loss account as financial items.

Tangible non-current assets purchased in foreign currencies are measured at the exchange rates at the transaction date.

Income statement 1 Jan 2016 - 31 Dec 2016

	Disclosure	2016 EUR	2015 EUR
Gross Result		**2,048,594**	**1,770,883**
Employee expense	1	-1,781,762	-1,528,676
Depreciation, amortisation expense and impairment losses of property, plant and equipment and intangible assets		-167,203	-145,515
Profit (loss) from ordinary operating activities		**99,629**	**96,692**
Income from other investments and receivables that are fixed assets		195,029	249,721
Other finance income		88,379	26,546
Other finance expenses		-11,912	-26,555
Profit (loss) from ordinary activities before tax		**371,125**	**346,404**
Tax expense		-6,976	-6,754
Profit (loss)		**364,149**	**339,650**
Proposed distribution of results			
Reserve for net revaluation according to equity method		195,029	249,721
Retained earnings		169,120	89,929
Proposed distribution of profit (loss)		**364,149**	**339,650**

Balance sheet 31 December 2016

Assets

	Disclosure	2016 EUR	2015 EUR
Intangible assets		**309,752**	**455,587**
Fixtures, fittings, tools and equipment		40,006	40,410
Property, plant and equipment		**40,006**	**40,410**
Investments in group enterprises		554,962	425,873
Other investments		13,859	12,939
Investments	**2**	**568,821**	**438,812**
Total non-current assets		**918,579**	**934,809**
Trade receivables		175,722	173,933
Contract work in progress		385,838	400,481
Receivables from group enterprises		896,950	549,255
Other receivables		161,485	99,783
Receivables		**1,619,995**	**1,223,452**
Cash and cash equivalents		155,148	82,056
Current assets		**1,775,143**	**1,305,508**
Total assets		**2,693,722**	**2,240,317**

Balance sheet 31 December 2016

Liabilities and equity

	Disclosure	2016 EUR	2015 EUR
Contributed capital		512	512
Reserve for net revaluation according to equity method		354,196	247,529
Reserve according to articles of association		1,338,612	1,081,130
Distributions		-200,800	-199,858
Total equity		**1,492,520**	**1,129,313**
Debt to banks		16,601	57,626
Payables to group enterprises		60,849	60,849
Long-term liabilities other than provisions, gross	**3**	**77,450**	**118,475**
Debt to banks		21,898	15,094
Prepayments received from customers		184,932	356,134
Trade payables		362,131	268,329
Payables to group enterprises		360,004	188,960
Other payables, including tax payables, liabilities other than provisions		194,787	164,012
Short-term liabilities other than provisions, gross		**1,123,752**	**992,529**
Liabilities other than provisions, gross		**1,201,202**	**1,111,004**
Liabilities and equity, gross		**2,693,722**	**2,240,317**

Statement of changes in equity 1 Jan 2016 - 31 Dec 2016

	Contributed capital	Reserve for net revaluation according to equity method	Retained earnings	Proposed dividend recognised in equity	Total
	EUR	EUR	EUR	EUR	EUR
Equity, beginning balance	512	247,529	1,081,130	-199,858	1,129,313
Dividend paid		-88,362	88,362	-942	-942
Profit (Loss)		195,029	169,120		364,149
Equity, ending balance	512	354,196	1,338,612	-200,800	1,492,520

Disclosures

1. Employee expense

	2016 kr.	2015 kr.
Wages and salaries	1.761.329	1.510.212
Pensionscontributions	0	0
Social charges and costs	20.433	18.464
	1.781.762	1.528.676

2. Investments

	Investments in group enterprises euro
Cost, beginning of year	178.344
Increase	22.422
Decrease	0
Cost, end of year	**200.766**
Net revaluations, beginning of year	247.529
Share of profit (loss), see disclosure	195.029
Distributed dividends	-130.358
Other value adjustmens	41.996
Net revaluations, end of year	**354.196**
Carrying value, end of year	**554.962**
Carrying value of recoqnized goodwill	**0**

Investments in group enterprises include:

Name, legal form and homeplace	Qwnership	Equity	Profit (loss)
NEPCon SIA, Latvia	100%	41.177	32.224
NEPCon OU, Estonia	100%	115.547	7.448
NEPCon Sp z o.o., Poland	100%	229.970	59.377
NEPCon OOO, Russia	100%	196.012	133.305
NEPCon LT UAB, Lithuania	100%	36.216	-5.151
NEPCon Asia OOO, Russia	100%	0	0
NEPCon UK Ltd., Great Britain	100%	43.058	24.956
NEPCon Spain S.L., Spain	100%	-98.019	-34.214
Nature, Ecology & People Consult Sweden AB, Sweden	100%	5.305	-1.424
NEPCon Bulgaria EOOD, Bulgaria	100%	-41.153	-15.880
NEPCon Group s.r.o., Czech Republic	100%	7.303	2.105
NEPCon Certificering ApS, Denmark	100%	35.362	28.655
Nature Ecology and People Consult Sdn Bhd, Malaysia	100%	-22.345	-19.818
NEPCon Vietnam Ltd., Vietnam	100%	6.529	-16.553
Total subsidiaries		554.962	195.029

3. Long-term liabilities other than provisions, gross

	Total debt, end of year	Repayments, next year	Longterm share	Outstanding debt after 5 years
	euro	euro	euro	euro
Payables to subsidiaries	60.849	0	60.849	0
Credit institutions	16.601	0	0	16.601
	77.450	**0**	**17.450**	**16.601**

4. Disclosure of contingent liabilities

The association does not have any contracts of guarantee or any pledges given.

Regarding the liabilities, the organisation has received the guarantee from Danish Vaekstfonden as the collateral for the bank loan.
The overdraft loan has been granted to the Association in July 2011 by our main bank Merkur, Den Almennyttige Andelskasse and guaranteed by Danish development agency Vaekstfonden at the level of 75% from total credit. The credit facility is used for covering the development costs of new services and tools.
Maximum available sum of the credit as of 31.12.2016 was EUR 235 841 (initial contractual sum EUR 437 290). The contractual loan period is 10 years up to July 2021.
Interest payable to the bank is charged at 5,7% (prior to 2016: 6,7%) p.a. and is paid quarterly.

5. Information on average number of employees

Significant share of staff and consultant costs has been used for developing the new tools (IT platform Salesforce) and services (Legality, SBP and RSPO programme development) - particularly in year 2015 but continually also in 2016. Therefore, in year 2015 these expenditures in total amount of EUR 83,810 have been capitalized as intangible assets. In 2016 it was decided that further capitalisation of development costs is not appropriate.

In Denmark, there was an average of 13 full-time employees in 2016 (17 in 2015).

	2016	**2015**
Average number of employees	13	17