Deloitte
Statsautoriseret
Revisionspartnerselskab
CVR-nr. 33963556
Weidekampsgade 6
2300 København S

Phone 36 10 20 30
Fax 36 10 20 40
www.deloitte.dk

NEPCon F.M.B.A.
Skindergade 23, 3. th.
1159 København K
Central Business Registration
No 18044633

Annual report 2019

The Annual General Meeting adopted the annual report on 28.05.2020

Chairman of the General Meeting

Name: Peter Feilberg

Contents

Entity details

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

Central Business Registration No (CVR): 18044633
Registered in: København
Financial year: 01.01.2019 - 31.12.2019

Board of Directors
Nicolai Andreas Clausen, chairman
Peter Michael Buron, vice-chairman
Jacob Andersen Sterling
Katie Jean Miller
Tasso Rezende De Azevedo
Ida Theilade

Executive Board
Peter Feilberg
Justinas Janulaitis
Hando Hain
Jonathan Lee Jickling

Bank
Nordea Danmark
Grønjordsvej 10
2300 Copenhagen S

Lawyer
LOU Advokatfirma
Frederiksberggade 2
1459 Copenhagen K

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
2300 København S

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of NEPCon F.M.B.A. for the financial year 01.01.2019 - 31.12.2019.

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 Entity's financial position at 31.12.2019 and of the results of its operations and cash flows for the financial year 01.01.2019 - 31.12.2019.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 28.05.2020

Executive Board

Peter Feilberg	Justinas Janulaitis	Hando Hain
Jonathan Lee Jickling		

Board of Directors

Nicolai Andreas Clausen chairman	Peter Michael Buron vice-chairman	Jacob Andersen Sterling
Katie Jean Miller	Tasso Rezende De Azevedo	Ida Theilade

Independent auditor's report

To the shareholders of NEPCon F.M.B.A.

Opinion

We have audited the consolidated financial statements and the parent financial statements of NEPCon F.M.B.A. for the financial year 01.01.2019 - 31.12.2019, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2019, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2019 - 31.12.2019 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 consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of 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 audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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

Independent auditor's report

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 consolidated financial statements and these parent financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent 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 Group’s and the Parent’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 consolidated financial statements and the parent 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 Group's and the Parent’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 consolidated financial statements and the parent 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 Group and the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 the management commentary
Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent 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 the management commentary.

Copenhagen, 28.05.2020

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Susanne Arnfred Møller
State Authorised Public Accountant
Identification No (MNE) mne24625

Management commentary

	2019 EUR'000	2018 EUR'000
Financial highlights		
Key figures		
Revenue	19.946	10.724
Gross profit/loss	10.187	6.547
Operating profit/loss	273	954
Net financials	(456)	(78)
Profit/loss for the year	(183)	876
Profit/loss excl minority interests	(183)	876
Total assets	10.832	10.029
Investments in property, plant and equipment	135	-
Equity	2.536	2.720
Equity excl minority interests	2.536	2.720
Cash flows from (used in) operating activities	417	4.095
Cash flows from (used in) investing activities	(335)	(3.438)
Ratios		
Gross margin (%)	51,1	61,1
Net margin (%)	(0,9)	8,2
Return on equity (%)	(7,0)	32,2
Equity ratio (%)	23,4	27,1

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the Danish Society of Financial Analysts.

Ratios	**Calculation formula**	**Calculation formula reflects**
Gross margin (%)	$\frac{\text{Gross profit/loss x 100}}{\text{Revenue}}$	The entity's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Revenue}}$	The entity's operating profitability.
Return on equity (%)	$\frac{\text{Profit/loss excl minority interests x 100}}{\text{Average equity excl minority interests}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity excl minority interests x 100}}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

Primary 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 finances

Profit for the year amounts to EUR (183.263) and equity at 31 december 2019 totals EUR 2.536.251. The result for the year is satisfactory.

Nepcon has advanced from reporting class B to reporting class C and is thus obligated to prepare a group financial statement. There was not prepared group financial statement last year.

Outlook

Overall, NEPCon sees a positive outlook on the future of our model and overall business. Demand for sustainability services continues to be high, and although some markets are maturing, we are just breaking through in some emerging markets like Asia and Africa. This year was a challenging one – “settling” into our newly acquired entities and changing operations, structures, and systems to account for this new organization. A key focus in the coming years will be to ensure we reach economies of scale with appropriate operational support structures and continue to take advantage of growth opportunities.

Material assumptions and uncertainties

While our overall outlook remains strong, one area that has dominated Q1 discussions and decision-making processes has been the global Pandemic: COVID-19. Thus far in 2020, we have adjusted our way of working dramatically for health and safety purposes, but also to combat the financial risk of this pandemic. Thus far in 2020, we have cut major budgetary items: our Development Week (for all staff, typically every 2 years) to save on travel and other costs, staff salary increases, events, marketing. In aggregate we have cut expenses in our financial budget by 10-15% of our operating budget, with planning in place for additional more severe measures should they be needed. Overall, however, we see great hope in the responses of the market: clients are remaining engaged in our systems and really see the value of the services we provide. We are closely monitoring potential terminations and thus far are approaching the situation with cautious optimism: ready to make adjustments as neccessary.

Intellectual capital resources

Our 245 staff globally remain one of our largest assets. Many of our staff are respected members in their fields and regions. One key area of our value proposition focuses on the quality of services that NEPCon brings to clients but also overall to the schemes we engage in. This key to this differentiating point lies with the skills and qualifications of our staff.

Management commentary

Environmental performance

Key detailed figures can be found in our internal annual report, but environmental conservatism is at the core of everything we do. Our certifications are all centered around this concept evidenced in our mission: *To support better land management and business practices that benefit people, nature, and the climate.*

Research and development activities

As stated above a key part of what NEPCon does is engage in certification schemes. Often, we are the first CB to provide a service – something that standard owners value to test and ensure good quality prior to launching something bigger. Many of our development activities surround this concept: to help develop a new standard and thus the service. Often, we are first to market which gives us a competitive edge – adding to our already strong offerings.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Consolidated income statement for 2019

	Notes	2019 EUR	2018 EUR
Revenue		19.946.418	10.723.518
Other operating income		897.724	956.443
Other external expenses		(10.657.414)	(5.132.661)
Gross profit/loss		**10.186.728**	**6.547.300**
Staff costs	1	(9.373.609)	(5.416.076)
Depreciation, amortisation and impairment losses		(533.569)	(177.326)
Other operating expenses		(6.841)	0
Operating profit/loss		**272.709**	**953.898**
Other financial income		274.474	39.934
Other financial expenses		(730.446)	(117.459)
Profit/loss for the year	2	**(183.263)**	**876.373**

Consolidated balance sheet at 31.12.2019

	Notes	2019 EUR	2018 EUR
Completed development projects		99.987	3.681.938
Goodwill		2.941.574	0
Development projects in progress		386.291	0
Intangible assets	3	**3.427.852**	**3.681.938**
Land and buildings		2.587	0
Other fixtures and fittings, tools and equipment		184.524	120.357
Property, plant and equipment	4	**187.111**	**120.357**
Other investments		28.183	27.074
Deposits		48.580	45.441
Other receivables		0	9.205
Fixed asset investments	5	**76.763**	**81.720**
Fixed assets		**3.691.726**	**3.884.015**
Trade receivables		3.815.359	2.572.590
Contract work in progress		296.435	708.049
Other receivables		249.405	893.850
Prepayments		643.869	273.192
Receivables		**5.005.068**	**4.447.681**
Cash		**2.134.884**	**1.697.482**
Current assets		**7.139.952**	**6.145.163**
Assets		**10.831.678**	**10.029.178**

Consolidated balance sheet at 31.12.2019

	Notes	2019 EUR	2018 EUR
Contributed capital		512	512
Reserve for development expenditure		486.278	351.215
Retained earnings		2.049.461	2.367.787
Equity		**2.536.251**	**2.719.514**
Other payables		2.794.198	2.937.427
Non-current liabilities other than provisions	6	**2.794.198**	**2.937.427**
Current portion of long-term liabilities other than provisions	6	785.305	390.442
Bank loans		378.492	23.345
Prepayments received from customers		469.764	944.502
Contract work in progress		969.100	568.026
Trade payables		1.391.720	1.266.226
Other payables		1.506.848	1.179.696
Current liabilities other than provisions		**5.501.229**	**4.372.237**
Liabilities other than provisions		**8.295.427**	**7.309.664**
Equity and liabilities		**10.831.678**	**10.029.178**
Unrecognised rental and lease commitments	8		
Contingent liabilities	9		
Assets charged and collateral	10		
Subsidiaries	11		

Consolidated statement of changes in equity for 2019

	Contributed capital EUR	Reserve for development expenditure EUR	Retained earnings EUR	Total EUR
Equity beginning of year	512	351.215	2.367.787	2.719.514
Transfer to reserves	0	135.063	(135.063)	0
Profit/loss for the year	0	0	(183.263)	(183.263)
Equity end of year	**512**	**486.278**	**2.049.461**	**2.536.251**

Consolidated cash flow statement for 2019

	Notes	2019 EUR	2018 EUR
Operating profit/loss		272.709	953.898
Amortisation, depreciation and impairment losses		533.569	177.326
Writedown of current assets		(6.841)	0
Working capital changes	7	73.637	3.041.514
Cash flow from ordinary operating activities		**873.074**	**4.172.738**
Financial income received		274.474	39.934
Financial expenses paid		(730.446)	(117.459)
Cash flows from operating activities		**417.102**	**4.095.213**
Acquisition etc of intangible assets		(204.953)	(3.395.360)
Acquisition etc of property, plant and equipment		(134.851)	(15.174)
Acquisition of fixed asset investments		(10.235)	(27.558)
Sale of fixed asset investments		15.192	0
Cash flows from investing activities		**(334.847)**	**(3.438.092)**
Increase/decrease in cash and cash equivalents		**82.255**	**657.121**
Cash and cash equivalents beginning of year		1.674.137	1.017.016
Cash and cash equivalents end of year		**1.756.392**	**1.674.137**
Cash and cash equivalents at year-end are composed of:			
Cash		2.134.884	1.697.482
Short-term debt to banks		(378.492)	(23.345)
Cash and cash equivalents end of year		**1.756.392**	**1.674.137**

Notes to consolidated financial statements

	2019 EUR	2018 EUR
1. Staff costs		
Wages and salaries	7.433.252	4.431.626
Pension costs	152.700	0
Other social security costs	913.867	738.975
Other staff costs	873.790	245.475
	9.373.609	**5.416.076**
Average number of employees	**245**	

	Remuneration of management 2019 EUR	Remuneration of management 2018 EUR
Executive Board	329.929	217.882
Board of Directors	6.692	4.024
	336.621	**221.906**

	2019 EUR	2018 EUR
2. Proposed distribution of profit/loss		
Retained earnings	(183.263)	876.373
	(183.263)	**876.373**

Notes to consolidated financial statements

	Completed develop-ment projects EUR	Goodwill EUR	Develop-ment projects in progress EUR
3. Intangible assets			
Cost beginning of year	4.356.282	0	0
Exchange rate adjustments	3.583	0	0
Transfers	(3.511.818)	3.330.480	181.338
Additions	10.529	0	215.482
Disposals	0	0	(10.529)
Cost end of year	**858.576**	**3.330.480**	**386.291**
Amortisation and impairment losses beginning of year	(674.344)	0	0
Amortisation for the year	(84.245)	(388.906)	0
Amortisation and impairment losses end of year	**(758.589)**	**(388.906)**	**0**
Carrying amount end of year	**99.987**	**2.941.574**	**386.291**

Development projects

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 as external expenses made in the course of the 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 as the implementation of new systems and tools that will significantly improve both the service delivery and back-office processes in the organisation.

Notes to consolidated financial statements

	Land and buildings EUR	Other fixtures and fittings, tools and equipment EUR
4. Property, plant and equipment		
Cost beginning of year	0	305.847
Additions	2.875	131.976
Disposals	0	(45.668)
Cost end of year	**2.875**	**392.155**
Depreciation and impairment losses beginning of year	0	(185.490)
Depreciation for the year	(288)	(67.809)
Reversal regarding disposals	0	45.668
Depreciation and impairment losses end of year	**(288)**	**(207.631)**
Carrying amount end of year	**2.587**	**184.524**

	Other investments EUR	Deposits EUR
5. Fixed asset investments		
Cost beginning of year	27.074	45.441
Additions	0	9.126
Disposals	0	(5.987)
Cost end of year	**27.074**	**48.580**
Revaluations for the year	1.109	0
Revaluations end of year	**1.109**	**0**
Carrying amount end of year	**28.183**	**48.580**

	Due within 12 months 2019 EUR	Due within 12 months 2018 EUR	Due after more than 12 months 2019 EUR
6. Liabilities other than provisions			
Other payables	785.305	390.442	2.794.198
	785.305	**390.442**	**2.794.198**

Notes to consolidated financial statements

	2019 EUR	2018 EUR
7. Change in working capital		
Increase/decrease in receivables	(557.387)	(2.719.234)
Increase/decrease in trade payables etc	631.024	5.760.748
	73.637	**3.041.514**

	2019 EUR	2018 EUR
8. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	**69.713**	**62.230**

9. Contingent liabilities

Regarding the liabilities, the organisation has received the guarantee from The Danish Green Investment Fund(adminstered by The Danish Growth Fund) as the collateral for the bank loan of DKK 14 million.

10. Assets charged and collateral

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-declaration guarantee of DKK 8 million to Nordea on behalf of the subsidiary, NEPCon Certificering ApS, as the collateral for bank debt established.

Notes to consolidated financial statements

	Registered in	Corpo-rate form	Equity inte-rest %
11. Subsidiaries			
NEPCon SIA	Latvia	SIA	100,0
NEPCon OU	Estonia	OU	100,0
NEPCon SP z o.o.	Poland	z o.o.	100,0
NEPCon OOO	Russia	OOO	100,0
NEPCon LT UAB	Lithuania	UAB	100,0
NEPCon Asia OOO	Russia	OOO	100,0
NEPCon UK Ltd.	United Kingdom	Ltd.	100,0
NEPCon Spain S.L.	Spain	S.L	100,0
Natur, Ecology & People Consult Sweden AB	Sweden	AB	100,0
NEPCon Bulgaria EOOF	Bulgaria	EOOD	100,0
NEPCon Group s.r.o	Czech Republic	s.r.o	100,0
NEPCon Certificering ApS	Denmark	ApS	100,0
Natur, Ecology & People Consult Sdn Bhd	Malaysia	Sdn Bhd	100,0
NEPCon Vietnam Ltd.	Vietnam	Ltd.	100,0
NEPCon (Beijing) Technical Promotion Co. Ltd.	China	Ltd.	100,0
NEPCon Canada Inc.	Canada	Inc.	100,0
PT Nature Economy and People Connected	Indonesia	PT	80,0
NEPCon Bolivia S.R.L	Bolivia	S.R.L	80,0
NEPCon Costa Rica S.A.	Costa Rica	S.A.	80,0
Nature Economy People Connected (NEPCon)	Ghana	N/A	100,0
NEPCon Guatemala Certifications Limitada	Guatemala	Limitad a	90,0
NEPCon Kenya Limited,	Kenya	Limited	80,0
NEPCon Mexico A.C.	Mexico	A.C.	100,0
NEPCon Peru S.A.C.	Peru	S.A.C	80,0
NEPCon LLC	USA	LLC.	100,0

Parent income statement for 2019

	Notes	2019 EUR	2018 EUR
Revenue		9.099.004	5.144.932
Other operating income		654.098	997.494
Other external expenses		(8.917.771)	(3.406.787)
Property costs		(142.039)	0
Gross profit/loss		**693.292**	**2.735.639**
Staff costs	1	(1.249.318)	(1.605.993)
Depreciation, amortisation and impairment losses		(94.640)	(133.610)
Operating profit/loss		**(650.666)**	**996.036**
Income from investments in group enterprises		527.071	716.370
Other financial income	2	152.420	13.313
Other financial expenses	3	(212.088)	(849.346)
Profit/loss for the year	4	**(183.263)**	**876.373**

Parent balance sheet at 31.12.2019

	Notes	2019 EUR	2018 EUR
Completed development projects		98.372	3.005.756
Development projects in progress		386.291	0
Intangible assets	5	**484.663**	**3.005.756**
Other fixtures and fittings, tools and equipment		17.074	14.128
Property, plant and equipment	6	**17.074**	**14.128**
Investments in group enterprises		4.101.024	1.335.918
Receivables from group enterprises		1.181.452	525.879
Other investments		28.183	27.074
Deposits		17.324	21.669
Fixed asset investments	7	**5.327.983**	**1.910.540**
Fixed assets		**5.829.720**	**4.930.424**
Trade receivables		1.229.251	488.730
Contract work in progress		111.912	235.772
Receivables from group enterprises		2.694.610	1.391.247
Other receivables		135.396	712.370
Prepayments	8	290.057	196.387
Receivables		**4.461.226**	**3.024.506**
Cash		**152.325**	**245.557**
Current assets		**4.613.551**	**3.270.063**
Assets		**10.443.271**	**8.200.487**

Parent balance sheet at 31.12.2019

	Notes	2019 EUR	2018 EUR
Contributed capital		512	512
Reserve for net revaluation according to the equity method		1.625.020	825.370
Reserve for development expenditure		484.663	351.215
Retained earnings		426.056	1.542.417
Equity		**2.536.251**	**2.719.514**
Payables to group enterprises		62.083	289.372
Other payables		2.765.193	2.913.434
Non-current liabilities other than provisions	9	**2.827.276**	**3.202.806**
Current portion of long-term liabilities other than provisions	9	761.184	393.013
Bank loans		387.182	403.309
Prepayments received from customers		377.660	138.076
Contract work in progress		315.779	220.362
Trade payables		410.406	501.376
Payables to group enterprises		2.596.823	457.442
Other payables		230.710	164.589
Current liabilities other than provisions		**5.079.744**	**2.278.167**
Liabilities other than provisions		**7.907.020**	**5.480.973**
Equity and liabilities		**10.443.271**	**8.200.487**
Contingent liabilities	10		
Assets charged and collateral	11		

Parent statement of changes in equity for 2019

	Contributed capital EUR	Reserve for net revaluation according to the equity method EUR	Reserve for development expenditure EUR
Equity beginning of year	512	825.370	351.215
Transfer to reserves	0	0	133.448
Profit/loss for the year	0	799.650	0
Equity end of year	**512**	**1.625.020**	**484.663**

	Retained earnings EUR	Total EUR
Equity beginning of year	1.542.417	2.719.514
Transfer to reserves	(133.448)	0
Profit/loss for the year	(982.913)	(183.263)
Equity end of year	**426.056**	**2.536.251**

Notes to parent financial statements

	2019 EUR	2018 EUR
1. Staff costs		
Wages and salaries	784.950	1.575.989
Pension costs	6.135	0
Other social security costs	51.906	30.004
Other staff costs	72.388	0
	915.379	**1.605.993**
Average number of employees	**12**	

	2019 EUR	2018 EUR
2. Other financial income		
Financial income arising from group enterprises	83.967	0
	83.967	**0**

	2019 EUR	2018 EUR
3. Other financial expenses		
Financial expenses from group enterprises	0	759.211
Other interest expenses	0	90.135
	0	**849.346**

	2019 EUR	2018 EUR
4. Proposed distribution of profit/loss		
Retained earnings	(183.263)	876.373
	(183.263)	**876.373**

Notes to parent financial statements

	Completed development projects EUR	Development projects in progress EUR
5. Intangible assets		
Cost beginning of year	3.680.100	0
Exchange rate adjustments	2.467	0
Transfers	(2.837.657)	181.338
Additions	10.529	215.482
Disposals	0	(10.529)
Cost end of year	**855.439**	**386.291**
Amortisation and impairment losses beginning of year	(674.344)	0
Amortisation for the year	(82.723)	0
Amortisation and impairment losses end of year	**(757.067)**	**0**
Carrying amount end of year	**98.372**	**386.291**

Development projects

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 as external expenses made in the course of the 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 as the implementation of new systems and tools that will significantly improve both the service delivery and back-office processes in the organisation.

Notes to parent financial statements

	Other fixtures and fittings, tools and equipment EUR
6. Property, plant and equipment	
Cost beginning of year	72.706
Additions	14.901
Disposals	(20.057)
Cost end of year	**67.550**
Depreciation and impairment losses beginning of year	(58.578)
Depreciation for the year	(11.955)
Reversal regarding disposals	20.057
Depreciation and impairment losses end of year	**(50.476)**
Carrying amount end of year	**17.074**

	Invest-ments in group enterprises EUR	Receivables from group enterprises EUR	Other investments EUR	Deposits EUR
7. Fixed asset investments				
Cost beginning of year	510.548	525.879	27.074	21.669
Additions	358.298	655.573	0	450
Disposals	0	0	0	(4.795)
Cost end of year	**868.846**	**1.181.452**	**27.074**	**17.324**
Revaluations beginning of year	825.370	0	0	0
Transfers	2.656.319	0	0	0
Amortisation of goodwill	(272.580)	0	0	0
Share of profit/loss for the year	799.650	0	0	0
Revaluations for the year	0	0	1.109	0
Revaluations end of year	**4.008.759**	**0**	**1.109**	**0**
Dividend	(63.094)	0	0	0
Other adjustments	(713.487)	0	0	0
Impairment losses end of year	**(776.581)**	**0**	**0**	**0**
Carrying amount end of year	**4.101.024**	**1.181.452**	**28.183**	**17.324**

Notes to parent financial statements

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

8. Prepayments

Prepayments consists of expenses that have been paid but relate to a future fiscal year.

	Due within 12 months 2019 EUR	Due within 12 months 2018 EUR	Due after more than 12 months 2019 EUR
9. Liabilities other than provisions			
Payables to group enterprises	0	0	62.083
Other payables	761.184	393.013	2.765.193
	761.184	**393.013**	**2.827.276**

10. Contingent liabilities

Regarding the liabilities, the organisation has received the guarantee from The Danish Green Investment Fund(adminstered by The Danish Growth Fund) as the collateral for the bank loan of DKK 14 million.

11. Assets charged and collateral

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-declaration guarantee of DKK 8 million to Nordea on behalf of the subsidiary, NEPCon Certificering ApS, as the collateral for bank debt established.

Accounting policies

Reporting class
This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

The accounting policies applied to the consolidated financial statements and parent financial statements are consistent with those applied last year – except for the presentation of goodwill in the group and parent, which previously had been presented as "Development projects completed". Comparative figures have not been adjusted. This is the first year that a consolidated financial statement has been prepared. The accounting policies outlined below applies for the consolidated financial statement.

Consolidated financial statements
The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence. Enterprises in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence are regarded as associates.

Basis of consolidation
The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements. Minority interests' proportionate share of profit or loss is presented as a separate item in Management's proposal for distribution of profit or loss, and their share of subsidiaries' net assets is presented as a separate item in group equity.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the acquisition date, with net assets having been calculated at fair value.

Income statement
Revenue
Revenue from the sale of certification is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Contract work in progress is included in revenue based on the stage of completion so that revenue corresponds to the selling price of the work performed in the financial year (the percentage-of-completion method).

Accounting policies

Other operating income
Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Other external expenses
Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs
Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses
Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Other operating expenses
Other operating expenses comprise expenses of a secondary nature as viewed in relation to the Entity's primary activities.

Income from investments in group enterprises
Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of internal profits or losses.

Other financial income
Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses
Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Balance sheet
Goodwill
Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. For one amount of goodwill, it has not been possible to estimate useful life reliably, for which reason such useful life has been set at 10 years. For other amounts of goodwill, useful life has been determined based on an assessment of whether the enterprises are strategically

Accounting policies

acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed annually. The amortisation periods used are 10 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Intellectual property rights etc
Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Indirect production costs in the form of indirectly attributable staff costs and amortisation of intangible assets and depreciation on property, plant and equipment used in the development process are recognised in cost based on time spent on each project.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 5 years.

Property, plant and equipment
Land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Plant and machinery	3-5 years

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Accounting policies

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises
In the parent financial statements, investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus unamortised goodwill and plus or minus unrealised intra-group profits and losses. Refer to the above section on business combinations for more details about the accounting policies used on acquisitions of investments in group enterprises.

Group enterprises with negative equity value are measured at EUR 0. Any receivables from these en-terprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to Reserve for net revaluation according to the equity method under equity.

Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. For one amount of goodwill, it has not been possible to estimate useful life reliably, for which reason such useful life has been set at 10 years. For other amounts of goodwill, useful life has been determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed annually. The amortisation periods used are 10 years.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Receivables
Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Other investments
Other investments comprise listed securities which are measured at fair value (market price) at the balance sheet date and unlisted investments measured at the lower of cost and net realisable value.

Accounting policies

Contract work in progress
Contract work in progress is measured at the selling price of the work carried out at the balance sheet date.

The selling price is measured based on the stage of completion and the total estimated income from the individual contracts in progress. Usually, the stage of completion is determined as the ratio of actual to total budgeted consumption of resources.

If the selling price of a project in progress cannot be made up reliably, it is measured at the lower of costs incurred and net realisable value.

Each contract in progress is recognised in the balance sheet under receivables or liabilities other than provisions, depending on whether the net value, calculated as the selling price less prepayments received, is positive or negative.

Costs of sales work and of securing contracts as well as financecosts are recognised in the income statement as incurred.

Prepayments
Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash
Cash comprises cash in hand and bank deposits.

Operating leases
Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities
Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Prepayments received from customers
Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Cash flow statement
The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale,

Accounting policies

etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank loans.