Deloitte.

Preferred by Nature

Skindergade 23, 3. th
1159 København K
CVR No. 18044633

Annual report 2022

The Annual General Meeting adopted the annual report on 30.05.2023

Katie Miller
Chairman of the General Meeting

Contents

Entity details

Entity

Preferred by Nature
Skindergade 23, 3. th
1159 København K

Business Registration No.: 18044633
Registered office: København
Financial year: 01.01.2022 - 31.12.2022

Board of Directors

Nicolai Andreas Clausen
Aneeka Malik
Catur Utami Dewi
Ida Theilade
Leif Peter Christensen
Saúl Antonio Blanco Sosa
Tasso Rezende De Azevedo

Executive Board

Peter Feilberg
Jonathan Lee Jickling
Hando Hain

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
2300 Copenhagen 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 Preferred by Nature for the financial year 01.01.2022 - 31.12.2022.

The annual report is presented 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 31.12.2022 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2022 - 31.12.2022.

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, 19.05.2023

Executive Board

Peter Feilberg

Jonathan Lee Jickling

Hando Hain

Board of Directors

Nicolai Andreas Clausen

Aneeka Malik

Catur Utami Dewi

Ida Theilade

Leif Peter Christensen

Saúl Antonio Blanco Sosa

Tasso Rezende De Azevedo

Independent auditor's report

To the shareholders of Preferred by Nature

Opinion

We have audited the consolidated financial statements and the parent financial statements of Preferred by Nature for the financial year 01.01.2022 - 31.12.2022, 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 31.12.2022 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2022 - 31.12.2022 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 for Accountants’ International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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 Entity’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 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 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 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 Entity'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 Entity'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.

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, 19.05.2023

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

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

Management commentary

Financial highlights

	2022 EUR'000	2021 EUR'000	2020 EUR'000	2019 EUR'000	2018 EUR'000
Key figures					
Revenue	25,684	21,016	20,435	19,946	10,724
Gross profit/loss	13,498	11,910	11,032	10,187	6,547
Operating profit/loss	198	1,379	1,248	273	954
Net financials	(3)	(21)	(364)	(456)	(78)
Profit/loss for the year	(79)	1,159	583	(183)	876
Balance sheet total	11,696	10,645	10,771	10,832	10,029
Investments in property, plant and equipment	182	71	25	135	0
Equity	4,065	4,142	2,980	2,536	2,720
Cash flows from operating activities	(70)	1,865	757	417	4,095
Cash flows from investing activities	(640)	(328)	(117)	(335)	(3,438)
Cash flows from financing activities	345	(1,260)	1,331	0	0
Ratios					
Gross margin (%)	52.55	56.67	53.99	51.07	61.05
Net margin (%)	(0.31)	5.51	2.85	(0.92)	8.17
Return on equity (%)	(1.93)	32.55	21.14	(6.96)	32.21
Equity ratio (%)	34.76	38.91	27.67	23.41	27.12

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

Gross margin (%):
Gross profit/loss * 100
Revenue

Net margin (%):
Profit/loss for the year * 100
Revenue

Return on equity (%):
Profit/loss for the year * 100
Average equity

Equity ratio (%):
Equity * 100
Balance sheet total

Primary activities

Preferred by Nature is a Denmark-registered, non-profit membership organization with 27 affiliated legal entities, working with farmers, foresters, businesses, NGOs, and governments to support better land management and business practices that benefit people, nature, and the climate in more than 100 countries. For twenty-five years, it was known as NEPCon in the sustainability sector, however, in 2020, its tagline – 'Preferred by Nature' – became its brand name (the legally registered name remained NEPCon F.M.B.A.).

Development in activities and finances

Countries that are impacted by the Ukraine/ Russia war the most are Russia, Ukraine, and Belarus, and they are the important markets. For Russia, we went on with auditing where it was allowed by accreditation bodies and based on customers' requirements. Besides that, we have stopped using external consultants, which provide enough workload for staff in the first half of the year; however, due to the gradually reducing workload, we need to reduce our staff in the second half of the year. The situation with the audit plan is closely monitored, and saving actions was implemented with the decreased workload. For Belarus, all certification was terminated. Belarus staff now integrated into global work and work in other legal entities. Audit activities are going on for Ukraine, but we have decreased revenue projection, we even see some growth in Ukraine at the end of the year and have more staff in Ukraine now.

For the development in finance of Preferred by Nature, the main areas of focus in the upcoming periods will be transfer pricing policy update, continuous systems integration (still countries remaining with necessary Financial Force implementation), and continuing to improve our internal reporting system. The transfer pricing policy is continuously studied and developed with the Deloitte transfer pricing team to comply with OECD regulations and arm's length principles. It will be discussed more with the management team to have a comprehensive overview of tax risks and global consequences before being finalized in 2023. We have developed internal financial reports for managers and staff to review their performance and engagement regarding time, money, and other relevant KPIs. It is still an ongoing process, improved daily, and was started to introduce to users for frequent management and monitoring.

Profit/loss for the year in relation to expected developments

Loss for the year amounts to t.EUR 79k and equity on 31 December 2022 total t.EUR 4.065 The result for the year is satisfactory when we have challenges with the war in Ukraine and the cost of the outstanding event of Global Staff Development Week.

Uncertainty relating to recognition and measurement

The world has been fully recovering from COVID-19, and travel possibilities and options to provide services have become available, which help us to allocate our resources better and more effectively, but it will lead to the travel cost increase more than the previous covid period, and it needs to be monitored more closely. War in Russia made a big impact on our results in Forestry, but it was balanced out by improved results and new markets in other regions, especially in Asia. The change of rules of RA did not have as big a negative impact as we expected, so Agriculture certification maintained its stable growth. We are increasing the proportion of other services, so our service portfolio is more balanced to mitigate risks. We plan to apply for more and bigger projects in several strategic countries and regions to have more impact in the sustainability sector. Some projects require co-financing from Preferred by Nature, so we need a good plan for the project financing.

Outlook

Through a significant restructuring of our organization in 2020-2021, and with a plan for some more changes in 2023, focusing on developing and expanding our business coupled with the proactive management of expenses, we feel we are well positioned for the future. Our key services are already seeing significant recovery and growth with more services provided and more clients worldwide, and we see an increase in revenue in 2022, even with the challenge of the war in Ukraine.

Knowledge resources

Our 265 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 Preferred by Nature brings to clients and the schemes we engage in overall. The key to this differentiating point lies with the skills and qualifications of our staff.

Environmental performance

Key detailed figures can be found in our 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."
Further, Preferred by Nature has committed to offsetting carbon emissions generated through business operations. We have calculated the number of carbon emissions in 2018, 2019, 2020, and 2021 and are finalizing 2022. We have estimated the per ton price of the offsets based on current carbon market pricing and calculated it based on our annual carbon emission calculations. We plan to use the additional carbon associated with the forest restoration project to compensate for the carbon emissions of Preferred by Nature since 2018. The preliminary idea is to restore 70-100 ha of degraded secondary forest within the Silam Coast Conservation Area through reforestation. We committed to using 100k EUR for this project from our Equity.

Research and development activities

As stated above, a key part of Preferred by Nature is engaging in certifications schemes. We are often the first Certification Body to provide a service - something that standard owners value to test and ensure good quality before 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 offer new services in the market, which gives a competitive edge - adding to our already strong offerings.

Consolidated income statement for 2022

	Notes	2022 EUR	2021 EUR
Revenue		25,684,094	21,016,285
Other operating income		235,015	213,746
Other external expenses		(12,032,727)	(9,153,674)
Property costs		(388,024)	(166,443)
Gross profit/loss		**13,498,358**	**11,909,914**
Staff costs	1	(12,668,829)	(10,061,119)
Depreciation, amortisation and impairment losses		(631,932)	(470,001)
Operating profit/loss		**197,597**	**1,378,794**
Other financial income		1,562,387	987,519
Other financial expenses		(1,565,220)	(1,008,078)
Profit/loss before tax		**194,764**	**1,358,235**
Tax on profit/loss for the year	2	(274,086)	(199,477)
Profit/loss for the year	3	**(79,322)**	**1,158,758**

Consolidated balance sheet at 31.12.2022

Assets

	Notes	2022 EUR	2021 EUR
Completed development projects	5	609,883	645,957
Goodwill		1,554,194	1,813,226
Development projects in progress	5	474,878	171,393
Intangible assets	4	**2,638,955**	**2,630,576**
Land and buildings		1,294	1,725
Other fixtures and fittings, tools and equipment		251,513	233,438
Property, plant and equipment	6	**252,807**	**235,163**
Deposits		28,425	36,378
Financial assets	7	**28,425**	**36,378**
Fixed assets		**2,920,187**	**2,902,117**
Trade receivables		3,210,874	2,962,146
Contract work in progress		1,051,827	49,313
Deferred tax	8	96,790	107,547
Other receivables		458,961	247,079
Tax receivable		23,267	20,774
Prepayments	9	295,821	352,080
Receivables		**5,137,540**	**3,738,939**
Cash		**3,638,431**	**4,003,781**
Current assets		**8,775,971**	**7,742,720**
Assets		**11,696,158**	**10,644,837**

Equity and liabilities

	Notes	2022 EUR	2021 EUR
Contributed capital		512	512
Translation reserve		(133,461)	(135,837)
Reserve for development costs		474,878	171,393
Other reserves		100,000	0
Retained earnings		3,622,964	4,105,771
Equity		**4,064,893**	**4,141,839**
Other provisions	10	144,147	0
Provisions		**144,147**	**0**
Other payables		461,922	805,369
Non-current liabilities other than provisions	11	**461,922**	**805,369**
Bank loans		707,467	19,123
Contract work in progress		2,539,499	2,000,444
Trade payables		1,371,110	1,135,491
Other payables		2,312,963	2,542,571
Deferred income	12	94,157	0
Current liabilities other than provisions		**7,025,196**	**5,697,629**
Liabilities other than provisions		**7,487,118**	**6,502,998**
Equity and liabilities		**11,696,158**	**10,644,837**
Unrecognised rental and lease commitments	14		
Assets charged and collateral	15		
Subsidiaries	16		

Consolidated statement of changes in equity for 2022

	Contributed capital EUR	Translation reserve EUR	Reserve for development costs EUR	Other reserves EUR	Retained earnings EUR
Equity beginning of year	512	(135,837)	171,393	0	4,105,771
Transfer to reserves	0	2,376	303,485	100,000	(403,485)
Profit/loss for the year	0	0	0	0	(79,322)
Equity end of year	**512**	**(133,461)**	**474,878**	**100,000**	**3,622,964**

	Total EUR
Equity beginning of year	4,141,839
Transfer to reserves	2,376
Profit/loss for the year	(79,322)
Equity end of year	**4,064,893**

Consolidated cash flow statement for 2022

	Notes	2022 EUR	2021 EUR
Operating profit/loss		197,597	1,378,794
Amortisation, depreciation and impairment losses		631,932	470,001
Other provisions		144,147	0
Working capital changes	13	(944,745)	(7,095)
Cash flow from ordinary operating activities		**28,931**	**1,841,700**
Financial income received		1,562,387	990,731
Financial expenses paid		(1,565,220)	(1,008,078)
Taxes refunded/(paid)		(96,284)	40,623
Cash flows from operating activities		**(70,186)**	**1,864,976**
Acquisition etc. of intangible assets		(466,866)	(256,734)
Acquisition etc. of property, plant and equipment		(181,681)	(71,133)
Sale of fixed asset investments		8,486	0
Cash flows from investing activities		**(640,061)**	**(327,867)**
Free cash flows generated from operations and investments before financing		**(710,247)**	**1,537,109**
Loans raised		688,344	19,123
Repayments of loans etc.		(343,447)	(1,279,417)
Cash flows from financing activities		**344,897**	**(1,260,294)**
Increase/decrease in cash and cash equivalents		**(365,350)**	**276,815**
Cash and cash equivalents beginning of year		4,003,781	3,726,966
Cash and cash equivalents end of year		**3,638,431**	**4,003,781**
Cash and cash equivalents at year-end are composed of:			
Cash		3,638,431	4,003,781
Cash and cash equivalents end of year		**3,638,431**	**4,003,781**

Notes to consolidated financial statements

1 Staff costs

	2022 EUR	2021 EUR
Wages and salaries	10,114,354	8,066,728
Pension costs	263,730	129,381
Other social security costs	1,226,073	994,890
Other staff costs	1,064,672	870,120
	12,668,829	**10,061,119**

Number of employees at balance sheet date	**265**	**250**

	Remuneration of management 2022 EUR	Remuneration of management 2021 EUR
Executive Board	291,536	329,519
Board of Directors	6,709	6,724
	298,245	**336,243**

2 Tax on profit/loss for the year

	2022 EUR	2021 EUR
Current tax	284,843	188,499
Change in deferred tax	(10,757)	10,978
	274,086	**199,477**

3 Proposed distribution of profit/loss

	2022 EUR	2021 EUR
Retained earnings	(79,322)	1,158,758
	(79,322)	**1,158,758**

4 Intangible assets

	Completed development projects EUR	Goodwill EUR	Development projects in progress EUR
Cost beginning of year	2,080,012	1,554,194	171,393
Additions	81,690	0	385,176
Disposals	0	0	(81,691)
Cost end of year	**2,161,702**	**1,554,194**	**474,878**
Amortisation and impairment losses beginning of year	(1,434,060)	0	0
Amortisation for the year	(117,759)	0	0
Amortisation and impairment losses end of year	**(1,551,819)**	**0**	**0**
Carrying amount end of year	**609,883**	**1,554,194**	**474,878**

5 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.

6 Property, plant and equipment

	Land and buildings EUR	Other fixtures and fittings, tools and equipment EUR
Cost beginning of year	2,875	493,217
Additions	0	181,681
Disposals	0	(4,795)
Cost end of year	**2,875**	**670,103**
Depreciation and impairment losses beginning of year	(1,150)	(259,779)
Depreciation for the year	(431)	(163,073)
Reversal regarding disposals	0	4,262
Depreciation and impairment losses end of year	**(1,581)**	**(418,590)**
Carrying amount end of year	**1,294**	**251,513**

7 Financial assets

	Deposits EUR
Cost beginning of year	36,378
Disposals	(7,953)
Cost end of year	**28,425**
Carrying amount end of year	**28,425**

8 Deferred tax

Changes during the year	**2022 EUR**	**2021 EUR**
Beginning of year	107,547	58,424
Recognised in the income statement	(10,757)	49,123
End of year	**96,790**	**107,547**

Deferred tax assets
Deferred tax consists of differences in accounting and taxable figures related to assets.

9 Prepayments

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

10 Other provisions

Preferred by Nature has committed to offsetting carbon emissions generated through business operations. We have calculated the number ogf carbon emissions in 2018, 2019, 2020 and 2021 and are finalizing 2022. We have estimated the per ton price of the offset based on current carbon market pricing and calculated it based on our annual carbon emission calculations. We plan to mitigate the climate impact of or carbon footprint since 2018, through investing into a forest restoration project. The preliminary idea is to restore 70-100 ha, of degradeed secondary forest within the Silan Coast Conservation Area through restoration. We committed to using 100.000 EUR for the project from our equity.

11 Non-current liabilities other than provisions

	Due after more than 12 months 2022 EUR
Other payables	461,922
	461,922

12 Deferred income

Deferred income consists of income from certification, project and tailored services that relate to a future fiscal year.

13 Changes in working capital

	2022 EUR	2021 EUR
Increase/decrease in receivables	(1,172,919)	(501,337)
Increase/decrease in trade payables etc.	228,174	401,953
Other changes	0	92,289
	(944,745)	**(7,095)**

14 Unrecognised rental and lease commitments

	2022 EUR	2021 EUR
Total liabilities under rental or lease agreements until maturity	78,080	74,857

15 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 EUR 1 million to Nordea on behalf of the subsidiary, NEPCon Certificering ApS, as the collateral for bank debt established.

16 Subsidiaries

	Registered in	Corporate form	Ownership %
NEPCon SIA	Latvia	SIA	100.00
NEPCon OU	Estonia	OU	100.00
NEPCon SP z o.o.	Poland	Z o.o.	100.00
NEPCon OOO	Russia	OOO	100.00
NEPCon LT UAB	Lithuania	UAB	100.00
NEPCon Cote D'Ivoire	Cote D'Ivoire	NCCI	100.00
NEPCon UK Ltd.	United Kingdom	Ltd.	100.00
NEPCon Spain S.L	Spain	S.L	100.00
Natur, Ecology & People Consult Sweden AB	Sweden	AB	100.00
NEPCon Bulgaria EOOF	Bulgaria	EOOD	100.00
NEPCon Group s.r.o	Czech Republic	s.r.o	100.00
Preferred by Nature Denmark ApS	Denmark	ApS	100.00
Natur, Ecology & People Consult Sdn Bhd	Malaysia	Sdn Bhd	100.00
NEPCon Vietnam Ltd.	Vietnam	Ltd.	100.00
NEPCon (Beijing) Technical Promotion co. Ltd.	China	Ltd.	100.00
NEPCon Canada Inc.	Canada	Inc.	100.00
PT Nature Economy and People Connected	Indonesia	PT	80.00
NEPCon Bolivia S.R.L	Bolivia	S.R.L	80.00
NEPCon Costa Rica S.A	Costa Rica	S.A.	80.00
Nature Economy People Connected (NEPCon)	Ghana	N/A	100.00
NEPCon Guatemala Certifications Limitada	Guatemala	Limitada	90.00
NEPCon Kenya Limited,	Kenya	Limited	80.00
NEPCon Mexico A.C	Mexico	A.C.	100.00
NEPCon Peru S.A.C.	Peru	S.A.C	80.00
NEPCon LLC	USA	LLC.	100.00
NEPCon India Private Limitied	India	NCIN	99.99

Parent income statement for 2022

	Notes	2022 EUR	2021 EUR
Revenue		11,835,121	10,313,420
Other external expenses		(9,306,960)	(7,651,097)
Property costs		(59,009)	(166,442)
Gross profit/loss		**2,469,152**	**2,495,881**
Staff costs	1	(1,619,616)	(1,086,674)
Depreciation, amortisation and impairment losses	2	(144,654)	(137,349)
Operating profit/loss		**704,882**	**1,271,858**
Income from investments in group enterprises		(722,870)	(451,596)
Other financial income		100,819	584,525
Other financial expenses		(162,152)	(246,029)
Profit/loss for the year	3	**(79,321)**	**1,158,758**

Parent balance sheet at 31.12.2022

Assets

	Notes	2022 EUR	2021 EUR
Completed development projects	5	391,252	427,321
Development projects in progress	5	474,878	171,393
Intangible assets	4	**866,130**	**598,714**
Other fixtures and fittings, tools and equipment		47,851	47,675
Property, plant and equipment	6	**47,851**	**47,675**
Investments in group enterprises		5,618,897	5,397,717
Receivables from group enterprises		1,171,448	1,741,287
Deposits		10,439	9,727
Financial assets	7	**6,800,784**	**7,148,731**
Fixed assets		**7,714,765**	**7,795,120**
Trade receivables		969,103	988,669
Contract work in progress		455,119	49,313
Receivables from group enterprises		6,219,329	0
Other receivables		2,581	32,605
Prepayments	8	170,733	137,683
Receivables		**7,816,865**	**1,208,270**
Cash		**663,677**	**885,849**
Current assets		**8,480,542**	**2,094,119**
Assets		**16,195,307**	**9,889,239**

Equity and liabilities

	Notes	2022 EUR	2021 EUR
Contributed capital		512	512
Translation reserve		(133,461)	(135,837)
Reserve for net revaluation according to equity method		5,183,927	4,224,703
Reserve for development costs		474,878	171,393
Other reserves		100,000	0
Retained earnings		(1,560,963)	(118,933)
Equity		**4,064,893**	**4,141,838**
Provisions for investments in group enterprises	9	933,155	0
Provisions		**933,155**	**0**
Payables to group enterprises		4,667,969	805,369
Other payables		447,427	192,561
Non-current liabilities other than provisions	10	**5,115,396**	**997,930**
Bank loans		707,467	20,324
Contract work in progress		1,103,972	517,030
Trade payables		491,177	291,957
Payables to group enterprises		3,166,669	2,620,347
Other payables		612,578	1,299,813
Current liabilities other than provisions		**6,081,863**	**4,749,471**
Liabilities other than provisions		**11,197,259**	**5,747,401**
Equity and liabilities		**16,195,307**	**9,889,239**
Unrecognised rental and lease commitments	11		
Assets charged and collateral	12		

Parent statement of changes in equity for 2022

	Contributed capital EUR	Translation reserve EUR	Reserve for net revaluation according to the equity method EUR	Reserve for development costs EUR	Other reserves EUR
Equity beginning of year	512	(135,837)	4,224,703	171,393	0
Transfer to reserves	0	2,376	959,224	303,485	100,000
Profit/loss for the year	0	0	0	0	0
Equity end of year	**512**	**(133,461)**	**5,183,927**	**474,878**	**100,000**

	Retained earnings EUR	Total EUR
Equity beginning of year	(118,933)	4,141,838
Transfer to reserves	(1,362,709)	2,376
Profit/loss for the year	(79,321)	(79,321)
Equity end of year	**(1,560,963)**	**4,064,893**

Notes to parent financial statements

1 Staff costs

	2022 EUR	2021 EUR
Wages and salaries	1,328,405	938,532
Pension costs	65,442	8,103
Other social security costs	102,455	84,621
Other staff costs	123,314	55,418
	1,619,616	**1,086,674**

Number of employees at balance sheet date	23	19

	Remuneration of Management 2022 EUR	Remuneration of Management 2021 EUR
Executive Board	291,536	329,519
Board of Directors	6,709	6,724
	298,245	**336,243**

2 Depreciation, amortisation and impairment losses

	2022 EUR	2021 EUR
Amortisation of intangible assets	117,759	115,363
Depreciation on property, plant and equipment	26,397	21,986
Profit/loss from sale of intangible assets and property, plant and equipment	498	0
	144,654	**137,349**

3 Proposed distribution of profit and loss

	2022 EUR	2021 EUR
Retained earnings	(79,321)	1,158,758
	(79,321)	**1,158,758**

4 Intangible assets

	Completed development projects EUR	Development projects in progress EUR
Cost beginning of year	1,404,662	171,393
Additions	81,690	385,176
Disposals	0	(81,691)
Cost end of year	**1,486,352**	**474,878**
Amortisation and impairment losses beginning of year	(977,341)	0
Amortisation for the year	(117,759)	0
Amortisation and impairment losses end of year	**(1,095,100)**	**0**
Carrying amount end of year	**391,252**	**474,878**

5 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.

6 Property, plant and equipment

	Other fixtures and fittings, tools and equipment EUR
Cost beginning of year	119,710
Additions	27,106
Disposals	(4,795)
Cost end of year	**142,021**
Depreciation and impairment losses beginning of year	(72,035)
Depreciation for the year	(26,397)
Reversal regarding disposals	4,262
Depreciation and impairment losses end of year	**(94,170)**
Carrying amount end of year	**47,851**

7 Financial assets

	Investments in group enterprises EUR	Receivables from group enterprises EUR	Deposits EUR
Cost beginning of year	1,173,013	1,108,268	9,727
Exchange rate adjustments	4,039	0	0
Additions	43,518	63,180	712
Disposals	(9,017)	0	0
Cost end of year	**1,211,553**	**1,171,448**	**10,439**
Revaluations beginning of year	4,224,703	0	0
Amortisation of goodwill	(259,032)	0	0
Share of profit/loss for the year	463,838	0	0
Investments with negative equity value depreciated over receivables	754,418	0	0
Revaluations end of year	**5,183,927**	**0**	**0**
Impairment losses beginning of year	(776,583)	0	0
Impairment losses end of year	**(776,583)**	**0**	**0**
Carrying amount end of year	**5,618,897**	**1,171,448**	**10,439**

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.

9 Provisions for investments in group enterprises

Provisions for investments in group enterprises is due to a negative equity in one of the subsidiary.

10 Non-current liabilities other than provisions

	Due after more than 12 months 2022 EUR
Payables to group enterprises	4,667,969
Other payables	447,427
	5,115,396

11 Unrecognised rental and lease commitments

	2022 EUR	2021 EUR
Total liabilities under rental or lease agreements until maturity	**10,976**	**16,140**

12 Assets charged and collateral

NEPCon F.M.B.A. has as security for bank debt and agreed overdraft facility, charged its trade receivables.

NEPCon F.M.B.A. has provided a self-declaration guarantee of EUR 1 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 prepared in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

The accounting policies applied to these consolidated financial statements and parent financial statements are consistent with those applied last year.

Recognition and measurement
Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

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' pro rata shares of the profit/loss and the net assets are disclosed as separate items in Management's proposal for the distribution of net profit/loss and equity, respectively.

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).

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.

Property costs
Property costs include costs incurred to operate the Entity's properties in the financial year, including repair and maintenance costs, property tax and electricity, water and heating, which are not charged directly from the lessee.

Staff costs
Staff costs comprise wages and salaries, and 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, and gains and losses from the sale of intangible assets and property, plant and equipment.

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 intra-group 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, and 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, and tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year
Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

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 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.

In the group financial statements, goodwill is recognized as a separate line item, while in the parent financial statement goodwill is recognized as part of the re-evaluation of investments in group enterprises.

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 in the 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.

Intellectual property rights etc. are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment
Land and buildings, plant and machinery, and 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:

	Useful life
Other fixtures and fittings, tools and equipment	3-5 years

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

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 enterprises 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.

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.

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 contract 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 in 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, and finance costs are recognised in the income statement as incurred.

Deferred tax
Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset. However, no deferred tax is recognised for amortisation of goodwill disallowed for tax purposes and temporary differences arising at the date of acquisition that do not result from a business combination and that do not have any effect on profit or loss or on taxable income.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Tax payable or receivable
Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

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

Cash
Cash comprises cash in hand and bank deposits.

Other provisions
Other provisions comprise provision to support subsidiaries.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

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

Deferred income
Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.

Cash flow statement
The cash flow statement shows cash flows from operating, investing and financing activities, and 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 financial income, financial expenses and income tax paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments, and purchase, development, improvement and sale, etc. of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs, and the raising of loans, repayments of interest-bearing debt, including lease liabilities, 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.