

EHEDG (European Hygienic Engineering and Design Group) Clarification on the financial statements 2013

In this clarification a short explanation is given on the following financial statements:

- 1) Clarification on the Income & Cost statement
- 2) Clarification on the Balance Sheet

1 Clarification on the Income & Cost statement

The following explanation refers to the most important elements of the Income & Cost Statement.

1.1 The Income.

The EHEDG Foundation is a non-profit organisation. The income of the EHEDG is mainly generated from donations of companies, institutes and individuals. All these involved are stakeholders from the related food and food equipment manufacturing industries who support the work of EHEDG by their contributions. The EHEDG work mainly consists of the creation of guidelines and the promotion of knowledge of the hygienic design of equipment and processes for the food manufacturing industry. About 90 % of the EHEDG income is generated from membership donations.

The remaining 10 % of the EHEDG income is generated from guideline sales, congress and seminar registration as well as royalties for the certification of components and equipment based upon the EHEDG guidelines. These compensations and fees are not covering the cost of the activities but merely make sure that companies do not make use of the services to lightly. 1 % of the income is generated by adverts of industry partners in the EHEDG Yearbook which is published bi-annually.

The importance of safe food production and thus of EHEDG within the food manufacturing industry is increasing rapidly. This can be seen from the growing number of companies who are supporting the activities of EHEDG. Income from such donations is growing accordingly.

Whereas the EHEDG Foundation was originally started on a European level, it has meanwhile developed towards a globally recognized expert organisation for the creation of guidelines for the food manufacturing industry. Stakeholder companies operate worldwide and thus donations come from all over the world. The EHEDG Foundation consists of Regional Sections in many countries in Europe and overseas who translate the EHEDG guidelines and disseminate the related know-how in their countries.

1.2 The Cost

The EHEDG Foundation does not employ own staff. All activities - for instance the development of guidelines, the creation of training material and the organization of congresses and events - are done on a voluntary basis. To support all such worldwide activities, the administrative services are covered by a service agreement with the VDMA (German Engineering Federation in Frankfurt/Germany). The biggest cost position of EHEDG at 45% is related to these administrative services which had to be expanded in 2013 due to a growing number of participating companies and increasing activities.

Roughly 30 – 35% of the costs are resulting from the development of guidelines and training material in the EHEDG working groups as well as from translation of these materials by the Regional Sections. Whereas the man-hours involved are made on a voluntary basis, the costs associated with getting together in working groups are regularly compensated to those volunteers who are not supported by their employers, particularly the specialists from academia without any own financial funds. Other costs are the printing & publishing cost of the EHEDG Yearbook and the creation of professional training material.

5% of the costs are related to the dissemination of knowledge on hygienic engineering by trade shows and publications. International exhibitions are used to enlarge the brand awareness of EHEDG as an expert network and knowledge platform to the stakeholders.

About 20% of the income is spent on meetings of the Board, the Executive Committee and the Chairpersons of Regional Sections to determine the priorities of EHEDG in serving the food manufacturing industry in the best possible way. This amount has increased compared to earlier years. As EHEDG is getting more active throughout the world, costs for meeting expenses were increasing simultaneously.

1.3 The Result

The importance of safe food production and thus of EHEDG within the food manufacturing industry is increasing rapidly. This can be seen from the fast growing number of donating companies who are supporting the activities of EHEDG same as from related income figures. In 2013 the income was about 10K higher than budgeted, however the income from the Yearbook was far lower than budgeted. This resulted in a 30K lower income than expected.

By focussing on the voluntary character of the activities and by excellent cost controlling, the total cost remained clearly within budget. This resulted in a positive result of 110K in 2013.

2 Clarification on the Balance Sheet

The Balance Sheet of the EHEDG Foundation is briefly explained hereunder.

The EHEDG Foundation uses a budgeting rule that reserves are kept at the level of the fixed cost of one year. As explained, the EHEDG foundation is fully depending on donations from stakeholders of the related food and food equipment manufacturing industries. About 90 % of the EHEDG income is generated like this. In recent years, the reserves slowly accumulated to the desired level which was finally achieved in 2012. With the positive result of 2013, the reserves exceed the desired level.

14% out of the balance sheet total consists of receivables mainly from promised donations. The other 86% of the balance sheet total consists of cash & bank. The total receivables as a percentage of the balance total slightly increased from 12 to 14%.

The reserves are about 2/3 of the balance sheet total. Clearly visible is the increase of reserves due to the extraordinary annual result in 2013. In that year, 22% of the reserves were added to the balance sheet.

For about 1/3 of the balance sheet, total provisions were created for special projects. Due to the strong growth of the EHEDG Foundation outside Europe, a special project is planned to support the creation of local organisations in different parts of the world. In 2013 this project was in a preparation stage and thus the provisions did not change.

The growth rate experienced by the EHEDG Foundation - despite a difficult period during which a lot of companies in the food (equipment) manufacturing industry are suffering from the crisis - makes clear that the EHEDG organisation provides a clear need for the safe manufacturing of food.

Prepared on behalf of EHEDG in June 2014:

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