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The Capricorn Forest Fund K/S
c/o Bruun & Hjejle
Nørregade 21
1165 Copenhagen K,
Denmark
Central Business Registration
No 30724437

Annual report 2016

The Annual General Meeting adopted the annual report on 30.05.2017

Chairman of the General Meeting

Name: Søren Damgaard

Contents

Entity details

Entity
The Capricorn Forest Fund K/S
c/o Bruun & Hjejle Nørregade 21
1165 Copenhagen K, Denmark

Central Business Registration No: 30724437
Registered in: Denmark
Financial year: 01.01.2016 - 31.12.2016

Board of Directors
Hans Robin Philip, Chairman
Søren Damgaard

Executive Board
Søren Damgaard

Bank
Danske Bank A/S

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
Postboks 1600
0900 Copenhagen C, Denmark

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of The Capricorn Forest Fund K/S for the financial year 01.01.2016 - 31.12.2016.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements give a true and fair view of the group's and the parent's financial position at 31.12.2016 and the results of its operations and cash flows for the financial year 01.01.2016 - 31.12.2016.

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, 30.05.2017

Executive Board

Søren Damgaard

Board of Directors

Hans Robin Philip
Chairman

Søren Damgaard

Independent auditor's report

To the shareholders of The Capricorn Forest Fund K/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of The Capricorn Forest Fund K/S for the financial year 01.01.2016 - 31.12.2016, 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 31.12.2016, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2016 - 31.12.2016 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 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 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 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.

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, 30.05.2017

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Bill Haudal Pedersen
State-Authorised Public Accountant

Martin Jon Aibæk Pedersen
State-Authorised Public Accountant

Management commentary

	2016 USD'000	2015 USD'000	2014 USD'000	2013 USD'000	2012 USD'000
Financial highlights					
Key figures					
Revenue	4.212	4.394	4.845	4.975	2.772
Gross profit/loss	5.922	(7.621)	5.911	(15.049)	11.185
Operating profit/loss	(1.717)	(19.619)	(3.173)	(23.023)	8.219
Net financials	(2.696)	(3.541)	(1.935)	(583)	(445)
Profit/loss for the year	(4.303)	(23.037)	(4.347)	(23.506)	7.836
Total assets	126.448	121.741	135.393	134.569	123.273
Investments in property, plant and equipment	4.603	7.406	4.207	11.268	10.269
Equity incl minority interests	115.890	116.065	134.309	130.355	117.986
Ratios					
Gross margin (%)	140,6	(173,5)	122,0	(302,5)	403,5
Net margin (%)	(102,2)	(524,3)	(89,7)	(472,5)	282,7
Return on equity (%)	(3,7)	(18,4)	(3,3)	(18,9)	6,6
Equity ratio (%)	91,6	95,3	99,2	96,9	95,7

Financial highlights are presented on a consolidated basis.

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2010" issued by the Danish Society of Financial Analysts.

Ratios	**Calculation formula**	**Ratios**
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 (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Average equity incl minority interests}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity incl minority interests x 100}}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

Primary activities

The company was established in 2007. The purpose of the company is to carry out long term sustainable forestry investments in emerging markets in Asia, Africa, and the tropical part of Latin America.

At the end of the financial year, the fund comprises four investments located in: East Africa, Panama, Cambodia and Uganda respectively.

The company is the ultimate parent company for a number of enterprises in connection with the investment activities.

Development in activities and finances

During 2016, the activities of the company have continued to be focused on the management of the company's current investments.

In accordance with a separate agreement, this task has been performed in collaboration with the investment adviser, The International Woodland Company A/S.

The general economic development of the company is primarily impacted by changes in the fair market value of the investments, which are assessed yearly by an external appraiser.

The consolidated income statement for the financial year 2016 shows a loss of USD 4.302.506 and the consolidated balance sheet as of 31 December 2016 shows an equity of USD 115.889.584.

Outlook

The partnership has identified all underlying investments and will not make any new investments. Over the next few years the remaining committed capital will be invested in the portfolio companies.

Despite the expected uncertainties of operating in emerging markets, where the company is invested, we expect a modest development for the investments during the coming year, in line with the long term expectations for the investments.

Particular risks

Uncertainty relating to recognition and measurement

Equity investments in the portfolio company are recorded at fair market value. All investments in the fund have been appraised at fair market value by independent appraisers as of year end 2016.

The third party appraisal is based on a valuation methodology that aims at determining the expected transaction price between independent parties applying usual commercial considerations.

Management commentary

The valuation methodology involves all factors likely to influence the fair market value and is in accordance with generally accepted methodologies. The third party appraisals are based on projections, which contain a number of estimates (e.g. discount rate, growth rates, sales prices and costs), making third-party appraisals subject to a certain degree of uncertainty. Where data is available, the appraisers use either or all of the most common methodologies: discounted cash flow, sales comparison and replacement cost.

Every third year a new independent appraiser is appointed for each of the investments. The results of the annual appraisals of the subsidiaries can be very volatile and this should also be expected in the coming years.

Investment risks

Each investment is subject to a number of risks including, but not limited to: market risks, climate risks, biological risks, country risks, exchange rate risks, financial risks and interest and inflation risks.

Market Risk – The risk to the company's value that can derive from the fluctuation in market prices of forest products. To some extent, this risk can be mitigated through harvest planning measures.
Climate risks, including risks of storm and fire, and biological risks, including insect and fungal attack - Historically, these risks have only contributed to a minor impact on the value of forests. A number of precautions in the forest management are taken to mitigate these risks.

Country risks - include the risk of nationalization or expropriation of assets, exchange controls or devaluation.

Exchange Rate Risk – The company is denominated in USD, but has investments globally that are often not denominated in USD. The exchange rate between USD and the underlying currency of the investment fluctuates based on the impact of the financial market variables and leads to changes in the value of the investment as these results and financial items are translated back to USD. The company does not hedge any currency risks.

Financial risk - The company can incur debt up to a maximum of 30% of the invested capital, however as of year end 2016 the company has not incurred any external financial debt from third parties.
Interest Rate and inflation risk – The valuation of the company's assets is often derived from a discounted cash flow analysis, which is heavily influenced by the discount rate applied in the analysis. The discount rate is based on the level of interest rates in the economy in combination with appropriate risk adjustments. Any fluctuation in interest rates leads to a variation in the valuation of the entity.
In the selection of its investments, the company has sought to geographically diversify the portfolio in order to mitigate a number of risk factors such as market risks, climate risks, biological risks and political risks.
The company conducts an annual risk assessment for each investment, where risk factors that may affect the company are examined and addressed.

Management commentary

Environmental performance

All forest assets are covered by sustainable forest management plans.

At year end 2016, all the investments except one are fully FSC certified (Forest Stewardship Council). The last investment in East Africa is expected to pursue FSC certification and has currently achieved partial certification.

Events after the balance sheet date

The portfolio company in Uganda has incurred debt that may be converted to equity. The proceeds will finance future operations and enhance the asset value.

The portfolio company in East Africa has undertaken a shareholder loan with warrants to finance their operations. The financial position of this investment is very weak.

Both of these actions may dilute the current shareholding in the company.

Consolidated income statement for 2016

	Notes	2016 USD	2015 USD
Revenue	1	4.211.558	4.393.747
Fair value adjustments of biological assets		3.200.118	(10.604.172)
Production costs		(1.489.571)	(1.410.868)
Gross profit/loss		**5.922.105**	**(7.621.293)**
Distribution costs		(3.597.482)	(4.067.965)
Administrative costs	2, 3	(4.649.548)	(8.769.172)
Other operating income		608.324	839.141
Operating profit/loss		**(1.716.601)**	**(19.619.289)**
Other financial income	4	73.868	50.186
Other financial expenses	5	(2.769.403)	(3.590.754)
Profit/loss before tax		**(4.412.136)**	**(23.159.857)**
Tax on profit/loss for the year	6	109.630	122.426
Profit/loss for the year	7	**(4.302.506)**	**(23.037.431)**

Consolidated balance sheet at 31.12.2016

	Notes	2016 USD	2015 USD
Land and buildings		1.193.245	1.466.849
Plant and machinery		1.442.679	1.481.005
Biological assets		118.834.823	111.120.093
Property, plant and equipment	8	**121.470.747**	**114.067.947**
Investments in associates		972.682	3.930.690
Fixed asset investments	9	**972.682**	**3.930.690**
Fixed assets		**122.443.429**	**117.998.637**
Manufactured goods and goods for resale		116.032	90.314
Inventories		**116.032**	**90.314**
Trade receivables		320.073	506.052
Other receivables		701.130	905.700
Income tax receivable		109.630	122.426
Prepayments		2.113	56.584
Receivables		**1.132.946**	**1.590.762**
Cash		**2.755.970**	**2.060.886**
Current assets		**4.004.948**	**3.741.962**
Assets		**126.448.377**	**121.740.599**

Consolidated balance sheet at 31.12.2016

	Notes	2016 USD	2015 USD
Contributed capital		205.326.796	201.230.598
Reserve for net revaluation according to the equity method		1.181	4.330
Distributions		(26.897.590)	(26.897.590)
Retained earnings		(64.140.021)	(59.792.177)
Equity attributable to the Parent's owners		**114.290.366**	**114.545.161**
Share of equity attributable to minority interests		**1.599.218**	**1.520.080**
Equity		**115.889.584**	**116.065.241**
Other payables	10	9.477.786	4.508.043
Non-current liabilities other than provisions		**9.477.786**	**4.508.043**
Trade payables		713.105	607.648
Other payables		367.902	559.667
Current liabilities other than provisions		**1.081.007**	**1.167.315**
Liabilities other than provisions		**10.558.793**	**5.675.358**
Equity and liabilities		**126.448.377**	**121.740.599**
Contingent liabilities	13		

Consolidated statement of changes in equity for 2016

	Contributed capital USD	Reserve for net revaluation according to the equity method USD	Distributions USD	Retained earnings USD
Equity beginning of year	201.230.598	4.330	(26.897.590)	(59.792.177)
Increase of capital	4.096.198	0	0	0
Exchange rate adjustments	0	(3.149)	0	21.376
Profit/loss for the year	0	0	0	(4.369.220)
Equity end of year	**205.326.796**	**1.181**	**(26.897.590)**	**(64.140.021)**

	Total USD
Equity beginning of year	114.545.161
Increase of capital	4.096.198
Exchange rate adjustments	18.227
Profit/loss for the year	(4.369.220)
Equity end of year	**114.290.366**

Consolidated cash flow statement for 2016

	Notes	2016 USD	2015 USD
Operating profit/loss		(1.716.601)	(19.619.289)
Amortisation, depreciation and impairment losses		884.856	5.188.502
Working capital changes	11	332.994	185.849
Other adjustments	12	(3.200.118)	10.604.172
Cash flow from ordinary operating activities		**(3.698.869)**	**(3.640.766)**
Financial income received		73.868	50.186
Financial income paid		(1.046.119)	(3.072.718)
Income taxes refunded/(paid)		122.426	120.580
Cash flows from operating activities		**(4.548.694)**	**(6.542.718)**
Acquisition etc of property, plant and equipment		(4.602.807)	(7.405.804)
Sale of property, plant and equipment		10.662	4.110.907
Cash flows from investing activities		**(4.592.145)**	**(3.294.897)**
Loans raised		4.969.743	4.508.042
Cash increase of capital		4.096.198	4.835.000
Cash flows from financing activities		**9.065.941**	**9.343.042**
Increase/decrease in cash and cash equivalents		**(74.898)**	**(494.573)**
Cash and cash equivalents beginning of year		2.060.886	1.205.771
Currency translation adjustments of cash and cash equivalents		769.982	1.349.688
Cash and cash equivalents end of year		**2.755.970**	**2.060.886**

Notes to consolidated financial statements

	2016 USD	2015 USD
1. Revenue		
Asia	4.177.147	4.387.847
Africa	34.411	5.900
	4.211.558	**4.393.747**

2. Administrative costs

	2016 USD	2015 USD
Staff costs		
Wages and salaries	(421.524)	(573.640)
Total staff costs	**(421.524)**	**(573.640)**
Staff costs is allocated as follows:		
Cost of goods sold	(210.762)	(286.820)
Sales and distribution cost	(105.381)	(143.410)
Administrative expenses	(105.381)	(143.410)
	(421.524)	**(573.640)**
Average number of employees	**159**	**175**

Notes to consolidated financial statements

3. Depreciation, amortisation and impairment losses

	2016 (USD)	2015 (USD)
Depreciation, amortisation and impairm. losses		
Buildings	(355.102)	(446.091)
Plant and machinery	(501.482)	(525.739)
Biological	(28.273)	(4.235.473)
Total depreciation, amor. and impairm. losses	**(884.856)**	**(5.207.303)**

Depreciation, amor. and impairment is allocated as follows:

Cost of goods sold	(487.174)	(4.686.573)
Sales and distribution cost	(198.841)	(260.365)
Administrative expenses	(198.841)	(260.365)
	(884.856)	**(5.207.303)**

	2016 USD	2015 USD
4. Other financial income		
Exchange rate adjustments	1.629	0
Other financial income	72.239	50.186
	73.868	**50.186**

	2016 USD	2015 USD
5. Other financial expenses		
Exchange rate adjustments	1.723.284	3.072.718
Other financial expenses	1.046.119	518.036
	2.769.403	**3.590.754**

	2016 USD	2015 USD
6. Tax on profit/loss for the year		
Tax on current year taxable income	(109.630)	(122.426)
	(109.630)	**(122.426)**

Notes to consolidated financial statements

	2016 USD	2015 USD
7. Proposed distribution of profit/loss		
Retained earnings	(4.369.220)	(23.040.513)
Minority interests' share of profit/loss	66.714	3.082
	(4.302.506)	**(23.037.431)**

	Land and buildings USD	Plant and machinery USD	Biological assets USD
8. Property, plant and equipment			
Cost beginning of year	3.834.931	5.915.946	130.339.897
Additions	81.498	473.818	4.047.491
Disposals	0	(189.488)	0
Cost end of year	**3.916.429**	**6.200.276**	**134.387.388**
Depreciation and impairment losses beginning of the year	(2.368.082)	(4.434.941)	(4.763.736)
Impairment losses for the year	0	(63.382)	(28.273)
Depreciation for the year	(355.102)	(438.100)	0
Reversal regarding disposals	0	178.826	0
Depreciation and impairment losses end of the year	**(2.723.184)**	**(4.757.597)**	**(4.792.009)**
Fair value adjustments beginning of year	0	0	(14.456.068)
Fair value adjustments for the year	0	0	3.695.512
Fair value adjustments end of year	**0**	**0**	**(10.760.556)**
Carrying amount end of year	**1.193.245**	**1.442.679**	**118.834.823**

9. Fixed asset investments

Fixed asset investments comprises of investments in non-controlling assets.

10. Other long-term payables

Other long-term payables, consist of loans, which is due after 5 years.

	2016 USD	2015 USD
11. Change in working capital		
Increase/decrease in inventories	(25.718)	(14.668)
Increase/decrease in receivables	445.020	116.643
Increase/decrease in trade payables etc	(86.308)	83.874
	332.994	**185.849**

Notes to consolidated financial statements

12. Other adjustments

Other adjustments comprise fair value adjustments on biological assets, that does not have any effect on liquidity.

13. Contingent liabilities

The company has as of December 31, 2016 assumed an irrevocable commitment to invest a total sum of USD 161.4 million to the portfolio companies in the period up until the year of 2022. Of this total USD 1.4 million is still outstanding and includes contingencies approved by the investment committie of Capricorn.

Parent income statement for 2016

	Notes	2016 USD	2015 USD
Administrative costs	1	(1.002.582)	(1.161.458)
Operating profit/loss		**(1.002.582)**	**(1.161.458)**
Income from investments in group enterprises	2	(5.157.328)	(23.656.837)
Other financial income	3	1.807.639	1.791.148
Other financial expenses	4	0	8.011
Profit/loss for the year	5	**(4.352.271)**	**(23.019.136)**

Parent balance sheet at 31.12.2016

	Notes	2016 USD	2015 USD
Investments in group enterprises		94.128.194	96.450.488
Receivables from group enterprises		20.031.026	18.225.027
Fixed asset investments	6	**114.159.220**	**114.675.515**
Fixed assets		**114.159.220**	**114.675.515**
Cash		**204.515**	**26.219**
Current assets		**204.515**	**26.219**
Assets		**114.363.735**	**114.701.734**

Parent balance sheet at 31.12.2016

	Notes	2016 USD	2015 USD
Contributed capital		205.326.799	201.230.597
Distributions	7	(26.897.591)	(26.897.591)
Retained earnings		(64.123.070)	(59.770.799)
Equity		**114.306.138**	**114.562.207**
Other payables		57.597	139.527
Non-current liabilities other than provisions		**57.597**	**139.527**
Liabilities other than provisions		**57.597**	**139.527**
Equity and liabilities		**114.363.735**	**114.701.734**
Contingent liabilities	8		

Parent statement of changes in equity for 2016

	Contributed capital USD	Distributions USD	Retained earnings USD	Total USD
Equity beginning of year	201.230.597	(26.897.591)	(59.770.799)	114.562.207
Increase of capital	4.096.202	0	0	4.096.202
Profit/loss for the year	0	0	(4.352.271)	(4.352.271)
Equity end of year	**205.326.799**	**(26.897.591)**	**(64.123.070)**	**114.306.138**

Notes to parent financial statements

1. Administrative costs

Staff relationship:

The company has not had any employees in the financial year 2015 or 2016.

The Management board has not received any remuneration in the financial year 2015 or 2016.

The partnership has no pension obligations to employees or management.

The partnership does not have any special incentive plans other than a potential profit sharing plan with the adviser, The International Woodland Company A/S.

	2016 USD	2015 USD
Partnership costs and advisory fee	851.083	1.043.982
Accounting assistance	70.445	70.134
Other costs	27.851	4.174
Auditor's fee	20.354	21.668
Other audit fee	32.850	21.500
Total Partnership expenses	**1.002.583**	**1.161.458**

2. Income from investments in group enterprises

	2016 USD	2015 USD
Unrealised gains / loss on investments	(5.151.521)	(23.635.559)
Unrealised exchange rate adjustment on unlisted shares	(5.807)	(21.278)
Total Partnership expenses	**(5.157.328)**	**(23.656.837)**

	2016 USD	2015 USD
3. Other financial income		
Financial income arising from group enterprises	1.806.000	1.791.148
Interest income	10	0
Exchange rate adjustments	1.629	0
	1.807.639	**1.791.148**

Notes to parent financial statements

	2016 USD	2015 USD
4. Other financial expenses		
Exchange rate adjustments	0	(8.011)
	0	**(8.011)**

	2016 USD	2015 USD
5. Proposed distribution of profit/loss		
Retained earnings	(4.352.271)	(23.019.136)
	(4.352.271)	**(23.019.136)**

	Investments in group enterprises USD	Receivables from group enterprises USD
6. Fixed asset investments		
Cost beginning of year	130.477.840	26.654.489
Additions	2.835.034	0
Cost end of year	**133.312.874**	**26.654.489**
Impairment losses beginning of year	(34.027.352)	(8.429.462)
Fair value adjustments	(5.157.328)	1.805.999
Impairment losses end of year	**(39.184.680)**	**(6.623.463)**
Carrying amount end of year	**94.128.194**	**20.031.026**

7. Distributions

Total distributions and other transactions with shareowners reduced equity by USD 26.9 million in 2011.

8. Contingent liabilities

The company has as of December 31, 2016 assumed an irrevocable commitment to invest a total sum of USD 161.4 million to the portfolio companies i the period up until the year of 2022. Of this total USD 1.4 million is still outstanding and includes contingencies approved by the investment committie of Capricorn.

Accounting policies

Reporting class
This financial statement for the group and parent company has been prepared in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium-size).

The accounting policies applied for the financial statements are consistent with those applied last year. However, some changes has been made to the presentation in accordance with the new Danish Financial Statement Act. These changes in the presentation, has not affected the income statement or balance.

The annual report for the group is presented in its functional currency, USD.

Material uncertainty related to recognition and measurement
Equity investments in the portfolio companies and biological assets are recorded at fair value. The fair value is compiled at balance sheet date and is based on a third party appraisal.

The third party appraisal is based on a valuation methodology that aims at determining the expected transaction price between independent parties applying usual commercial considerations.

The third party appraisals are based on projections, which contains a number of estimates (e.g. discount rate, expected production, sales prices and costs), making third-party appraisal subject to a certain degree of uncertainty

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

Accounting policies

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 Capricorn Forest Fund K/S 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 the income statement and the balance sheet, respectively.

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

Foreign currency translation
Balance sheet items are translated using the exchange rates at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates as well as out of the translation of income statements from average rates to the exchange rates at the balance sheet date are recognised directly in equity.
Receivables and payables in foreign currencies are translated using the exchange rate at the balance sheet date. The difference from these transactions is recognised in the income statement under financial income or expenses.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the year.

In the parent company equity investments and loans to portfolio companies in foreign currencies are translated using the exchange rate at the balance sheet date. Exchange rate differences that arise between the rate at the transaction date and the balance sheet date, are recognised in the income statement under the item Revenue from portfolio companies.

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

Fair value adjustments of biological assets
Fair value adjustments of biological assets include adjustments for the financial year of the entity's biological assets measured at fair value

Accounting policies

Production costs
Production costs comprise of the costs to achieve the yearly revenue including directly and indirectly costs to wages and salaries to production staff, rent etc. together with depreciation and impairment.

Distribution costs
Distribution costs comprise costs incurred for sale and distribution of the Entity's products, including wages and salaries for sales staff, advertising costs, travelling and entertainment expenses, etc as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment attached to the distribution process.

Administrative costs
Administrative expenses comprise of the yearly cost of management and administration including wages to administrative staff, office building and office expenses together with depreciation and impairment. Furthermore the administrative expenses also consist of provision for bad debts.

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

Other financial income
In the financial statement of the Group, financial income comprises interests and exchange rate adjustment on other receivables and payables in foreign currencies. In the parent company also interests on loan provided to portfolio companies.

Other financial expenses
Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital 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.

Tax on profit/loss for the year
The tax on profit/loss for the year consists of the actual tax and adjustment of the deferred tax is recognized in the profit and loss statement.

The Danish entities in the group are jointly taxed with the ultimate parent company which settles all taxable payments with the tax authorities. The actual Danish company tax is allocated between the Danish companies according to each entity's taxable income. In connection with this, Danish entities with a negative taxable income receive a contribution from Danish entities, which had deducted the negative taxable income in their positive taxable income (full allocation with a refund concerning tax losses).

Balance sheet
Property, plant and equipment
Property, plant and equipment consist of buildings, plant and machinery.

Accounting policies

Building as well as plant and machinery are measured at cost less accumulated depreciation and impairment losses.

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. For group-manufactured assets, cost comprises direct and indirect costs of materials, components, sub suppliers and labor costs.

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:

Buildings	3-15 years
Machinery and equipment	2-20 years

Property, plant and equipment are written down to the lower of recoverable amount and carrying amount

Profits and losses from the sale of property, plant and equipment are calculated as the difference between selling price lass selling costs and carrying amount at the time of sale. Profits or losses are recognized in the income statement as adjustment to depreciation and impairment losses, or under other operation income if the selling price exceeds original cost.

Biological assets
Biological assets comprise of the value of planted and natural forestry including the value of the right to further planting. Biological assets are measured at fair value based on third party assessment as per balance sheet date.

The third party assessment is based on a valuation methodology that aims to determine the transaction price, which would arise between independent parties who bring normal commercial considerations.

The valuation methodology involves all factors likely to influence the fair value and is in accordance with generally accepted methodologies.

Third party evaluation is based on projections, which contains a number of estimates (e.g. discount rate, expected production, sales prices and costs), making third-party assessments subject to a certain degree of uncertainty.

Unrealized and realized fair value adjustments of biological assets are recognized in the profit and loss statement as fair value adjustment of biological assets.

Investments in group enterprises
In the parent company, equity investments in the portfolio company are recorded at fair value based on the same appraisal technique as described above under biological assets.

In the parent company, loan provided to portfolio companies are measured to amortised cost, which usually is comparable to nominal value. The value is reduced by write-down on expected loss.

Accounting policies

Investments in associates
Investments in associates are measured at fair value based on the same appraisal technique as described above under biological assets.

Inventories
Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost of goods for resale, raw materials and consumables consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables and direct labor costs as well as indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation on and impairment losses relating to machinery, factory buildings and equipment applied for the manufacturing process as well as costs of factory administration and management. Financing costs are not included in cost.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

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

Income tax payable or receivable
Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated 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.

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.

Cash flow statement
The cash flow statement of the group is presented using the indirect method and shows cash flows from operating, investing and financing activities as well as the group's cash and cash equivalents at the beginning

Accounting policies

and the end of the financial year. No separate cash flow statement has been prepared for the parent because it is included in the consolidated cash flow statement.

Cash flows from acquisition and divestment of enterprises are shown separately under cash flows from investing activities. Cash flows to acquired enterprises are recognized up to the time of sale.

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

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

Cash flows from finanxing activities comprise changes in the size or composition of the parent's share capital and related costs.

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

Contingent liabilities

Contingent liabilities are not shown in the balance sheet but are only shown in the notes.