Deloitte.

Deloitte
Statsautoriseret
Revisionspartnerselskab
CVR-nr. 33963556
Weidekampsgade 6
P.O. 1600
0900 Copenhagen

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

The Capricorn Forest Fund K/S

Nørregade 21
1165 Copenhagen
Central Business Registration
No 30724437

Annual report 2018

The Annual General Meeting adopted the annual report on 29.05.2019

Chairman of the General Meeting

____

Name: Søren Damgaard

Contents

Entity details

Entity
The Capricorn Forest Fund K/S
Nørregade 21
1165 Copenhagen

Central Business Registration No (CVR): 30724437
Registered in: Copenhagen
Financial year: 01.01.2018 - 31.12.2018

Board of Directors
Søren Damgaard
Thomas Skjellerup

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
P.O. 1600
0900 Copenhagen

Statement by Management on the annual report

The Board of Directors has today considered and approved the annual report of The Capricorn Forest Fund K/S for the financial year 01.01.2018 - 31.12.2018.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2018 and of the results of its operations and cash flows for the financial year 01.01.2018 - 31.12.2018.

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, 29.05.2019

Board of Directors

Søren Damgaard Thomas Skjellerup

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 01.01.2018 - 31.12.2018, 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 31.12.2018, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2018 - 31.12.2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation of consolidated financial statements and parent financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements

Independent auditor's report

can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and these parent financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent auditor's report

Statement on the management commentary
Management is responsible for the management commentary.

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

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

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

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen, 29.05.2019

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Bill Haudal Pedersen
State Authorised Public Accountant
Identification No (MNE) mne30131

Management commentary

	2018 USD'000	2017 USD'000	2016 USD'000	2015 USD'000	2014 USD'000
Financial highlights					
Key figures					
Revenue	372	3.603	4.212	4.394	4.845
Gross profit/loss	13.060	9.314	5.922	(7.621)	5.911
Operating profit/loss	8.131	4.359	(1.717)	(19.619)	(3.173)
Net financials	(1.784)	(1.697)	(2.696)	(3.541)	(1.935)
Profit/loss for the year	6.348	2.745	(4.303)	(23.037)	(4.347)
Profit/loss excl minority interests	6.125	2.346	(4.369)	(23.041)	(4.557)
Total assets	141.630	134.205	126.448	121.741	135.393
Investments in property, plant and equipment	3.167	3.763	4.603	7.406	4.207
Equity	130.425	122.479	115.890	116.065	134.309
Equity excl minority interests	128.448	120.584	114.290	114.545	132.752
Ratios					
Gross margin (%)	3.509,6	258,5	140,6	(173,5)	122,0
Net margin (%)	1.705,7	76,2	(102,2)	(524,3)	(89,7)
Return on equity (%)	4,9	2,0	(3,8)	(18,6)	(3,5)
Equity ratio (%)	90,7	89,9	90,4	94,1	98,0

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

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

Management commentary

Primary activities

The partnership 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.

Development in activities and finances

During 2018, the activities of the company have continued to focus 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 2018 shows a net profit of USD 6.347.564 and the consolidated balance sheet as of 31 December 2018 shows an equity of USD 128.448.436.

In the parent company, the investment portfolio in companies and loans to portfolio companies are measured at fair value, with potential deductions from changeable and volatile markets.

Outlook

The partnership has identified all underlying investments and will not make any new investments. 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.

Particular risk

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 2018.
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 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 several 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 the most common methodologies: discounted cash flow, sales comparison and replacement cost.

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.

Management commentary

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 2018 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 to mitigate several 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.

Environmental performance

All forest assets are covered by sustainable forest management plans.
At year-end 2018, all the investments are fully FSC certified (Forest Stewardship Council).

Events after the balance sheet date

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

Consolidated income statement for 2018

	Notes	2018 USD	2017 USD
Revenue	1	372.132	3.602.836
Fair value adjustments of biological assets		12.955.439	6.836.465
Cost of sales		(267.127)	0
Production costs		0	(1.124.945)
Gross profit/loss		**13.060.444**	**9.314.356**
Distribution costs		(1.667.339)	(2.501.207)
Administrative expenses	2	(4.168.056)	(4.255.865)
Other operating income		906.323	1.801.371
Operating profit/loss		**8.131.372**	**4.358.655**
Income from investments in group enterprises		1.798	0
Other financial income	5	62.713	90.115
Other financial expenses	6	(1.848.063)	(1.786.716)
Profit/loss before tax		**6.347.820**	**2.662.054**
Tax on profit/loss for the year	7	(256)	83.350
Profit/loss for the year	8	**6.347.564**	**2.745.404**

Consolidated balance sheet at 31.12.2018

	Notes	2018 USD	2017 USD
Land and buildings		1.044.230	1.073.352
Plant and machinery		1.160.529	1.107.233
Biological assets		134.612.878	128.239.007
Property, plant and equipment	9	**136.817.637**	**130.419.592**
Fixed assets		**136.817.637**	**130.419.592**
Manufactured goods and goods for resale		77.354	118.417
Inventories		**77.354**	**118.417**
Trade receivables		677.909	483.620
Other receivables		867.264	982.885
Income tax receivable		0	199.872
Prepayments		2.150	68.687
Receivables		**1.547.323**	**1.735.064**
Cash		**3.188.076**	**1.931.448**
Current assets		**4.812.753**	**3.784.929**
Assets		**141.630.390**	**134.204.521**

Consolidated balance sheet at 31.12.2018

	Notes	2018 USD	2017 USD
Contributed capital		218.699.745	213.312.245
Distributions		(30.547.239)	(26.897.590)
Retained earnings		(59.704.070)	(65.830.914)
Equity attributable to the Parent's owners		**128.448.436**	**120.583.741**
Share of equity attributable to minority interests		**1.976.966**	**1.895.092**
Equity		**130.425.402**	**122.478.833**
Other payables		10.621.308	10.867.513
Non-current liabilities other than provisions		**10.621.308**	**10.867.513**
Trade payables		574.090	688.112
Income tax payable		256	0
Other payables		9.334	170.063
Current liabilities other than provisions		**583.680**	**858.175**
Liabilities other than provisions		**11.204.988**	**11.725.688**
Equity and liabilities		**141.630.390**	**134.204.521**

Consolidated statement of changes in equity for 2018

	Contributed capital USD	Distributions USD	Retained earnings USD	Total USD
Equity beginning of year	213.312.245	(26.897.590)	(65.830.914)	120.583.741
Increase of capital	5.387.500	0	0	5.387.500
Exchange rate adjustments	0	0	2.165	2.165
Profit/loss for the year	0	(3.649.649)	6.124.679	2.475.030
Equity end of year	**218.699.745**	**(30.547.239)**	**(59.704.070)**	**128.448.436**

Consolidated cash flow statement for 2018

	Notes	2018 USD	2017 USD
Operating profit/loss		8.131.372	4.358.655
Amortisation, depreciation and impairment losses		(533.658)	657.201
Working capital changes	10	(492.014)	(291.429)
Other adjustments		(12.955.439)	(6.836.465)
Cash flow from ordinary operating activities		**(5.849.739)**	**(2.112.038)**
Financial income received		62.713	90.115
Financial expenses paid		(1.844.858)	(1.325.555)
Income taxes refunded/(paid)		200.128	109.630
Cash flows from operating activities		**(7.431.756)**	**(3.237.848)**
Acquisition etc of property, plant and equipment		(3.167.374)	(3.763.193)
Sale of property, plant and equipment		9.468.882	339
Sale of fixed asset investments		0	972.682
Cash flows from investing activities		**6.301.508**	**(2.790.172)**
Loans raised		0	1.389.727
Dividend paid		(3.649.649)	0
Cash increase of capital		5.387.500	7.985.449
Cash flows from financing activities		**1.737.851**	**9.375.176**
Increase/decrease in cash and cash equivalents		**607.603**	**3.347.156**
Cash and cash equivalents beginning of year		1.931.448	2.755.970
Currency translation adjustments of cash and cash equivalents		649.025	(4.171.678)
Cash and cash equivalents end of year		**3.188.076**	**1.931.448**

Notes to consolidated financial statements

1. Revenue

	2018 USD	2018 USD
Asia	0	3.402.053
Africa	372.132	200.783
	372.132	**3.602.836**

2. Administrative expenses

Staff costs	**2018 USD**	**2018 USD**
Wages and salaries	(403.118)	(410.380)
Total staff costs	**(403.118)**	**(410.380)**

Staff costs is allocated as follows:		
Cost of goods sold	(201.559)	(205.190)
Sales and distribution cost	(100.780)	(102.595)
Administrative expenses	(100.789)	(102.595)
	(403.118)	**(410.380)**

	2018	**2017**
3. Staff costs		
Average number of employees	**48**	**130**

4. Depreciation, amortisation and impairment losses

	2018 (USD)	**2017 (USD)**
Depreciation, amortisation and impairm. losses		
Buildings	(201.754)	(239.648)
Plant and machinery	(331.658)	(417.553)
Biological	0	0
Total depreciation, amor. and impairm. losses	**(533.418)**	**(657.201)**

Depreciation, amor. and impairment is allocated as follows:

Notes to consolidated financial statements

Cost of goods sold	(48.321)	(222.992)
Distribution cost	(242.545)	(217.105)
Administrative expenses	(242.545)	(217.105)
	(533.412)	**(657.201)**

	2018 USD	2017 USD
5. Other financial income		
Exchange rate adjustments	8.588	0
Other financial income	54.125	90.115
	62.713	**90.115**

	2018 USD	2017 USD
6. Other financial expenses		
Exchange rate adjustments	652.434	461.161
Other financial expenses	1.195.629	1.325.555
	1.848.063	**1.786.716**

	2018 USD	2017 USD
7. Tax on profit/loss for the year		
Current tax	256	(83.350)
	256	**(83.350)**

	2018 USD	2017 USD
8. Proposed distribution of profit/loss		
Retained earnings	6.124.679	2.345.766
Minority interests' share of profit/loss	222.885	399.638
	6.347.564	**2.745.404**

Notes to consolidated financial statements

	Land and buildings USD	Plant and machinery USD	Biological assets USD
9. Property, plant and equipment			
Cost beginning of year	4.036.184	6.145.043	137.948.360
Transfers	157.468	(157.468)	0
Additions	137.725	440.083	2.589.566
Disposals	0	(235.381)	(9.448.660)
Cost end of year	**4.331.377**	**6.192.277**	**131.089.266**
Depreciation and impairment losses beginning of year	(2.962.832)	(5.037.810)	(4.792.009)
Transfers	(122.561)	122.561	0
Depreciation for the year	(201.754)	(331.658)	0
Reversal regarding disposals	0	215.159	0
Depreciation and impairment losses end of year	**(3.287.147)**	**(5.031.748)**	**(4.792.009)**
Fair value adjustments beginning of year	0	0	(4.917.344)
Fair value adjustments for the year	0	0	13.232.965
Fair value adjustments end of year	**0**	**0**	**8.315.621**
Carrying amount end of year	**1.044.230**	**1.160.529**	**134.612.878**

	2018 USD	2017 USD
10. Change in working capital		
Increase/decrease in inventories	41.063	(2.385)
Increase/decrease in receivables	(12.121)	(511.876)
Increase/decrease in trade payables etc	(520.956)	222.832
	(492.014)	**(291.429)**

11. Other adjustments

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

Parent income statement for 2018

	Notes	2018 USD	2017 USD
Administrative expenses	1	(800.753)	(1.216.552)
Operating profit/loss		**(800.753)**	**(1.216.552)**
Income from investments in group enterprises	3	(6.109.300)	(38.016.126)
Other financial income	4	2.275.947	1.897.077
Other financial expenses	5	(5)	(103.538)
Profit/loss for the year	6	**(4.634.111)**	**(37.439.139)**

Parent balance sheet at 31.12.2018

	Notes	2018 USD	2017 USD
Investments in group enterprises		73.813.949	76.765.600
Receivables from group enterprises		6.265.637	6.950.021
Fixed asset investments	7	**80.079.586**	**83.715.621**
Fixed assets		**80.079.586**	**83.715.621**
Cash		**2.108.280**	**1.245.023**
Current assets		**2.108.280**	**1.245.023**
Assets		**82.187.866**	**84.960.644**

Parent balance sheet at 31.12.2018

	Notes	2018 USD	2017 USD
Contributed capital		218.699.746	213.312.246
Distributions	8	(30.547.240)	(26.897.591)
Retained earnings		(106.196.320)	(101.562.209)
Equity		**81.956.186**	**84.852.446**
Other payables		231.680	108.198
Non-current liabilities other than provisions		**231.680**	**108.198**
Liabilities other than provisions		**231.680**	**108.198**
Equity and liabilities		**82.187.866**	**84.960.644**
Contingent liabilities	9		

Parent statement of changes in equity for 2018

	Contributed capital USD	Distributions USD	Retained earnings USD	Total USD
Equity beginning of year	213.312.246	(26.897.591)	(101.562.209)	84.852.446
Increase of capital	5.387.500	0	0	5.387.500
Ordinary distributions	0	(3.649.649)	0	(3.649.649)
Profit/loss for the year	0	0	(4.634.111)	(4.634.111)
Equity end of year	**218.699.746**	**(30.547.240)**	**(106.196.320)**	**81.956.186**

Notes to parent financial statements

1. Administrative expenses

Staff relationship:

The company has not had any employees in the financial year 2017 or 2018.

The Management board has not received any remuneration in the financial year 2017 or 2018.

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.

	2018 USD	2017 USD
Partnership costs and advisory fee	668.935	1.074.731
Accounting assistance	74.985	73.259
Other costs	3.563	4.323
Auditor's fee	28.918	29.870
Other audit fee	24.352	34.369
Total Partnership expenses	**800.753**	**1.216.552**

	2018	2017
2. Staff costs		
Average number of employees	**0**	**0**

3. Income from investments in group enterprises

	2018 USD	2017 USD
Unrealised gains / loss on investments	(6.109.300)	(38.016.126)
Total income from investments in group enterprises	**(6.109.300)**	**(38.016.126)**

	2018 USD	2017 USD
4. Other financial income		
Financial income arising from group enterprises	2.253.765	1.895.296
Other interest income	13.594	1.781
Exchange rate adjustments	8.588	0
	2.275.947	**1.897.077**

Notes to parent financial statements

	2018 USD	2017 USD
5. Other financial expenses		
Exchange rate adjustments	0	1.232
Other financial expenses	5	102.306
	5	**103.538**

	2018 USD	2017 USD
6. Proposed distribution of profit/loss		
Retained earnings	(4.634.111)	(37.439.139)
	(4.634.111)	**(37.439.139)**

7. Fixed asset investments

	Investment in group enterprises USD	Receivables from group enterprises USD
Cost beginning of year	135.775.105	30.294.489
Additions	2.159.149	1.710.000
Disposals	(27.059.153)	(600.000)
Cost at year end	**110.875.101**	**31.404.489**
Impairment losses beginning of year	(59.009.505)	(23.344.468)
Equity value adjustment	(2.159.149)	0
Fair value adjustment		(84.384)
Reversal regarding disposal	24.107.503	(1.710.00)
Impairment losses end of year	**(37.061.151)**	**(25.128.852)**
Carrying amount end of year	**73.813.949**	**6.265.637**

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

8. Distributions

Distributions comprise payments to the owners, based on distributions received from investments.

9. Contingent liabilities

The Company has no contigent liabilities.

Accounting policies

Reporting class

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

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

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

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 the income statement and the balance sheet, respectively.

Accounting policies

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 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.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

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.

Administrative expenses

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.

Accounting policies

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.

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.

Accounting policies

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 equity value. The equity value is complied at balance sheet date and is based on audit financial statements, since equity of the investments is the closest to fair value.

Group enterprises with negative equity are measured at USD 0, and any receivables from these enterprises are written down by the Parent's share of such negative equity value if it is deemed irrecoverable. If the negative equity value exceeds the amount receivable, the remaining amount is recognised under provisions if the Parent has a legal or constructive obligation to cover the liabilies of the relevant enterprise.

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 writedowns for bad and doubtful debts.

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

Cash
Cash comprises cash in hand and bank deposits.

Accounting policies

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.

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

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 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.

Underskrifterne i dette dokument er juridisk bindende. Dokumentet er underskrevet via Penneo™ sikker digital underskrift. Underskrivernes identiteter er blevet registereret, og informationerne er listet herunder.

"Med min underskrift bekræfter jeg indholdet og alle datoer i dette dokument."

Søren Damgaard
Bestyrelsesmedlem
Serienummer: PID:9208-2002-2-802845324933
IP: 87.49.xxx.xxx
2019-05-30 11:47:29Z
NEM ID

Søren Damgaard
Dirigent
Serienummer: PID:9208-2002-2-802845324933
IP: 87.49.xxx.xxx
2019-05-30 11:47:29Z
NEM ID

Thomas Skjellerup
Bestyrelsesmedlem
Serienummer: PID:9208-2002-2-539599409338
IP: 194.239.xxx.xxx
2019-05-31 09:17:48Z
NEM ID

Penneo dokumentnøgle: M1EBH-6237Z-1ES1X-7PFJS-AFS04-NVJ75