

Capricorn Africa ApS
c/o Bruun & Hjejle, Nørregade
21
1165 Copenhagen K, Denmark
Central Business Registration No
30897323

Annual report 2016

The Annual General Meeting adopted the annual report on 30.05.2017

Chairman of the General Meeting



Name: Søren Damgaard

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Entity details

Entity

Capricorn Africa ApS
c/o Bruun & Hjejle, Nørregade 21
1165 Copenhagen K, Denmark

Central Business Registration No: 30897323

Founded: 27.09.2007

Registered in: Denmark

Financial year: 01.01.2016 - 31.12.2016

Board of Directors

Hans Robin Philip, Chairman
Søren Damgaard

Executive Board

Søren Damgaard

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 Capricorn Africa ApS 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 financial statements give a true and fair view of the Entity's financial position at 31.12.2016 and of the results of its operations 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 Capricorn Africa ApS

Opinion

We have audited the financial statements of Capricorn Africa ApS 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. The financial statements are prepared 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 31.12.2016 and of the results of its operations 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 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 financial statements section of this auditor's report. We are independent of the Entity 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 financial statements

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

In preparing the financial statements, Management is responsible for assessing 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 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 financial statements

Our objectives are to obtain reasonable assurance about whether the 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 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:

Independent auditor's report

- Identify and assess the risks of material misstatement of the 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 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 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 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 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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 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 financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the 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.

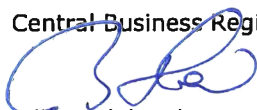
Independent auditor's report

Based on the work we have performed, we conclude that the management commentary is in accordance with the 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

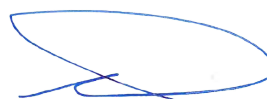
Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556



Bill Haudal Pedersen

State-Authorised Public Accountant



Martin Jon Albæk Pedersen

State-Authorised Public Accountant

Management commentary

Primary activities

The purpose of the company is to carry out long term sustainable investments in forestry and plantation establishment in Africa.

Development in activities and finances

Activities

Since the establishment of the company in 2007, the main activity was initially investment in plantation establishment in Mozambique through ownership of 20.33 % of Global Solidarity Forest Fund AB (GSFF), a Swedish entity.

In June 2014 GSFF was merged with a Norwegian company, Green Resources AS, which conducts the same activities but is further diversified into Uganda and Tanzania as well as Mozambique.

Economic development

The value of the assets is assessed annually by an external appraiser and can vary significantly from year to year. Despite the plantations nearing harvestable age, the company is not cash flow positive and is in a very difficult financial position. Recently a shareholder loan of USD 3 million was taken to sustain operations, while a long term solution is found.

The net result for the company for the financial year 2016 shows a loss of USD 3,289,108. Thus the company will show negative equity also in 2016. As of December 31 2016 the equity is USD (25,437,144).

This situation will, in accordance with the Companies Act § 119, be considered at the company's Annual General Meeting in May 2017, where the Management Board will account for the financial position of the company and, if necessary, propose any measures to be taken.

The company's operations are mainly financed via loans from the shareholder. The loans will only be repaid if the company has the necessary funds to do so.

Events after the balance sheet date

Capricorn Africa has agreed to sell the corresponding warrants received as part of the most recent shareholder loan. There have been no significant events after the balance sheet date.

Income statement for 2016

	<u>Notes</u>	<u>2016 USD</u>	<u>2015 USD</u>
Fair value adjustments of investment assets		(2.958.008)	(2.825.302)
Gross profit/loss		(2.958.008)	(2.825.302)
Other operating expenses		(12.491)	(11.910)
Operating profit/loss		(2.970.499)	(2.837.212)
Other financial income		60.639	39.526
Other financial expenses	1	(489.738)	(508.741)
Profit/loss before tax		(3.399.598)	(3.306.427)
Tax on profit/loss for the year		110.490	122.353
Profit/loss for the year		(3.289.108)	(3.184.074)
Proposed distribution of profit/loss			
Retained earnings		(3.289.108)	(3.184.074)
		(3.289.108)	(3.184.074)

Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016</u> <u>USD</u>	<u>2015</u> <u>USD</u>
Other investments		972.682	3.930.690
Fixed asset investments	2	972.682	3.930.690
Fixed assets		972.682	3.930.690
Deferred tax		110.490	122.353
Receivables		110.490	122.353
Cash		498.921	332.654
Current assets		609.411	455.007
Assets		1.582.093	4.385.697

Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 USD</u>	<u>2015 USD</u>
Contributed capital		24.699	24.699
Retained earnings		<u>(25.461.843)</u>	<u>(22.172.735)</u>
Equity		<u>(25.437.144)</u>	<u>(22.148.036)</u>
Payables to group enterprises		<u>27.012.237</u>	<u>26.526.533</u>
Non-current liabilities other than provisions		<u>27.012.237</u>	<u>26.526.533</u>
Other payables		<u>7.000</u>	<u>7.200</u>
Current liabilities other than provisions		<u>7.000</u>	<u>7.200</u>
Liabilities other than provisions		<u>27.019.237</u>	<u>26.533.733</u>
Equity and liabilities		<u>1.582.093</u>	<u>4.385.697</u>
Contingent liabilities	3		

Statement of changes in equity for 2016

	Contributed capital USD	Retained earnings USD	Total USD
Equity beginning of year	24.699	(22.172.735)	(22.148.036)
Profit/loss for the year	0	(3.289.108)	(3.289.108)
Equity end of year	24.699	(25.461.843)	(25.437.144)

Notes

	2016	2015
	USD	USD
1. Other financial expenses		
Financial expenses from group enterprises	485.704	484.377
Interest expenses	0	14
Exchange rate adjustments	4.034	24.350
	489.738	508.741

	Other investments USD
2. Fixed asset investments	
Cost beginning of year	<u>24.486.656</u>
Cost end of year	<u>24.486.656</u>
Impairment losses beginning of year	(20.555.966)
Fair value adjustments	<u>(2.958.008)</u>
Impairment losses end of year	<u>(23.513.974)</u>
Carrying amount end of year	<u>972.682</u>

3. Contingent liabilities

The Company participates in a Danish joint taxation arrangement in which International Woodland Company Holding A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable for income taxes etc. for the jointly taxed companies and from 1 July 2012 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies.

Accounting policies

Reporting class

This annual report of Capricorn Africa ApS has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises.

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 company is presented in its functional currency, USD.

The company is a 100 % owned subsidiary of The Capricorn Forest Fund K/S, which is the ultimate parent company.

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.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Accounting policies

Income statement

Fair value adjustments of investment assets

Fair value adjustment of other investment assets and related financial liabilities comprises adjustments for the financial year of the Entity's investment assets.

Other operating expenses

Other operating expenses comprise expenses of bank, audit and legal fee etc.

Other financial income

Other financial income consists of interest income and both realized and unrealized exchange rate adjustments.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises and both realized and unrealized exchange rate adjustments.

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.

The Entity is jointly taxed with all Danish subsidiaries. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Other investments

Equity investment in the portfolio company are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

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.

Cash

Cash comprises cash in hand and bank deposits.

Other financial liabilities

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