

Monsoon Timber K/S
Central Business Registration No
31850134
c/o Bruun & Hjejle, Nørregade 21
1165 Copenhagen K, Denmark

Annual report 2015

The Annual General Meeting adopted the annual report on 27.05.2016

Chairman of the General Meeting

Name: Søren Damgaard

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Entity details

Entity

Monsoon Timber K/S
c/o Bruun & Hjejle, Nørregade 21
1165 Copenhagen K, Denmark

Central Business Registration No: 31850134

Founded: 13.11.2008

Registered in: Copenhagen, Denmark

Financial year: 01.01.2015 - 31.12.2015

Board of Directors

Timothy Andrew Fleming, Chairman

Anders Pagh

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

Postboks 1600

0900 Copenhagen C, Denmark

Statement by Management on the annual report

The Board of Directors Board has today considered and approved the annual report of Monsoon Timber K/S for the financial year 01.01.2015 - 31.12.2015.

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 31.12.2015 and of the results of its operations for the financial year 01.01.2015 - 31.12.2015.

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, 17.05.2016

Board of Directors

Timothy Andrew Fleming
Chairman

Anders Pagh

Independent auditor's reports

To the owners of Monsoon Timber K/S

Report on the financial statements

We have audited the financial statements of Monsoon Timber K/S for the financial year 01.01.2015 - 31.12.2015, which comprise the accounting policies, income statement, balance sheet, statement of changes in equity and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility 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.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation of financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2015 and of the results of its operations for the financial year 01.01.2015 - 31.12.2015 in accordance with the Danish Financial Statements Act.

Statement on the management commentary

Pursuant to the Danish Financial Statements Act, we have read the management commentary. We have not performed any further procedures in addition to the audit of the financial statements.

On this basis, it is our opinion that the information provided in the management commentary is consistent with the financial statements.

Copenhagen, 17.05.2016

Deloitte

Statsautoriseret Revisionspartnerselskab

Bill Haudal Pedersen

State Authorised Public Accountant

Martin Pedersen

State Authorised Public Accountant

CVR-nr. 33963556

Management commentary

Primary activities

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

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

Development in activities and finances

Activities

Since the establishment of the company at the end of 2008, the main activity has been investment in plantation establishment in Cambodia via a Cambodian subsidiary Grandis Timber Ltd.

The subsidiary, Grandis Timber Ltd., has achieved FSC certification.

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

Economic development

Each year an independent third party appraisal is conducted of the company's assets in Grandis Timber Ltd. Every third year a new appraiser is appointed. In 2015 a new appraiser was appointed. The appraisal result of the subsidiary in Cambodia has turned out to be very volatile and this should also be expected in the coming years.

The result of the appraisal for 2015 was a write down of app. USD 11.5 million of the value of the investment at year end 2015.

The income statement for the financial year 2015 shows a loss of USD 11,520,841 and the balance sheet as of 31 December 2015 shows equity of USD 15,494,794.

Events after the balance sheet date

No events have occurred after the end of the financial year, which may have a material impact on the assessment of the financial position of the company.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

The accounting policies applied for these financial statements are consistent with those applied last year.

The annual report of the Entity is presented in its functional currency, USD.

Monsoon Timber K/S is a subsidiary of The Capricorn Forest Fund K/S, which is the ultimate parent.

The Entity has, with reference to the Financial Statements Act, Section 112, paragraph 1, omitted to prepare consolidated financial statements.

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 adjustment of other investment assets and related financial liabilities

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 a secondary nature as viewed in relation to the Entity's primary activities.

Other financial expenses

Financial income and expenses consists of remuneration to Komplementarselskabet Monsoon Timber ApS and realised as well as unrealised exchange rate adjustments.

Balance sheet

Investments in group enterprises

Investments in group enterprises are recorded at fair value. The fair value is compiled at the balance sheet date and is based on a third party assessment. 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 values and is in accordance with generally accepted methodologies for pricing equity.

Third party evaluation is based on projections which contain 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.

Unrealised and realised fair values of financial assets are recognised in the income statement as fair value adjustments of other investment 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.

Income statement for 2015

	<u>Notes</u>	<u>2015 USD</u>	<u>2014 USD</u>
Fair value adjustments of other investment assets	1	<u>(11.510.616)</u>	<u>(6.086.683)</u>
Gross profit/loss		(11.510.616)	(6.086.683)
Other operating expenses		<u>(6.946)</u>	<u>(8.476)</u>
Operating profit/loss		(11.517.562)	(6.095.159)
Other financial expenses	2	<u>(3.279)</u>	<u>(3.094)</u>
Profit/loss for the year		<u>(11.520.841)</u>	<u>(6.098.253)</u>
Proposed distribution of profit/loss			
Retained earnings		<u>(11.520.841)</u>	<u>(6.098.253)</u>
		<u>(11.520.841)</u>	<u>(6.098.253)</u>

Balance sheet at 31.12.2015

	<u>Notes</u>	<u>2015 USD</u>	<u>2014 USD</u>
Investments in group enterprises		15.514.342	24.174.958
Fixed asset investments	3	<u>15.514.342</u>	<u>24.174.958</u>
Fixed assets		<u>15.514.342</u>	<u>24.174.958</u>
Cash		<u>8.718</u>	<u>16.843</u>
Current assets		<u>8.718</u>	<u>16.843</u>
Assets		<u><u>15.523.060</u></u>	<u><u>24.191.801</u></u>

Balance sheet at 31.12.2015

	<u>Notes</u>	<u>2015 USD</u>	<u>2014 USD</u>
Contributed capital		28.277.612	25.427.612
Retained earnings		<u>(12.782.818)</u>	<u>(1.261.977)</u>
Equity		<u>15.494.794</u>	<u>24.165.635</u>
Other payables		<u>28.266</u>	<u>26.166</u>
Current liabilities other than provisions		<u>28.266</u>	<u>26.166</u>
Liabilities other than provisions		<u>28.266</u>	<u>26.166</u>
Equity and liabilities		<u><u>15.523.060</u></u>	<u><u>24.191.801</u></u>
Contingent liabilities	4		
Ownership	5		

Statement of changes in equity for 2015

	Contributed capital USD	Retained ear- nings USD	Total USD
Equity beginning of year	25.427.612	(1.261.977)	24.165.635
Increase of capital	2.850.000	0	2.850.000
Profit/loss for the year	0	(11.520.841)	(11.520.841)
Equity end of year	<u>28.277.612</u>	<u>(12.782.818)</u>	<u>15.494.794</u>

Notes

1. Fair value adjustments of other investment assets

Fair value adjustments of other investment assets comprise value adjustments of the subsidiary, Grandis Timber Ltd., Cambodia.

	2015 USD	2014 USD
2. Other financial expenses		
Interest expenses	279	94
Other financial expenses	3.000	3.000
	3.279	3.094
		Investments in group en- terprises USD
3. Fixed asset investments		
Cost beginning of year		25.352.878
Additions		2.850.000
Cost end of year		28.202.878
Revaluations beginning of year		(1.177.920)
Fair value adjustments		(11.510.616)
Revaluations end of year		(12.688.536)
Carrying amount end of year		15.514.342

	Registered in	Equity interest %	Equity USD	Profit/loss USD
Subsidiaries:				
Grandis Timber Ltd.	Cambodia	100,00	15.019.390	(5.280.690)

4. Contingent liabilities

The Entity owns 100% of the subsidiary, Grandis Timber Ltd. in Cambodia. The Entity has assumed an irrevocable commitment to invest a total sum of USD 32.4 million in the subsidiary in the period up to the year 2022.

Notes

5. Ownership

The Entity has registered the following shareholders holding more than 5% of the voting rights or nominal value:

The Capricorn Forest Fund K/S, Denmark

Monsoon Timber K/S and its subsidiary are included in the consolidated financial statements of The Capricorn Forest Fund K/S, Central Business Reg. no. 30 72 44 37.