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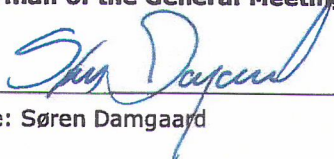
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Monsoon Timber K/S
c/o Bruun & Hjejle, Nørregade
21
1165 Copenhagen K, Denmark
Central Business Registration No
31850134

Annual report 2016

The Annual General Meeting adopted the annual report on 30.05.2017

Chairman of the General Meeting



Name: Søren Damgaard

Contents

	<u>Page</u>
Entity details	1
Statement by Management on the annual report	2
Independent auditor's report	3
Management commentary	6
Income statement for 2016	7
Balance sheet at 31.12.2016	8
Statement of changes in equity for 2016	10
Notes	11
Accounting policies	12

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: 01.01.2016 - 31.12.2016

Board of Directors

Timothy Andrew Fleming, Chairman

Anders Thykjær Pagh

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

Postboks 1600

0900 Copenhagen C, Denmark

Statement by Management on the annual report

The Board of Directors has today considered and approved the annual report of Monsoon Timber 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.

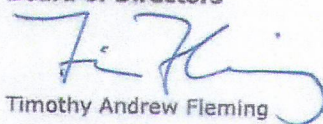
In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016.

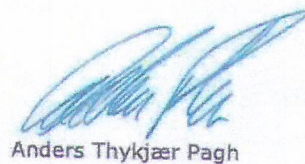
We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 30.05.2017

Board of Directors


Timothy Andrew Fleming
Chairman


Anders Thykjær Pagh

Independent auditor's report

To the shareholders of Monsoon Timber K/S

Opinion

We have audited the financial statements of Monsoon Timber 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. 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.

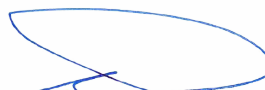
Copenhagen, 30.05.2017

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556



Bill Haudal Pedersen
State Authorised Public Accountant



Martin Jon Albak 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 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. Each appraiser has their own risk assessment and consequent opinion of value of the company.

The income statement for the financial year 2016 shows a gain of USD 623,759 and the balance sheet as of 31 December 2016 shows equity of USD 18,953,587.

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.

Income statement for 2016

	<u>Notes</u>	<u>2016</u> <u>USD</u>	<u>2015</u> <u>USD</u>
Fair value adjustments of investment assets		634.840	(11.510.616)
Gross profit/loss		634.840	(11.510.616)
Other operating expenses		(8.081)	(6.946)
Operating profit/loss		626.759	(11.517.562)
Other financial expenses	1	(3.000)	(3.279)
Profit/loss for the year		623.759	(11.520.841)
Proposed distribution of profit/loss			
Retained earnings		623.759	(11.520.841)
		623.759	(11.520.841)

Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 USD</u>	<u>2015 USD</u>
Investments in group enterprises		<u>18.984.216</u>	<u>15.514.342</u>
Fixed asset investments	2	<u>18.984.216</u>	<u>15.514.342</u>
Fixed assets		<u>18.984.216</u>	<u>15.514.342</u>
Cash		<u>437</u>	<u>8.718</u>
Current assets		<u>437</u>	<u>8.718</u>
Assets		<u>18.984.653</u>	<u>15.523.060</u>

Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 USD</u>	<u>2015 USD</u>
Contributed capital		31.112.646	28.277.612
Retained earnings		<u>(12.159.059)</u>	<u>(12.782.818)</u>
Equity		<u>18.953.587</u>	<u>15.494.794</u>
Other payables		<u>31.066</u>	<u>28.266</u>
Current liabilities other than provisions		<u>31.066</u>	<u>28.266</u>
Liabilities other than provisions		<u>31.066</u>	<u>28.266</u>
Equity and liabilities		<u>18.984.653</u>	<u>15.523.060</u>
Contingent liabilities	3		

Statement of changes in equity for 2016

	Contributed capital USD	Retained earnings USD	Total USD
Equity beginning of year	28.277.612	(12.782.818)	15.494.794
Increase of capital	2.835.034	0	2.835.034
Profit/loss for the year	0	623.759	623.759
Equity end of year	31.112.646	(12.159.059)	18.953.587

Notes

	2016	2015
	USD	USD
1. Other financial expenses		
Interest expenses	0	279
Other financial expenses	<u>3.000</u>	<u>3.000</u>
	3.000	3.279
		Investment s in group enterprises USD
2. Fixed asset investments		
Cost beginning of year		28.202.878
Additions		<u>2.835.034</u>
Cost end of year		<u>31.037.912</u>
Revaluations beginning of year		(12.688.536)
Fair value adjustments		<u>634.840</u>
Revaluations end of year		<u>(12.053.696)</u>
Carrying amount end of year		<u>18.984.216</u>

3. 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.

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 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 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 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 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.