



IWC Timberland Partners II K/S

Amalievej 20
1875 Frederiksberg C
CVR No. 39185954

Annual report 2021

The Annual General Meeting adopted the
annual report on

Henrik Lundqvist

Chairman of the General Meeting

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Entity details

Entity

IWC Timberland Partners II K/S

Amalievej 20

1875 Frederiksberg C

Business Registration No.: 39185954

Date of foundation: 22.12.2017

Financial year: 01.01.2021 - 31.12.2021

Executive Board

Henrik Lundqvist

Otto Frederik Iuel Reventlow

Celine Emilie Gaelle Claudon

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

2300 Copenhagen S

Statement by Management

The Executive Board has today considered and approved the annual report of IWC Timberland Partners II K/S for the financial year 01.01.2021 - 31.12.2021.

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 31.12.2021 and of the results of its operations for the financial year 01.01.2021 - 31.12.2021.

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.

Frederiksberg, 12.05.2022

Executive Board

Henrik Lundqvist

Otto Frederik Iuel Reventlow

Celine Emilie Gaelle Claudon

Independent auditor's report

To the shareholders of IWC Timberland Partners II K/S

Opinion

We have audited the financial statements of IWC Timberland Partners II K/S for the financial year 01.01.2021 - 31.12.2021, 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 31.12.2021 and of the results of its operations for the financial year 01.01.2021 - 31.12.2021 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 for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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:

- 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.

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, 12.05.2022

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Bill Haudal Pedersen

State Authorised Public Accountant
Identification No (MNE) mne30131

Michael Thorø Larsen

State Authorised Public Accountant
Identification No (MNE) mne35823

Management commentary

Primary activities

The purpose and objective of IWC Timberland Partners II K/S ("ITP II") is, by acting as a fund-of-funds, to make, manage, and dispose of sustainably managed forest investments and related assets.

Development in activities and finances

Since the first closing of ITP II on December 22, 2017, the activities of ITP II have focused on due diligence and Investments in companies related to forests. Final closing of ITP II took place on December 21, 2018. As of December 31, 2021, a total of USD 60,495,117 was contributed from Partners, and remaining uncalled commitment was USD 9,979,935.

The geographical investment allocations have been to Latin America and USA. In accordance with ITP II's limited partnership agreement, the tasks have been performed by the investment manager, IWC Investement Partners A/S.

Economic

The income statement for the year shows a net profit of USD 3,520,680 and the balance sheet as of December 31, 2021 shows equity of USD 60,730,631.

Profit/loss for the year in relation to expected developments

Equity Investments in the portfolio company are reported at fair market value based on audited financial statements of the underlying investments. All investments in the fund have been appraised at fair market value by independent appraisers and are 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 to large degree based on projections, which contain 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.

Appraisal of the subsidiaries can be very volatile, and this should also be expected in the coming years.

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.

Income statement for 2021

	Notes	2021 USD	2020 USD
Other operating income		65,489	65,282
Other external expenses		(119,609)	(512,935)
Gross profit/loss		(54,120)	(447,653)
Income from investments in group enterprises		2,390,303	4,867,009
Other financial income	1	1,187,182	585,784
Other financial expenses	2	(2,685)	(6,780)
Profit/loss for the year		3,520,680	4,998,360
Proposed distribution of profit and loss:			
Retained earnings		3,520,680	4,998,360
Proposed distribution of profit and loss		3,520,680	4,998,360

Balance sheet at 31.12.2021

Assets

	Notes	2021 USD	2020 USD
Investments in group enterprises		41,991,820	39,497,546
Other receivables		19,265,100	21,458,715
Financial assets	3	61,256,920	60,956,261
Fixed assets		61,256,920	60,956,261
Receivables from group enterprises		271,350	229,279
Other receivables		10,620	38,188
Receivables		281,970	267,467
Cash		0	83,563
Current assets		281,970	351,030
Assets		61,538,890	61,307,291

Equity and liabilities

	Notes	2021 USD	2020 USD
Contributed capital		60,495,117	57,840,117
Distributions		(9,868,991)	(3,381,794)
Retained earnings		10,104,505	6,583,825
Equity		60,730,631	61,042,148
Bank loans		644,290	0
Trade payables		45,538	66,539
Other payables		118,431	198,604
Current liabilities other than provisions		808,259	265,143
Liabilities other than provisions		808,259	265,143
Equity and liabilities		61,538,890	61,307,291
Employees	4		
Contingent liabilities	5		

Statement of changes in equity for 2021

	Contributed capital USD	Distributions USD	Retained earnings USD	Total USD
Equity beginning of year	57,840,117	(3,381,794)	6,583,825	61,042,148
Increase of capital	2,655,000	0	0	2,655,000
Ordinary distributions	0	(6,487,197)	0	(6,487,197)
Profit/loss for the year	0	0	3,520,680	3,520,680
Equity end of year	60,495,117	(9,868,991)	10,104,505	60,730,631

Notes

1 Other financial income

	2021 USD	2020 USD
Financial income from group enterprises	1,187,182	583,834
Other interest income	0	1,950
	1,187,182	585,784

2 Other financial expenses

	2021 USD	2020 USD
Other financial expenses	2,685	6,780
	2,685	6,780

3 Financial assets

	Investments in group enterprises USD	Other receivables USD
Cost beginning of year	33,267,063	22,632,500
Additions	2,780,924	1,104,000
Cost end of year	36,047,987	23,736,500
Revaluations beginning of year	6,230,484	(1,173,785)
Revaluations for the year	(286,651)	(3,297,615)
Revaluations end of year	5,943,833	(4,471,400)
Carrying amount end of year	41,991,820	19,265,100

Fixed asset investments comprises of investments in group enterprises and loans.

The fair market value can be very volatile and is described in the management commentary

4 Employees

The company has no employees.

The Executive Board has not received any remuneration

5 Contingent liabilities

The Partnership has as of December 31, 2021 assumed an irrevocable commitment to Investments of USD 60.5 million. Of this, total USD 0.8 million is still outstanding.

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 a few provisions for reporting class C.

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

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

The Company has, with reference to section 110(1) of the Financial Statements Act 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.

Income statement

Other operating income

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

Other external expenses

Other external expenses comprise partnership expenses and management fee. Partnership expenses include expenses that have been paid during the year for the performance of the Limited Partnerships's Investment activities. Management fee comprises expenses for the tasks that have been performed by the investment manager IWC Investment Partners A/S.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

Other financial income

Other financial income comprises interest income and transactions in foreign currencies.

Other financial expenses

Other financial expenses comprise interest expenses and transactions in foreign currencies.

Balance sheet

Investments in group enterprises

Investments in group enterprises are recorded at a equity value, which is consistent with fair value. The equity value is compiled at balance sheet date and is based on audited financial statements, since equity of the investments is the closest to fair value.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

Investments in Group Companies consist of equity investments in quiet funds allocated to these funds through internal holding companies.

Unrealised and realised fair values of financial assets are recognised in the income statement as income from portfolio companies.

Recognition and measurement of investments are in compliance with the requirements of the IFRS and are presented in accordance with the ILPA guidelines, which has not made any impact in the income statement or balance sheet.

Receivables

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

Cash

Cash comprises of bank deposits.

Other financial liabilities

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