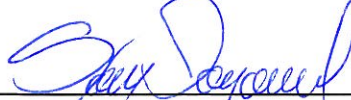


**Capricorn Africa ApS
Central Business Registration No
30897323**

Annual report 2014

The Annual General Meeting adopted the annual report on *22.05.2015*

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 København K

Central Business Registration No: 30897323

Registered in: Danmark

Financial year: 01.01.2014 - 31.12.2014

Board of Directors

Advokat Hans Robin Philip, Chairman
Søren Damgaard

Executive Board

Søren Damgaard

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
0900 København C

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 01.01.2014 - 31.12.2014.

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 31.12.2014 and of the results of its operations for the financial year 01.01.2014 - 31.12.2014.

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.


København, 22.05.2015

Executive Board



Søren Damgaard

Board of Directors



Advokat Hans Robin Philip
Chairman



Søren Damgaard

Independent auditor's reports

To the owners of Capricorn Africa ApS

Report on the financial statements

We have audited the financial statements of Capricorn Africa ApS for the financial year 01.01.2014 - 31.12.2014, 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 Company's financial position at 31.12.2014 and of the results of its operations for the financial year 01.01.2014 - 31.12.2014 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.

Independent auditor's reports

København, 22.05.2015

Deloitte

Statsautoriseret Revisionspartnerselskab



Bill Haudal 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 has been investment in plantation establishment in Mozambique through ownership of 20.33 % of Global Solidarity Forest Fund AB (GSFF) in Sweden.

Economic development

The assets of GSFF have been written down at year end 2013.

Consequently, Capricorn Africa ApS has written down its investment by app. USD 6.4 million. The net result for the financial year 2013 shows a loss of USD 6,738,032.

Thus the company will show negative equity also in 2013. As of December 31 2013 the equity is USD (18,636,627).

This situation will, in accordance with the Companies Act § 119, be considered at the company's Annual General Meeting in May 2014, 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

On May 1st, the shareholders of GSFF signed a share purchase agreement where the assets of GSFF are acquired by another large forestry company with significant operations in East Africa. In exchange for 100% of the shares of GSFF AB, the shareholders of GSFF will receive proportional shares in the acquiring company. This sale for shares of the assets of GSFF AB is expected to provide better long term value creation to the investors. The new merged company will be the largest East African forestry company with assets diversified in three major countries and smaller operations in other countries. The existing assets of the acquiring company are about 75% FSC certified and there is an expectation that certification will be sought for all assets.

The remaining commitment to the investment in Mozambique will be paid to the project in beginning of 2014.

No other 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 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 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 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 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 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.

Income taxes

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.

Accounting policies

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 2014

	<u>Notes</u>	<u>2014 USD</u>	<u>2013 USD</u>
Fair value adjustments of other investment assets		43.734	(6.439.228)
Gross profit/loss		43.734	(6.439.228)
Other operating expenses		(10.574)	(9.001)
Operating profit/loss		33.160	(6.448.229)
Other financial income		0	3.320
Other financial expenses	1	(480.907)	(393.022)
Profit/loss from ordinary activities before tax		(447.747)	(6.837.931)
Tax on profit/loss from ordinary activities		120.413	99.899
Profit/loss for the year		(327.334)	(6.738.032)
Proposed distribution of profit/loss			
Retained earnings		(327.334)	(6.738.032)
		(327.334)	(6.738.032)

Balance sheet at 31.12.2014

	<u>Notes</u>	<u>2014 USD</u>	<u>2013 USD</u>
Other investments		6.755.992	5.458.382
Fixed asset investments	2	<u>6.755.992</u>	<u>5.458.382</u>
Fixed assets		<u>6.755.992</u>	<u>5.458.382</u>
Deferred tax assets		120.413	99.899
Receivables		<u>120.413</u>	<u>99.899</u>
Cash		<u>209.689</u>	<u>126.201</u>
Current assets		<u>330.102</u>	<u>226.100</u>
Assets		<u><u>7.086.094</u></u>	<u><u>5.684.482</u></u>

Balance sheet at 31.12.2014

	<u>Notes</u>	<u>2014 USD</u>	<u>2013 USD</u>
Contributed capital		24.699	24.699
Retained earnings		<u>(18.988.661)</u>	<u>(18.661.327)</u>
Equity		<u>(18.963.962)</u>	<u>(18.636.628)</u>
Payables to group enterprises		<u>26.042.156</u>	<u>24.313.110</u>
Non-current liabilities other than provisions		<u>26.042.156</u>	<u>24.313.110</u>
Other payables		<u>7.900</u>	<u>8.000</u>
Current liabilities other than provisions		<u>7.900</u>	<u>8.000</u>
Liabilities other than provisions		<u>26.050.056</u>	<u>24.321.110</u>
Equity and liabilities		<u>7.086.094</u>	<u>5.684.482</u>
Contingent liabilities	3		
Related parties with control	4		

Statement of changes in equity for 2014

	Contributed capital USD	Retained ear- nings USD	Total USD
Equity beginning of year	24.699	(18.661.327)	(18.636.628)
Profit/loss for the year	0	(327.334)	(327.334)
Equity end of year	24.699	(18.988.661)	(18.963.962)

Notes

	<u>2014</u> USD	<u>2013</u> USD
1. Other financial expenses		
Financial expenses from group enterprises	475.170	393.022
Exchange rate adjustments	5.737	0
	<u>480.907</u>	<u>393.022</u>
		<u>Other in- vestments USD</u>
2. Fixed asset investments		
Cost beginning of year		23.232.780
Additions		1.253.876
Cost end of year		<u>24.486.656</u>
Impairment losses beginning of year		(17.774.398)
Impairment losses for the year		43.734
Impairment losses end of year		<u>(17.730.664)</u>
Carrying amount end of year		<u>6.755.992</u>

3. Contingent liabilities

The Company participates in a Danish joint taxation arrangement in which International Woodland Company A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable from the financial year 2014 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.

4. Related parties with control

Related parties with controlling interest:

The following related parties have a controlling interest in Capricorn Africa ApS:

The Capricorn Forest Fund K/S, Nørregade 21, 1165 København K.

Basis of influence: Owner.

Transactions between related parties and Capricorn Africa ApS that have not been on arm's length: None.