

Annual Report

Reforestación Grupo Internacional RGI, S.A.

Report on the
annual accounts 2012
June 14, 2013

Index

	Page
Report of the auditors	3
Compilation Report	4
General	5
Results	6
Financial position	8
Fiscal position	12
Annual accounts 2011	15
Financial statements	16
Profit and loss account 2011	18
Notes	19
Other information	28

Report of the auditors

Compilation Report

The Board of Directors and Stockholders

Reforestación Grupo Internacional RGI, S.A.

During 2012 the company continued with the regular transactions related to its operations, no major issues were noted during our audit that are necessary to report.



Lic. Alvaro Palma Rojas

June 14, 2013

Reforestación Grupo Internacional RGI S.A.
Costa Rica

General

Reforestación Grupo Internacional RGI, S.A. (hereinafter; the Company) was incorporated as a corporation under the laws of the Republic of Costa Rica on January 8, 1997 for a period of 99 years. Its headquarters is located at Santa Rosa de Pocosal District, City of San Carlos in Alajuela, Costa Rica. The company's principal activity is the sale of a possible economic benefit from the production of wood.

Results

Development of income and expenses

As presented in the profit and loss account, the net result amounts to COL -420,170,920 (2011: COL -718,939,355).

To provide insight in the development of the result 2012, below an outline has been compiled based on the profit and loss account 2012 compared to the profit and loss account 2011. Income and expenses are expressed in thousands of COL and as a percentage of the net turnover.

	2012		2011	
		%		%
Net turnover	543,564,794	1.00	703,942,127	1.00
Cost of sales	404,689,313	0.74	602,726,601	0.86
Gross margin (Gross operating result)	138,875,482	0.26	101,215,526	0.14
Wages and salaries	58,604,741	0.11	84,172,293	0.12
Social security charges	14,753,813	0.03	21,860,167	0.03
Amortization/depreciation of intangible/tangible fixed assets	24,809,577	0.05	18,172,437	0.03
Other operating expenses	831,524,203	1.53	1,001,566,308	1.42
Total operating expenses	929,692,333	1.71	1,125,771,205	1.60
Operating result	(790,816,852)	(1.45)	(1,024,555,679)	(1.46)
Financial income	370,641,872	(0.68)	305,616,324	(0.43)
Result on ordinary activities before taxation	(420,174,980)	(0.77)	(718,939,355)	(1.02)
Taxation on ordinary activities	-	-	-	-
Operating result on ordinary activities after taxation	(420,174,980)	(0.77)	(718,939,355)	(1.02)
Extraordinary result after taxation	-	-	-	-
Result after taxation	(420,174,980)	(0.77)	(718,939,355)	(1.02)

Reforestación Grupo Internacional RGI S.A
Costa Rica

The profit (loss) on ordinary activities before taxation 2012 compared to 2011 can be presented as follows:

The result has been positively influenced by:

Increase (income)	0
Decrease (expenses)	(433,104,941.14)
	<u>(433,104,941.14)</u>

The result has been negatively influenced by:

Decrease (income)	(160,377,332.88)
Increase (expenses)	(26,036,767.16)
	<u>(186,414,100.04)</u>

Increase/decrease/unchanged profit (loss) on ordinary activities before taxation

(619,519,041.18)

Development of turnover and gross margin

Year	Monetary value	Index	Turnover		Gross margin as a percentage of turnover
			2005 = 100	Increase / decrease as compared to prior year	
				%	%
2005	0		0	0	0%
2006	2,055,583,609		100	0	68%
2007	3,857,662,527		187.67	87.67	65%
2008	4,548,877,740		221.29	33.63	62%
2009	2,911,019,069		141.62	(79.68)	67%
2010	1,195,822,272		58.17	(83.44)	59%
2011	703,942,127		34.25	(23.93)	14%
2012	543,564,794		26.44	(7.80)	26%

Financial position

Below we provide an analysis of your company's financial position. Note that balance sheet items could fluctuate during a year and the value as of the balance sheet date could deviate considerably from any randomly chosen date in the financial year. (This might have influenced the impact on ratios had another date been selected).

A summary of the balance sheet as of December 31, 2012 in comparison with prior year is as follows.

	12.31.2012		12.31.2011	
		%		%
Assets				
Fixed assets	2,818,850,048	60%	2,841,407,804	47%
Inventories	-	0%	-	0%
Receivables, prepayments and accrued income	380,129,278	8%	1,336,604,296	22%
Securities/investments	1,454,669,783	31%	1,731,698,174	29%
Cash	40,199,034	1%	98,906,544	2%
	<u>4,693,848,142</u>	<u>100%</u>	<u>6,008,616,818</u>	<u>100%</u>
Equity and liabilities				
Shareholders' equity	1,110,525,797	24%	2,089,088,900	35%
Provisions	3,551,213,403	76%	3,887,118,275	65%
Long-term liabilities	-	0%	-	0%
Total of long-term liabilities and equity	4,661,739,200	99%	5,976,207,175	99%
Current liabilities, accruals and deferred income	32,108,942	1%	32,409,643	1%
	<u>4,693,848,142</u>	<u>100%</u>	<u>6,008,616,818</u>	<u>100%</u>

Working capital

On the basis of this summary, a statement of the working capital has been provided. Working capital is defined as all current assets less current liabilities.

	<u>12.31.2012</u>	<u>12.31.2011</u>	<u>Change</u>
Receivables, prepayments and accrued income	703,677,202	1,336,604,296	(632,927,095)
Securities/investments	1,454,669,783	1,731,698,174	(277,028,391)
Cash	<u>40,199,034</u>	<u>98,906,544</u>	<u>(58,707,510)</u>
Total current assets	2,198,546,019	3,167,209,014	(968,662,996)
Less: Current liabilities, accruals and deferred income	<u>3,583,322,345</u>	<u>2,779,313,953</u>	804,008,392
Working capital	<u>(1,384,776,326)</u>	<u>387,895,061</u>	<u>(1,772,671,387)</u>

Solvency

From the solvency – defined as the ratio of the equity divided by the liabilities (and also defined as the ratio of equity divided by the sum of equity and liabilities) – the resilience of the company may be deduced.

The level of this solvency depends on the nature of the company. No general principles can be given for this. By means of the ratios presented below insight can be gained into the solvency of the company.

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Ratio equity / sum of equity and liabilities	0.29	0.54	0.42	0.38
Ratio equity / liabilities	0.40	1.16	0.72	0.61

Liquidity

From the liquidity – defined as the ratio of current assets divided by current liabilities –it may be deduced to what extent the company can settle its financial liabilities in the short-term.

By means of the ratios presented below, insight can be gained into the liquidity of the company.

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Quick ratio:				
Ratio receivables, securities and cash / current liabilities	68.47	52.67	54.84	67.90
Current ratio:				
Ratio current assets / current liabilities	0.52	0.61	0.59	0.73

Earning capacity

The earning capacity of the liabilities indicates the rate of expenses compared to liabilities operative in the company. By means of the ratios presented below insight can be gained into the earning capacity of the company.

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Interest expenses / average liabilities	0.0065%	0.0079%	0.1717%	0.0029%

The earning capacity of the equity consists of an interest allowance for the use of the equity and an allowance for taking risks (entrepreneurs' risk). By means of the ratios presented below, insight can be gained into the earning capacity of the equity in the company.

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Result after taxation / average equity	(0.29)	0.06	0.42	0.25

Reforestación Grupo Internacional RGI S.A
Costa Rica

Employees

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Average turnover per employee (turnover / average number of employees)	65,227,775	72,821,599	123,705,752	396,957,146
Average personnel expenses per employee (personnel expenses / average number of employees)	8,803,026	10,968,875	12,359,839	12,372,302
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Personnel expenses in % of turnover	0.13	0.15	0.11	0.03

Fiscal position

Fiscal unity

The company is not a part of a fiscal unity for corporate income tax.

Taxable amount and tax financial year

Corporate income tax is calculated at the applicable rate on the result for the financial year, taking into account permanent differences between profit calculated according to the financial statements and profit calculated for taxation purposes, and with which deferred tax assets (if applicable) are solely measured insofar as their realization is likely.

Due to the nature of the business the taxable income will be generated only when the plantation is cut and sold, only at that time taxes will be paid to the tax authorities.

Signing of the report of the auditors

We trust to have been of service. We are available to provide further explanation should you have questions or comments.

San José, Costa Rica



Lic. Alvaro Palma Rojas

June 14, 2013

Independent Auditor's Report

The Board of Directors and Stockholders
Reforestación Grupo Internacional RGI, S.A.

Report on the Financial Statements

We have audited the accompanying financial statements of Reforestación Grupo Internacional RGI, S.A. which comprise the balance sheet as of December 31, 2012 and the profit and loss account for the year then ended and summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting policies of the company. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the company financial statements that are free from material misstatements, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Auditing Standards. Those standards require that we comply with ethical requirements and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

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 company financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 evaluating 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.

Opinion

In our opinion, the financial statements fairly present in all material aspects, the financial position of Reforestación Grupo Internacional RGI, S.A. as of December 31, 2012 and the results of its operations for the year then ended in conformity with the accounting policies established by the company.



Lic. Alvaro Palma Rojas
CPA No. 2953
Policy O 116 FIG 7, due on September 30, 2013.
¢1,000 Stamp, Law 6663
Attached and cancelled on the original



June 14, 2013

Annual accounts 2012

- Financial statements
- Other information

Financial statements

- Balance sheet
- Profit and loss account
- Notes

Reforestación Grupo Internacional RGI S.A.
Costa Rica

Balance sheet as of December 31, 2012

(after appropriation of result)	<u>12.31.2012</u>	<u>12.31.2011</u>
Fixed assets		
Tangible fixed assets	<u>2,818,850,048</u>	<u>2,841,407,804</u>
	2,818,850,048	2,841,407,804
Current assets		
Receivables, prepayments and accrued income	380,129,278	1,336,604,296
Securities	1,454,669,783	1,731,698,174
Cash	<u>40,199,034</u>	<u>98,906,544</u>
	1,874,998,095	3,167,209,014
Total assets	<u>4,693,848,142</u>	<u>6,008,616,818</u>
Shareholders' equity		
Issued share capital	1,000,000	1,000,000
Other reserves	<u>1,109,525,797</u>	<u>2,088,088,900</u>
Total Equity	1,110,525,797	2,089,088,900
Liabilities		
Current liabilities, accruals and deferred income	31,551,909	31,249,619
Taxes Payable	557,033	1,117,360
Provisions	3,551,213,403	3,887,118,275
Deferred products	-	42,664
Total Liabilities	<u>3,583,322,345</u>	<u>3,919,527,918</u>
Total Liabilities & Equity	<u>4,693,848,142</u>	<u>6,008,616,818</u>

Profit and loss account 2012

	<u>2012</u>	<u>2011</u>
Gross margin	138,875,482	101,215,526
Wages, salaries and social security charges	73,358,554	106,032,460
Amortization/depreciation of intangible/tangible fixed assets	24,809,577	18,172,437
Other operating expenses	<u>831,524,203</u>	<u>1,001,566,308</u>
Total expenses	<u>929,692,334</u>	<u>1,125,771,205</u>
Operating result	(790,816,852)	(1,024,555,679)
Financial income	<u>370,641,872</u>	<u>305,616,324</u>
Result on ordinary activities before taxation	(420,174,980)	(718,939,355)
Tax on result of ordinary activities	_____	_____
Result on ordinary activities after taxation	(420,174,980)	(718,939,355)
Extraordinary result		
Taxation on extraordinary result		
Extraordinary result after taxation	<u>-</u>	<u>-</u>
Result after taxation	<u>(420,174,980)</u>	<u>(718,939,355)</u>

Notes

General

Activities

The activities of Reforestación Grupo Internacional RGI, S.A having its legal seat in at Santa Rosa de Pocono District, City of San Carlos in Alajuela, Costa Rica primarily consists of: the sale of a possible economic benefit from the production of wood.

Group structure

The company is owned 100% by a legal entity incorporated in the Republic of Panama identified as Janesville Foundation and regulated under the laws of Private Foundations of the Republic of Panama.

General accounting principles for the preparation of the financial statements

The financial statements have been prepared in accordance with Title 9, Book 2 of the Netherlands Civil Code.

Valuation of assets and liabilities and determination of the result takes place under the historical cost convention. Unless presented otherwise, the relevant principle for the specific balance sheet item, assets and liabilities are presented at face value.

Income and expenses are accounted for on accrual basis. Profit is only included when realized on balance sheet date. Losses originating before the end of the financial year are taken into account if they have become known before preparation of the financial statements.

Financial instruments

Financial instruments include both primary financial instruments, such as receivables and liabilities, and financial derivatives. Reference is made to the treatment per balance sheet item for the principles of primary financial instruments. The company does not use derivatives.

Translation of foreign currency

Receivables, liabilities and obligations denominated in foreign currency are translated at the exchange rates prevailing at balance sheet date. Transactions in foreign currency during the financial year are recognized in the financial statements at the exchange rates prevailing at transaction date. The exchange differences resulting from the translation as of balance sheet date, taking into account possible hedge transactions, are recorded in the profit and loss account.

Principles of valuation of assets and liabilities

Tangible fixed assets

Tangible fixed assets are presented at cost less accumulated depreciation and, if applicable, less impairments in value. Depreciation is based on the estimated useful life and calculated as a fixed percentage of cost, taking into account any residual value. Depreciation is provided from the date an asset comes into use. Land is not depreciated.

Tangible fixed assets are capitalized if the economic ownership held by the company is governed by a financial lease agreement. The commitment arising from the financial lease agreement is accounted for as a liability. The interest included in the future lease installments is charged to the result over the term of the financial lease agreement.

Costs for periodical major maintenance are charged to the result at the moment they arise.

Receivables

Upon initial recognition the receivables are recorded at the fair value and subsequently valued at the amortized cost. The fair value and amortized cost equal the face value. Provisions deemed necessary for doubtful accounts are deducted. These provisions are determined by individual assessment of the receivables.

Securities

The listed securities are valued at cost price.

Provisions

The provisions are calculated to cover the expenses for maintenance, overhead and extraordinary cost until the finalization of the project. On a yearly basis the real expenses are charged to the provision. An explanation of the nature of the provisions is shown as follows:

Maintenance costs: includes an estimate of costs related to the maintenance of the plantations until they are ready for final felling and selling.

Overhead expenses: includes an estimation of costs related to administrative tasks that will be required until reforestation project completion.

Extraordinary Cost: includes an estimation of supervision fees (AFM), depreciation on fixed assets expenses, business expenses and municipal taxes expenses that will be required until completion of the project.

Deferred Products

Advances received from clients for the sale of wood are registered as deferred products until the trees are cut and delivered to the buyer; at that point the deferred products are recognized as income.

Principles for the determination of the result

Revenues ensuing from the sale of from goods are accounted for when all major entitlements to economic benefits as well as all major risks have transferred to the buyer. The cost price of these goods is allocated to the same period.

Gross margin

The gross margin consists of the net turnover and other external charges. Net turnover represents amounts invoiced for goods and services supplied during the financial year under report, net of discounts and value added taxes.

A detail of its composition for 2012 is presented as follows:

	2012
Income for the Sale of Wood	543,564,794
Net turnover	<u>543,564,794</u>
Selling cost	5,880,444
Sales Commission	343,268,286
Advertising	8,226,087
Travelling and accommodation costs	46,737,113
Selling cost (Costa Rica)	<u>577,383</u>
Cost of sales	404,689,313
Gross margin	<u>138,875,482</u>

Financial income and expense

Where no significant influence is exercised, the dividend income is accounted for in the profit and loss as financial income.

Taxation

Corporate income tax is calculated at the applicable rate on the result for the financial year, taking into account permanent differences between profit calculated according to the financial statements and profit calculated for taxation purposes, and with which deferred tax assets (if applicable) are solely measured insofar as their realization is likely.

Reforestación Grupo Internacional RGI S.A.
Costa Rica

Due to the nature of the business the taxable income will be generated only when the plantation is cut and sold, only at that time taxes will be paid to the tax authorities.

Tangible fixed assets

The depreciation percentages used for tangible fixed assets vary from 5% to 20%.

	Balance December 31, 2011	Additions	Withdraws	Adjusment	Balance December 31,2012	Percentage of Depreciation
Cost						
Lands	2,539,051,084	-	-		2,539,051,084	0%
Buildings	103,306,075	1,775,317	-		105,081,392	6%
Furniture and office equipment	12,488,593	-	-		12,488,593	8%
Machinery and equipment	21,704,587	120,254	-		21,824,841	10% and 15%
Vehicles	99,062,209	-	-		99,062,209	10%
Fences and roads	68,594,504	-	-		68,594,504	5%
Computer equipment	8,836,080	356,250	-		9,192,330	20%
Plantations and harvest	64,751,300	-	-		64,751,300	0%
Tree nursery	21,086,780	-	-		21,086,780	0%
Lands Improvements	1,675,000	-	-		1,675,000	0%
Total	2,940,556,211	2,251,820	-		2,942,808,032	
Accumulated Depreciation						
Buildings	30,681,763	6,230,626	-		36,912,390	
Furniture and office equipment	3,056,327	1,265,539	-		4,321,866	
Machinery and equipment	10,960,851	2,257,783	-		13,218,635	
Vehicles	29,029,685	9,906,221	-		38,935,906	
Fences and roads	20,912,790	3,443,775	-		24,356,565	
Computer equipment	4,506,990	1,705,633	-		6,212,623	
Total	99,148,407	24,809,577	-		123,957,984	
Net, Property, Plant & Equipment	2,841,407,804				2,818,850,048	

Receivables, prepayments and accrued income

A detail of the accounts receivable and prepayments is shown as follows:

Accounts Receivable and Prepayment	2012
Employees	36,133,648
Current Account Shareholders	105,731,957
Debtors	304,929,099
Other Accounts Receivable	168,165,347
Deferred Assets	5,434,669
Accounts Receivable	620,394,720

Of the total amount of receivables an amount of COL 14.023.037 has a remaining term over 1 year.

Receivables	
Employees	9,758,271
Other Accounts Receivable	4,264,765
Total	14,023,037

A detail of the prepayments is show below:

	Initial value	Amortization	Additions	Final value
Insurance	2,403,202	7,606,903	7,290,575	2,086,874
Municipal tax	1,112,317	4,792,705	4,907,184	1,226,796
Deposit services	37,500	37,500	-	-
Leases deposit	124,743	1,765,686	1,640,943	-
Car circulation taxes	1,735,417	1,735,423	1,752,820	1,752,814
Deferred expenses sanitary thinning	520,000	520,000	-	-
Total	5,933,179	16,458,217	15,591,522	5,066,484

Securities

The current value of the securities is COL 1,454,669,783 (2011: COL 1,731,698,174) they are recorded at its cost.

Securities	
CDP 400-02-208-241307-6	8,786,225
Shares (Belgium)	1,174,224,570
Rabobank deposits	271,658,988
Total	1,454,669,783

Shareholders' equity

Issued share capital

The issued share capital of the company amounts to COL 1.000,000, divided into 1.000 ordinary shares. The issued share capital has not changed during 2012.

Below you will find the equity reconciliation for 2011 and 2012:

	2012
Equity end 2011	2,089,088,900
Exchange differences	(234,840,199)
- Loss 2012	(420,174,980)
- Dividend 2012	(323,547,924)
Equity end 2012	1,110,525,797

There are no legal and statutory reserves.

The Exchange differences are generated by the valuation of the equity at current exchange rate at the closing of the period.

Provisions

A detail of provisions is shown as follows:

	2012	2011
Maintenance Costs	885,896,272	926,509,385
Overhead Expenses	2,167,717,884	2,421,585,446
Extraordinary Costs	497,599,246	539,023,443
Provisions	€3,551,213,402	€3,887,118,274

Maintenance Costs: includes an estimate of costs related to the maintenance of the plantations until they are ready for final felling and selling.

Overhead Expenses: includes an estimation of costs related to administrative tasks that will be required until reforestation project completion.

Extraordinary Cost: includes an estimation of supervision fees (AFM), depreciation on fixed assets expenses, business expenses and municipal taxes expenses that will be required until completion of the project

Current liabilities and accruals and deferred income

Debtors, receivables and inventories are not pledged as collateral for bank loans.

Notes to the specific items of the profit and loss account

Net turnover

The net turnover for 2011 of the legal entity has decreased by 59%.

Wages, salaries and social security charges

	<u>2012</u>	<u>2011</u>
Wages and salaries	58,604,741	84,172,293
Social security charges	14,753,813	21,860,167
	<u>73,358,553</u>	<u>106,032,460</u>

Included in the social security charges for 2012 is an amount of COL 2.360.610 (2011: COL 3.803.131) with respect to pension costs.

The average number of employees during the year, converted to full-time equivalents and broken down by activity, was as follows:

	<u>2012</u>	<u>2011</u>
General Manager	1	1
Forestry Engineer	1	2
Secretaries and office staff	1	4
Cleaning	2	2
Director	0	1
Sales agent	1	0
Field workers	3	0
	<u>9</u>	<u>10</u>

Pension charges

Included in the social security charges, there is a 16% destined to pension

Depreciation tangible fixed assets

The depreciation expense for 2012 is of COL 24,809,577, the accumulated depreciation is COL 123,957,984.

Other operating expenses and cost of sales

This account includes Administrative Cost (notary, lawyer, accountant, telephone, advice, insurance), production cost (trees purchase, chemical products, land preparation), cost of control (professional services, telephone, insurance policies, repairs and maintenance, fuel and others). Exchange differences income was generated by the appreciation of the colon in relation with United States Dollars since the exchange rate moved down from ¢511.84 colones per dollar in December 31, 2011 to ¢508,20 in December 31, 2012.

The cost of sales reflects the commissions paid to agents for the sales effort.

Different cost and Other operating expenses / Income and Cost of Sales	
Administrative Cost	216,040,307
Production Cost	9,169,662
Maintenance Cost	180,611,158
Exchange difference	22,197,296
Other cost	403,505,780
Total	831,524,203
Cost of sales	404,689,312
Total	1,236,213,515

There is only one series and should therefore all the above costs to be allocated to it.

Inlaid monies

A detail of inlaid monies expressed in Costa Rican colones is shown below:

Year	Amount
1999	76,806,185
2000	216,073,250
2001	253,895,718
2002	558,224,805
2003	1,337,669,121
2004	710,857,402
2005	427,293,903
2006	2,250,491,420
2007	4,162,587,675
2008	4,595,524,304
2009	3,031,681,450
2010	1,446,649,257
2011	735,359,013
2012	611,113,068
Total	20,414,226,570

Signing of the financial statements

Costa Rica, San José,

June 14, 2013



Björn Jakobsen

President of the Board

*Reforestación Grupo Internacional RGI S.A.
Costa Rica*

Other information

Special statutory voting rights

There are no special statutory voting rights.

Janesville Foundation is owner of the shares.

The directors of the Foundation are:

President: Dianeth M.De Ospino

Treasurer: Jose Silva

Secretary: Marta de Saavedra

Subsequent events

There are no material subsequent events to be reported.