

**Annual Report**

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

Report on the  
annual accounts 2013  
April 29, 2014

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## **Report of the auditors**

**Compilation Report**

The Board of Directors and Stockholders

Reforestación Grupo Internacional RGI S.A.

During 2013 the company continued with the regular transactions related to its operations, no major issues were noted during our audit that is necessary to report.



Lic. Alvaro Palma Rojas

April 29, 2014

*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 -689,381,852 (2012: COL-420,174,980).

To provide insight in the development of the result 2013, below an outline has been compiled based on the profit and loss account 2013 compared to the profit and loss account 2012. Income and expenses are expressed in thousands of COL and as a percentage of the net turnover.

	2013		2012	
		%		%
Net turnover	135.230.253	100%	543.564.794	100%
Cost of sales	153.506.525	1,14	404.689.313	2,99
Gross margin (Gross operating result)	(18.276.273)	(0,14)	138.875.482	1,03
Wages and salaries	53.274.653	0,39	58.604.741	0,43
Social security charges	13.417.168	0,10	14.753.813	0,11
Amortisation/depreciation of intangible/tangible fixed assets	26.393.891	0,20	24.809.577	0,18
Other operating expenses	938.530.984	6,94	460.650.270	3,41
Total operating expenses	1.031.616.696	7,63	558.818.401	4,13
Operating result	(1.049.892.969)	(7,76)	(419.942.919)	(3,11)
Financial income and expense	(360.511.117)	(2,67)	232.061	0,00
Result on ordinary activities before taxation	(689.381.852)	(5,10)	(420.174.980)	(3,11)
Taxation on ordinary activities	-	-	-	-
Operating result on ordinary activities after taxation	(689.381.852)	(5,10)	(420.174.980)	(3,11)
Extraordinary result after taxation	-	-	-	-
Result after taxation	(689.381.852)	(5,10)	(420.174.980)	(3,11)

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The profit (loss) on ordinary activities before taxation 2013 compared to 2012 can be presented as follows:

The result has been positively influenced by:

Increase (income)	360.743.178
Decrease (expenses)	257.849.519
	618.592.697

The result has been negatively influenced by:

Decrease (income)	(408.334.542)
Increase (expenses)	(479.465.028)
	(887.799.570)
Increase/decrease/unchanged profit (loss) on ordinary activities before taxation	(269.206.872)

**Development of turnover and gross margin**

Year	Monetary value	Index 2006 = 100	Turnover	Gross margin as a percentage of turnover
			Increase / decrease as compared to prior year	
			%	%
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%
2013	135.230.253	6,58	(19,86)	-14%

**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, 2013 in comparison with prior year is as follows.

	12.31.2013		12.31.2012	
		%		%
<b>Assets</b>				
Fixed assets	2.769.835.342	69%	2.818.850.048	60%
Receivables, prepayments and accrued income	595.494.334	15%	380.129.278	8%
Securities/investments	572.884.136	14%	1.454.669.783	31%
Cash	97.752.342	2%	40.199.034	1%
	<u>4.035.966.154</u>	<u>100%</u>	<u>4.693.848.142</u>	<u>100%</u>
<b>Equity and liabilities</b>				
Shareholders' equity	1.081.834.763	27%	1.110.525.797	28%
Provisions	2.941.058.809	73%	3.551.213.403	88%
Total of liabilities and equity	4.022.893.572	100%	4.661.739.200	116%
Current liabilities, accruals and deferred income	13.072.582	0%	32.108.942	1%
	<u>4.035.966.154</u>	<u>100%</u>	<u>4.693.848.142</u>	<u>116%</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>12.31.2013</u>	<u>12.31.2012</u>	<u>Change</u>
Receivables, prepayments and accrued income	595.494.334	380.129.278	215.365.056
Securities/investments	572.884.136	1.454.669.783	(881.785.647)
Cash	<u>97.752.342</u>	<u>40.199.034</u>	<u>57.553.308</u>
Total current assets	1.266.130.812	1.874.998.095	(608.867.283)
Less: Current liabilities, accruals and deferred income	<u>2.954.131.391</u>	<u>3.583.322.345</u>	<u>(629.190.954)</u>
Working capital	<u>(1.688.000.579)</u>	<u>(1.708.324.250)</u>	<u>20.323.671</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>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Ratio equity / sum of equity and liabilities	0,27	0,29	0,54	0,42
Ratio equity / liabilities	0,37	0,40	1,16	0,72

### 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>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Quick ratio:</b>				
Ratio receivables, securities and cash / current liabilities	96,85	68,47	52,67	54,84
<b>Current ratio:</b>				
Ratio current assets / current liabilities	0,52	0,52	0,61	0,59

### 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>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Interest expenses / average liabilities	0,0036%	0,0065%	0,0079%	0,1717%

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>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Result after taxation / average equity	(0,64)	(0,29)	0,06	0,42

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*Costa Rica*

**Employees**

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Average turnover per employee (turnover / average number of employees)	15.025.584	65.227.775	72.821.599	123.705.752
Average personnel expenses per employee (personnel expenses / average number of employees)	7.410.202	8.803.026	10.968.875	12.359.839

## **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

A handwritten signature in black ink, appearing to be 'APR', with a long horizontal line extending to the left and a shorter one to the right.

Lic. Alvaro Palma Rojas

April 29, 2014

## **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, 2013 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, 2013 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, 2014.  
¢1,000 Stamp, Law 6663  
Attached and cancelled on the original



April 29, 2014

## **Annual accounts 2013**

- Financial statements
- Other information

### **Financial statements**

- Balance sheet
- Profit and loss account
- Notes



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

(after appropriation of result)	<u>12.31.2013</u>	<u>12.31.2012</u>
<b>Fixed assets</b>		
Tangible fixed assets	<u>2.769.835.342</u>	<u>2.818.850.048</u>
	2.769.835.342	2.818.850.048
<b>Current assets</b>		
Receivables, prepayments and accrued income	595.494.334	380.129.278
Securities	572.884.136	1.454.669.783
Cash	<u>97.752.342</u>	<u>40.199.034</u>
	1.266.130.812	1.874.998.095
<b>Total assets</b>	<u>4.035.966.154</u>	<u>4.693.848.142</u>
<b>Shareholders' equity</b>		
Issued share capital	1.000.000	1.000.000
Other reserves	<u>1.080.834.763</u>	<u>1.109.525.797</u>
<b>Total Equity</b>	1.081.834.763	1.110.525.797
<b>Liabilities</b>		
Current liabilities, accruals and deferred income	12.750.313	31.551.909
Taxes Payable	322.269	557.033
Provisions	2.941.058.809	3.551.213.403
Deferred products	-	-
<b>Total Liabilities</b>	<u>2.954.131.391</u>	<u>3.583.322.345</u>
<b>Total Liabilities &amp; Equity</b>	<u>4.035.966.154</u>	<u>4.693.848.142</u>



## **Notes**

### **General**

#### **Activities**

The activities of Reforestación Grupo Internacional RGI, S.A having its legal seat in at Santa Rosa de Pocosal 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 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 2013 is presented as follows:

	2013	2012
Income for the Sale of Wood	135.230.253	543.564.794
Net turnover	135.230.253	543.564.794
Selling cost	10.812.480	5.880.444
Sales Commision	122.806.163	343.268.286
Advertising	-	8.226.087
Travelling and accomodation costs	19.379.352	46.737.113
Selling cost (Costa Rica)	508.530	577.383
Cost of sales	153.506.525	404.689.313
<b>Gross margin</b>	<b>(18.276.273)</b>	<b>138.875.482</b>

**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.

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.

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*Costa Rica*

**Tangible fixed assets**

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

	Balance December 31, 2012	Additions	Withdraws	Exchange rate effect	Balance December 31, 2013	Percentage of Depreciation
<b>Cost</b>						
Land	2.539.051.084			37.372.504	2.501.678.580	0%
Buildings	105.081.392	2.462.323			107.543.715	6%
Furniture and office equipment	12.488.593	-			12.488.593	8%
Machinery and equipment	21.824.841	773.154			22.597.995	10% and 15%
Vehicles	99.062.209	23.002.365	9.549.990		112.514.584	10%
Fences and roads	68.594.504	-			68.594.504	5%
Computer equipment	9.192.330	-	-		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%
<b>Total</b>	<b>2.942.808.033</b>	<b>26.237.842</b>	<b>9.549.990</b>	<b>37.372.504</b>	<b>2.922.123.381</b>	
<b>Accumulated Depreciation</b>						
Buildings	36.912.390	6.386.597			43.298.987	
Furniture and office equipment	4.321.866	1.265.539			5.587.405	
Machinery and equipment	13.218.635	2.235.039			15.453.674	
Vehicles	38.935.906	17.863.593	4.536.244		52.263.255	
Fences and roads	24.356.565	3.443.775			27.800.340	
Computer equipment	6.212.623	1.420.505			7.633.128	
Land Improvements	-	251.250			251.250	
<b>Total</b>	<b>123.957.985</b>	<b>32.866.298</b>	<b>4.536.244</b>	<b>-</b>	<b>152.288.039</b>	
<b>Net, Property, Plant &amp; Equipment</b>	<b>2.818.850.048</b>	<b>(6.628.456)</b>	<b>5.013.746</b>	<b>37.372.504</b>	<b>2.769.835.342</b>	

The Exchange Rate Effect is due to the conversion of land valued in United States Dollars.

**Receivables, prepayments and accrued income**

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

Accounts Receivable and Prepayment	2013
Employees	40,651,285
Current Account Shareholders	283,070,412
Debtors	460,594,546
Other Accounts Receivable	210,513,935
Deferred Assets	3,689,689
<b>Accounts Receivable</b>	<b>998,519,867</b>

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*Costa Rica*

Of the total amount of receivables an amount of COL 38,196,160 has a remaining term over 1 year.

<b>Receivables</b>	
Employees	4,517,637
Other Accounts Receivable	33,678,523
<b>Total</b>	<b>38,196,160</b>

A detail of the prepayments is shown below:

	<b>Initial value</b>	<b>Amortization</b>	<b>Additions</b>	<b>Final value</b>
Insurance	2.086.875	7.888.577	7.689.331	1.887.628
Municipal tax	1.226.796	1.226.796	-	-
Leases deposit	-	1.049.614	1.078.364	28.750
Car circulation taxes	1.752.814	1.752.820	1.773.310	1.773.304
<b>Total</b>	<b>5.066.484</b>	<b>11.917.807</b>	<b>10.541.004</b>	<b>3.689.682</b>

### **Securities**

The current value of the securities is COL572,884,136 (2012: COL 1,454,669,783) they are recorded at its cost.

<b>Securities</b>	
CDP 400-02-208-241307-6	8.662.675
Shares (Belgium)	285.216.605
Rabobank rendement, deposits	279.004.856
<b>Total</b>	<b>572.884.136</b>

### 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 2013.

Below you will find the equity reconciliation for 2012 and 2013:

	<b>2013</b>
Equity end 2012	1.110.525.797
Exchange differences	660.690.818
./+Loss 2013	(689.381.852)
<b>Equity end 2013</b>	<b>1.081.834.763</b>

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:

	<b>2013</b>	<b>2012</b>
Maintenance Costs	380,835,328	429,365,115
Overhead Expenses	2,180,675,526	2,683,908,340
Extraordinary Costs	379,547,955	437,939,948
<b>Provisions</b>	<b>2,941,058,809</b>	<b>3,551,213,403</b>

**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 2013 of the legal entity has decreased by 75%.

**Wages, salaries and social security charges**

	<u>2013</u>	<u>2012</u>
Wages and salaries	53.274.653	58.604.741
Social security charges	13.417.169	14.753.813
	<u>66.691.822</u>	<u>73.358.554</u>

Included in the social security charges for 2013 is an amount of COL 2,621.113 (2012: COL 2,360,610) 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>2013</u>	<u>2012</u>
General Manager	1	1
Forestry Engineer	1	1
Secretaries and office staff	1	1
Cleaning	1	2
Sales agent	1	1
Field worker	3	3
	<u>8</u>	<u>9</u>



### **Pension charges**

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

### **Depreciation tangible fixed assets**

The depreciation expense for 2013 is of COL 26,393,891 (COL 24,809,577 for 2012), the accumulated depreciation is COL 152,288,037.

### **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 ¢508,20 colones per dollar in December 31, 2012 to ¢501,41 in December 31, 2013.

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

<b>Different cost and Other operating expenses / Income and Cost of Sales</b>	
Administrative Cost	401.453.329
Production Cost	20.399.005
Maintenance Cost	344.742.666
Exchange difference	100.224.053
Other cost	163.788.171
<b>Total</b>	<b>1.030.607.223</b>
Cost of sales	153.506.525
<b>Total</b>	<b>1.184.113.748</b>

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:

<b>Year</b>	<b>Amount</b>
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
2013	26,543,655
<b>Total</b>	<b>20,440,770,224</b>

**Signing of the financial statements**

Costa Rica, San José,

April 29, 2014



Bjørn 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.