The Forest Company

Consolidated Financial Statements

For the year ended

31 December 2015

Company Number: 47338

THE FOREST COMPANY LIMITED

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GENERAL INFORMATION

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THE FOREST COMPANY LIMITED
FINANCIAL HIGHLIGHTS

Financial results

- Revenue from sales was USD 16.30 million, a decrease of 7% from USD 17.49 million in 2014.
- The 2015 operating cash flows were negative USD 0.34 million, compared to the negative figure in 2014 of USD 1.10 million.
- Gross profit before depletion was USD 0.97 million compared to USD 0.07 million in 2014.
- Operating loss, after depletion of biological assets (harvesting), gains and losses on non-current assets, and operating expenses, was USD 31.56 million, up from a net loss of USD 17.36 million in 2014. An unrealised loss of 20.38 million USD in 2015 which mainly related to the increase in the discount rate applied when valuing the biological assets (see Note 10), explains this performance. Management's focus on reducing administrative expenses and forestry operating expenses resulted in a reduction of USD 5.19 million from USD 16.69 million in 2014 to USD 11.50 million in 2015.
- Loss per share on continuing operations amounted to USD 79.43 cents based on the average number of shares in issue during the year (2014: USD 45.43 cents loss per share).

Financial position

- Total net assets were USD 168.98 million as at 31 December 2015 compared to USD 285.30 million at 31 December 2014. The change was due primarily to foreign exchange movement (USD 97.08 million) and loss after tax (USD 34.51 million).
- Interest bearing borrowings decreased from USD 30.73 million at 31 December 2014 to USD 28.09 million at 31 December 2015, largely as a result of the Group benefiting from the capital repayments of the highest interest bearing loans.
- A total of USD 14.49 million (before related costs of USD 0.26 million) was drawn down in 2015 under the Warrant Instrument Agreement which will convert into shares in 2016.
- The cash balance as at 31 December 2015 was USD 5.70 million, down from USD 9.90 million at 31 December 2014.
- The NAV per share at 31 December 2015 was USD 3.91 (2014: USD 6.60) and the Adjusted NAV per share was USD 4.23 (2014: USD 7.07).

THE FOREST COMPANY LIMITED

CHAIRMAN'S STATEMENT

The Forest Company in 2015

In 2015 the Company focused on business improvement and expansion of our current clusters. Improvements included insourcing silviculture operation in Minas Gerais which allowed the Company to reduce silviculture costs by 17%. Expansion mainly took place in the Company's Paraná pine cluster in south Brazil and increased our supply of logs to the local sawmill industry. Further, the Company started harvesting at the Aimara project. The wood is being supplied to Klabin, the largest Brazilian paper packaging producer, under a long-term supply agreement. Aimara was a greenfield project established in 2008 and 2009 that is now reaching maturity.

The Company continued to play an important role as a wood supplier where it operates and has strengthened its position as a sustainable and reliable wood supplier to the forest based industry. Our position in the market created a new potential opportunity for a long-term biomass supply agreement with a greenfield thermoelectric plant in Brazil. The contract will diversify the Company's market exposure by giving access to a new market and value chain. The Company will continue to explore this opportunity during 2016.

The majority of the Company's projects generated a positive operating cash flow in 2015, except the charcoal operations in Biocarbono and trial plantations in Vichada. The charcoal business has succeeded in implementing a cost reduction plan and efficiency improvement although it has continued to incur losses due to low charcoal prices during 2015. The selling price trend has increased in Q1 2016 although the business is still below its breakeven point.

The USD's continuous strengthening against BRL and COP during 2015 impacted the Company with a currency loss of USD 97.08 million.

The projects' operating cash flows improved in 2015 and the Board continued to focus on cost efficiency and cash generation. Alternative options are available to the Board should it be necessary to raise additional funds for working capital.

The Company's charcoal operation is loss making and management remains focussed on improving its performance.

Dividend

Due to foreseen currency volatility during 2015 and the result for the year, the Board did not recommend a dividend for the year ended 31 December 2015.

Timber product markets

Even with the weakening Brazilian economy that shrunk 3.8% in 2015, the Brazilian pulp and paper sector performed particularly well. The total national production increased by 3%, and the weaker BRL (versus USD) together with higher market pulp prices boosted exports, increasing by 8.6% compared to 2014. It has played an important role behind this sector's improved performance where producers achieved EBITDA margins above 50%. Other export-oriented sectors such as the wood mechanical industry (MDF, particle boards, sawnwood, etc.) also saw a positive development with exports increasing by 52%. On the other hand domestic sales decreased by 4.6% in the paper segment and by 11.3% in solid wood products. The pig iron sector, which is mainly supplying domestic markets, did not benefit to the same extent from the depreciation of the BRL and the sector ended the year with low capacity utilisation. However, some export oriented producers still operate at full capacity.

Outlook for 2016 and beyond

The Company continues to seek opportunities to grow and improve existing projects. Local currency volatility will continue throughout 2016 impacting the Company's NAV. In order to mitigate the impact of this the Company is continuing efforts to supply export oriented clients and to keep tight control over costs. If achieved the Company will be able to capture upside prices, continue its cost reduction plan, and increase margins, the combined effect of which will have a positive effect on the project valuations and the Company's NAV.

Strategy

Our long-term strategy continues to be to;

1. Provide long-term stable real returns to our shareholders
2. Be the preferred supplier of wood raw materials to a broad customer base
3. Be a leading player in the forest industry regarding environmental and social conduct
4. Expand existing or develop new large-scale projects

Latin America experienced slow growth during 2015 with the Brazilian economy showing a 3.8% contraction. Despite the overall slowdown in Brazil, many of the Company's clients are showing profitability and are growing. Colombia was an exception in the region during 2015 with a GDP growth of 3.1%. The GDP growth in Colombia is forecast to slow down slightly during 2016 to 2.6%, mainly due to lower oil prices.

With plenty of challenges, 2015 was also a year of development and implementation. The Company was able to implement price increases in the majority of projects, reduce costs and enhance productivity. The long-term fundamentals for delivering high returns are still strong in our markets. Aiming to continue to deliver long-term consistent results, the Company must seek to develop opportunities beyond its existing operations and markets. We look forward to continuing to partner with our shareholders in order to continue developing The Forest Company.

Yours sincerely,

Rainer Häggblom
Chairman
26 April 2016

THE FOREST COMPANY LIMITED

INVESTMENT MANAGER'S REPORT

Overview of main activities for the year

Fund raising

- In June the Company issued warrant instruments with a value of USD 25.5 million. Out of this total USD 14.49 million was drawn at the end of December 2015.

Completed start-up of a new charcoal operation

- In the first quarter the Company completed the start-up of the Espírito Santo charcoal plant in Minas Gerais. The plant has 70 fully mechanised rectangular kilns equipped with a temperature monitoring system.

Cost reduction

- The Company insourced silviculture operations in Minas Gerais, reducing the costs by 17%. In addition to the cost reduction, the insourcing will also enable the Company to improve the quality of the operations. The Company also implemented cost reductions in the charcoal operation reducing production costs by 7%.

Acquisition of additional plantation

- In December 2015 the Company completed the acquisition of 3,998 hectares of standing mature pine plantations in the State of Paraná which neighbours the existing Kaa project. Combined, the Kaa project now comprises 10,000 hectares of pine plantations.

Diversification in client base

- During 2015 the Company supplied 92,454 m^3 of wood to one of the largest producer of Eucalyptus pulp in Brazil. The supply came from the Frondosa project, representing 26% of the project's 2015 wood sales. Frondosa's main market is to supply to charcoal producers. The sale to the pulp producers reduces the exposure to the charcoal and pig-iron sector. Charcoal, however, is still the primary market for wood in Minas Gerais.
- Aiming to develop new market segments, the Company entered into negotiations for a potential long-term agreement to supply certified standing wood to a thermoelectric producer.

Aimara project harvesting

- In the fourth quarter the Company initiated the harvesting operation at its Aimara project. The harvested wood was sold to Klabin, one of the main Brazilian pulp and paper producers.

Pig-iron mill

- In 2013 the Company sold its pig-iron mill to, at the time, one of the largest pig-iron producers in Brazil. The sale included a 60 month payment plan with the pig-iron asset as collateral to guarantee the payment plan. In February 2015 the buyer started to default on the payments. Hence, the Company notified the buyer and was at 31 December 2015 in the process of reclaiming the assets. Further, the Company has signed a MOU to sell 50% of the Company that will hold the assets after the reclaiming process is completed, for BRL 17 million. The transaction is expected to be completed during the first half of 2016 as no buyer was found at public auctions.

NAV summary

The NAV per share of the Company as at 31 December 2015 was USD 3.91 (2014: USD 6.60) and the Adjusted NAV per share was USD 4.23 (2014: USD 7.07). The total NAV was USD 168.98 million (2014: 285.30 million) a decrease of 41% and the Adjusted NAV was USD 182.73 million (2014: USD 305.67 million), a decrease of 40% over the year.

The decrease was primarily due to changes in the foreign exchange rate; the BRL depreciated by 49% against the USD and the COP depreciated by 34% against the USD over the year. Foreign exchange alone caused a USD 97.08 million loss in NAV. Also an increase in the discount rate applied when valuing the biological assets (see Note 10) resulted in an unrealised loss of USD 20.38 million in 2015.

While the mature projects showed a decrease in their NAV, as a result of their valuations (see Note 10), as well as from the harvesting activities and wood sales, the projects in Paraná showed a growth in their NAV of 46%. Development in Biocarbono (charcoal operations) and Vichada (greenfield trial plantations) was slower compared to the other projects, as expected. Although the charcoal operation is not part of the Company's core business, it continues to be the main market for the wood from forests in Minas Gerais. Substantial focus is being placed on production efficiency and client portfolio diversification as a way of reducing the Company's exposure in a market experiencing a severe slowdown with prices falling significantly.

Project performance

Below is an overview of performance in each project with focus on sales, silviculture operations and cash generations. All projects , except the charcoal operations in Biocarbono and Silvotecnia, are operationally cash flow positive.

Frondosa

- Frondosa project sold 349,392 m^3 of standing wood in 2015. The project planted and coppiced a total area of 2,174 hectares and generated USD 3.24 million in dividends to the Holding Company.
- As the charcoal market slowed down in 2015, Frondosa explored new markets and sold 26% of its total sales to a new segment for the Company, the pulp industry. Further, in Frondosa's strive to further diversify its market, a MOU has been entered into to supply wood to a new thermoelectric plant to be constructed in Minas Gerais by a third party.

Kaa

- Kaa project sold 143,293 m^3 of standing wood in 2015. The project planted a total area of 359 hectares and generated USD 1.86 million in dividends to the Holding Company.
- Kaa's main market is the sawmill industry in Parana. The sector benefited from the depreciated BRLs and increased its export to US. This drove up demand and prices and Kaa experienced wood prices increasing by 7.25% during 2015.

Aimara

- Aimara project started harvesting operation and sold 49,764 m^3 of standing wood in 2015 to Klabin.
- The project was one of the Company's first greenfield projects planted in 2008 and 2009 and in 2015 it began to reach maturity.

Biocarbono

- The charcoal arm of the Company, Biocarbono, project produced 303,381 mdc of charcoal and sold 285,055 mdc in 2015.
- Biocarbono, has made losses in 2015 and prior years. This has been the subject of continued management attention and is showing signs of performance improvement during 2015 through cost reductions and improved efficiencies. Management believes that breakeven is achievable in a short period of time dependent on the charcoal market recovery with increased demand being followed by market price increases. The results of Biocarbono are susceptible to movements in the market prices of pig iron and the company is introducing further cost reducing incentives to further mitigate unfavourable market conditions.
- The market for charcoal improved by the end of 2015 with increasing demand and prices. The increase has mainly come from metal alloy producers increasing their production at the end of 2015 driven by decreasing electricity prices in Brazil. The Company, however, has taken a decision to keep production at a minimum level pending market recovery in 2016.

MS Timberland

- MS Timberland project sold 130,227 m^3 of standing wood in 2015. The project planted a total area of 341 hectares and generated USD 2.65 million in dividends to the Holding Company.
- The project supplies the local wood mechanical industry, sawmills and wood based panel mill. The Colombian wood products market is mainly served by imports and thus the depreciated local currency has improved the competiveness of the local industry compared to imports. This has driven up demand and prices for MS Timberland's products.

Silvotecnia

- In 2015 Silvotecnia paid a dividend of USD 2.23 million to its Holding Company.
- Silvotecnia is a service provider to the forest industry in Colombia, supplying silviculture, harvesting and consulting services. The Company holds 67.5% of the shares in Silvotecnia.
- In 2015 Silvotecnia incurred a loss of USD 0.50 million after tax.

Perspective on Brazil

Brazil's economy in 2015 was in a difficult situation. GDP recorded a deep contraction of 3.8%, as Latin America's largest economy faced a perfect storm of high inflation, depressed confidence levels and low prices for its main export commodities. The result was worse than the central bank's already pessimistic expectations of deterioration to a 3.5% decline and President Dilma Rousseff has been trying to drastically cut government spending to correct the government's fiscal accounts, which have been squeezed by collapsing tax revenues. In addition, there has been uncertainty resulting from the potential impeachment of President Rousseff.

In the timber-related sectors, the pulp and paper industry experienced significant gains. The pulp and paper sector is the main consumer of wood and is largely export-oriented, having much to gain when the BRL depreciates, as global export prices are set in USD while costs are in local currency. The fall in the Brazilian currency in 2015 together with increasing global pulp prices boosted the exports, and the value of the exports increased by 8.6% compared to 2014. The development had a positive impact on the financial results for companies like Klabin, Fibria and Suzano. Evidence of this positive development is reflected in their EBITDA margins, which have been over 50% during the last quarter. The total national production increased by 3%. Other export-oriented sectors such as the wood mechanical industry (MDF, particle boards, etc.) also saw a positive movement with exports increasing by 52%. On the other-hand, domestic sales decreased 4.6% in the paper segment and 11.3% in solid wood products. In charcoal and pig iron sectors, the depreciation of the BRL did not improve the scenario, low prices kept the capacity utilisation rate low.

The economy is expected to record another deep contraction in 2016 amid slow reform momentum. The Brazilian Central Bank expects the economy to contract 2.9% in 2016. Despite the slowdown in the economy, the timber related business are expected to continue growing, driven by exports. In January 2016, the total export revenues generated by the forestry industry increased by 9.9% compared to the same period in 2015. The increase was split between the main products, pulp, wood based panels and paper, 4.4%, 50% and 1.3% respectively. The trend seen at the end of 2014 with these sectors becoming increasingly more competitive in the global market, given the current foreign exchange rate, can thereby compensate for the slowdown in the economy with an increase in export volumes. Furthermore, investment in the sector continues with Klabin starting up a new pulpmill in Q1 2016 and Fibria announced a new pulp line in Mato Grosso do Sul to be started in Q4 2017. Even amid economic uncertainty, there is confidence that there is still opportunity for timber in Brazil – biological growth rates are some of the highest in the world, and there is still a large and growing market for timber production and consumption.

Perspective on Colombia

Colombia has drawn the attention of international investors, many of which have started to see the country as the new rising star of Latin America. While Colombia still enjoys solid economic fundamentals, long-lasting low commodity prices have created the need for structural reforms and reduced the GDP growth from 4.6% in 2014 to 3.1% in 2015. The GDP contraction in Latin America was 0.1% but Colombia is one of the few countries performing positively.

Energy shortage due to El Niño and high inflation cast significant downside risks and analysts expect the economy to grow 2.5% in 2016 while Latin America is expected to face another contraction in 2016.

The main sectors that maintained growth in 2015 were agribusiness, 3.3%, construction, 3.9% and financial services, 9.7%. Civil construction is expected to keep growing in 2016 and this sector's growth is directly correlated to the consumption of sawn wood and wood-based panel boards.

Pulp, paper and related products imports reduced by 6.2% compared to 2014 as the competitiveness of local forest based industry has improved with the depreciating local currency. The Company has seen the effect in increasing demand for timber with imports being substituted by local production. Further, we see an increase in investments in capacity in small sawmills similar to our plantation assets.

On the political side, concluding the ceasefire between the government and the left-wing guerrilla group – the FARC – is one of the government's top priorities. Despite a delay in the self-imposed 23 March 2016 deadline to reach peace agreement, the process is underway. Recently the United States Secretary of State held a meeting with the rebels in Havana to discuss the peace process.

The Government's efforts to reach peace, investment in infrastructure, and depreciating local currency lowering assets price against the USD are making the timber sector even more attractive to investors – locally and internationally.

Financial summary
Below is a commentary on various aspects of the results for the year.

Income statement comments

- The loss for the year was USD 34.5 million including the impact of the recognition of an unrealised loss on biological assets of USD 20.4 million (the loss for the year excluding the impact of the unrealised loss/gain on biological assets would be USD 14.1 million loss compared to a USD 28.8 million loss in the previous year).
- Gross profit before and after depletion shows a significant improvement when compared to the previous year.
- Share of profit arising from the joint ventures, a 90% stake in MS Timberland in Colombia and 80% stake in Aimara in Brazil has increased to USD 2.2 million compared to USD 1.0 million in the previous year.
- Administrative expenses decreased by 33% to USD 8.5 million due to a cost reduction programme throughout the Group which will continue during 2016.
- Forestry operating expenses decreased significantly (from USD 4.0 million in 2014 to USD 3.0 million in 2015) reflecting the cost reduction programme implemented during 2015. The programme included insourcing some core silviculture activities. During 2016 further activities are being evaluated to assess their suitability to be insourced.

Statement of Financial Position comments

- Total non-current assets, (forest assets representing 76%, of the total), decreased by 34% to USD 206.96 million (2014: USD 314.61 million). This reduction is mainly explained by the depreciation of the local currencies against USD (USD 97.08 million).
- The acquisition of the land neighbouring the existing Kaa project in December includes USD 7.56 million in land and USD 5.14 million in biological assets, a total of USD 12.7 million in forest assets.
- The biological asset value also decreased because the wood volume was reduced following harvesting and discount rates applied in Indufor valuations increased from those used in previous year (see Note 10). Foreign exchange translation caused a further decline in USD asset values, as they are valued in local currency.

Cash flow statement comments

- The Company raised USD 14.5 million of new funds during 2015 arising from funds drawn down from warrant instruments (see Note 22).
- During 2015 the Company invested USD 8.7 million mainly in acquiring forest assets which includes the USD 6.5 million of new plantations in the Kaa project.
- Operating cash flows generated USD 2.3 million before USD 2.6 million was paid in respect of taxes.

Outlook and conclusion

During the year we have seen a further slowdown from 2014 due to negative growth in the Brazilian economy and clients supplying the domestic market in Brazil have reduced their demand. The local currencies have also continued to depreciate compared to USD and political volatility has caused a downgrading of the Brazilian sovereign credit rating by the large credit rating agencies. This has been a challenging environment for the Company, which is reflected in its decreased NAV.

However, at the same time Brazilian export industries are benefiting from the depreciating BRL and are showing record profit margins which has driven up the demand for our products. The Company has increased sales to export oriented clients in order to benefit from this situation.

In contrast to Brazil, the Colombian economy is showing the highest growth in South America. At the same time the COP has depreciated driven by the decreasing global oil price as Colombia is a large exporter of oil. This has increased the competitiveness of the domestic industry versus import which has further driven up the demand for our products from sawmill and wood based panel mils. We see a strong development of our end markets in Colombia and expect increasing sales volumes in Colombia.

During 2015 we have focused on profit margins and operating cash flow in all our projects. The majority of the Company's projects generated a positive operating cash flow in 2015, except the charcoal operations in Biocarbono and trial plantations in Vichada. We have decreased costs throughout the organisation including administration, silviculture and charcoal production. We have also focused on diversifying our client base in order to reduce exposure to volatility in the charcoal market. At the end of 2015 we entered into a MOU to supply timber to a new thermoelectric plant that is planned to be constructed in Minas Gerais by a third party. It is an important strategic diversification for the Company that will create a new market outlet and exposure to an additional value chain, if successful.

Our sales were USD 16.3 million in 2015 a slight decrease compared to 2014, even though the local currencies in which we sell depreciated by an average 30% during 2015. We acquired 1,500 hectares of mature pine plantations during the year which we have already started to harvest. This shows our team's ability to execute investments, market and sell wood in order to create value for our investors.

Yours sincerely,

Johan Larsson
CEO
Timber Capital Limited
26 April 2016

THE FOREST COMPANY LIMITED

INVESTMENT POLICY

INVESTMENT OBJECTIVE

The Company's objective is to provide Shareholders with low risk and high-quality real long-term returns, via cash distributions and growth in net asset value, through sustainable investments in forest assets. These investments include investments in biological assets, timberland related assets and associated rural real estate activities.

INVESTMENT POLICY

The Directors adopted the following Investment Policy in April 2012, which governs the investments made by the Company:

Certification — the Company fully intends to have each of its forestry operations certified by the FSC, or, when relevant, another equally reputable forest management certification scheme. The Company will do this by implementing due diligence processes and requiring a forest audit based on international and regional standards to ensure that all assets acquired by the Company will be eligible to receive appropriate certification.

Minimum Investment Size — each project should be substantial enough to require at least a USD 5 million capital commitment from the Company in order to ensure cost efficient management of the investments.

Maximum Investment Size — the Company will seek to maintain a suitably diversified portfolio of investments so as to seek to manage the Company's economic exposure to any counterparty, single project or separate legal entity.

Duration of Investment — the duration of investments will vary according to end-markets, species and local requirements. The Company aims, when possible and appropriate, to structure investments over periods in excess of fifteen years and can seek early exits from a project as a whole or can seek to restructure the individual assets of a project for opportunistic reasons, portfolio rebalancing transactions or if changes in regulatory conditions so require. Early exits will be evaluated if doing so maximises shareholder returns.

Target Returns — the Company will only invest in a project when the Investment Manager believes that the project has the possibility to generate a minimum real IRR of 8% per annum over the duration of the investment (on an unleveraged basis).

Diversification of End-Markets — the Company will seek to invest in projects that serve different end markets and different value chains in order to reduce the Company's overall sensitivity to developments in the different value chains that consume the Company's wood fibre.

Species Diversification — there are no set species diversification limits. However, the Company aims to diversify its investments into different species in order to reduce its exposure to extreme weather, species specific diseases and price movements in specific end-markets.

Geographical Diversification — there are no set geographical diversification restrictions. However, the Company will have regard to the benefits of geographical diversification in relation to its investments and the management of its regulatory risk, currency risk, political risk, environmental policy risk and risk from adverse natural events.

Age Class Diversification — there are no set age class diversification limits. However, the Company will seek to invest in projects with different levels of maturity and times to harvest with the aim of smoothing cash flows.

Investment Structure — the investments in forest assets will, where possible, be conducted through SPVs via a structure of subsidiaries, set up for each respective project. The Company intends to enter into agreements in which it either holds a controlling stake in the investment vehicle, or it has a minority stake but has secured satisfactory protections to its minority stake. The Company may invest either in partnership with a major wood consuming industrial company, with an existing landowner or independently. The Company intends, where suitable, to enter into long-term wood sale agreements with leading companies as partners. However, long-term wood sale agreements will only represent one part of the overall sales.

Borrowings — the Company may not incur debt at the Company level without Board approval. The Company may, however, use overdraft and short-term borrowing facilities to satisfy short-term working capital needs, and the Board has approved the entering into by the Company of a short-term working capital facility. The Company may incur debt at the project level to the extent that the Investment Manager determines that a leveraged investment is in the best interests of the Company. However, the Board of the Company must approve the drawdown of any debt financing at the project level that will result in the total Group leverage (being debt/(debt + Adjusted NAV – as defined in the private placement memorandum)) exceeding 20% at the time of such drawdown.

Hedging Policy — the Company will keep the majority of its cash in USD. When the Company has anticipated expenses or capital outlays denominated in a currency other than USD, the Company may potentially enter into a foreign currency hedge to manage exposure to the currency of the outlay. The Company does not currently envisage using other types of futures contracts apart from currency hedges as noted above.

Application of the investment policy
The Company has outsourced the investment management function to TCL. Under the terms of the IMA, TCL must manage the assets of the Company in accordance with the above Investment Policy. Investment decisions are presented to, and approved by the Investment Committee of TCL.

Should a proposed investment at the time of investment be equal to, or exceed, 40% of the Company's then Adjusted NAV (as calculated from time-to-time), the Investment Committee of the Company will be required to give final approval of the investment, reviewing the proposed investment taking into account the commercial terms and attractiveness of the investment for the Company in light of the Company's investment policy.

THE FOREST COMPANY LIMITED
DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

The Directors present their report and audited consolidated financial statements for the year ended 31 December 2015.

Incorporation and status
The Forest Company Limited is a Guernsey incorporated Company with registered number 47338. The Company, which is governed by the Law, is limited by shares and is a Guernsey Registered Closed-ended Collective Investment Scheme governed by the Registered Collective Investment Scheme Rules, 2015 published by the Guernsey Financial Services Commission.

On 2 June 2011 the Company obtained a listing on the Channel Islands Stock Exchange.

Tree Holdings Limited, a holding company incorporated in the Cayman Islands in December 2014, has not been utilised and therefore on 10 December 2015 its shares in all subsidiary entities were transferred to The Forest Company Limited.

Principal activities
As a Guernsey Registered Closed-ended Collective Investment Scheme, the Company has an infinite life and has been established to provide shareholders with both income and capital growth, combined with a low risk profile, through investing in new plantations, trees, timberland, timber related assets and associated rural real estate activities globally (but with primary focus on Latin America). The focus so far has been on Brazil and Colombia.

Review of the Company's activities
A review of the business together with potential future developments is contained in the Investment Manager's Report and Chairman's Statement. The Directors are satisfied with the performance of the Investment Manager during the year.

The process for the review of the Investment Manager is described on the Company's website in the compliance statement for AIC Code Principle 15.

Results and dividend
The results for the year are set out in the Consolidated Income Statement and the Consolidated Statement of Other Comprehensive Income on pages 39 and 40.

No dividend has been recommended for the year ended 31 December 2015.

No interim dividend was paid during the year. (2014: 3% of the Adjusted NAV as at 31 December 2013, USD 25 cents per share).

Going concern and new fundraising
The financial position of the Group, its cash flows and liquidity position are described in the notes to the accompanying financial statements. In Note 30 there is a description of the Group's objectives and policies for managing its capital, its financial instruments and its exposure to credit and liquidity risk.

The Company has access to a balance of USD 11.01 million through issue of warrant instruments and a balance of USD 2.5 million available through its Metlife line of credit facility.

The Board has made enquiries and examined the Group's cash forecasts for the 3 year period to 31 December 2018, including restricted cash, borrowings, covenants and dividend payments under various scenarios and assumptions. Having previously acquired significant levels of mature plantations, the Company continues to develop markets for wood and wood products in order for sales to exceed the carefully managed on-going costs of the Group. The charcoal arm of the Company, Biocarbono, has made losses in 2015 and prior years. This has been the subject of continued management attention and is showing signs of performance improvement during 2015 through cost reductions and improved efficiencies. Management believes that breakeven is achievable in a short period of time dependent on the charcoal market recovery with increased demand being followed by market price increases. The results of Biocarbono are susceptible to movements in the market prices of pig iron and the Company is continuing cost reducing incentives to further mitigate unfavourable market conditions. In 2016 the Group intends to operate a pig iron mill, through a joint arrangement with a third party (see Note 14), with the intention of creating further efficiencies and improving competitive advantage in the marketplace.

Going concern and new fundraising (continued)

In addition, the Group continues to market the sale of non-core farms in order to improve working capital cashflows and to provide potential funds for additional acquisitions of other forestry projects.

VIABILITY STATEMENT

(1) Assessment of prospects

Context for the assessment of prospects

The Group's Investment Policy which is set out on pages 13 and 14, its business model and strategy are central to an understanding of its prospects and details can be found in the Chairman and Investment Manager's reports on pages 5 and 6 and 7 to 12 respectively. The nature of the Group's activities is medium to long-term, by dint of the time it takes for Eucalyptus and pine trees to grow in the two countries in which the Group has invested to date, namely Brazil and Colombia, and the business model is open-ended. The Group's current strategy has been in place for several years, subject to the ongoing monitoring and development described below.

The Board continues to take a conservative approach to the Group's strategy in the core business and the focus is largely upon cost control and improving the results of the charcoal business. Decisions relating to investments in major new forestry projects are made with a low appetite for risk and are subject to detailed analysis by the Investment Manager before approval by the Board, which also ensures that they are in accordance with the Group's Investment Policy.

The Group's focus is on maintaining and enhancing the current investments in the projects reported upon in the Investment Manager's report, see pages 7 to 12, improving the results of the charcoal business and looking for new outlets in which to sell wood, e.g. electricity providers. The Investment Manager is also constantly in touch with the market, looking for attractive new forestry projects in which to invest.

The assessment process and key assumptions

The Group's prospects are assessed primarily through its strategic planning process, at the Group's annual strategy day, and reviewed on a quarterly basis via reports to the Board by the Investment Manager, on a project by project basis. In addition, any new or potential prospects are also discussed between the Investment Manager and the Board, at least quarterly. A part of the Board's role is to consider whether the plan continues to take appropriate account of the external environment including commercial, macroeconomic, political and social changes.

An output of the annual strategy day and the quarterly meetings process is an analysis of the risks that could prevent the plan being delivered. The latest updates to the strategic plan were finalised in March 2016. This considered the Group's current position and the projected wood flow by species for the next 15 years.

As a result of this focus, detailed financial forecasts were prepared for the next three years, to the end of 2018. The Board consider that as both Brazil and Colombia are jurisdictions that experience some political, economic and regulatory volatility and that as a result the associated assumptions used in financial modelling can be highly speculative, it would not be sensible to prepare financial forecasts for a period extending beyond 3 years. In particular, foreign currency exchange rate movements for the BRL and the COP against the USD, as well as being one of the main risks to which the Company is exposed, is also a key sensitivity assumption in the Group's financial modelling, and forecasts beyond 3 years are not considered to be reliable. Furthermore, forecasting of fundraising and acquisition activity, which can have a significant impact on the outcome of the Group's financial modelling, is also unreliable when extended beyond a 3 year period.

The key assumptions in the financial forecasts, reflecting the overall forecast include;

- Maintaining the current sales prices of wood and charcoal
- Maintaining sales as to the quantity of wood available to be sold, the harvesting plans and market demand
- Continuing the successful regime of cost cutting at the projects whilst at the same time improving efficiency
- Reducing overheads and similar costs, particularly in the Holding Company

It has also been assumed that new equity will be raised to fund new forestry acquisitions/projects that become available and that bank loans at acceptable rates of interest will be available if required. The Group still has access to uncalled share warrants (see Note 22) and to undrawn loans from MetLife (see page 15).

These key assumptions are reflected in numbers 5, 6 and 7 of the Group's principal risks, see below. The purpose of the principal risks table is primarily to summarise those matters which could prevent the Group from delivering on its strategy. A number of other aspects of the principal risks – because of their nature or potential impact – could also threaten the Group's ability to continue in its current form if they were to occur. This was considered as part of the Group's viability, as explained below.

(2) Assessment of viability
Although the strategic plan reflects the Director's, and the Investment Manager's, best estimate of the future prospect of the business, we have also tested the impact on the Group of a number of scenarios over and above those included in the plan, by quantifying their financial impact and overlaying this on the detailed financial forecasts in the plan. These scenarios, which are based on aspects of principal risks 1, 6 and 7, represent 'severe but plausible' circumstances that the Group could experience. The scenarios tested included:

- A further deterioration in the current exchange rates between the BRL and the COP against the USD
- Reductions in the selling prices of charcoal
- Reductions in the volume of wood which can be sold into existing markets

The results of this stress testing showed that, due to the stability of the core business, the group would be able to withstand the impact of these scenarios occurring over the period of the financial forecasts by making adjustments to its operating plans within the normal course of business.

The Group also considered a number of scenarios that would represent serious threats to its liquidity. None of these was considered to be plausible.

(3) Viability statement
Based on their assessment of the prospects and viability above, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities over the three year period ending December 2018.

(4) Going concern
The Directors also considered it appropriate to prepare the financial statements on the going concern basis, as explained in the Basis of preparation paragraph in Note 3(a) to the accounts.

Principal risks and uncertainties

The Directors regularly review the risks and uncertainties to which the Company is exposed and measure these based on 'Risk Likelihood' and 'Risk Impact' to give a 'Risk Rating' score which is generated by multiplying 'Risk Likelihood' and 'Risk Impact' together.

The principal risks facing the Company relate to the Company's investment activities and the geographical areas in which it operates are shown below in the order of their risk rating.

1

Risk type:	Liquidity
Description:	Currency exposure - The Company is exposed to foreign exchange risk, in respect of BRL and COP, which will impact the value of the Company's assets in the reporting currency of the Company, USD. Whilst this impacts the reported values of individual companies in the Group it may also impact their ability to transfer funds denominated in USD to the Company for distribution to shareholders.
Impact:	Future business performance, net cash flow (in USD terms) with insufficient cash to fund payment of dividends
Approach:	Sales are always kept at market current prices, thus reducing the exposure as there is no global market prices regulated for timber. Cash flows are prepared and reviewed monthly to monitor the ability to pay dividends. Short term currency exposure may be hedged on an ad hoc basis but is rarely used.

2

Risk type:	Market
Description:	Political risk - Changes to economic, political or other conditions in Brazil and Colombia may result in government intervention or restrictions on the ability of the Company to purchase and lease rural farm land or on the movement of capital out of these jurisdictions. Ensuring clear title to land held by the Company is an important objective of the Board.
Impact:	Business model
Approach:	The Company ensures that projects are legally structured to minimise risks wherever possible, and that the portfolio of projects provides a variety of investment structures and locations. Furthermore, legal counsels in the various jurisdictions provide the Board with legal opinions on the title to the land held.

3

Risk type:	Market
Description:	Tax regimes election - Changes to tax regimes governing the Group and its assets, or changes to the eligibility of the Group to certain tax regimes (see Note 8 for details on tax regime).
Impact:	Future business performance and net cash-flow
Approach:	Professional advice is sought on a regular basis in order for the Group to take advantage of the tax regime, particularly in Brazil. Also, the Group has engaged EY to perform compliance reviews on a quarterly basis of all projects so as to follow up very closely on any tax law changes affecting the Group.

4

Risk type:	Capital
Description:	Valuation Assumptions - The Company's IFRS NAV and Adjusted NAV contain unquoted investments (see Note 4 for description of valuation assumptions).
Impact:	Reputational/Management fee and dividend calculation
Approach:	The Company has appointed Indufor Oy to independently assess and report the value of the forestry assets in compliance with IFRS, based upon relevant market data and upon their industry knowledge (see Note 4).

5

Risk type:	Capital
Description:	Working capital - The Company invests a significant amount of cash in its operations, principally on fixed asset acquisitions, planting of trees and the maintenance of timber-related assets. The Company aims to fund its current operations principally through cash flow from operations but any operating losses incurred may lead to insufficient funds.
Impact:	Reduced operational costs and investments in fixed assets
Approach:	The Group is marketing the sale of non-core farms in order to provide additional working capital requirements. Furthermore, funds remain available through the loan facility with Metlife and through warrant certificates issued in June 2015.

6

Risk type:	Liquidity
Description:	Wood/Charcoal price - The forest industry is susceptible to product price fluctuations as the prevailing market prices for end products (such as sawlogs, pulpwood, pig iron and charcoal) can fluctuate as a result of, among other things, changes in the supply and demand for wood and wood products.
Impact:	Business performance (operational cash flow)
Approach:	The Company's Investment Manager regularly reviews the movement in market prices and seeks to obtain the best value for the Company's products from existing and new customers.

7

Risk type:	Sales volumes of wood
Description:	Concentration - Concentration on specific end-markets may expose the Company to higher inherent risks.
Impact:	Business Model and performance (operational cash-flow)
Approach:	The Company seeks to invest in projects that serve different end markets and different value chains in order to reduce the Company's overall sensitivity to developments in the different value chains that consume the Company's wood fibre. To manage this concentration risk, the Group monitors developments relating to the charcoal market. Furthermore, in 2016 the Group is entering into an agreement with a third party to operate a pig iron mill where charcoal can be sold. As the Group grows it will seek to diversify further its end markets in line with the stated investment policy. See Note 10 for an analysis of the sensitivity of the biological assets to the profitability of the charcoal operations.

8

Risk type:	Environmental
Description:	Physical risks - The Company may experience the impact of physical risks associated with forest assets such as fire, insect infestation or extreme weather.
Impact:	Business performance
Approach:	The Company's plantations are managed, or insured as appropriate, in a manner to mitigate these risks wherever possible.

The above risks are mitigated and managed by the Board through continual review to ensure that procedures are in place with the intention of minimising the impact of the above mentioned risks. The Board relies on periodic reports provided by the Investment Manager and Administrator regarding risks that the Company faces. When required, experts will be employed to gather information, including tax advisers, legal advisers and environmental advisers.

Details about the risks associated with the Group's financial instruments are given in Note 30 to the consolidated financial statements.

Control environment and monitoring

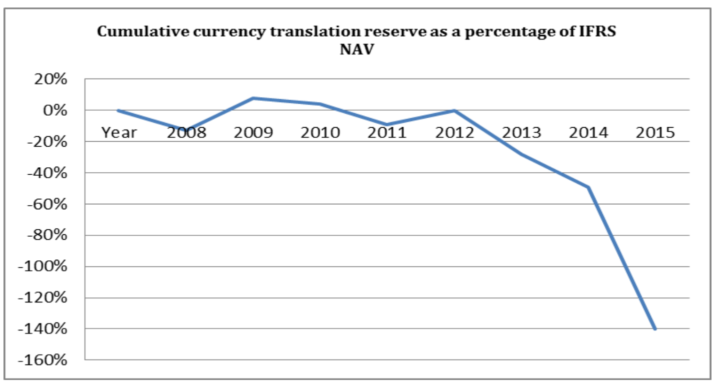
Whilst they were already aware of the existing controls, during 2015 the Investment Manager performed a detailed exercise on a project by project basis to determine and formalise the level of internal controls existing at each location. In addition they also recorded the monitoring controls performed by middle and senior management in order that the Audit Committee can then review them at the time of preparation of the interim and annual reports to ensure that they remain in place and are operationally effective.

The Audit Committee reviewed the documentation prepared by the Investment Manager which covered all the material controls, including financial and compliance controls. The review did not identify any significant weaknesses in the system of internal control and risk management. Finally, the outcome of their review was reported by the Audit Committee to the Board of Directors.

Foreign currency translation effects and exposure

Given the geographical diversification of the Group, unrealised currency gains and losses on translation of the Group's projects and non-USD denominated subsidiaries have impacted the Group since its incorporation. The cumulative impact to the Group's IFRS NAV from incorporation to 31 December 2015 was USD 236 million with USD 97 million being incurred in 2015, mainly as a result of the continued devaluation of the BRL and COP. The Company does not currently consider the currency hedging of foreign currency translation risk over the duration of the investments to be desirable or cost effective.

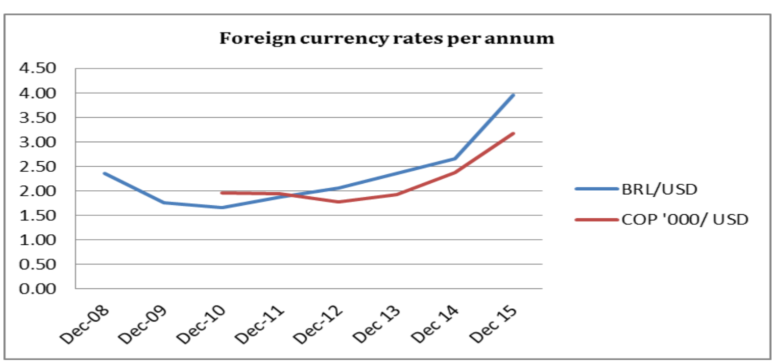
Year (Reporting date, 31 December)	Cumulative currency translation effects	IFRS NAV	Percentage of IFRS NAV	Adjusted NAV	Percentage of Adjusted NAV
	USD'000	USD'000	%	USD'000	%
2008	(5,391)	41,839	(13%)	43,363	(12%)
2009	4,047	49,942	8%	51,690	8%
2010	7,613	185,507	4%	190,165	4%
2011	(29,616)	342,353	(9%)	360,304	(8%)
2012	(52,784)	334,177	(16%)	359,803	(15%)
2013	(94,857)	334,663	(28%)	358,447	(26%)
2014	(138,852)	285,303	(49%)	305,670	(45%)
2015	(235,870)	168,978	(140%)	182,729	(129%)



At 31 December 2015 the Group's NAV breakdown in currency terms was as follows:

Currency	2015	2014
BRL	101%	92%
COP	22%	17%
USD	(23%)	(9%)

The movement in BRL and COP closing rates per annum was as follows:



Directors and Directors' interests

The Directors of the Company who served during the year and as at 31 December 2015 are shown on page 3. Directors' interests and biographies of the Directors holding office at 31 December 2015 and at the date of signing these consolidated financial statements are shown on pages 29 and 30.

Listing of Ordinary Shares

The Company's Ordinary Shares are listed on the Official List of the CISE under ISIN: GG00B4TC8Z57. The Company's details, including all CISE announcements and its Adjusted NAV, may be viewed on the CISE website at www.cisx.com.

Pareto Securities AB has been appointed by the Company to organise off-market trading of the Company's shares. Pareto Securities AB identifies and matches buyers and sellers of the Company's shares and facilitate the provision of anti-money laundering documentation to the Administrator in order for the Company to be compliant with Guernsey legislation. Pareto Securities AB also facilitates the transfer of funds from buyer to seller and informs the Administrator so that the share register can be updated.

Statement of Directors' Responsibilities in respect of the Consolidated Financial Statements

The Directors are responsible for preparing the Annual Report and the consolidated financial statements in accordance with applicable law and regulations.

The Law requires the Directors to prepare consolidated financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with IFRS as adopted by the European Union. Under the Law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that year. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and,
- make an assessment of the Group and Company's ability to continue as a going concern.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Law. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Fair, balanced and understandable

The Board has considered whether the Annual Report is fair, balanced and understandable, taking into account the commentary and tone and whether it includes the requisite information needed for shareholders to assess the Company's business model, performance and strategy. In addition the Board also questioned the Investment Manager on information included and excluded from the Annual Report, and considered whether the narrative at the front of the report is consistent with the financial statements. As a result of this work, each of the Board members considers that the Annual Report is fair, balanced and understandable and includes the requisite information needed for shareholders to assess the Company's business model, performance and strategy.

Disclosure of information to the auditor

The Directors confirm that they have complied with the above requirements in preparing the financial statements. They each also confirm that so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware and they each have taken all the steps they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given, and should be interpreted, in accordance with the provisions of section 249 of the Law.

Subsequent events

In 2013 the Company sold its pig-iron mill and this sale included a 60 month payment plan. As disclosed in note 14 the counterparty is currently in default and the Company is in the process of executing its guarantee over the assets which may result in it becoming owner of the pig iron mill once more. Since 31 December 2015 no buyer to purchase the assets has been identified at public auction and the Company now plans to operate the mill with a third party.

Corporate Governance

The Company is a member of the AIC. The Board has considered the principles and recommendations of the AIC Code by reference to the AIC Guide. Whilst the Company is not a premium UK listed company, and is not required to comply, it has voluntarily and fully adopted compliance with the AIC Code. The Board considers that reporting against the principles and recommendations of the AIC Code and the AIC Guide (which incorporates the UK Code) provides shareholders with full details of the Company's Corporate Governance compliance.

Pursuant to the GFSC Code, companies which report in line with the AIC code or the UK Code are deemed to meet the GFSC Code.

The AIC Code and the Company's compliance therewith can be viewed on the Company's website (www.theforestcompany.se).

The Directors have undertaken to operate the business in an honest and ethical manner and accordingly take a zero-tolerance approach to bribery and corruption. The key components of this approach are implemented as follows:

- the Board is committed to acting professionally, fairly and with integrity in all its business dealings and relationships;
- the Company's approach applies wherever the Company operates throughout the world and the Company will uphold all laws relevant to countering bribery and corruption in the relevant jurisdictions;
- the Company will implement and enforce effective procedures to counter bribery; and
- the Company requires all its service providers, joint venture operations and business partners to adopt equivalent or similar principles and undertakes an on-going assessment of bribery risks throughout its business, including seeking to ensure that such policies operated by relevant service providers meet best practice standards.

It is the policy of the Company and the Investment Manager that neither the Company, nor any subsidiaries, employees or Directors commit or are engaged in, with respect to any transaction or business, any Prohibited Investments, Corrupt Practices or Money Laundering.

Board responsibilities
The Board comprises five non-executive Directors. The Board has engaged external companies to undertake the investment management, administrative and company secretarial activities of the Company. Clear documented contractual arrangements are in place between these firms which define the areas where the Board has delegated responsibilities to them.

The Board has appointed Timber Capital Limited as the Investment Manager under the terms of the Investment Management Agreement. Timber Capital Limited is the sole manager of the assets of the Group in accordance with the investment policy established by the Board of the Company.

Heritage International Fund Managers Limited acts as Administrator and is responsible to the Board under the terms of the Administration Agreement. The Administrator is also responsible for ensuring compliance with the Rules and Regulations of Guernsey Law, CISEA listing requirements (in conjunction with HCS) and money laundering regulation and in this respect the Board receives detailed quarterly reports.

Belasko Administration Limited acts as Company Secretary to the Company, and to the committees of the Board under the terms of the Company Secretarial Agreement.

Board Committees
The Board has delegated specific duties to Committees of the Board which operate within written terms of reference. No persons other than the committee members are entitled to attend at committee meetings unless formally invited by the committee. Copies of terms of reference for the audit, management engagement and nomination and remuneration committees are available on the Company's website.

Audit Committee – see page 26 for the Audit Committee Report
The Audit Committee comprises Joseph Ryan (Chairman), Rainer Häggblom and Dr. Panu Kallio and, pursuant to its terms of reference, meets at least twice a year. In practice, the Audit Committee meets five times or more each year.

The responsibilities of the Audit Committee are to ensure that the financial performance of the Company and its forecast cashflows are properly reported on and monitored, including reviews of the annual and interim financial statements, to receive and consider reports from the Auditor and report their findings to the Board, and to review internal control systems, procedures and accounting policies.

Management Engagement Committee
The Management Engagement Committee comprises Susan Lloyd, the Senior Independent Director who is the Committee's Chairman, Joseph Ryan and Dr. Panu Kallio. The Management Engagement Committee meets at least once a year.

The main functions of the Management Engagement Committee are as follows:
- to review annually the compliance by the Investment Manager with the Company's investment policy and with the Investment Management Agreement; and
- to review annually the performance of the Administrator, the CISE Listing Sponsor and any other key service providers to the Company (which does not extend to the Auditor or the Independent Valuer, which are matters for the Audit Committee and the Board respectively).

The Committee will obtain a schedule of any other service providers engaged by the Company during each year to ensure that a formal evaluation is undertaken when required and that costs are kept under control.

The Management Engagement Committee seeks to focus on compliance with applicable contractual arrangements rather than exhaustively to review the agreements themselves. It follows a consultative process and, where appropriate, the Committee may seek the views of parties having a relationship with the service provider in question in order to satisfy itself that the relationship is working and is cost efficient.

The Management Engagement Committee met in April 2015 with a satisfactory outcome.

Investment Committee
The Investment Committee operates under written terms of reference to consider and review any proposed investment to be entered into by the Company whose value at the time of investment would equal, or exceed, 40% of the Company's then Adjusted NAV (All other investments are approved by the investment committee of the Investment Manager). The duties of the Committee are to review the proposed investment taking into account the commercial terms and its attractiveness for the Company in light of the Company's investment policy, in particular its provisions regarding diversification and portfolio balance.

The Investment Committee comprises Susan Lloyd and Rainer Häggblom, with Dr. Panu Kallio as their alternate, each being an independent director, and will meet as and when required. The Chairman of the Committee will be agreed at each meeting. The Committee did not meet in 2015.

Nomination and Remuneration Committee
In addition to being responsible for reviewing annually the appointment of the Directors, and arranging for a review of their performance, in compliance with the AIC principles and ensuring that the Board comprises an appropriate balance of skills, experience, length of service and knowledge of the Company, the Committee now reviews the remuneration of the Non-Executive Directors, seeking assistance from external specialists in order to do so. The Nomination and Remuneration Committee comprises Dr. Panu Kallio (Chairman), Susan Lloyd, the Senior Independent Director and Joseph Ryan, who replaced Rainer Häggblom in February 2015. The Nomination and Remuneration Committee shall meet at least once a year.

The main functions of the Nomination and Remuneration Committee are as follows:

- to be responsible for identifying and nominating, for the approval of the Board, candidates to fill board vacancies as and when they arise and for recommending Directors for re-appointment; and,
- to monitor the operation of the Board in exercising its duties, having due regard to the AIC Code of Corporate Governance.
- to monitor the levels of remuneration of the non-executive directors in order to ensure that they stay current with the market.

The Nomination and Renumeration Committee met in 2015 and in addition to carrying out its above stated duties it recommended the appointment of Optimus to undertake an independent board evaluation. This was duly completed later in the year.

Remuneration Policy
As noted in the articles of the Company, Directors shall be paid out of the funds of the Company by way of fees such sums not exceeding in the aggregate USD 500,000 per annum as the Directors shall determine or as may otherwise be approved by the Company in general meeting. In respect of 2015, USD 462,250 (2014: USD 413,000) was paid to Directors for their services to the Company.

Independent auditor
Deloitte LLP have agreed to offer themselves for re-appointment as auditor of the Company and resolutions proposing their re-appointment and authorising the Directors to determine their remuneration will be presented at the Annual General Meeting.

Annual General Meeting
The Annual General Meeting of the Company will be held at 10:00 am on 7 June 2016 at the offices of Belasko Administration Limited, 2nd Floor, Weighbridge House, Le Pollet, St. Peter Port, Guernsey.

On behalf of the Board:

Joseph E Ryan FCA
Director
26 April 2016

THE FOREST COMPANY LIMITED
AUDIT COMMITTEE REPORT

Audit Committee
The Audit Committee comprised three Independent Non-Executive directors at 31 December 2015 - Joseph Ryan (Chairman), Rainer Häggblom and Panu Kallio.

Joseph Ryan, chairman of the committee, is the designated financial expert. He is a Fellow of the Institute of Chartered Accountants in England and Wales and was a partner in the London office of PricewaterhouseCoopers for nearly 25 years until he retired.

See pages 29 to 30 for biographical details of the current Audit Committee members.

The Audit Committee met six times during the year and the Chairman of the Audit Committee reported to the Board on how the Committee discharged its responsibilities.

Roles and responsibilities
The committee has written terms of reference which clearly set out its duties and authority and include matters indicated by the AIC Code of Corporate Governance. These are reviewed annually and can be found on the company website at www.theforestcompany.se/investor/corporate-governance.

The main duties of the Audit Committee are:

- monitoring the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance and reviewing significant financial reporting judgements contained therein;
- reviewing the Group's quarterly accounts, cash flow forecasts and relevant sensitivities to those forecasts;
- reviewing the Group's internal financial controls and, unless expressly addressed by the Board itself, the Group's internal control and risk management systems and mandatory effectiveness review;
- making recommendations to the Board for a resolution to be put to the shareholders, for their approval in general meeting, on the appointment of the external auditor and the approval of the remuneration and terms of engagement of the external auditor;
- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements; and,
- developing and implementing a policy on the engagement of the external auditor to supply non-audit services, taking into account relevant guidance regarding the provision of non-audit services by the external audit firm.

The Audit Committee is required to report its findings to the Board, identifying any matters on which it considers that action or improvement is needed, and to make recommendations on the steps to be taken.

Audit Committee Agenda
The Audit Committee met on six occasions during the year and the Chief Financial Officer of the Investment Manager was in attendance either in person or by telephone at each meeting. The Auditor, Independent Valuer and the Tax Advisers were invited by the Audit Committee to attend meetings as and when appropriate.

At each meeting, the Committee considered the relevant quarterly, interim or annual reports on the Group's financial results, forecast cashflows and risk management issues, particularly those impacting the charcoal business.

During the course of the year, the Audit Committee gave specific consideration to the following matters;

- The 2014 Audited Annual Report and Accounts and the 30 June 2015 Interim Report;
- The 2015 Annual Report and Accounts, and in particular paid considerable attention to complying with the new reporting requirements of the AIC Code covering the Viability Statement, the Principal Risks and the Internal Control matrices used in the Group on a major project by major project basis. This work was based on a detailed paper written by the Investment Manager after they had liaised with, and been challenged by, the Audit Committee as to its content and the methodology to be followed in doing the work necessary to write the paper. The paper was discussed at length at the April Audit Committee and then reviewed by and discussed in detail at Board level as it was considered that issue should be a matter for the Board as a whole;

- The Investment Manager carried out a detailed review of the control environment and the monitoring controls in place at every project. Whilst the Board had previously been comfortable that the necessary controls were in place in respect of financial and compliance matters, these have now been fully documented and formalised. The Audit Committee reviewed the output of this exercise, discussed it with the Investment Manager and concluded that good controls are in place and are well monitored by middle and senior management. This information was then passed to the Board for their approval;
- A detailed review and discussion took place with the auditors concerning the treatment of the warrant instruments. Common sense would dictate that as the instrument, once drawn-down, can only be converted into shares, it should be treated as equity. However, IAS 32 dictates that due to the wording of the warrant instrument, it must be treated as a liability until such time as it is converted into shares. As a result of this discussion, and its outcome, an IMA Adjusted NAV which excludes warrant liabilities is now generated for the purpose of calculating the Investment Manager's fee. (see Note 9);
- Quarterly management accounts for the March and September 2015 quarters;
- Detailed cash flow forecasts and relevant sensitivities going out three years to the end of December 2018;
- The situation regarding the charcoal business and the business plan written by the Investment Manager setting out the actions being taken to make it profitable;
- The actions being taken to reduce the concentration risk of selling wood to the charcoal subsidiary by seeking users in other industry sectors, e.g. pulp producers and energy providers;
- Auditor findings reports;
- The Independent Valuer's feedback and reports, as well as the report they obtained from an independent specialist on land values;
- The Tax Adviser's report, in particular the introduction of new taxes which will impact the subsidiary companies/joint venture in Colombia and the tax sensitivity notes comparing the two tax regimes in Brazil;
- The Group accounting policies;
- The Group's risk register, which has been redesigned into a more relevant and efficient format with the help of an external specialist;
- The terms of reference of the Audit Committee for approval by the Board; and
- Reappointment, remuneration and engagement letter of the external auditors.

In conjunction with the Board evaluation outlined in the AIC Code compliance section of the Company's website, the Committee evaluation concluded that it remained an effective Audit Committee.

External audit

Having determined during 2012 not to put the provision of the external audit out to tender, the Committee continued to review the effectiveness of the audit process and independence of the external auditors. This was done by way of a questionnaire completed by the Audit Committee members as well as by the senior members of the Investment Manager's Finance Team. We remained satisfied that the auditors provide effective independent challenge to the Board and to the Investment Manager. Bearing in mind the provision of the AIC Code for FTSE 350 Companies to put their audit out to tender every ten years, and the impact this will have in non-FTSE 350 Companies on corporate governance best practice, the Audit Committee will continue to monitor the performance of the external auditors on an annual basis.

Deloitte has been the Group Auditor since 2008 and the Audit Partner is John Clacy, who has been in charge of the Group's audit for three years. He has another two years left of his five year period before he has to rotate off the audit. During 2015 John visited our offices in Sao Paulo and attended meetings with the Company's lawyers and with the Deloitte partner responsible for the audit of our subsidiary companies in Brazil.

The Committee recognises the efforts that Deloitte makes to understand our business when auditing the Company's various projects, the insight they provide and the positive contribution they make at Audit Committee meetings.

Deloitte confirmed to the Committee that they maintained appropriate internal safeguards to ensure their independence and objectivity. The Committee considered and approved Deloitte's assessment of their independence. It has recommended their reappointment to the Board which will seek the approval of shareholders.

During the year the Audit Committee discussed the planning, conduct and conclusions of the external audit as it proceeded. At the November Audit Committee meeting, the committee discussed and approved the auditor's Group audit plan in which they identified the Group's valuation of forest assets, taxation liabilities, the return to profitability of the charcoal business and going concern as the key areas of risk of misstatement in the Group's financial statements. The Committee discussed these issues with the auditors and put into place, together with the Chief Financial Officer of the Investment Manager, a series of actions to help ensure that the concerns of the auditors were dealt with.

In particular, this included reviewing, where possible, the information publicly available from the annual reports of other Brazilian forestry companies on the factors specific to the Brazilian forestry industry impacting the calculation of the discount rate for the purpose of valuing the Group's Brazilian forestry assets.

The Audit Committee has had regular contact with the Investment Manager and the Auditor during the year end audit process. The Committee's discussions have been broad ranging, including the detailed consideration of the Company's going concern status; and have focused specifically on four areas of sensitivity, two of which have been fully discussed in Notes 10 and 11 in the financial statements and the third is included in the accounting policy notes:

- Fair value of biological and land assets;
- Brazilian tax system and the impact on the fair value of biological assets and associated deferred tax provisions;
- Notional land lease charge included in the valuation of biological assets; and
- Cash flow sensitivities to falling charcoal sales prices and selling less wood.

The Audit Committee held extensive discussions with, and received detailed reports from, the Investment Manager, Indufor and the Group's tax advisers to support the valuations and provisions within the financial statements.

In addition to the above, the Audit Committee holds a private session with the Audit Partner twice a year without representatives of the Investment Manager being present. Furthermore, Joseph Ryan meets with the Audit Partner, or discusses matters on the telephone with him, from time to time to provide an opportunity for transparent communication and to enable the discussion of any concerns that either party may have about the audit process or matters impacting the Group.

Independent Valuers

The independent valuers, Indufor, play a key role in determining the result of the Group so their work remains an important focus of the Audit Committee. We meet with them once or twice a year and discuss the results of their work with them in detail. During the year the Audit Committee raised with the Board the length of tenure of Indufor's appointment. We considered that ending their appointment after a three year period was not wise as the Board considers that it takes at least a year for a valuer to properly understand the Group's operations on a forest by forest basis and by the time their second annual valuation has taken place, the Board would be looking for another firm of valuers to replace them the following year. The Chairman of the Company took soundings from our major shareholders, and discussed current best practice on this topic with other companies in the forestry industry, and, as a result, Indufor's appointment has been extended to the end of June 2016. A decision on which firm of independent valuers will be selected thereafter will be made in Autumn 2016.

Visit to Colombia, and Training

During 2015 the Audit Committee Chairman visited some of the Group's operations in Colombia and met with the Chief Executives of two of the major subsidiaries, as well as with several members of their staff. In addition to the practical understanding gained by visiting the Group's operations, the Audit Committee receives regular technical updates and specific personal training is available if required. The Audit Committee Chairman has attended Audit Committee Workshops/Seminars and has passed on relevant information concerning best practice, particularly regarding the new Corporate Governance requirements, to other members of the Audit Committee and to the Investment Manager's finance team.

Internal audit

The Audit Committee considers at least once a year whether or not there is a need for an internal audit function. Currently, the Audit Committee does not consider there to be a need for an internal audit function, given that there are only a small number of employees in the Group and all outsourced functions are with parties/administrators who have their own internal controls and procedures.

On behalf of the Audit Committee

Joseph E Ryan FCA
Chairman of the Audit Committee

26 April 2016

THE FOREST COMPANY LIMITED

DIRECTORS

Rainer Häggblom
Independent Non-Executive Chairman

Age: 59

Appointed: August 2008

Experience:
Director of United Bankers Oyj, Dovre Oyj and Häggblom & Partners Ltd Oy. Formerly Chairman and CEO of Jaakko Pöyry Consulting Oy (later named Pöyry Forest Industry Consulting Oy) which he left in 2008 to establish his own independent advisory company Häggblom & Partners. Mr Häggblom graduated from the University of Helsinki and Aalto University.

Last re-elected to the Board: June 2015

Committee membership:
Audit Committee,
Investment Committee,
Management Engagement Committee
Nomination and Remuneration Committee (resigned 2015)

Remuneration:
USD 195,000

Employment by the Investment Manager:
None

Other connections with the Company or Investment Manager:
None

Shared Directorships with any other Company Directors:
None

Shareholding in Company:
49,484*

Susan Lloyd
SID

Age: 74

Appointed: July 2007

Experience:
Ms Lloyd has 30 years experience in the private equity industry, initially as Managing Director of the European arm of Venture Economics and latterly as an independent placement agent for private equity funds. Previously she was Director of Investor Relations at Schroder Ventures. Ms Lloyd holds an honours degree in Physics from Oxford University and is a Sloan Fellow of the London Business School. A Guernsey resident since 1999, she has been a non-executive Director of several Channel Islands based private equity funds.

Last re-elected to the Board: June 2014

Committee membership:
Investment Committee,
Management Engagement Committee (Chairman),
Nomination and Remuneration Committee

Remuneration:
USD 69,000

Employment by the Investment Manager:
None

Other connections with the Company or Investment Manager:
None

Shared Directorships with any other Company Directors:
None

Shareholding in Company:
22,138

Dr. Dermot Smurfit
Non-Executive Director

Age: 71

Appointed: October 2007

Experience:
Presented by order of the president of Finland with the Knight, First Class of the Order of the Lion of Finland, for services to business.
Chairman of ML Capital Limited and Powerflute Oy. Director of Timber Capital Limited. Dr Smurfit has over 40 years experience in the paper and packaging sector. He was formerly chairman of FEFCO (the European body covering the corrugated box industry), a director of CEPI (Confederation of European Paper Industries) and chairman of WCO (World Containerboard Organisation).
Dr Smurfit is a graduate of Oatlands College Dublin and Harvard Business School's Advanced Management programme. Dr Smurfit became an honorary Doctor of Business Administration for the International Management Centres in 1998.

Last re-elected to the Board: June 2015

Committee membership:
None

Remuneration:
USD 68,250

Employment by the Investment Manager:
Board Director

Other connections with the Company or Investment Manager:
Member of the Investment Manager's Board

Shared Directorships with any other Company Directors:
None

Shareholding in Company:
312,500

*Rainer Häggblom has an additional 21,990 (2014: 12,090) shares held in escrow as noted in the Directors' Report and Note 29 to the Consolidated Financial Statements.

THE FOREST COMPANY LIMITED
DIRECTORS (CONTINUED)

Dr. Panu Kallio
Independent Non-Executive Director

Age: 51

Appointed: June 2010

Experience:
Director of the Foundation for European Forest Research, The Kaisa Kallio Foundation, and The Latokartano Foundation. Dr. Kallio was formerly Senior Vice President of OP-Financial Group, the largest financial services group in Finland, in charge of financial services for rural entrepreneurs and forest owners. He was formerly a Director of Pellervo Economic Research Institute, a member of the Central Committee of the International Confederation of Agricultural Credit as well as a permanent expert of the Board of the Development Fund of Agriculture and Forestry in Finland. Dr. Kallio received his Ph.D. in Agricultural Economics from Purdue University, USA and his M.Sc. from the University of Helsinki, Finland.

Last re-elected to the Board: June 2013

Committee membership:
Audit Committee,
Investment Committee (Alternate),
Management Engagement Committee
Nomination and Remuneration Committee (Chairman)

Remuneration:
USD 61,000

Employment by the Investment Manager:
None

Other connections with the Company or Investment Manager:
None

Shared Directorships with any other Company Directors:
None

Shareholding in Company:
2,746

Joseph Ryan
Independent Non-Executive Director

Age: 64

Appointed: July 2012

Experience:
Director of Muntons (Holdings) Plc and The Rugby Players Association. Mr Ryan has 35 years experience with PricewaterhouseCoopers and was a partner for nearly 25 years, both in the Audit and Corporate Finance Divisions, where he was involved with some of the world's largest M&A transactions. He has worked on transactions in over 30 countries and has gained extensive experience in UK, USA and International Accounting Standards. Mr Ryan is a qualified Chartered Accountant and has completed a number of Senior Executive Programmes at the London Business School.

Last re-elected to the Board: June 2013

Committee membership:
Audit Committee (Chairman),
Management Engagement Committee
Nomination and Remuneration Committee (appointed 2015)

Remuneration:
USD 69,000

Employment by the Investment Manager:
None

Other connections with the Company or Investment Manager:
None

Shared Directorships with any other Company Directors:
None

Shareholding in Company:
3,185

Attendance at meetings

	Board		Audit Committee		Management Engagement Committee		Nomination & Remuneration Committee	
2015 Meetings of The Forest Company	Board Meetings 4 held	Telephone board Meetings 3 held	Held	Attended	Held	Attended	Held	Attended
Rainer Häggblom	4	2	6	6			1	1
Dr. Dermot Smurfit	4	2						
Susan Lloyd	4	2			1	1	1	1
Dr. Panu Kallio	4	3	6	6	1	1	1	1
Joseph Ryan	3	3	6	6	1	1		

THE FOREST COMPANY LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE FOREST COMPANY LIMITED

Opinion on financial statements of The Forest Company Limited

In our opinion the financial statements:
- **give a true and fair view of the state of the Group's affairs as at 31 December 2015 and of the Group's loss for the year then ended;**
- **have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and**
- **have been prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008.**

The financial statements comprise the Consolidated Statement of Financial Position, the Consolidated Income Statement, the Consolidated Statement of Other Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes 1 to 33. The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

Going concern and the Directors' assessment of the principal risks that would threaten the solvency or liquidity of the Group

We have reviewed the Directors' statement regarding the appropriateness of the going concern basis of accounting and the Directors' statement on the longer-term viability of the Group both contained within pages 16 and 17 of the Report of the Directors.

We have nothing material to add or draw attention to in relation to:
- the Directors' confirmation on page 19 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on pages 17 to 19 that describe those risks and explain how they are being managed or mitigated;
- the Directors' statement on page 17 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- the Director's explanation on page 17 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We agree with the Directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Independence	We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and we confirm that we are independent of the group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.
Our assessment of risks of material misstatement	The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

Risk	How the scope of our audit responded to the risk
Valuation of land assets	
The Group has purchased additional land including biological assets during the year at a cost of USD 6.5m and recognised an uplift in the valuation of this land at year end of USD 7.5m (2014: USD 22.4m). The valuation of total land assets of USD 108.1m (2014: USD 137.2m), set out in Notes 3h, 3j, 4a, 10, 11 and 13, is performed by an independent valuer engaged by Management and valuations are based on market transactions of comparable assets. Given that there is no active market of similar assets and that transaction prices and asset details may not be readily available, we consider valuation of land assets to be a key risk.	We have evaluated supporting evidence for the land purchase and the details and circumstances of the transaction. We assessed the independence and competence of the external valuer. We have evaluated the independent valuations obtained by Management. This included challenging the consistency of the valuation methodology applied and the accuracy and validity of source data against market information. We also reviewed independent land market research undertaken by a Brazilian real estate consultancy firm on land assets in Brazil, which had been commissioned by the valuer on behalf of the Group.

Valuation of biological assets

The biological asset valuations of USD 95.9m (2014: USD 163.2m), set out in Notes 3l, 4a, 10 and 13, are determined by an independent valuer using discounted cash flow models, which are subject to a number of inputs and assumptions such as growth rates, projected harvest yields, active market demand for realisation of assets at market prices, discount rates, notional land lease charges, application of direct and indirect taxes. Judgements over these inputs and assumptions could have a significant impact over the fair value estimates of the assets.

We have challenged each of the inputs, assumptions and judgements applied to the cash flows (including taxation) through comparison with market information and transactions for similar assets.

We have also assessed the independence and competence of the external valuers.

We have engaged with our internal specialists to determine a reasonable range of implicit discount rates in comparable forestry companies and compared this to the discount rate applied to the cash flow models.

We have considered Management's assessment of the projected trading performance of the Group's charcoal operations and the impact to the biological asset valuations. This is discussed further below under 'Valuation of carbonisation assets' risk.

We have recalculated the sensitivity of the biological asset valuations to changes in key inputs separately and when all other variables remain constant, and also the profitability of the Group's charcoal operation as noted below under 'Valuation of carbonisation assets' risk.

Valuation of carbonisation assets

The carbonisation asset valuation, set out in Notes 3m, 4c and 12, is determined by an independent valuer using a discounted cash flow model, which is subject to a number of inputs and assumptions such as charcoal and wood prices, production costs and yields. In the Minas Gerais region charcoal is the primary destination for the majority of the Group's biological assets and therefore the biological asset valuations remain sensitive to the sustainability and profitability of the charcoal operations. The Group's carbonisation assets currently in use as at 31 December 2015 have a zero fair value due to the projected losses for the production of charcoal. Losses in the Group's charcoal operations, if they continue, will have a significant impact over the fair value estimates of the biological assets above.

We have evaluated Management's business plan for expanding and improving the efficiency of the Group's charcoal operations as well as the projected performance and consequential impact on the biological asset valuations. We challenged the inputs, assumptions and judgements applied in determining the potential future cash flows against market rates and historical performance, and the duration for the Group's charcoal operations to return to profitability.

We have also evaluated Management's impairment assessment against the carrying value of carbonisation assets and inventory held, and challenged the adequacy of the provisions made.

Taxation	
Accounting for tax across multi-jurisdictional structures can be complex, as set out in Notes 3r, 4b and 8. Application of relevant tax laws in Brazil and Colombia require certain operations within the Group to be operationally and financially independent and should this not be the case, could have a material impact on the tax cashflows in the biological asset valuation projections and deferred tax balances of USD 4.8m (2014: USD 7.3m) and, as a consequence, on the net asset value of the Group.	We have evaluated and challenged the conclusions of independent external tax advisers who assessed and considered the application of all relevant taxation laws currently enacted and impacting the Group's financial statements. We engaged with our internal tax specialists to review and challenge the conclusions of the independent external tax advisers report to obtain assurance over the critical tax assumptions and judgements made based on the tax laws enacted at the year end. This included consultation with the tax specialists at the subsidiary companies. We recalculated the current and deferred taxation balances based on the elected tax regimes for each of the Group's subsidiary companies.

The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee discussed on pages 26 and 27.

The risks set out above are the same risks as identified in the prior year.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group to be USD 3.3m (2014: USD 5.7m), which is 2% (2014: 2%) of the Group's Net Asset Value, a key performance measure (predominantly impacted by foreign exchange movements in 2015) and a focus for shareholders investing for capital growth.

We agree with the Audit Committee that we would report to the Committee all audit differences in excess of USD 67,000 (2014: USD 114,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope primarily on the audit work performed on the Group's Brazilian and Colombian subsidiaries, which were subject to a full audit. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work for the subsidiary companies was executed at levels of materiality applicable to each individual entity which were lower than Group materiality and ranged from USD 1.7m to USD 2.7m (2014: USD 3.2m to USD 5.2m).

At the parent entity level we also tested the consolidation process. All of the Group has been subject to full scope audit procedures.

The Group audit team held discussions with the subsidiary companies audit partners during the planning stages and throughout the audit process, discussed their risk assessment, and reviewed documentation of the findings from their work.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under The Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept by the parent company; or
- the financial statements are not in agreement with the accounting records.

We have nothing to report in respect of these matters.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Corporate Governance Statement

Although not required to do so, the Directors have voluntarily chosen to make a corporate governance statement detailing the extent of their compliance with the AIC Code of Corporate Governance. We reviewed the part of the Corporate Governance Statement relating to the Company's compliance with certain provisions of the AIC Code of Corporate Governance. We have nothing to report arising from our review.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

This report is made solely to the company's members, as a body, in accordance with Section 262 of The Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and/or those further matters we have expressly agreed to report to them on in our engagement letter and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Deloitte LLP
Chartered Accountants
St. Peter Port, Guernsey
26 April 2016

THE FOREST COMPANY LIMITED

Consolidated Statement of Financial Position

As at 31 December 2015

	Notes	31 Dec 2015 USD'000	31 Dec 2014 USD'000
ASSETS:			
Non-current assets			
Forest assets			
Land	**10**	92,566	117,286
Biological assets	**10**	64,603	119,994
Investment property	**11**	4,637	6,586
Property, plant and equipment	**12**	1,724	1,735
Investment in associates	**13**	-	-
Investment in joint ventures	**13**	40,420	56,886
Other non-current assets	**14**	3,005	12,123
Total non-current assets		206,955	314,610
Current assets			
Inventory	**15**	1,930	5,777
Trade and other receivables	**16**	8,973	7,092
Cash and cash equivalents			
Restricted	**17**	804	1,000
Unrestricted	**17**	4,893	8,903
Total current assets		16,600	22,772
TOTAL ASSETS		223,555	337,382
Non-current liabilities			
Interest bearing borrowings	**18**	(26,802)	(29,319)
Deferred tax liability	**19**	(4,782)	(7,283)
Other long term liability	**20**	(553)	(1,729)
Total non-current liabilities		(32,137)	(38,331)
Current liabilities			
Interest bearing borrowings	**18**	(1,288)	(1,411)
Trade and other payables	**21**	(6,386)	(11,561)
Warrant instruments	**22**	(14,230)	-
Provisions	**23**	(536)	(776)
Total current liabilities		(22,440)	(13,748)
TOTAL LIABILITIES		(54,577)	(52,079)
Net assets		168,978	285,303

The accompanying notes form an integral part of these consolidated financial statements.

THE FOREST COMPANY LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015
(Continued)

	Notes	31 Dec 2015 USD'000	31 Dec 2014 USD'000
Equity			
Share capital and premium	**25**	310,841	310,771
Revaluation reserve		115,945	99,721
Foreign currency translation reserve		(235,870)	(138,852)
Accumulated (loss)/ profit		(22,289)	12,060
Non-controlling interests		351	1,603
Equity attributable to holders of redeemable Ordinary and Class A Ordinary Shares		168,978	285,303
Number of redeemable Ordinary Shares in issue at year end	**25**	19,038,383	19,028,483
Number of redeemable Class A Ordinary Shares in issue at year end	**25**	24,210,655	24,210,655
		43,249,038	43,239,138
Net asset value per redeemable Ordinary and Class A Ordinary Share	**24**	$3.91	$6.60

The consolidated financial statements were approved by the Board of Directors on 26 April 2016 and signed on their behalf by:

Joseph E Ryan FCA
Director
26 April 2016

The accompanying notes form an integral part of these consolidated financial statements.

THE FOREST COMPANY LIMITED
CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2015

	Notes	2015	2014
Continuing operations		**USD'000**	**USD'000**
Revenue	**5**	16,301	17,492
Cost of Sales	**5**	(15,335)	(17,418)
Gross profit		966	74
Depletion	**5**	(2,592)	(7,939)
		(1,626)	(7,865)
Unrealised (loss)/gain on biological assets	**10**	(20,381)	9,099
Realised (loss) on disposal of assets		(5)	-
Share of profit of joint ventures	**13**	2,165	974
Share of income from associate	**13**	-	2,513
		(19,847)	4,721
Operating expenses			
Administrative expenses	**6**	8,525	12,659
Forestry operating expenses	**7**	2,969	4,034
Impairment of property, plant and equipment	**12**	215	5,389
Total operating expenses		11,709	22,082
Operating loss		(31,556)	(17,361)
Interest income on bank deposits		221	257
Interest expense - bank borrowings		(2,621)	(1,738)
Loss before tax		(33,956)	(18,842)
Taxation	**8**	(556)	(810)
Loss for the year from continuing operations		(34,512)	(19,652)
Loss for the year		(34,512)	(19,652)
Loss attributable to:			
Holders of redeemable Ordinary Shares and Class A Ordinary Shares		(34,349)	(19,588)
Non-controlling interests		(163)	(64)
		(34,512)	(19,652)
Earnings per share - Basic and Diluted (US cents)			
From continuing operations	**26**	(79.43)	(45.43)

The accompanying notes form an integral part of these consolidated financial statements.

THE FOREST COMPANY LIMITED

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	2015 USD'000	2014 USD'000
Loss for the year		(34,512)	(19,652)
Other comprehensive loss net of income tax			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences		(97,079)	(43,959)
Deferred tax effect on other comprehensive income	**19**	(491)	(704)
		(97,570)	(44,663)
Items that will not be reclassified subsequently to profit or loss			
Revaluation of planted land	**10**	15,345	21,808
		15,345	21,808
Share of other comprehensive income of joint venture	**13**	1,370	923
Other comprehensive loss for the year		(80,855)	(21,932)
Total comprehensive loss for the year		(115,367)	(41,584)
Loss attributable to:			
Holders of redeemable Ordinary Shares and Class A Ordinary Shares		(115,143)	(41,556)
Non-controlling interests		(224)	(28)
		(115,367)	(41,584)

The accompanying notes form an integral part of these consolidated financial statements.

THE FOREST COMPANY LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

2015	Notes	Share capital and premium USD'000	Revaluation reserve USD'000	Currency translation reserve USD'000	Accumulated profit USD'000	Non-controlling interests USD'000	Total USD'000
As at 1 January 2015		310,771	99,721	(138,852)	12,060	1,603	285,303
Total comprehensive loss							
Loss for the year		-	-	-	(34,349)	(163)	(34,512)
Other comprehensive loss							
Currency translation loss		-	-	(97,018)	-	(61)	(97,079)
Share of other comprehensive income of joint venture		-	1,370	-	-	-	1,370
Revaluation of planted land	**10**	-	15,345	-	-	-	15,345
Deferred tax effect on other comprehensive income	**19**	-	(491)	-	-	-	(491)
Total comprehensive loss		-	16,224	(97,018)	(34,349)	(224)	(115,367)
Transactions with owners							
Shares issued		70	-	-	-	-	70
Dividends paid		-	-	-	-	-	-
Total transactions with owners		70	-	-	-	-	70
Non-controlling interests movement		-	-	-	-	(1,028)	(1,028)
As at 31 December 2015		310,841	115,945	(235,870)	(22,289)	351	168,978

THE FOREST COMPANY LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2015

2014	**Notes**	**Share capital and premium USD'000**	**Revaluation reserve USD'000**	**Currency translation reserve USD'000**	**Accumulated profit USD'000**	**Non-controlling interests USD'000**	**Total USD'000**
As at 1 January 2014		320,178	77,694	(94,857)	31,648	-	334,663
Total comprehensive loss							
Loss for the year		-	-	-	(19,588)	(64)	(19,652)
Other comprehensive loss							
Currency translation loss		-	-	(43,995)	-	36	(43,959)
Share of other comprehensive income of joint venture		-	923	-	-	-	923
Revaluation of planted land	**10**	-	21,808	-	-	-	21,808
Deferred tax effect on other comprehensive income	**19**	-	(704)	-	-	-	(704)
Total comprehensive loss		-	22,027	(43,995)	(19,588)	(28)	(41,584)
Transactions with owners							
Shares issued		1,365	-	-	-	-	1,365
Dividends paid	**27**	(10,772)	-	-	-	-	(10,772)
Total transactions with owners		(9,407)	-	-	-	-	(9,407)
Non-controlling interests on acquisition		-	-	-	-	1,631	1,631
As at 31 December 2014		310,771	99,721	(138,852)	12,060	1,603	285,303

The accompanying notes form an integral part of these consolidated financial statements.

THE FOREST COMPANY LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Notes	2015 USD'000	2014 USD'000
Cash flows from operating activities			
Cash Receipts from customers		17,746	19,037
Net cashflows received from joint venture		2,873	397
Cash paid to suppliers and employees		(18,358)	(19,608)
Cash flow from operating activities before taxes		2,261	(174)
Tax paid		(2,600)	(923)
Net cash used in operating activities		(339)	(1,097)
Cash flows from investing activities			
Net cashflows received from associate		-	57
Purchase of property, plant and equipment		(1,308)	(4,178)
Purchase of investment property		-	(74)
Purchase of forest assets		(8,696)	(16,131)
Release of escrow amounts owed on forest assets purchased in prior periods		-	(6,906)
Proceeds from sale of property, plant and equipment		36	-
Acquisition of subsidiary		(2,548)	4,640
Planted land and biological assets costs capitalised		(1,553)	(2,908)
Net cash used in investing activities		(14,069)	(25,500)
Cash flow from financing activities			
Proceeds from issue of shares		-	1,365
Issue costs paid relating to warrant instruments		(260)	-
Proceeds from interest bearing borrowings		805	15,730
Repayment of interest bearing borrowings		(2,382)	(155)
Interest paid and other financial expenses		(2,621)	(1,738)
Interest received		221	257
Proceeds from issue of warrant instruments		14,490	-
Dividends paid	27	-	(9,479)
Net cash from financing activities		10,253	5,980
Net decrease in cash and cash equivalents during the year		(4,155)	(20,617)
Cash and cash equivalents at the beginning of the year		9,903	31,728
Effects of changes in foreign currency		(51)	(1,208)
Cash and cash equivalents at the end of the year	17	5,697	9,903

In 2015 the Company has adopted the direct method of reporting its cash flows from operating activities and the comparative figures for 2014 have been amended. At the same time cash received from joint ventures has been reclassified to be shown as an operating activity and interest paid and received is reported as a cash flow from financing activities as the Company believes these changes reflect its activities more appropriately.

1. General information

The Company is a Guernsey incorporated closed-ended investment company with an infinite life. The investment objective of the Company and its subsidiaries is to provide shareholders with capital growth combined with a low risk profile through investing in new plantations, trees, timberland and timber related assets and associated rural real estate activities globally. The Group's primary investment focus so far has been in Brazil and Colombia. The Group may pursue transactions on an opportunistic basis in other countries or regions of the world. In order to maintain flexibility, the Company's investment strategy has no predetermined geographical allocations.

The assets of the Group are managed by Timber Capital Limited under the terms of the Investment Management Agreement.

The Investment Manager will use the experience and market knowledge of its investment professionals to select a portfolio of timber assets diversified by tree species, age class and level of maturity. The Company will in particular seek to invest in forestry assets that can be managed on an environmentally and socially sustainable basis.

The Company does not operate in an industry where significant or cyclical variations as a result of seasonal activity are experienced during the financial year.

2. Changes in accounting policies

IFRS not yet adopted:
At the date of approval of these consolidated financial statements, the following standards and interpretations, which have not been applied in these consolidated financial statements, were in issue but none of them had been endorsed by the EU or were yet effective.

- IFRS 9, "Financial Instruments" which is yet to be endorsed by the EU (effective 1 January 2018);
- IFRS 14, "Regulatory Deferral Accounts" (effective 1 January 2016);
- IFRS 15, "Revenue from Contracts with Customers" (effective 1 January 2018);
- IFRS 10 Amendment, "Consolidated Financial Statements" (effective 1 January 2016);
- IFRS 11 Amendment, "Joint Arrangements" (effective 1 January 2016);
- IFRS 16 "Leases" which is yet to be endorsed by the EU (effective 1 January 2019);
- IAS 16 Amendment, "Property, Plant and Equipment" (effective 1 January 2016);
- IAS 28 Amendment, "Investment in Associates" (effective 1 January 2016);
- IAS 38 Amendment, "Intangible Assets" (effective 1 January 2016); and
- IAS 41 Amendment, "Agriculture" (effective 1 January 2016).

The Group has not early adopted any standards, amendments and interpretations to existing standards that have been published and will be mandatory for the Group's accounting periods beginning on or after 1 January 2016 or later periods.

The Directors do not expect that the adoption of the standards listed above will have a material impact on the consolidated financial statements of the Group in future periods, except as follows:
- IFRS 9 may impact both the measurement and disclosures of Financial Instruments, however, the impact is yet to be assessed; and
- IAS 41 may impact the measurement of Agricultural assets; however, the impact is currently being assessed.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

2. Changes in accounting policies (continued)

Adoption of new and revised standards

There were no new or revised standards endorsed by the European Union for accounting periods commencing on or after 1 January 2015 relevant to the Group's operations.

3. Accounting policies

a) Basis of preparation

The consolidated financial statements of the Group have been prepared under the historical cost convention, except for the revaluation of investment properties, forest assets, planted land, buildings and carbonisation assets in accordance with IFRS as adopted by the European Union. The financial statements are presented in USD, the Company's functional and reporting currency.

Going concern

The financial position of the Group, its cash flows and liquidity position are described in the notes to the accompanying financial statements. In addition, in Note 30 there is a description of the Group's objectives and policies for managing its capital, its financial instruments and its exposure to credit and liquidity risk.

The Board has made enquiries and examined the Group's cash forecasts for the 3 year period to 31 December 2018, including restricted cash, borrowings, covenants and dividend payments under various scenarios and assumptions.

Having previously acquired significant levels of mature plantations, the Company continues to develop markets for wood and wood products in order for sales to exceed the carefully managed on-going costs of the Group. The charcoal arm of the Company, Biocarbono, has made losses in 2015 and prior years. This has been the subject of continued management attention and is showing signs of performance improvement during 2015 through cost reductions and improved efficiencies. Management believes that breakeven is achievable in a short period of time dependent on the charcoal market recovery with increased demand being followed by market price increases. The results of Biocarbono are susceptible to movements in the market prices of pig iron and the company is introducing further cost reducing incentives to further mitigate unfavourable market conditions.

In addition to the above, the Group is marketing the sale of non-core farms in order to improve working capital cashflows and to provide potential funds for additional acquisitions of other forestry projects. As a result of the foregoing, the Board has a reasonable expectation that the Company and the Group have adequate resources to continue as a going concern. Accordingly, the Group continues to adopt the going concern basis in preparation of these financial statements.

b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. The consolidated financial statements also include a non-controlling interest in respect of that part of Silvotecnia not owned by its immediate parent, Antioquia.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

3. Accounting policies (continued)

c) Revenue and other income

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue can be measured reliably. Revenues are accounted for on an accrual basis and are measured at the fair value of the consideration received net of discounts and sales-related taxes. Revenue comprises:

i) *Sales – harvested timber or standing trees*
Where revenue is obtained by the sale of harvested timber or standing trees, it is recognised when the significant risks and returns have been transferred to the buyer. This is generally on unconditional exchange. The cost of sale relating to these includes the original cost paid when the biological assets were purchased, subsequent planting and maintenance costs and any variable costs relating to harvesting and selling.

ii) *Sales – charcoal*
Where revenue is obtained by the sale of charcoal, it is recognised when the significant risks and returns have been transferred to the buyer. This is generally on delivery of the charcoal. The cost of sale relating to charcoal sales includes the original cost paid when the biological assets were purchased and any variable costs relating to charcoal production.

iii) *Lease income*
Operating lease income is recognised over the lease term on a straight line basis, unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished.

iv) *Consulting and management services income*
Where revenue is obtained from the provision of services, it is recognized where the Group has a contractual right to receive consideration for work undertaken, the amount can be reliably measured and it is probable that future economic benefits will flow.

d) Depletion

The Group's depletion charged to the income statement represents the prior years' unrealised gains on the biological assets sold. In respect of Eucalyptus plantations, where there are two cycles of production, 70% of the depletion is recognised when the initial seedling rotation is harvested and the remaining 30% when the coppice rotation is harvested.

e) Expenses

All expenses are accounted for on an accrual basis and include fees and other expenses paid to the administrators, the Investment Manager and the Directors.

f) Segmental reporting

The Board is of the view that the Group is engaged in a single segment of business, being investment in timberland and timber related assets including charcoal production. The Board, as a whole, has been determined as constituting the chief operating decision maker of the Company. The key measure of performance used by the Board to assess the Company's performance and to allocate resources is the total return on the Company's net asset value, and therefore no reconciliation is required between the measure of profit or loss used by the Board and that contained in the consolidated financial statements. The Group engaged in a single segment of business in the comparative period.

g) Foreign currency translation

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group company are expressed in USD, which is the functional currency of the Company, and the presentational currency for the consolidated financial statements.

In preparing the financial statements for the individual companies, transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year-end date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the consolidated income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the reporting date.

3. Accounting policies (continued)

g) Foreign currency translation (continued)

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences are classified as other comprehensive income and recognised in the Group's foreign currency translation reserve through the consolidated statement of other comprehensive income. Such translation differences are recognised as income or as expenses in the year in which the operation is disposed of. The exchange rates used in these financial statements relative to the USD are as follows:

	Jan - Dec 2015		**Jan - Dec 2014**	
Currency	***Closing rate***	***Average rate***	***Closing rate***	***Average rate***
Brazilian Reals (BRL)	3.9608	3.3384	2.6576	2.3552
Sterling (GBP)	0.679	n/a	0.642	n/a
Colombian Pesos (COP)	3,174.5	2,748.7	2,376.5	2,001.7

It should be noted that the USD has weakened against the Brazilian and Colombian currencies after the year end.

h) Investment property

Investment property comprises freehold land and land use rights that are held for capital appreciation and are yet to have any trees planted. It is stated at fair value based on valuations by professionally qualified valuers. Fair value is based on current prices for comparable assets in the same location. Any gain or loss arising from a change in fair value is recognised through the consolidated income statement.

Recognition of investment property

The transfer of title of investment property, land and surface rights in the investment region can at times be lengthy. The Group recognises investment property once the Group has legal possession of the land and surface rights as well as all associated obligations. In Brazil, the Group has entered into a number of irrevocable agreements to purchase land parcels and land use rights. Once such an agreement has been entered into, the transfer of land or surface rights moves through several stages under Brazilian Law. The Group recognises land, surface rights and associated forest assets once the acquisition is enforceable through the promise of purchase and sale which grants possession and the completion of the acquisition is financially guaranteed by the fiduciary alienation of the land, thus giving the Group possession and assigning the Group all associated obligations. Where an irrevocable agreement to purchase land or surface use rights has been entered into, but the public deed has not yet been issued, the land purchase consideration is disclosed as a contingent liability and is not recognised as an asset or a liability.

De-recognition of investment property

Investment properties are de-recognised when they have been disposed of. Any gains or losses on disposal of an investment property are recognised in the consolidated income statement in the period of disposal. A disposal is recognised when the risks and rewards associated with the investment property are transferred to a third party with no significant conditions attached.

Investment properties are also reclassified on establishment of plantations. Once a plantation has been established an investment property is transferred at its fair value to forest assets with any gains or losses to date of transfer recognised in the consolidated statement of comprehensive income.

3. Accounting policies (continued)

i) Investments in associates

The Group's investments in associates are accounted for using the equity method of accounting. Associates are entities in which the Group exercises significant influence and which are neither subsidiaries nor joint ventures. Under the equity method, investments in associates are initially carried in the statement of financial position at cost. Subsequently, the investments in associates are carried at cost plus post-acquisition changes in the Group's share of the reserves of the associates less dividends received from the associates. The statement of comprehensive income reflects the share of the results of operations of the associates attributable to the Group.

Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence, and the fair value of the retaining investment and proceeds from disposal, is recognised in profit or loss.

j) Joint ventures

Joint ventures are accounted for using the equity method, which involves recognition in the consolidated income statement of the Company's share of the net result of a joint venture for the year. Interest in a joint venture is carried in the statement of financial position of the Company at its share in the net assets of the joint venture together with goodwill paid, less any impairment loss. Should the share in the losses exceed the carrying amount of a joint venture, the carrying amount will be written down to nil and recognition of further losses will be discontinued, unless the Company has incurred legal or constructive obligations relating to the company in question. For details of joint ventures see Note 13.

k) Goodwill

On the acquisition of a business, fair values are attributed to the net assets acquired. Goodwill arises where the fair value of the consideration given for a business exceeds such net assets. Goodwill arising on acquisitions is capitalised and subject to impairment review, both annually and when there are indications that the carrying value may not be recoverable.

l) Forest assets

Forest assets are stated at fair value and recognised once the Group has possession of the land or once plantations have been established on land acquired by the Group.

It is deemed that the plantations have been successfully established three months after the seedlings have been planted and have become established. Prior to that the biological assets are valued at purchase price plus associated costs, which equates to fair value, after deduction of the fair value of the land as detailed in l (i) Land and surface rights below.

Following the three months marking the successful establishment, the biological asset is then valued based on discounted future cashflows.

3. Accounting policies (continued)

l) Forest assets (continued)

The fair market valuations of the forestry assets are calculated by separating the following components:

i) Land and surface rights
ii) Buildings
iii) Biological assets

The methodology for valuation is:

i) Land and surface rights

The valuers analyse data from the previous 12 months of sales of comparable land within the geographical area. This analysis takes place after the valuers visit the geographical areas. Additionally, the valuers consider the price of comparable properties which are being offered on the market at the year end as well as considering, in Colombia, the value of roads constructed by the Company which give access to the plantations for harvesting. Any gain or loss arising from a change in fair market value is recognised through the consolidated statement of other comprehensive income (net of deferred tax) in the consolidated statement of changes in equity. A decrease arising as a result of a revaluation is recognised in operating expenses to the extent that it exceeds any amount previously credited to the revaluation reserve.

The independent valuers deem surface rights inferring all rights and obligations of possession of the land for the long-term to hold the same value as that of the underlying land on the basis the Group holds options to acquire the remaining 51% of the freehold interest of such land at nominal cost (see Note 10). Land and surface rights are de-recognised when they have been disposed of. Any gains or losses on disposal of land/surface rights are recognised in the consolidated income statement in the period of disposal. A disposal is recognised when the risks and rewards associated with the land/surface rights are transferred to a third party and no significant conditions are attached.

When a revalued asset is disposed of, any revaluation surplus is transferred directly to accumulated profit through the statement of changes in equity.

ii) Buildings

The Group employs the services of local third party experts to ascertain the value of buildings in their condition at the time of the valuation, where these values are material to the overall valuation. In other cases the Group will value buildings and equipment based on asset purchase price less depreciation over the useful economic life of the asset. Any gain or loss arising from a change in fair market value is recognised through the consolidated statement of other comprehensive income. Buildings are de-recognised when they have been disposed of. Any gains or losses on disposal of buildings are recognised in the consolidated income statement in the period of disposal. A disposal is recognised when the risks and rewards associated with the buildings are transferred to a third party and no significant conditions are attached.

When a revalued asset is disposed of, any revaluation surplus is transferred directly to accumulated profit through the statement of changes in equity.

iii) Biological assets

The Group's standing forests are defined and reported as biological assets. The biological assets are evaluated and reported at fair value after deduction of estimated selling costs by an independent third party expert. Once the plantations have been successfully established, the fair value of the Group's standing forests is calculated as the present value of anticipated future cash flows from the assets after tax (see Note 10). The calculation is based on sustainable felling plans, contractual agreements confirming purchase and sale prices, market research conducted by the independent valuer into market sales prices, and assessments regarding growth, felling costs, overhead costs and silviculture costs, including costs for statutory replanting, wood flow, market capacity and prevailing tax systems. Environmental restrictions and other limitations are taken into account and the calculation is performed for a production cycle of up to two rotations for Eucalyptus plantations and one rotation for pine plantations. The discount factor is based on a normal forest company's WACC after tax. A notional land lease charge is included where the Group owns the land on which the plantations are grown. This charge is calculated with reference to market rental yields, as assessed by the valuer, appropriate at the time of the valuation. The rent is paid only for productive land, so the land values are adjusted to take that into account. Fair value measurement stops when the assets have been harvested and transferred to inventory or when a contract for sale is complete and ownership is transferred to the buyer.

3. Accounting policies (continued)

l) Forest assets (continued)

Any gain or loss arising from a change in fair market value is recognised through the consolidated income statement. The same accounting treatment applies when biological assets are derecognised or impaired.

Where applicable, the resulting fair market value is compared for reasonableness, where possible, to recent sales of comparable types of forestry assets in the geographical area.

m) Property, plant and equipment

The Group's property, plant and equipment consists of farm buildings and improvements (Property), carbonisation assets (Plant) and farm equipment, machinery and vehicles (Equipment).

Buildings and improvements are initially recognised at purchase price plus any directly attributable costs and depreciated over 20 years.

Subsequent costs are included in the carrying amount of buildings, when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Equipment is recognised at purchase cost less accumulated depreciation and any recognised impairment losses. Depreciation is provided on a straight line basis over the asset's probable useful life, as follows; 10 years for machinery and equipment, furniture and fixtures; five years for transportation and computer equipment.

The carbonisation assets are initially measured at cost and subsequently carried at their revalued amount, being the fair value at the date of the revaluation less any subsequent accumulated depreciation and any accumulated impairment losses. Revaluations are made on a half-yearly basis to ensure that the carrying amount does not differ significantly from fair value. Where the carrying amount of the carbonisation assets is increased as a result of a revaluation, the increase is recognised in income to the extent the increase reverses a previously recognised impairment recorded through income, with the remainder of the increase recognised in other comprehensive income and accumulated in the revaluation reserve. Where the carrying amount of an asset is decreased, the decrease is recognised in other comprehensive income to the extent of any balance existing in revaluation surplus in respect of the asset, with the remainder of the decrease recognised in the income statement.

As there is no active market for the carbonisation assets, the Company derives the fair value of the carbonisation assets using an income approach. The income approach assesses the discounted future cashflows over the life expectancy of the carbonisation assets that are expected to be generated by the carbonisation assets.

The carbonisation assets are depreciated on a straight-line basis over their estimated remaining useful economic life. The estimated remaining useful economic life of the carbonisation assets at the balance sheet date was five years. The remaining useful economic life of the carbonisation assets is estimated half-yearly.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss. Any gains previously recognised as other comprehensive income will be transferred into the Group's accumulated profit on disposal of revalued property, plant and equipment.

n) Financial instruments

Financial assets and financial liabilities are recognised in the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. The Group offsets financial assets and financial liabilities if the Group has a legally enforceable right to set off the recognised amounts and interests and intends to settle on a net basis.

3. Accounting policies (continued)

n) Financial instruments (continued)

Financial assets

The Group's financial assets fall into the categories below, with the allocation to an extent depending on the purpose for which the asset was acquired. Although the Group may use derivative financial instruments to manage foreign exchange risk, it does not hedge account for these transactions.

The Group has not classified any of its financial assets as held to maturity.

Unless otherwise indicated, the carrying amounts of the Group's financial assets are a reasonable approximation of their fair values.

i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise through deposits on new acquisitions and also incorporate other types of contractual monetary assets. They are included in current assets, except for maturities greater than 12 months after the reporting date, which are classified as non-current assets.

Trade and other receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method. The effect of discounting on these financial instruments is not considered to be material.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms of the receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, such impairments directly reduce the carrying amount of the impaired asset and are recognised against the relevant income category in the consolidated statement of comprehensive income.

ii) Cash and cash equivalents

Cash and cash equivalents are carried at cost and comprise cash in hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

iii) De-recognition of financial assets

A financial asset (in whole or in part) is de-recognised either when the Group has transferred substantially all the risks and rewards of ownership; or when it no longer has control over the asset or a portion of the asset; or when the contractual right to receive cash flow from the asset has expired.

Financial liabilities

i) Financial liabilities at amortised cost

Trade payables and other short-term monetary liabilities are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method. The effect of discounting on these financial instruments is not considered to be material.

ii) De-recognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

o) Interest bearing borrowings

Borrowings are recognised at fair value less directly attributable transaction costs.

3. Accounting policies (continued)

p) Inventory

Inventory is carried at the lower of cost and net realisable value. Cost comprises the purchase price, costs directly attributable to the purchase and costs of the conversion of inventories. Cost of timber inventory comprises the fair value at last valuation prior to harvesting and subsequent transfer from biological assets. Cost of charcoal inventory or any charcoal work in progress at the balance sheet date comprises the cost of timber inventory above plus any direct production costs incurred.

q) Share issue expenses and placement costs

The preliminary expenses of the Company directly attributable to the equity transactions and costs and placement costs that would otherwise have been avoided are deducted from the share capital account.

r) Taxation

The Group's current income tax liabilities comprise those obligations to fiscal authorities relating to the current reporting year, which are unpaid at the year end date.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the reporting date and the tax system elected by the Company.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except for deferred income tax assets which are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credit or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted "in use" basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the reporting date and the tax system elected by the Company.

Income tax is charged or credited if it relates to items that are credited or charged to other comprehensive income. Otherwise income tax is recognised in the consolidated statement of comprehensive income.

s) Non-current assets held for sale

Assets and liabilities are classified as held for sale if the asset's carrying amount will be recovered principally through a sale transaction, rather than continuing use. The sale must be highly probable and expected to be completed within one year from the balance sheet date. Such assets and liabilities that meet these and other criteria are accounted for in accordance with IFRS 5: Non-current Assets Held for Sale and Discontinued Operations will initially be carried at the lower of carrying amount and fair value less costs to sell. Subsequent to initial recognition, the assets and liabilities held for sale will be measured at the lower of carrying amount and fair value less costs to sell, with impairment losses recognised in the consolidated income statement. On de-recognition of assets and liabilities held for sale, any gain or loss will be recorded in the consolidated income statement.

t) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lessor activities

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

Lessee activities

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

3. Accounting policies (continued)

u) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that a transfer of economic benefits will be required to settle the obligation that can be reasonably estimated.

v) Warrant instruments

Following initial draw down the company recognises a liability equivalent to the face value of the warrant certificate. Each warrant is capable of conversion into ordinary shares in the Company, at the last published Adjusted NAV per share at the time of exercise. On conversion the value of shares are recorded as equity and the corresponding liability is released.

4. Critical accounting judgements made in applying the Group's accounting policies

Management makes judgements on estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

a) Fair value of the investment property, planted land, forest assets and carbonisation assets are based on the current market valuation provided by Indufor, the independent valuers. Indufor are required to make assumptions on establishing the current market valuations. The valuations have been made on the assumption that the owner sells the assets in the open market without a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement which could serve to affect the value of the assets and includes consideration of Biocarbono's profitability. The valuations are based on certain assumptions concerning discount rate, rotations/production cycle, growth rates, prices, forecast woodflow, market and market capacity to absorb the woodflow, costs and future eligibility for current tax rates of the Company, and are sensitive to changes in these assumptions (see sensitivity analysis in Note 10). In determining these assumptions Indufor are required to consider that they are reasonable and that potential purchasers of the Company's assets would make the same or similar assumptions by considering other current transactions in the market.

b) The Group is subject to income and capital gains taxes in Brazil and Colombia. Significant judgment is required in determining the taxation assumed in the biological asset valuation and the total provision for income and deferred taxes. There are many transactions and calculations for which the ultimate tax determination and timing of payment are uncertain, in particular the Brazilian projects are assumed to be taxed under a favourable tax regime of Lucro Presumido which requires management of annual revenues within a fixed limit. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income and deferred tax provisions in the period in which the determination is made. The valuation cashflows prepared by Indufor do not include the application of Colombian withholding tax.

c) During 2015 the Investment Manager has taken several actions in order to turn around the loss making charcoal business. This has involved decreasing overhead costs, renegotiating contracts with subcontractors and increasing the yield in the charcoal operations. Further, the new kilns constructed at the end of 2014 are now fully operational. The results of the business have been improved by these actions. However, further decreasing charcoal prices due to the slowdown of the Brazilian economy has put pressure on the business and continues to do so. Given the reductions already achieved in operational costs, if a recovery in the charcoal price also occurs, the business should then be in a position to breakeven or make a profit. Business forecasts for the next 3 years are considered by the Board and are used to monitor if the Company should make resulting impairment against its biological assets. Carbonisation assets were fully impaired in 2014 and 2015.

d) During 2015 an impairment review has been carried out on goodwill incurred on acquisition of Silvotecnia. This involved comparing its carrying value with recoverable amount and significant judgements were made in this calculation including discount rates, growth rates based on expectations of Colombia's future economic performance and expected margins.

e) In respect of the pig-iron mill receivables judgements are made regarding the recoverability and carrying value of that receivable. In 2015 an impairment review was carried out and it was determined that it had not been impaired (see Note 14).

4. Critical accounting judgements made in applying the Group's accounting policies (continued)

Future sales
Further progress has been made in 2015 to establish customers for the woodflow with the majority being processed by the Group's charcoal operations. Management continue to work on establishing a customer base to meet the level of woodflow estimated and prices assumed in the valuations.

5. Revenue, Cost of sales and Depletion

2015	**Standing trees**	**Charcoal**	**Service and consultancy**	**Elimination**	**Total**
	USD'000	**USD'000**	**USD'000**	**USD'000**	**USD'000**
Sales	7,807	9,546	4,478	(5,530)	16,301
Cost of sales					
Original biological asset cost	(3,518)	(6,750)	-	3,840	(6,428)
Variable cost	-	(4,655)	(4,252)	-	(8,907)
	(3,518)	(11,405)	(4,252)	3,840	(15,335)
Gross profit	**4,289**	**(1,859)**	**226**	**(1,690)**	**966**
Depletion	(2,592)	-	-	-	(2,592)
	1,697	**(1,859)**	**226**	**(1,690)**	**(1,626)**

2014	**Standing trees**	**Charcoal**	**Service and consultancy**	**Elimination**	**Total**
	USD'000	**USD'000**	**USD'000**	**USD'000**	**USD'000**
Sales	18,705	13,476	130	(14,819)	17,492
Cost of sales					
Original biological asset cost	(13,267)	(11,019)	-	14,326	(9,960)
Variable cost	-	(7,286)	(172)	-	(7,458)
	(13,267)	(18,305)	(172)	14,326	(17,418)
Gross profit	**5,438**	**(4,829)**	**(42)**	**(493)**	**74**
Depletion	(7,939)	-	-	-	(7,939)
	(2,501)	**(4,829)**	**(42)**	**(493)**	**(7,865)**

The column described as 'Elimination' relates to adjustments made on consolidation so as to show sales, cost of sales and depletion for each category prior to elimination of intra group transactions.

6. Administrative expenses

	2015	2014
	USD'000	USD'000
Investment Management fees	4,150	5,694
Legal and professional fees	1,531	3,312
Travel expenses	629	747
Audit fees	443	605
Administration fees	621	883
Consultancy fees	369	682
Directors fees and expenses	548	595
Bank charges	234	141
	8,525	**12,659**

7. Forestry operating expenses

	2015	2014
	USD'000	USD'000
Project facilities	708	739
Payroll	978	1,259
Forestry services	620	767
Irrecoverable tax inputs	230	582
Insurance	213	453
Valuation fees	153	298
Other general expenses	67	(64)
	2,969	**4,034**

Project facilities expenses are expenses related to the facilities that have been put in place to manage the projects whilst forestry services expenses are the expenses that the Group incurs in relation with the running of the plantations. Payroll costs in Biocarbono have been recorded as cost of sales in 2015.

The average number of employees of the Group during 2015 was 641 (2014: 471).

8. Taxation

Guernsey taxation
The parent company has filed for and received tax exempt status from the tax authorities in Guernsey under the provisions of the Income Tax (Exempt Bodies) (Guernsey) Ordinances, 1989 and is charged an annual exemption fee of GBP 1,200. Guidance notes issued by the States of Guernsey indicate that the Company should not be subject to the EU Savi ngs Tax Directive.

Cayman Islands taxation
Under the current laws of the Cayman Islands, there is no income, estate, corporation, capital gains or other Cayman Islands taxes payable by the Company. The Company may be subject to foreign withholding taxes on certain interest, dividend and capital gains.

BVI taxation
Subsidiaries incorporated in the British Virgin Islands are tax exempt.

US taxation
All Corporate entities incorporated in Delaware are all Delaware LLCs and are regarded as “pass through” entities for US federal income tax purposes such that no US federal income tax should be levied on the LLC itself.

8. Taxation (continued)

Brazilian taxation

Brazil has two primary tax regimes, namely Lucro Presumido and Lucro Real. All entities elect one of the regimes at the beginning of each accounting year (which, in general, matches the fiscal year) and the election applies for the entire year. The regimes determine how the tax basis is calculated for each fiscal year, and each is described below.

Lucro Presumido

The Lucro Presumido regime is limited to companies with annual revenue/sales of up to BRL 78 million (approximately USD 20 million). It is electable for legal entities which are not obliged to be taxed under the Lucro Real regime. Under this regime, income tax and social contribution arise on presumed operational profit, calculated as a proportion of gross sales, and taxpayers must calculate tax on a quarterly basis.

The tax legislation determines the rates that must be applied over the gross sales in order to obtain the presumed operational profit (presumed operational profit rates of 8% for income statement and 12% for social contribution calculation purposes).

For trading goods entities, including the majority of the Group's SPVs, the rates are 15% for IRPJ and 9% for CSLL. The rates for lessors of property, plant and equipment are 32% for both IRPJ and CSLL.

When the presumed operational profit has been determined, all other financial income, capital gains and other non-operational revenues are added to it in order to obtain the total tax basis.

Brazilian legal entities are also subject to taxation by the social contribution of PIS and COFINS, charged on the gross operating revenues derived by the companies, on a monthly basis. Under Lucro Presumido, PIS and COFINS are due at the rate of 0.65% and 3%. Revenues derived from the sale of fixed assets are not subject to PIS and COFINS taxation.

Once the tax basis has been calculated, taxes owed will be derived by applying the following rates:

IRPJ:	15% levied on the tax base;
IRPJ Surtax:	10% levied on the tax base over BRL 60,000 per quarter;
CSLL:	9% levied on the tax base.
PIS/COFINS:	3.65% on the gross operating revenues
Effective tax rate:	6.73% of revenue

Lucro Real

Under Lucro Real, taxable income is defined by the net accounting profit, adjusted for non-deductible expenses, non-taxable revenues, or deferred taxation adjustments.

Taxpayers using Lucro Real may choose to calculate tax on a quarterly basis or on an annual basis. However, under both regimes, entities must report on their results annually and file an annual tax return.

Additionally, under Lucro Real the taxpayer must be in compliance with prepayments rules, which may compel it to anticipate tax payments of income tax and social contributions on a monthly basis.

At the end of the year, the prepayments made are then offset against the actual income tax and social contributions due for the year.

The rates to be applied to the tax base for determining IRPJ and CSLL owed in the Lucro Real regime are the same as for the Lucro Presumido regime.

8. Taxation (continued)

Lucro Real (continued)

Under Lucro Real, Brazilian legal entities are also obliged to pay PIS and COFINS on their gross operating revenues. However, under such regime, PIS and COFINS are due: (i) at the rates of 1.65% and 7.6%; (ii) on a non-cumulative basis, meaning that the company may register tax credits, at the same rates, on some operating expenses (such as inputs, fuel, energy, equipment, goods for resale etc) and offset such credits against PIS and COFINS payable on each month.

Based on that, taxation applicable under Lucro Real would comply:

IRPJ:	15% levied on tax base;
IRPJ Surtax:	10% levied on the tax base in excess of BRL 240,000 per annum (or BRL 60,000 per quarter or BRL20,000 per month);
CSLL:	9% levied on tax base.
PIS/COFINS:	9.25% on the gross operating revenues, with tax credits on some operational expenses (such as inputs, fuel, energy, equipment)
Effective tax rate:	34% of net profit + 9.25% on the gross operating revenues (less credits)

Any tax losses can be utilised in future years up to a maximum of 30% of those losses in any one year and can be carried forward indefinitely (tax credit arising from previous years tax losses does not expire).

For the year ended 31 December 2015, all of the Company's Brazilian subsidiaries elected to be taxed under the Lucro Presumido regime, except for Biocarbono, which has elected to be taxed under the Lucro Real regime. A sensitivity analysis on the effect on the forest assets of the two tax regimes is included in Note 10.

Similarly, for the forthcoming year ending 31 December 2016 Biocarbono has elected to be taxed under the Lucro Real regime, whilst all other Brazilian subsidiaries have elected to be taxed under the Lucro Presumido regime.

No provision for Brazilian withholding tax has been made on the basis that there is currently no withholding tax on Brazilian dividends and it is the Company's intention to make profit distributions only from these subsidiaries. It is noted that a change in the Brazilian tax system could result in withholding taxes being applied to future dividends.

Colombian taxation

Law 1607 brought about significant changes to the Colombian corporate tax regime. Included within those changes was a reduction of the corporate income tax rate from 33% to 25% and the introduction of a new income tax (the CREE tax) at 9%.

The two taxes are levied on the higher of net taxable income which is equal to the sum of all revenues derived from the trade carried on in Colombia through the branch less excluded income (i.e. income outside the scope of corporate income tax) and allowable costs and expenses and the presumptive tax base equal to 3% of the taxpayers net assets in the previous tax year.

Taxpayers who make investments in qualifying new forest plantations are exempt from paying corporate income tax on income generated from that activity. However companies or branches claiming government subsidies are not able to claim an exemption from corporate income tax on income generated from those plantations.

Colombian tax law provides an exemption from the 33% imposed withholding tax on those dividend distributions from taxed profits to foreign shareholders and 25% to Colombian resident shareholders. However should the distribution extend beyond the annual profit net of taxation, the excess will be subject to withholding tax at 33%. The excess dividends subject to withholding tax however may be matched against excess profits in the previous two years or carried forward against the following five tax years. Any profits which have not been subjected to the corporate income tax will also incur withholding tax at 33% on dividend distributions to foreign shareholders and 25% to Colombian resident shareholders. The Group has taken appropriate advice to potentially restructure the way it holds its investments in Colombia in order to reduce potential tax costs associated with dividend payments made therefrom.

8. Taxation (continued)

Colombian taxation (continued)
In 2014, two further taxes were introduced, a net wealth tax where net equity exceeds COP 1 billion (approximately USD 0.31 million) as well as a surtax for the CREE, due on CREE taxable profits in excess of 800 million (approximately USD 0.25 million). Although the first year of the surtax is described as being for the 2015 tax year, the amount is calculated by reference to the 2014 CREE tax base and due in advance alongside the 2014 CREE return.

Net wealth tax will apply from 1 January 2015 until the end of 2017. Under current legislation it will cease to exist from 2018. The rate of tax is determined on a progressive scale based on the value of net equity and the year of tax. The rate ranges between 0.20% to 1.15% for 2015; and 0.15% to 1% for 2016, and 0.10% to 0.40% for 2017.

The CREE surtax is a temporary surcharge and is applicable from 1 January 2015 at a rate of 5%. This surcharge increases to 6% for 2016, 8% for 2017 and 9% for 2018. It is based on the prior year's tax base.

Group taxation
The Group's tax charge for the year comprises:-

	2015 USD'000	2014 USD'000
Current tax		
Brazil	1,050	749
Colombia	121	67
	1,171	816
Deferred tax		
Brazil	(596)	(6)
Colombia	(19)	-
	(615)	(6)
	556	810

Factors affecting the tax charge are as follows;

	2015 USD'000	2014 USD'000
Loss before tax	(33,956)	(18,842)
Tax charge on Brazilian and Colombian subsidiaries	556	810
Factors affecting charge		
Credits due to change in tax regime	-	-
Credits due to prior year adjustments	-	-
Tax charge	556	810

Deferred tax on revaluation of planted land in the amount of USD 491,000 (2014: USD 704,000) has been charged to the revaluation reserve (see Note 19).

The provisions for deferred tax on biological and land assets in Brazil assume that the Lucro Presumido regime will continue to be available for the Company's Brazilian subsidiaries that have elected the Lucro Presumido regime and have been calculated on an "in use" basis.

9. Investment Management fee, Performance fee and Administration Fees

Investment management fee
The Investment Manager is paid an annual management fee equal to 1.5% of the IMA Adjusted Net Asset Value (see Note 24), calculated as per the Private Offering Memorandum of the Group and revised IMA agreement dated 22 December 2015 and is payable quarterly in advance.

The management fee is calculated based upon the last preceding Adjusted Net Asset Value current at the date of payment, adjusted for warrant instruments as appropriate. When an updated Net Asset Value is published then:

- where the Updated Adjusted NAV is higher than the Current Adjusted NAV the Investment Manager will be paid a further balancing payment in order to provide the Investment Manager with the same economic benefit as if the management fee had been calculated on the basis of the Updated Adjusted NAV; and

- where the Updated Adjusted NAV is lower than the Current Adjusted NAV succeeding payments of the management fee will be reduced to take account of any overpayment made in relation to the management fee.

For the year ended 31 December 2015, the Company incurred investment management fees of USD 4.15m (2014: USD 5.694m), all of which had been paid at the end of the year.

Performance fee
During the previous year the terms of the Investment Manager's Agreement were amended. Those changes affecting the calculation of any performance fee are detailed below.

Under the terms of the amended Investment Manager's Agreement dated 9 December 2014, the Investment Manager is entitled to receive a performance fee in respect of each three year Calculation Period (as defined below). This will be an amount equal to 20% of the amount (if any) by which the Group's Adjusted NAV per Share at the end of the Calculation Period exceeds the Master Hurdle Amount multiplied by the number of shares in issue at that time. Where the Company pays a dividend, the applicable dividend amount per share shall be increased by an annual compounding hurdle rate of 8% and deducted from the Master Hurdle Amount.

A "Calculation Period" is a three year period initially from 1 January 2014 to 31 December 2016 and thereafter each successive three year period starting on the first day following the last day of the preceding period. Any Performance fee payable to the Investment Manager shall be satisfied by cash or the allotment of new Ordinary Shares and/or Class A Ordinary Shares or any mixture of cash and shares as may be determined by the Investment Manager. Settlement shall be made annually in three equal amounts over a period of three years.

The Master Hurdle Amount has been set at USD 8.32 as of 1 January 2014 and is increased by an annual compounding rate of 8%. Where a performance fee becomes payable the Master Hurdle Amount shall be adjusted to be the Adjusted NAV per Share at the end of that Calculation Period and shall thereafter be increased by an annual compounding hurdle rate of 8%.

For the years ended 31 December 2014 and 2015, the Company did not accrue performance fees.

9. Investment Management, Performance and Administration Fees (continued)

Administration fees
Total Administration fees for the Group were as follows for the year ended 31 December 2015;

	2015 USD'000	2014 USD'000
Company	461	451
Subsidiaries - Brazil	134	319
Subsidiaries - Colombia	2	89
Subsidiaries - Other (Delaware and BVI)	24	24
	621	883

The Administrator has been appointed to provide day to day administration services to the Company, as set out in the amended administration agreement dated 2 June 2014. In consideration for its services, the Administrator receives fees as noted below:

i) administration and registrar services a fixed fee of USD 115,000 per annum;
ii) accounting services a fixed fee of USD 230,000 per annum; and
iii) compliance officer fee: USD 4,225 per annum and a money laundering reporting officer fee: of USD 1,700 per annum.

Prior to implementation of the revised agreement the Administrator received a variable scaled fee based on the Adjusted NAV.

During the year, the Company incurred administration fees of USD 348,000 (2014: USD 419,000) of which USD 86,000 (2014: USD 88,000) was outstanding at the year end.

The Administrator has also been appointed to provide bookkeeping and accounting services to certain subsidiaries of the Company as set out in service agreements with each of the subsidiaries concerned. In consideration for its services, the Administrator will receive administration fees on a time spent basis. The Group subsidiaries incurred administration fees of USD 24,000 (2014: USD 24,000) in relation to bookkeeping and accounting services of which USD Nil (2014: USD Nil) was outstanding at the reporting date.

Belasko Administration Limited, was appointed by the Board to carry out company secretarial duties. In 2015, their fees totalled USD 89,000 (2014: USD 32,000), of which USD 18,000 (2014: Nil) was outstanding at year end.

The Brazilian subsidiaries are administered by Torres Accounting, SA Contabil and Leading Contabil. The Group incurred administration fees of USD 134,000 (2014: USD 319,000) relating to the Brazilian subsidiaries, of which USD Nil (2014: USD Nil) was outstanding at the year end.

The Colombian subsidiaries are provided with administrative services by Celt Consultores. During the year, the Group incurred administration fees of USD 2,000 (2014: USD 89,000) relating to the Colombian subsidiaries, of which USD Nil (2014: USD Nil) was outstanding at the year end.

10. Forest assets

2015	Land* USD'000	Biological assets USD'000	Total USD'000
Cost:			
Opening balance	75,534	142,872	218,406
Land and plantations purchased	1,128	6,061	7,189
Land and biological assets costs capitalised	-	1,553	1,553
Biological assets harvested	-	(3,518)	(3,518)
Land sold	(18)	-	(18)
Closing balance	76,644	146,968	223,612
Fair value movements:			
Opening balance	102,586	115,821	218,407
Decrease in fair value of biological assets	-	(20,381)	(20,381)
Biological assets harvested	-	(2,592)	(2,592)
Surplus on revaluation of planted land	15,345	-	15,345
Closing balance	117,931	92,848	210,779
Accumulated effect of foreign exchange movement on translation	(102,009)	(175,213)	(277,222)
Fair value of forest assets	**92,566**	**64,603**	**157,169**

2014	Land* USD'000	Biological assets USD'000	Total USD'000
Cost:			
Opening balance	74,453	138,260	212,713
Land and plantations purchased	2,209	10,403	12,612
Land and biological assets costs capitalised	-	2,908	2,908
Biological assets harvested	-	(8,699)	(8,699)
Land sold	(1,128)	-	(1,128)
Closing balance	75,534	142,872	218,406
Fair value movements:			
Opening balance	80,759	114,965	195,724
Increase in fair value of biological assets	-	9,099	9,099
Biological assets harvested	-	(8,243)	(8,243)
Land sold	19	-	19
Surplus on revaluation of planted land	21,808	-	21,808
Closing balance	102,586	115,821	218,407
Accumulated effect of foreign exchange movement on translation	(60,834)	(138,699)	(199,533)
Fair value of forest assets	**117,286**	**119,994**	**237,280**

*Includes surface rights (Kaa and Frondosa projects) and owned land

10. Forest assets (continued)

The Group's forest assets were revalued at 31 December 2015 by independent professionally qualified valuers Indufor. The Group's biological assets consisted of Eucalyptus and Pinus plantations.

In the absence of other valuation benchmarks, Indufor uses the projected future cashflows of the planted biological asset and a market discount rate in order to determine NPV. The cash flows are calculated on the basis of the optimal woodflow over the production cycle and adjusted for market assumptions where applicable. This valuation approach is often referred to as the income approach.

The Company has pledged land and biological assets with a value of USD 92.49 million (2014: USD 154.81 million) as security for interest bearing loans (see Note 18).

During the year the Group derecognised a total USD 6.11 million (2014: USD 16.94 million) worth of biological assets which were sold either as standing trees or used in the production of charcoal.

Forest assets owned by Kaa
In 2011 the Company completed the Kaa transaction to acquire existing Pine plantations. The plantations are located in Paraná state, Brazil. The Company, through its subsidiary Kaa, owns: 100% of the capital of Donahoo, which owns the 99 year surface rights over 10 real estate properties which were transferred from the sellers to Chapter; 49% of the capital of Chapter; and the existing standing trees planted on the real estate properties. The Company has the option to purchase the remaining 51% of the capital of Chapter at a minimal cost.

In June 2014, the Company acquired additional pine plantations neighbouring one of its existing projects in the Brazilian state of Paraná with a total area of 3,758 hectares, of which 1,074 hectares are mature pine plantations available for harvest for a total cost of BRL 30.85 million (USD 12.61 million).

In 2015 the Company completed a Kaa transaction to acquire existing Pine plantations. The plantations are located in Paraná state, Brazil. The Company, through its subsidiary Kaa, owns: 100% of the capital of Donahoo, which owns the 99 year surface rights over 8 real estate properties which were transferred from the sellers to Quintino; 49% of the capital of Quintino; and the existing standing trees planted on the real estate properties. The Company has the option to purchase the remaining 51% of the capital of Quintino at a minimal cost.

The pine plantations with a total area of 3,998 hectares, of which 378 hectares are mature pine plantations available for harvest and 1,106 hectares, becoming mature in 2018 were acquired for a total cost of BRL 24 million (USD 6.5 million).

Forest assets owned by Frondosa
In 2011 the Company completed the Frondosa transaction to acquire existing Eucalyptus plantations. The plantations are located in Minas Gerais state, Brazil. The Company, through its subsidiary Frondosa, owns: 100% of the capital of AB Florestal, Surubim and Millco, which own the biological assets and the 99 year surface rights over the real estate properties which are owned by Hadoque; 49% of the capital of Hadoque; and the existing standing trees planted on the real estate properties. The Company has the option to purchase the remaining 51% of the capital of Hadoque at a minimal cost.

The independent valuers deem surface rights inferring all rights and obligations of possession of the land for the long-term to hold the same value as that of the underlying land on the basis the Group holds options to acquire the remaining 51% of the freehold interest of such land at nominal cost. This applies to both Kaa and Frondosa. As the surface rights to the land have been granted to the Company's subsidiaries, and no longer reside with the ownership of the land for a period of 99 years, the value of the underlying land is deemed to be immaterial for the duration of the surface rights. As such, no value has been attributed to the 51% shareholders of the land owning companies.

10. Forest assets (continued)

Valuation approach

The following are summaries for each valuation approach used by Indufor when valuing the forest assets:

A. Income approach

The income approach derives the market value defined through the production potential and future income of the forest asset as calculated using the DCF method.

The main assumptions used in this approach are project specific and will vary depending on the characteristics of each project. However the principal parameters are presented below:

- **Inflation:** Costs are estimated in real values, that is, without considering the impact of inflation effects. Similarly, revenues are estimated using current wood prices assuming no price increases and without considering the effects of inflation. Accordingly a real discount rate, adjusted for inflation, is applied. Inflationary effect is eliminated from the discount rate in order to estimate the final value of the discount rate in real terms.

- **Rotations:** Future cash flows are calculated until the final harvest meaning up to two rotations (from coppicing) for Eucalyptus plantations and one rotation of pinus plantations.

- **Notional Land Lease costs**: Where the Group owns the land on which plantations are grown a notional land lease charge is applied as described in Note 3.l.(iii).

- **Taxes**: The assets are valued based on a post-tax basis, after deducting all cashflows relating to taxes.

  Brazil: On the basis that the valuation should reflect the tax situation of any prospective buyer of the assets, it has been assumed that Lucro Presumido applies and tax has been considered under this basis. It is assumed that the principal market participants have the Lucro Presumido tax election available to them.

  Colombia: The valuation only consider taxes payable at the applicable rate with the taxable income being adjusted for any tax exemptions, deductions and tax credit where applicable, and excludes withholding tax.

- **Post tax real discount rate: 7.60% to 9.52% (2014: 5.70% to 5.77%):** The valuer used the WACC methodology to determine the post-tax real discount rate and believes this to be consistent with what other market participants would use when valuing the biological assets. The increase in WACC used for 31 December 2015 has arisen as a result of applying higher risk free and equity discount rates in the WACC calculation.

- **Wood prices:** The valuer uses current local wood market prices, and verifies those independently. The valuation methodology, discounting real cashflows, assumes no real or nominal increases in wood prices.

- **Biocarbono:** Charcoal operations are valued based on the capacity and expected remaining life of the charcoal kilns that are operational at the time of the valuation.

10. Forest assets (continued)

A. Income approach (continued)

- **Future costs:** The valuer forecasts future costs based on assessed management regimes for the planted species and current local silvicultural activity prices. Forecast overheads are also assessed and included.
- **Market assumptions:** The valuer also evaluates the end-market and the market's ability to absorb the woodflow at the forecast point of cashflow.
- **Average annual wood growth:** The valuer independently determines the annual wood growth depending on local conditions and existing plantations. This is specific to the region and planted species.
- **Future cash flows:** The valuer discounted the future cashflows from the current standing timber. The valuer does not assume any further cashflows following the final harvest of current standing timber.
- **Costs of land assets:** In accordance with IFRS, a notional land lease charge has been applied to the biological assets standing on the Company's land assets.

B. Cost approach (for plantations less than three months old)

The fundamental assumption of this appraisal approach is that a potential buyer should not pay a value higher than the formation/substitution cost of an equivalent asset. For the first quarter after planting the cost based valuation is based on actual costs data provided by the local administrators to each project company.

Off-take agreements affecting valuations

The following off-take agreement terms have been considered in valuing part of the forest assets by the valuer:

Aimara project off-take

On 11 September 2008 a private instrument for formation of a SCP was executed between Aimara and Klabin. This led to a private instrument for the purchase and sale of standing trees being entered into by the two parties on 17 September 2008, pursuant to which Klabin is obliged to buy and the Company is obliged to sell all the future Eucalyptus production from the SCP's forests for the duration of the SCP agreement on the basis of an agreed pricing mechanism. The off-take Agreement is valid for as long as the SCP agreement remains in force.

The wood price that has been used on the Aimara valuation has been that determined by the pricing mechanism agreed under this off-take agreement. Management do not believe that the Aimara valuation would have been materially different had local market prices been used.

There are no other off-take agreements that have had an effect on the valuation of the biological assets.

Biological assets sensitivity analysis

The independent valuations of biological assets, in accordance with IFRS, are based on a number of valuation inputs and assumptions. The independent valuations of standing timber are sensitive to changes in these inputs, to varying degrees.

The analysis below is provided in order to illustrate the sensitivity of the biological asset valuations to changes in the discount rate, wood volume assumptions, estimated wood prices and forestry costs separately and when all the other variables remain constant. The analysis illustrates a range by which the valuations could vary if inputs and assumptions were to change and is not intended to imply the likelihood of change or that possible changes in value would be restricted to this range. For example, the discount rate might change by more than the 1% indicated below, as might wood prices. The analysis is based on biological asset values including those held under joint ventures. In total this is USD 95.94 million, of which USD 64.60 million is reflected in the Consolidated Statement of Financial Position and USD 31.34 million held in joint ventures (see Note 13.).

10. Forest assets (continued)

Biological assets sensitivity analysis (continued)

31 December 2015

Variable	Total biological asset value sensitivity USD'000	Biological asset value USD'000	Sensitivity of biological asset value to change in variable as a percentage
Discount rate			
1% decrease in discount rate	4,758	100,701	4.96%
1% decrease in discount rate	(4,366)	91,577	-4.55%
Forecast wood volume			
1% decrease	(1,366)	94,577	-1.42%
1% increase	1,364	97,307	1.42%
Wood prices			
1% decrease	(1,366)	94,577	-1.42%
1% increase	1,364	97,307	1.42%
Forestry costs			
1% decrease	75	96,018	0.08%
1% increase	(69)	95,874	-0.07%

31 December 2014

Variable	Total biological asset value sensitivity USD'000	Biological asset value USD'000	Sensitivity of biological asset value to change in variable as a percentage
Discount rate			
1% decrease in discount rate	9,665	172,921	5.92%
1% increase in discount rate	(8,778)	154,478	-5.38%
Forecast wood volume			
1% decrease	(2,264)	160,992	-1.39%
1% increase	2,265	165,521	1.39%
Wood prices			
1% decrease	(2,264)	160,992	-1.39%
1% increase	2,265	165,521	1.39%
Forestry costs			
1% decrease	147	163,403	0.09%
1% increase	(143)	163,113	-0.09%

For example, a decrease in the forecast wood volume of 1% would result in a decrease of the biological asset value of USD 1.37 million (2014: USD 2.26 million) to USD 94.58 million (2014: USD 160.99 million), and an increase in the forecast wood volume of 1% would result in an increase in the biological asset value of USD 1.37 million (2014: USD 2.26 million) to USD 97.31 million (2014: USD 165.52 million), when all the other variables are held constant.

10. Forest assets (continued)

Brazilian tax sensitivity analysis
Changes to tax regimes governing the Group and its assets, or changes to the eligibility of the Group to certain tax regimes, may adversely affect the Company's financial performance. This risk is relevant to the Group's assets in Brazil where the Lucro Presumido regime has been elected by all of the Group's forestry operations. This tax regime allows eligible companies to pay a lower tax rate of 3.08% on operating revenue at a presumed rate of profitability, as opposed to a higher tax rate of 34% on actual profits under the Lucro Real regime. The Lucro Presumido regime is currently only available to companies with annual revenue of less than BRL 78 million. Whilst the revenues are managed to ensure the annual revenue stays below BRL 78 million, should the revenue of one of the Group's Brazilian projects exceed BRL 78 million in any one calendar year, that project would be subject to Lucro Real the following year.

The Directors are confident that they have the systems and controls in place to ensure that the turnover level of BRL 78 million is not exceeded but if that were to occur, there would be two consequences:

Firstly, it may mean that current deferred tax provisions on land and biological assets would not equal eventual taxes payable on the realisation of an asset and the deferred tax provisions would need to increase going forward.

Secondly, it would mean that the independent valuations of the biological assets, which are computed on a post-tax cashflow basis, would be updated going forward to consider the tax cashflows under Lucro Real.

For the Brazilian biological assets, forecast revenues are consistent with the criteria for Lucro Presumido. In 2013, the Group separated out the charcoal activity of Frondosa into a separate company, Biocarbono, which has elected to be taxed under the Lucro Real tax regime in 2015. Each of the Group's Brazilian projects (including Aimara joint venture) are treated separately for tax purposes in Brazil. In the event that all of the Group's Brazilian projects were forced to elect for Lucro Real instead of Lucro Presumido, the deferred tax liability and biological asset valuation would be affected, on a worst case basis, as detailed below.

Brazilian tax sensitivity analysis, all Group Brazilian projects

31 December 2015	Lucro Presumido USD'000	Lucro Real USD'000	Change in value under Lucro Real USD'000	Percentage change in valuation under Lucro Real
Biological asset value sensitivity to tax election	73,938	60,175	(13,763)	(18.61%)
Biological asset deferred tax provision sensitivity to tax election	(2,248)	(2,902)	(654)	29.09%
Total biological asset value and deferred tax sensitivity to tax election	71,690	57,273	(14,417)	(20.11%)
NAV sensitivity to tax election on biological asset and deferred tax	168,978	154,561	(14,417)	(8.53%)
Land value deferred tax provision sensitivity to tax election	(2,899)	(21,963)	(19,064)	657.61%
Total land, forest asset value and deferred tax sensitivity to tax election	163,864	130,383	(33,481)	(20.43%)
NAV sensitivity to tax election	168,978	135,497	(33,481)	(19.81%)

10. Forest assets (continued)

Brazilian tax sensitivity analysis (continued)

Brazilian tax sensitivity analysis, all Group Brazilian projects

31 December 2014	Lucro Presumido	Lucro Real	Change in value under Lucro Real	Percentage change in valuation under Lucro Real
	USD'000	USD'000	USD'000	
Biological asset value sensitivity to tax election	133,549	114,197	(19,352)	-14.49%
Biological asset deferred tax provision sensitivity to tax election	(4,070)	(21,022)	(16,952)	416.52%
Total biological asset value and deferred tax sensitivity to tax election	129,479	93,175	(36,304)	-28.04%
NAV sensitivity to tax election on biological asset and deferred tax	285,303	248,999	(36,304)	-12.72%
Land value deferred tax provision sensitivity to tax election	(3,677)	(26,205)	(22,529)	612.78%
Total land, forest asset value and deferred tax sensitivity to tax election	247,450	188,616	(58,833)	-23.78%
NAV sensitivity to tax election	285,303	226,470	(58,833)	-20.62%

The Directors, through their active management of the Company's dual purpose of investing in real estate and forestry, believe that both the land and biological assets of the Brazilian subsidiaries will remain eligible for the Lucro Presumido regime. In the event that there is a change in the dual corporate purpose the land assets held by the Brazilian projects would be subject to an additional deferred tax provision of USD 19.06 million as detailed above (2014: USD 22.5 million).

Planted land price sensitivity analysis

The following paragraph details the sensitivity of the Group's reported planted land value to a 1% increase or decrease in the per hectare values of land. A 1% increase or decrease has been used in order to illustrate the effect that each 1% movement in the value per hectare will have on the Group's comprehensive income and is not intended to imply the likelihood of change or that possible changes in value would be restricted to this range.

At 31 December 2015, if the per hectare values of land were to increase or decrease by 1%, with all other variables held constant, the planted land values would have increased or decreased by USD 1.03 million (2014: USD 1.31 million) respectively.

Forest assets foreign currency exchange rate sensitivity analysis

The Group's forest assets are held in currencies other than USD and therefore expose the Group to sensitivity as the value of the assets denominated in other currencies will fluctuate due to changes in exchange rate on translation. As at 31 December 2015, the Group forest assets were denominated in BRL and COP.

10. Forest assets (continued)

Forest assets foreign currency exchange rate sensitivity analysis (continued)
If the USD strengthened or weakened by 25% against the BRL and all other variables held constant, the Group's forest asset values for the year would have been USD 29.54 million lower or USD 49.24 million higher (2014: USD 40.39 million lower or USD 60.59 million higher) respectively as a result of the translation of BRL denominated forest asset values.

If the USD strengthened or weakened by 25% against the COP and all other variables held constant, the Group's forest asset values for the year would have been USD 6.87 million lower or USD 11.45 million higher (2014: USD 7.41 million lower or USD 11.11 million higher) respectively as a result of the translation of COP denominated forest asset values.

Biological assets sensitivity to charcoal operations profitability
At 31 December 2015, the Group's forestry projects which produce wood primarily for its charcoal production subsidiary had biological assets valued at USD 50.7 million (2014: USD 106.6 million). The Group's charcoal production subsidiary made losses during 2015 and previous years. This has been the subject of management attention and a plan is in place to improve this business by the end of 2016.

The biological asset valuations referred to above have not been adjusted for the losses incurred in the charcoal producing subsidiary as the Directors consider that the pig iron/charcoal market is expected to improve in the short term and, combined with the impact of greater efficiency from the newly designed kilns, the subsidiary is expected to be profitable in the medium term. The biological asset valuations referred to above are therefore sensitive to the results of the charcoal operations as there is not deemed to be another readily accessible market for the majority of the Group's biological assets.

If the valuations were adjusted to take into account charcoal production losses of BRL 5 per m^3 of wood sales, the impact of this would decrease the above mentioned biological asset valuations by USD 6.7 million (2014: USD 12.7 million).

Fair value of forest assets
All forest assets held by the Company during the year are classified under Level 3 of the fair value hierarchy under IFRS 13. There have been no transfers in and out of this total.

11. Investment property

	31 Dec 2015 USD'000	31 Dec 2014 USD'000
Cost:		
Opening balance	7,011	6,546
Additions	-	465
Transfer to property plant and equipment	(344)	-
Closing balance	6,667	7,011
Fair value movements:		
Opening balance	(150)	(150)
Closing balance	(150)	(150)
Accumulated effect of foreign exchange movement on translation	(1,880)	(275)
Fair value of investment properties	**4,637**	**6,586**

11. Investment property (continued)

The Group's investment properties, which consist of unplanted land, were valued at 31 December 2015 by professionally qualified valuers, Indufor.

The method used to develop the land appraisal is the direct comparative method. The direct comparative method defines the value through comparing the characteristics of comparable market data to the characteristics inherent in the element appraised. This method assumes that the data available allows a sample formation of sales or purchases of properties similar to the property being appraised and capable of completing all the existing variables in the regional estate market. The independent valuers deem surface rights inferring all rights and obligations of possession of the land for the long-term to hold the same value as that of the underlying land on the basis the Group holds options to acquire the remaining 51% of the freehold interest of such land at nominal cost.

The Group has entered into a number of irrevocable agreements to purchase land parcels in Brazil. Once such an agreement has been entered into, the acquisition moves through several stages under Brazilian law. The Company recognises land and associated forest assets once the acquisition is enforceable through the promise of purchase and sale which grants possession and the completion of the acquisition is financially guaranteed by the fiduciary alienation of the land, thus giving the Company possession and assigning the Company all associated obligations. Where an irrevocable agreement to purchase land has been entered into, but the public deed has not yet been issued, the land is noted as a contingent liability (see Note 32).

Investment property price sensitivity analysis

The following paragraph details the sensitivity of the Group's reported unplanted land (investment property) value to a 1% increase or decrease in the per hectare values of land. A 1% increase or decrease has been used in order to illustrate the effect that each 1% movement in the value per hectare will have on the Group's comprehensive income and is not intended to imply the likelihood of change or that possible changes in value would be restricted to this range.

At 31 December 2015, if the per hectare values of land were to increase or decrease by 1%, with all other variables held constant, the NAV would have increased or decreased by USD 46,000 (2014: USD 66,000).

Investment property foreign currency exchange rate sensitivity analysis

The Group's investment property is also exposed to foreign exchange rate fluctuation in the same manner as the forest assets above. As at 31 December 2015, the Group forest assets were denominated in BRL and COP.

If the USD strengthened or weakened by 25% against the COP and all other variables held constant, the Group's forest asset values for the year would have been USD 928,000 lower or USD 1,546,000 higher (2014: USD 1,316,000 lower or USD 2,194,000 higher) respectively as a result of the translation of COP denominated forest asset values.

Fair value of investment property

All investment property held by the Company during the year is classified under Level 3 of the fair value hierarchy under IFRS 13. There have been no transfers in and out of this total.

12. Property, plant and equipment

2015	Buildings USD'000	Carbonisation assets USD'000	Equipment USD'000	Total USD'000
Cost:				
Opening balance as at 1 January	-	8,276	3,242	11,518
Additions	268	445	595	1,308
Transferred from investment property	344	-	-	344
Disposals	-	-	(43)	(43)
Reclassification		1,021	(1,021)	-
Closing balance as at 31 December 2015	612	9,742	2,773	13,127
Depreciation/Fair Value:				
Opening balance as at 1 January	-	(8,218)	(574)	(8,792)
Depreciation	(18)	(475)	(325)	(818)
Impairment	-	(990)	775	(215)
Disposals	-	-	2	2
Closing balance as at 31 December 2015	(18)	(9,683)	(122)	(9,823)
	594	59	2,651	3,304
Effect of foreign exchange movements	(85)	(59)	(1,436)	(1,580)
Carrying value as at 31 December 2015	**509**	**-**	**1,215**	**1,724**

During the year additions in Silvotecnia of USD 268,000 related to its office buildings, the value of these premises were transferred from investment property during the year.

2014	Carbonisation assets USD'000	Equipment USD'000	Total USD'000
Cost:			
Opening balance as at 1 January	5,957	510	6,467
Additions	2,319	2,732	5,051
Closing balance as at 31 December	8,276	3,242	11,518
Depreciation/Fair Value:			
Opening balance as at 1 January	(3,056)	(74)	(3,130)
Depreciation	-	(500)	(500)
Valuation loss charged to income statement	(3,386)	-	(3,386)
Impairment loss charged to income statement	(1,776)	-	(1,776)
Closing balance as at 31 December	(8,218)	(574)	(8,792)
	58	2,668	2,726
Effect of foreign exchange movements	(58)	(933)	(991)
Carrying value as at 31 December 2014	**-**	**1,735**	**1,735**

12. Property, plant and equipment (continued)

As there is no active market for the carbonisation assets the fair value has been derived using an income approach over a five year useful life. The income approach assesses the discounted future cashflows that will be generated by the plant. This valuation will be carried out half-yearly and revaluation gains and losses will be reflected in other comprehensive income.

The valuation loss charged to the consolidated income statement relates to carbonisation assets previously held at cost as per the valuation policy.

The following summarises the main assumptions used by Indufor when valuing the carbonisation assets as at 31 December 2015.

Post tax real discount rate: 11.52% (Based on the WACC for Brazil of 9.52% plus a risk premium of 2% (2014: 7.70% (Based on the WACC for Brazil of 5.70% plus a risk premium of 2%)). The risk premium is to reflect the higher risk in charcoal production as compared to forestry.
Charcoal price: The valuer uses the current local market prices, and verifies those independently. The valuation methodology, discounting real cashflows, assumes no real or nominal increases in prices.
Wood Cost: The valuer uses the current local market prices, and verifies those independently. The valuation methodology, discounting real cashflows, assumes no real or nominal increases in wood prices.
Plant capacity: 95% utilisation of the current carbonisation capacity for year for 2015 and 100% for further years.
Cost based valuations of kilns less than 6 months old: Charcoal kilns less than 6 months old are valued on a cost basis. After 6 months, the kilns are valued by the valuers based on discounted operational future cashflows. This method ensures that the valuation takes into consideration any start-up issues that may occur during the first 6 months of operation and expectation that operation is profitable.

Indufor valued the carbonisation assets as minus BRL 11.45 million (approximately minus USD 2.89 million).

13. Joint ventures and investment in associate

The Company has two joint ventures.

MSTH

The Company has a joint venture with Cotopaxi, an Ecuadorian wood based panel producer, through MSTH, 90% of which is owned by the Company. MSTH owns 100% of the shares of El Guasimo, a former subsidiary of Cementos, one of the largest cement producers in Colombia.

Although the Company owns 90% of MSTH it is not fully consolidated due to the fact that decisions are made in conjunction with Cotopaxi and the Company does not therefore have control of the joint venture.

Aimara

The Company (via its subsidiary, Aimara) has an 80% interest in a joint venture, with Klabin owning the remaining 20%. The purpose of the joint venture is to acquire or lease land to be planted with new plantation forest and managed accordingly. The joint venture's principal place of business is in the state of Paraná, Brazil.

Although the Company owns 80% of the joint arrangement it is not fully consolidated due to the fact that decisions are made in conjunction with the other partner in the joint venture and the Company does not therefore have control of the joint venture.

Both MSTH and Aimara are accounted for using the equity method as they are classified as joint ventures on the basis that the Company only has rights to the net assets of each of the arrangements.

13. Joint ventures and investment in associate (continued)

The following summarises the Group's portion of the joint ventures' net assets and summary income statement:

	MSTH	Aimara	Total
	31 Dec 2015	31 Dec 2015	31 Dec 2015
	USD'000	USD'000	USD'000
Non-current assets			
Forest assets			
Land	8,412	2,507	10,919
Biological assets	22,005	9,335	31,340
Other non-current assets	603	-	603
	31,020	11,842	42,862
Current assets			
Cash and cash equivalents	525	39	564
Other current assets	552	684	1,236
	1,077	723	1,800
Non-current liabilities			
Deferred tax	2,188	355	2,543
Other non-current liabilities	225	-	225
	2,413	355	2,768
Current liabilities			
Interest bearing borrowings	435	-	435
Other current liabilities	786	253	1,039
	1,221	253	1,474
Net Assets	**28,463**	**11,957**	**40,420**

13. Joint ventures and investment in associate (continued)

	MSTH 31 Dec 2014 USD'000	Aimara 31 Dec 2014 USD'000	Total 31 Dec 2014 USD'000
Non-current assets			
Forest assets			
Land	9,924	3,489	13,413
Biological assets	30,107	13,155	43,262
Other non-current assets	814	-	814
	40,845	16,644	57,489
Current assets			
Cash and cash equivalents	387	947	1,334
Other current assets	1,874	378	2,252
	2,261	1,325	3,586
Non-current liabilities			
Deferred tax	1,978	498	2,476
Other non-current liabilities	264	-	264
	2,242	498	2,740
Current liabilities			
Interest bearing borrowings	297	-	297
Other current liabilities	848	304	1,152
	1,145	304	1,449
Net Assets	**39,719**	**17,167**	**56,886**

13. Joint ventures and investment in associate (continued)

	MSTH 31 Dec 2015 USD'000	Aimara 31 Dec 2015 USD'000	Total 31 Dec 2015 USD'000
Revenue - from harvested timber	5,262	521	5,783
Cost of sales	(1,072)	(258)	(1,330)
Gross profit	4,190	263	4,453
Depletion	(2,565)	(251)	(2,816)
	1,625	12	1,637
Unrealised gain on biological assets	1,967	757	2,724
	3,592	769	4,361
Operating expenses	(1,154)	(214)	(1,368)
Interest (expense)/income on bank deposits	(27)	79	52
Unrealised loss on planted land	-	-	-
Profit before tax	2,411	634	3,045
Taxation credit/(charge)	(815)	(65)	(880)
Profit for the year	1,596	569	2,165
Other comprehensive income	1,180	190	1,370
Total comprehensive income	**2,776**	**759**	**3,535**

	MSTH 31 Dec 2014 USD'000	Aimara 31 Dec 2014 USD'000	Total 31 Dec 2014 USD'000
Revenue - from harvested timber	3,672	-	3,672
Cost of sales	(1,535)	-	(1,535)
Gross profit	2,137	-	2,137
Depletion	(2,206)	-	(2,206)
	(69)	-	(69)
Unrealised gain on biological assets	1,895	1,778	3,673
	1,826	1,778	3,604
Operating expenses	(1,775)	(495)	(2,270)
Interest income on bank deposits	79	183	262
Profit on disposal of assets	18	-	18
Unrealised loss on planted land	(107)	-	(107)
Profit before tax	41	1,466	1,507
Taxation charge	(431)	(102)	(533)
(Loss)/profit for the year	(390)	1,364	974
Other comprehensive income	389	534	923
Total comprehensive (loss)/income	**(1)**	**1,898**	**1,897**

13. Joint ventures and investment in associate (continued)

Investment in associate

	2015 USD'000	2014 USD'000
Opening balance	-	2,298
Additions	-	-
Share of income from associate	-	2,513
Dividends received	-	(57)
Value of initial investment on acquisition	-	(4,754)
Closing balance	-	-

In 2012 the Company entered into a share purchase agreement to purchase 3,700,071 shares of capital stock of Silvotecnia, a forestry industry service provider, as part of its Colombian operations. At the same time the Company entered into a subscription agreement to subscribe to 3,017,500 of newly issued shares, giving the Company a 33.56% interest in Silvotecnia. The share purchase agreement also gave the Company the option to purchase a further 28.5% of Silvotecnia's issued share capital, 4,963,787 shares, for USD 2.55 million on 15 December 2014. The Company took up this option. Prior to this, on 15 October 2014, Silvotecnia purchased back 13.5% of its own shares. These two events gave the Company effective control of 67.5% of Silvotecnia's shares and as such it is no longer an associate investment and has been consolidated from 15 December 2014.

The share of income from associate includes the fair value movement during the year of USD Nil (2014: USD 2.51 million).

14. Other non-current assets

	2015 USD'000	2014 USD'000
Pig iron mill receivable	-	8,179
Goodwill	2,995	3,914
Other	10	30
	3,005	12,123

In November 2013 the sale of the pig iron mill assets held by a subsidiary of Frondosa was completed for BRL 35 million, realising a profit on disposal of USD 2.11 million (BRL 5 million). These assets were purchased as part of the Frondosa acquisition in 2011 and had been leased to the previous owners. Prior to disposal all liabilities and receivables were paid and collected with the lease also ending on the completion date. Receipts for this sale will be spread over 60 months starting from February 2014. As the proceeds will be adjusted annually for inflation the Directors do not believe that the net present value of the sale proceeds will be materially different to the agreed sale proceeds. Therefore in calculating the profit on disposal the sale proceeds were not discounted.

The counterparty from whom the receivable on the pig iron mill is due is currently in default and the Company is in the process of executing its guarantee over the assets, which may result in it becoming the owner of the pig iron mill once again. At 31 December 2015, a memorandum of understanding had been signed and the Company plans to operate the mill with a third party – should it become the owner again. An impairment review was performed to test its carrying value. The terms of the MOU have been considered and these are deemed to support the carrying value of the receivable. The key assumption is that the terms of MOU reflect the final terms of the transaction. In 2015 the receivable is not impaired and has been shown as a current asset (see Note 16).

Goodwill arose on the acquisition of additional shares of Silvotecnia in 2014. In accordance with IAS 36 an annual impairment review was performed to test its carrying value. Cash flow projections for a period of 6 years were used representing the length of Silvotecnia's current strategic plan. The key assumptions for the calculations were discount rates, growth rates based on expectations of Colombia's future economic performance and expected margins. In 2015 Goodwill has not been impaired. The movement in its USD value has arisen on revaluation.

15. Inventory

The table below summarises the Group's inventories valued at lower of cost and net realisable value.

	2015	2014
	USD'000	USD'000
Seedlings and consumables	142	48
Work in progress	2,794	7,264
Provision- Work in Progress	(1,121)	(1,800)
Finished products	115	265
	1,930	5,777

The Group's work in progress consists of biological assets that at the year end date were going through charcoal production. The Group's finished products consist of charcoal.

16. Trade and other receivables

	2015	2014
	USD'000	USD'000
Trade receivables	276	1,165
Advances to suppliers	132	243
Prepayments	51	160
Receivable on pig iron mill (Note 14)	7,280	2,640
Other receivables	1,234	2,884
	8,973	7,092

There are no material past due or impaired receivable balances outstanding at the year end except as disclosed in Note 14 above.

17. Cash and cash equivalents

Cash and cash equivalents comprises cash held by the Group and short-term bank deposits available on demand. The carrying amounts of these assets approximate their fair value. The table below provides a breakdown of cash and cash equivalents that are considered to be restricted and unrestricted as at 31 December 2015.

	2015	2014
	USD'000	USD'000
Restricted		
Amounts held in escrow accounts in respect of assets purchased	804	1,000
Unrestricted	4,893	8,903
	5,697	9,903

18. Interest bearing borrowings

2015 **Lender**	**Project**	**Current** **USD'000**	**Non-current** **USD'000**	**Total** **USD'000**
Metlife term loan	Frondosa	750	13,875	14,625
Metlife credit facility	Frondosa	-	12,500	12,500
Banco Rendimento SA	Biocarbono	31	129	160
Banco Itau SA	Kaa	354	-	354
Banco Colombia	Silvotecnia	153	298	451
		1,288	26,802	28,090

2014 **Lender**	**Project**	**Current** **USD'000**	**Non-current** **USD'000**	**Total** **USD'000**
Metlife term loan	Frondosa	-	15,000	15,000
Metlife credit facility	Frondosa	-	12,500	12,500
Banco Rendimento SA	Biocarbono	1,411	1,819	3,230
		1,411	29,319	30,730

On 11 April 2013, the Company, through SP Timberland Holdings LLC and SP Timberland LLC, agreed the terms of a loan for USD 15 million from Metlife with an additional line of credit of the same amount.

The term loan was drawn down on 27 November 2013 and utilised to repay the remaining balance on a Rendimento facility in Frondosa. The fixed interest rate on the term loan is based upon 585 bps above the 10 year US Treasury rate, subject to a minimum 7.75%. As at 31 December 2015 the principal amount owing to Metlife in respect of the term loan is USD 14.6 million (2014: USD 15 million).

On 28 May 2014, USD 5.5 million of the line of credit was drawn down and a further USD 7 million drawn down on 23 October 2014. The interest rate applicable to the line of credit is 585 bps above the 6-month LIBOR with no interest rate floor. As at 31 December 2015 the principal amount owing to Metlife in respect of the line of credit was USD 12.5 million (2014: USD 12.5 million). Amounts drawn down on the line of credit facility mature 5 years after the date of drawdown.

During the prior year four loans were arranged and drawn down from Banco Rendimento through the Company's carbonisation entity, Biocarbono. The balances of these loans were repaid in 2015. These loans attracted interest at rates between 3.50% and 23.60%.

During the year the Company arranged and drew down a loan from Banco Itau through its Kaa subsidiary, amounting to BRL 2.5 million (USD 0.81 million), attracting interest at 21.84% maturing on 17 June 2016. As at 31 December 2015 the principal amount owing on this facility was USD 0.35 million.

The Company also arranged and drew down three loans during the year from Banco Colombia through Silvotecnia totalling COP 1,443 million (USD 0.52 million). As at 31 December 2015 USD 0.45 million remained outstanding. These loans attract interest of 6.70% and 8.00% above Dtf.

The total interest incurred on these borrowings was USD 2.5 million (31 December 2014: USD 1.4 million).

The Company has pledged land and biological assets with a value of USD 92.49 million (2014: USD 154.81 million) as security for the Metlife loan (see Note 10). The Rendimento loans are secured on cash in Aimara and trade receivables in Biocarbono.

19. Deferred tax

2015	Biological assets	Land and other	Total
	USD'000	USD'000	USD'000
Opening balance	(3,680)	(3,603)	(7,283)
Credited/(charged) to income statement on fair value adjustments on forest assets	615	-	615
Charged to other comprehensive income on revaluation adjustments	-	(491)	(491)
Exchange rate differences	1,117	1,260	2,377
Closing balance	(1,948)	(2,834)	(4,782)

2014	Biological assets	Land and other	Total
	USD'000	USD'000	USD'000
Opening balance	(4,129)	(3,352)	(7,481)
Credited/(charged) to income statement on fair value adjustments on forest assets	(1)	-	(1)
Charged to other comprehensive income on revaluation adjustments	-	(704)	(704)
Exchange rate differences	450	453	903
Closing balance	(3,680)	(3,603)	(7,283)

Deferred tax liabilities arise in relation to unrealised fair value adjustments on both forest assets and investment property and have been recognised on an "in use" basis. Unrealised fair value adjustments on planted land and their corresponding deferred tax liability are reflected in other comprehensive income (see Note 10 for sensitivity analysis).

20. Other long term liabilities

	2015	2014
	USD'000	USD'000
Amounts owing on purchase of forest assets	-	1,495
Other	553	234
	553	1,729

The amounts owing on forest assets consisted of amounts owed by the Group on forest assets purchased in prior years.

21. Trade and other payables

	2015 USD'000	2014 USD'000
Trade payables	5,427	4,730
Amounts due on purchases	123	3,484
Taxes payable	453	2,507
Accruals	383	840
	6,386	11,561

Trade and other payables include amounts outstanding for trade purchases and on-going costs. The credit period taken for trade purchases ranges from 30 to 180 days. The carrying amount of trade payables approximates to their fair value. Included in amounts due on purchases in 2014 is USD 2.55 million in respect of the purchase of additional Silvotecnia shares (see Note 13). This was settled on 27 February 2015.

22. Warrant instruments

	2015 USD'000	2014 USD'000
As at 1 January	-	
Draw downs made during the year	14,490	-
Costs of warrants issue	(260)	-
	14,230	-

On 15 June 2015 the Company entered into subscription agreements with two existing shareholders, for an aggregate commitment of USD 25.5 million, in relation to a new warrant issuance arrangement.

Under the terms of the subscription agreements, the Company may draw down commitments, at its discretion, in one or more tranches up to 31 December 2016, following which date any undrawn commitments will lapse.

Following each draw down, each warrant holder receives a warrant certificate with a face value equal to the amount drawn down. Each warrant will be capable of conversion into ordinary shares in the Company, at the last published Adjusted NAV per share at the time of exercise, for a period of one year from the date of issuance of the relevant warrant, providing flexibility to the warrant holders as to the timing of any exercise. Each warrant certificate will be subject to automatic conversion at the first anniversary of issuance if not otherwise exercised prior to that date.

Drawdowns under the subscription agreements have taken place during July 2015 (USD 2.55 million) during September 2015 (USD 5.44 million) and November 2015 (USD 6.5 million).

Although the warrant certificates issued to warrant holders will ultimately convert to equity, either on exercise by the warrant holder or automatically 12 months after the date of issuance, the warrant certificates are classified as a financial liability, rather than equity, in the Group Consolidated Statement of Financial Position as the number of shares the Company will be required to deliver is not fixed; the number of shares to be delivered will be derived from the value of the warrant certificate divided by the last published adjusted NAV per share at the time of subscription. The definitions in IAS 32.11 indicate where an entity has a contract that requires settlement in a variable number of the entity's own shares that the contract is classified a financial liability.

23. Provisions

	2015	2014
	USD'000	USD'000
At 1 January	776	838
Provision made during the year	16	36
Effect of foreign exchange	(256)	(98)
	536	776

The Company, through Ibiraçú, has entered into three law suits in Brazil in order to expedite and guarantee the transfer of full title of two properties relating to a farm purchased in 2008. The Company, through its Ibiraçú subsidiary, has planted the properties after receiving all necessary permissions and has possession of the land, and rights to the biological assets on the land.

The provision above represents management's best estimate of the costs that Ibiraçú will need to incur in order for full title of the two properties to be transferred to Ibiraçú.

24. Net asset value

In accordance with the terms of the Company's Private Placement Memorandum the Group's Adjusted NAV is published semi-annually for the purposes of reporting to the Shareholders. The Adjusted NAV is further adjusted for warrant instruments to generate an IMA Adjusted NAV which is used in the calculation of fees payable to the Investment Manager (see Note 9).

The definition of IFRS NAV and Adjusted NAV are shown in the Glossary.

Reconciliations of the Group's IFRS NAV to the Adjusted NAV as at 31 December 2015 are as follows:

	31 Dec 2015		31 Dec 2014	
	USD	USD'000	USD	USD'000
	per share	*total*	*per share*	*total*
IFRS NAV attributable to holders of redeemable Ordinary and Class A Ordinary shares	3.91	168,978	6.60	285,303
Adjustment for deferred tax duplication	0.10	4,172	0.14	5,882
Adjustment for notional land lease charge	0.19	8,359	0.27	11,797
Adjustment for unamortised organisation expenses	0.03	1,220	0.06	2,688
Adjusted NAV attributable to redeemable Ordinary and Class A Ordinary shareholders	4.23	182,729	7.07	305,670

25. Share Capital and Premium

As at 31 December 2015 the authorised share capital of the Company was USD 20,000,002 (2014: USD 20,000,002) divided into 100,000,000 (2014: 100,000,000) redeemable Ordinary Shares of USD 0.10 each, 100,000,000 (2014: 100,000,000) redeemable Class A Ordinary Shares of USD 0.10 each and two (2014: two) non-redeemable Management Shares of USD 1.00 each.

The Management Shares do not carry any rights to dividends and, in a winding-up, rank only for a return of the amount of the paid up capital on such shares after a return of capital on all other shares in the Company.

25. Share Capital and Premium (continued)

The holders of the Ordinary Shares and Class A Ordinary Shares which are both classified as equity shall have the following rights:

(i) Dividends
Holders of Ordinary Shares and Class A Ordinary Shares are entitled on a *pari passu* basis to receive, and participate in, any dividends or other distributions resolved to be distributed in respect of any accounting period or other income or right to participate therein.

(ii) Winding up
On a winding up, the holders of Ordinary Shares and Class A Ordinary Shares shall be entitled, on a *pari passu* basis, to the surplus assets remaining after payment of (i) all the creditors of the Company and (ii) the holders of Management Shares in accordance with the Company's Articles of Association.

(iii) Voting
The holders of Ordinary Shares and Class A Ordinary Shares shall have the right to receive notice of and to attend and vote at general meetings of the Company and each holder of Ordinary Shares and Class A Ordinary Shares being present in person or by proxy or by a duly authorised representative (if a corporation) at a meeting shall upon a show of hands have one vote and upon a poll each such holder present in person or by proxy or by a duly authorised representative (if a corporation) shall have one vote in respect of each Ordinary Share or Class A Ordinary Share (as the case may be) held by him.

The Class A Ordinary Shares rank *pari passu* in all respects (particularly in relation to redemption, entitlement to dividends and the return of capital on a winding up of the Company) with the Ordinary Shares and are subject to the same rights, obligations and entitlements but will not be traded on any share exchange.

During the year ended 31 December 2015, the Company issued 9,900 new shares (see Note 29). The shares issued increased the number of shares from 43,239,140 to 43,249,040.

Transactions in the shares of the Company for the year ended 31 December 2015 were as follows:

2015	**Management Shares of USD 1 each**	**Redeemable Ordinary Shares of USD 0.10 each**	**Redeemable Class A Ordinary Shares of USD 0.10 each**	**Total Shares in issue**
At 1 January 2015	2	19,028,483	24,210,655	43,239,140
Shares issued 23 September 2015	-	9,900	-	9,900
As at 31 December 2015	2	19,038,383	24,210,655	43,249,040

2014	**Management Shares of USD 1 each**	**Redeemable Ordinary Shares of USD 0.10 each**	**Redeemable Class A Ordinary Shares of USD 0.10 each**	**Total Shares in issue**
At 1 January 2014	2	18,885,736	24,201,802	43,087,540
Shares issued 31 October 2014	-	142,747	8,853	151,600
As at 31 December 2014	2	19,028,483	24,210,655	43,239,140

The 9,900 Ordinary Shares are Bonus Award Shares allotted to Mr. Rainer Häggblom, the Chairman of the Board, in accordance with the terms of the bonus award deed dated 9 July 2012. The Bonus Award Shares are held in escrow pending the satisfaction of the vesting condition of the bonus award deed. As of 31 December 2015, all of the Bonus Award Shares remain in escrow. These shares attract scrip dividends and including these the number held in escrow at 31 December 2015 is 21,990 (2014: 12,090).

25. Share Capital and Premium (continued)

Reconciliation in the movement in share capital is shown below:

	2015 USD'000	2014 USD'000
Balance at beginning of year	310,771	320,178
Issue of shares	70	1,365
Dividends during the year	-	(10,772)
Balance at end of year	310,841	310,771

26. Basic and diluted Earnings Per Ordinary and Class A Ordinary Share

Basic and diluted earnings per share is based on the following data:

	2015	2014
Loss for the year	**USD'000**	**USD'000**
From continuing operations	(34,349)	(19,588)
	(34,349)	(19,588)
Average number of issued shares ('000s)	43,242	43,113
Basic and diluted loss per share	**US cents**	**US cents**
From continuing operations	(79.43)	(45.43)
	(79.43)	(45.43)

27. Dividends

In 2015 the Company has not declared a dividend (2014: declared dividend of USD 10.77 million). In the prior year shareholders eligible to receive the interim dividend had been offered the option to elect to receive the dividend payment in cash or to have their dividend entitlement applied in paying up new fully paid shares of the Company (either Ordinary Shares or Class A Ordinary Shares). Such new shares were allotted at a price of USD 9.04 per share (being the ex-dividend adjusted net asset value per share on 30 June 2014). As a result 134,334 Ordinary Shares and 8,853 Class A Ordinary Shares were issued on 31 October 2014.

Under the Law, companies can pay dividends in excess of accounting profit for the period provided that they satisfy the solvency test prescribed under the Law. The solvency test considers whether a company is able to pay its debts when they become due, and whether the value of a company's assets is greater than its liabilities. The Company passed the solvency test for the dividends declared and paid during 2014.

28. Subsidiaries

Details of the Company's subsidiaries as at 31 December 2015 are as follows:

Name	Place of incorporation and operation	Ownership interest %	Voting power held %
Tree Holdings SPC Limited	Cayman Islands	100	100
Kaa Project			
PA Timberland Holdings Limited	British Virgin Islands	100	100
PA Timberland Holdings LLC	Delaware USA	100	100
PA Timberland LLC	Delaware USA	100	100
Kaa Empreendimentos Imobiliários e Participações Ltda#	Brazil	100	100
Aimara Project			
PR Timberland Holdings Limited	British Virgin Islands	100	100
PR Timberland Holdings LLC	Delaware USA	100	100
PR Timberland LLC	Delaware USA	100	100
Aimara Empreendimentos Imobiliários e Participações Ltda#	Brazil	100	100
Ibiracu Project			
MG Timberland Holdings Limited	British Virgin Islands	100	100
MG Timberland Holdings LLC	Delaware USA	100	100
MG Timberland LLC	Delaware USA	100	100
Ibiraçú Empreendimentos Imobiliários, Atividades Florestais e Participações Ltda#	Brazil	100	100
Biocarbono Project			
SC Timberland Holdings Limited	British Virgin Islands	100	100
SC Timberland Holdings LLC	Delaware USA	100	100
SC Timberland LLC	Delaware USA	100	100
Biocarbono Holdings LLC	Delaware USA	100	100
Biocarbono Produção e Comércio de Carvão Ltda#	Brazil	100	100
Frondosa Project			
SP Timberland Holdings Limited	British Virgin Islands	100	100
SP Timberland Holdings LLC	Delaware USA	100	100
SP Timberland LLC	Delaware USA	100	100
Frondosa Empreendimentos Imobiliários, Atividades Florestais e Participações Ltda#	Brazil	100	100
Surubim Empreendimentos Imobiliários, Atividades Florestais e Participações Ltda#	Brazil	100	100
AB Florestal Participações Ltda#	Brazil	100	100
Hadoque Propriedades Rurais e Participações Ltda#	Brazil	100	100
MillCo Participações Ltda#	Brazil	100	100
Paiva Florestal Participações Ltda#	Brazil	100	100
DM Timberland Wood Holdings Limited	British Virgin Islands	100	100
MS Timberland Project			
MS Timberland Holdings Limited*	British Virgin Islands	90	90
Reforestadora El Guasimo#	Colombia	90	90

28. Subsidiaries (continued)

Name	Place of incorporation and operation	Ownership interest %	Voting power held %
MS Timberland Project (continued)			
Antioquia Wood Holdings Limited	British Virgin Islands	100	100
Silvotecnia S.A.	Colombia	67.5	67.5
Vichada Timberland Holdings Limited*	British Virgin Islands	100	100
La Esperenza Timberland Holdings Limited*	British Virgin Islands	100	100
Potosi Timberland Holdings Limited*	British Virgin Islands	100	100
La Diana Timberland Holdings Limited*	British Virgin Islands	100	100
Las Ventas Timberland Holdings Limited*	British Virgin Islands	100	100
Santa Ana Florestal Limited*	British Virgin Islands	100	100
Canaguay Wood Holdings Limited*	British Virgin Islands	100	100
La Esperenza Wood Holdings Limited*	British Virgin Islands	100	100
La Libertad Wood Holdings Limited*	British Virgin Islands	100	100
La Paz Wood Holdings Limited*	British Virgin Islands	100	100
Paraiso Wood Holdings Limited*	British Virgin Islands	100	100
El Amparo Wood Holdings Limited*	British Virgin Islands	100	100
El Gavan Wood Holdings Limited*	British Virgin Islands	100	100
El Morichal Wood Holdings Limited*	British Virgin Islands	100	100

*Operates in Colombia through a local branch.
#Operational entities

Tree Holdings SPC Limited has not undertaken any operating activities since incorporation and therefore on 10 December 2015 its shares in all subsidiary entities were transferred to The Forest Company Limited.

Six additional holding companies were set up in 2015 in anticipation of providing a structure for running the pig iron mill with a third party. Their details are shown below. As at the date of signing of the financial statements no transactions have taken place in any of these entities.

Name	Place of incorporation and operation	Ownership interest %	Voting power held %
BR Timberland Holdings Limited	British Virgin Islands	100	100
BR Timberland Holdings LLC	Delaware USA	100	100
BR Timberland LLC	Delaware USA	100	100
Rio Verde International Holdings Limited	British Virgin Islands	100	100
Rio Verde International Holdings LLC	Delaware USA	100	100
Rio Verde Gusa LLC	Delaware USA	100	100

29. Related Party Transactions and Directors' Remuneration

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the party in making financial or operational decisions. Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Mr. Rainer Häggblom, a Director of the Company, as at 31 December 2015 held 49,484 (2014: 49,484) redeemable Ordinary Shares in the Company. During the year he was issued Bonus Award Shares as detailed in Note 25.

Ms. Susan Lloyd, a Director of the Company, as at 31 December 2015 held 22,138 (2014: 22,138) redeemable Ordinary Shares in the Company.

Dr. Dermot Smurfit, a Director of the Company, is also a director of the Investment Manager. As at 31 December 2015 Dr. Smurfit held 312,500 (2014: 312,500) redeemable Ordinary Shares in the Company. All fees paid to the Investment Manager are disclosed in Note 9.

Dr. Panu Kallio, a Director of the Company, as at 31 December 2015 held 2,746 (2014: 2,746) redeemable Ordinary Shares in the Company.

Mr. Joseph Ryan, a Director of the Company, as at 31 December 2015 held 3,185 (2014: 3,185) redeemable Ordinary Shares in the Company.

Directors' fees for the year ended 31 December 2015 were as follows;

	2015 USD'000	2014 USD'000
Rainer Häggblom (Chairman)	195	155
Susan Lloyd (non-executive)	69	63
Dr. Dermot Smurfit (non-executive)	68	68
Dr. Panu Kallio (non-executive)	61	58
Joseph Ryan (non-executive)	69	66
Harald Örneberg (non-executive)*	n/a	-
	462	410
Expenses	86	185
	548	595

* Harald Örneberg resigned as a Director on 4 June 2014.

As at 31 December 2015 USD Nil (2014: USD Nil) Directors' fees were outstanding.

Included in the Chairman's fee is an accrued amount of USD 70,000 (2014: USD 70,000) relating to an incentive plan which was put into place on 9 July 2012 so that part of the Chairman's compensation is structured as a multi-year retention package. The package has an effective monetary value of USD 70,000 per annum and will be paid in either cash or shares at the Board's discretion. The Chairman's additional incentive package remains within the maximum annual expenditure on Directors' fees as set out in the articles of the Company. During the year 9,900 Bonus Award Shares (2014: 8,413 Bonus Award Shares) were allotted to the Chairman in accordance with the terms of the incentive plan. The Bonus Award Shares are held in escrow pending the satisfaction of the Vesting Condition of the Bonus Award Deed. As of 31 December 2015, all of these shares remain in escrow. These shares attract scrip dividends and including these the number held in escrow at 31 December 2015 is 21,990 (2014: 12,090).

29. Related Party Transactions and Directors' Remuneration (continued)

From 1 February 2009 Mr. Johan Larsson, a principal of the Investment Manager (from 4 March 2015 Chief Executive Officer of the Investment Manager), has been employed by Aimara with his associated costs of employment being reimbursed by the Investment Manager. During the year the Group incurred USD 40,000 (2014: USD 31,000) in relation to Mr. Larsson's employment in Brazil, all of which had been reimbursed at the reporting date (2014: USD 16,000). The Investment Manager has further agreed to indemnify the Group against all liabilities, costs, expenses, damages and losses suffered or incurred by the Group arising out of or in connection with the contract of employment.

Mr. Johan Larsson, CEO of TCL, as at 31 December 2015 held 2,114 (2014: 2,114) redeemable Ordinary Shares in the Company.

The two Management Shares were issued on incorporation and are registered in the names of HG Nominees 1 Limited and HG Nominees 2 Limited. Both shares are held for and on behalf of the Lennox Trust, of which Mr. John Harald Örneberg is a beneficiary. Mr. John Harald Örneberg, Chairman of TCL, as at 31 December 2015 held 411,722 (2014: 411,722) redeemable Ordinary Shares in the Company.

During the year USD Nil (2014: USD 10,000) was paid to Vision Hunters Ltd Oy, a partially owned subsidiary of Häggblom & Partners Ltd Oy, of which Mr. Rainer Häggblom is the Chairman and Founder, for consultancy services provided to the Company relating to forestry discount rate research.

30. Financial instruments & associated risks

Capital risk management

The Group manages its capital to ensure that it is able to continue as a going concern while maximising the return to shareholders through investing in the equity of its subsidiaries. The capital structure of the Group consists of equity attributable to equity holders of the Company, comprising issued share capital and accumulated profit as disclosed on the consolidated statement of financial position. The Group will seek to maintain a suitably diversified portfolio of investments so as to manage the Group's economic exposure to any counterparty, single project or separate legal entity.

The investment objective of the Group is to seek long-term capital appreciation together with a dividend policy pursuant to which the Company will aim to pay an aggregate annual dividend equal to between 3% and 5% of the Adjusted NAV, but with a target of 5% of the Adjusted NAV. The Company intends to invest in trees, timberland and timber related assets with an emphasis on investments in high organic growth plantation countries in Latin America although the Company may also pursue transactions on an opportunistic basis. In order to maintain flexibility, the Company's investment strategy has no predetermined geographical allocations.

Gearing

The Group monitors capital on the basis of the gearing ratio. Group gearing calculated as total debt divided by Adjusted NAV plus total debt was 13.32% as at 31 December 2015 (2014: 9.13%).

Externally imposed capital requirements

There are no external capital requirements imposed on the Group.

Financial risk management objectives

The Group's investing activities expose it to various types of risk that are associated with the financial instruments in which it invests. The most important types of financial risk to which the Group is exposed are market risk, liquidity risk and credit risk. Market risk includes price risk, foreign currency risk and interest rate risk. The nature and extent of the financial instruments outstanding at the year-end date and the risk management policies employed by the Group are discussed below.

30. Financial instruments & associated risks (continued)

Categories of financial instruments
At the year end date the Group's financial instruments were made up of the following categories;

	2015 USD'000	2014 USD'000
Financial assets		
Loans and receivables		
Trade and other receivables	8,983	15,301
Cash and cash equivalents	5,697	9,903
Financial liabilities		
Loans and payables		
Trade and other payables	6,386	11,561
Interest bearing borrowings	28,090	30,730
Other long term liabilities	553	1,729

At the reporting date there were no loans and receivables designated at fair value through profit or loss. The carrying amount reflected above represents the Group's maximum exposure to credit risk for such loans and receivables.

The Investment Manager and the Administrator provide advice to the Group and Company respectively which allows it to monitor and manage financial risks relating to its operations through internal risk reports which analyse exposures by degree and magnitude of risks. The Investment Manager and the Administrator report to the Board on a quarterly basis.

Market risk
Price risk
Price risk arises from uncertainty about future prices of financial investments held. It represents the potential loss the Group might suffer through holding market positions in the face of price movements. At 31 December 2015 the Group's exposure to price risk relating to financial instruments was limited as these consisted mainly of cash and cash equivalents and interest bearing borrowings which are less likely to experience fluctuations in price.

However, there is also a further price risk due to the forest assets, investment property and property, plant and equipment held at fair value owned by the Group. The Group's forest assets are susceptible to price fluctuations as the prevailing market prices for end products can fluctuate as a result of, among other things, changes in supply and demand for wood and/or charcoal - see Note 10 for sensitivity analysis. The Board actively monitors the appropriateness of all the assets held.

Foreign currency risk
The Group holds assets denominated in currencies other than the USD, the reporting currency of the Group. The Group is therefore exposed to currency risk, as the value of the assets denominated in other currencies will fluctuate due to changes in exchange rates. As at 31 December 2015 the Company's assets denominated in other currencies were principally held in BRL and COP with other balances in GBP - see Note 10 for sensitivity analysis.

The policy adopted by the Investment Manager is to leave the investment in the underlying Brazilian and Colombian assets unhedged for foreign exchange risk. The investments that have been made are long term with a time horizon that is not suited to efficient hedging. There is an inherent mismatch between the short term nature of the hedges and the long term nature of the Group's underlying assets. As hedges are marked to market and cause short term gains or losses, whilst the assets consist of long term cashflows, this could potentially cause the Group severe losses.

30. Financial instruments & associated risks (continued)

Market risk (continued)

Foreign currency risk (continued)

The closing financial asset and liability positions denominated in currencies other than USD as at 31 December 2015 were as follows:

2015	**BRL**	**COP**	**GBP**	**Total**
	USD'000	**USD'000**	**USD'000**	**USD'000**
Investment in joint ventures	305	(579)	-	(274)
Trade and other receivables	7,832	963	-	8,795
Cash and cash equivalents	1,731	141	-	1,872
Trade and other payables	(4,725)	(605)	(413)	(5,743)
Interest bearing borrowings	(514)	(451)	-	(965)
Other long-term liabilities	(205)	(348)	-	(553)
Net exposure	4,424	(879)	(413)	3,132

2014	**BRL**	**COP**	**GBP**	**Total**
	USD'000	**USD'000**	**USD'000**	**USD'000**
Investment in joint ventures	1,016	819	-	1,835
Trade and other receivables	4,615	2,191	-	6,806
Cash and cash equivalents	4,060	4,481	-	8,541
Trade and other payables	(4,920)	(5,353)	(533)	(10,806)
Interest bearing borrowings	(3,230)	-	-	(3,230)
Other long-term liabilities	(1,495)	-	-	(1,495)
Net exposure	46	2,138	(533)	1,651

The sensitivity analyses below have been determined based on the exposure to the BRL exchange rate at the reporting date. The bulk of the currency risk that the Group's financial instruments are exposed to relates to its underlying financial instruments in Brazil; exposure to other currencies on financial instruments is minimal. Any impact on movements in currency rates for these currencies is therefore considered immaterial and hence no sensitivity analysis has been provided. At the reporting date the Group's currency risk exposure relating to its financial instruments in Colombia was considered immaterial, hence no sensitivity analysis has been provided for COP.

For BRL denominated financial assets and liabilities, the analysis is prepared assuming the amount of the asset outstanding at the reporting date was outstanding for the whole year. A 25% increase or decrease represents management's assessment of a reasonably possible change in foreign exchange rates.

If the USD strengthened by 25% against the BRL and all other variables held constant, the Group's comprehensive income for the year would have been USD 0.88 million lower (2014: USD 9,000 lower) as a result of foreign exchange losses on translation of BRL denominated financial assets and liabilities.

If the USD weakened by 25% against the BRL and all other variables held constant, the Group's comprehensive income for the year would have been USD 1.48 million higher (2014: USD 15,000 higher) as a result of foreign exchange gains on translation of BRL denominated financial assets and liabilities.

30. Financial instruments & associated risks (continued)

Market risk (continued)

Foreign currency risk (continued)

As the Group's investments are held in Brazil and Colombia, any currency movements between the underlying currencies and the reporting currency will have an impact on the Group's results. Although management has not directly mitigated the foreign exchange risk by hedging the exposure, they expect that in the long-term the foreign exchange exposure may be reduced by the appreciation in the value of the investment property at the Group level.

A sensitivity analysis of the Group's exposure to fluctuations in exchange rate due to Forest assets and Investment property valuations is included in Notes 10 and 11.

Interest rate risk

The majority of the Group's financial assets and liabilities are held in cash and borrowings which are interest bearing; as a result, the Group is subject to risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash and cash equivalents are invested at short-term market interest rates. The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the reporting date (see Note 18). For floating rate financial assets and liabilities, the analysis is prepared assuming the amount of asset outstanding at the reporting date was outstanding for the whole year. A 1% increase or decrease has been used in order to illustrate the effect that each 1% movement in the interest rates will have on the Group's comprehensive income.

If interest rates receivable had been 1% lower and all other variables were held constant, the Group's:

- Loss for the year ended 31 December 2015 would have increased by USD 45,041 (2014: USD 104,196). This is due to the Group's exposure to interest rate fluctuations on its variable rate financial assets;

If interest rates receivable had been 1% higher and all other variables were held constant, the Group's:

- Loss for the year ended 31 December 2015 would have decreased by USD 45,041 (2014: USD 104,196). This is due to the Group's exposure to interest rate fluctuations on its variable rate financial assets.

Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group.

Financial assets mainly consist of cash and cash equivalents as well as a financial receivable at fair value through profit or loss. The Group's risk on liquid funds is minimised because the majority of the funds have been spread over six main institutions with high credit ratings.

30. Financial instruments & associated risks (continued)

Credit risk (continued)
The table below shows the cash balances at the reporting date and the credit rating for each counterparty. The analysis is based on cash balances including those held under joint ventures:

Counterparty	Location	Rating	2015 USD'000	2014 USD'000
Banco Itau	Brazil	BBB-	658	2,115
Royal Bank of Scotland International	United Kingdom	BBB+	403	1,733
JP Morgan S.A.	Brazil	A+	151	204
Banco Rendimento S.A.	Brazil	BBB+	951	1,665
EFG Bank	Switzerland	A	3,672	808
Banco Colombia	Colombia	BBB+	413	4,601
Other			14	109
			6,262	11,235

The Group monitors its risk by reviewing the credit quality of the institutions with which it holds cash balances.

The Group has entered into off-take agreements with Klabin and Cotopaxi which exposes it to credit risk. The Directors believe that the terms of the off-take agreement with Klabin minimise the risk in that any wood sales to Klabin would be paid for in advance. The Company consider the credit exposure to Cotopaxi to be minimal in light of their position as minority interest and valued partner in the Colombian investment.

Concentration risk
Major clients
The Group's revenue as at 31 December 2015 was not reliant on any major customer, but as the Group moves to harvesting plantations, revenues from some projects may be subject to off-take agreements resulting in each project's revenue being reliant on a concentrated customer base.

Primary market
During 2015, and 2014, carbonisation was the primary market of the Group's Frondosa and Ibiracu projects and the plantations from these two projects make up the majority of the Group's biological assets, thus exposing the Group to a concentration risk in respect of end markets for its timber. To manage this risk, the Group monitors developments relating to the charcoal market and is managing processes to reduce production costs and increase efficiency. See Note 10 for an analysis of the sensitivity of the biological assets to the profitability of the carbonisation operations. In 2015 management has additionally sought to find other outlets for its wood products and continues to diversify its customer base in 2016.

30. Financial instruments & associated risks (continued)

Liquidity risk
Ultimate responsibility for liquidity risk management rests with the Board of Directors.

Liquidity risk is defined as the risk that the Group may not be able to settle or meet its obligations on time or at a reasonable price.

The Group prepares budgets and cash flow forecasts under various scenarios to assess the liquidity risk and ensure that it maintains sufficient cash reserves to meet its obligations. The Group also maintains sufficient cash reserves to meet its current investment commitments.

Financial liabilities consist of trade and other payables which are all due within one year.

The following table details the Group's expected maturity for its loans and receivables including those held under joint ventures:

31 December 2015	**Weighted average interest rate**	**Less than 1 year USD'000**	**1-5 years USD'000**	**5+ years USD'000**	**Total USD'000**
Assets					
Non-interest bearing	-	8,983	-	-	8,983
Fixed interest rate instruments	0.86%	1,770	-	-	1,770
Variable interest rate instruments	0.06%	4,491	-	-	4,491
Liabilities					
Non-interest bearing	-	(6,386)	(553)	-	(6,939)
Fixed interest rate instruments	8.59%	(750)	(13,875)	-	(14,625)
Variable interest rate instruments	7.05%	(538)	(12,927)	-	(13,465)
		7,570	(27,355)	-	(19,785)

31 December 2014	**Weighted average interest rate**	**Less than 1 year USD'000**	**1-5 years USD'000**	**5+ years USD'000**	**Total USD'000**
Assets					
Non-interest bearing	-	15,301	-	-	15,301
Fixed interest rate instruments	1.03%	4,265	-	-	4,265
Variable interest rate instruments	0.54%	6,972	-	-	6,972
Liabilities					
Non-interest bearing	-	(11,561)	(1,729)	-	(13,290)
Fixed interest rate instruments	7.49%	-	(27,500)	-	(27,500)
Variable interest rate instruments	8.49%	(1,411)	(1,819)	-	(3,230)
		13,566	(31,048)	-	(17,482)

31. Operating segments

The information in this note has been prepared using the definition of an operating segment in IFRS 8: Operating Segments. The Group determines and presents the information that is provided internally to the Board, which has been identified as the chief operating decision maker. The Board reviews the Group's internal reporting in order to enable them to assess performance and allocate resources and has determined the operating segments based on these reports.

As an investment company, the Group's primary focus is on the performance of its investment portfolio. Whilst there are a number of individual investments included in this portfolio, performance is reviewed for the portfolio as a whole on the basis of its fair value.

For the year ended 31 December 2015, the Directors believe that the Company and the Group was engaged in a single segment of business of holding investments in timberland and timber related assets (carbonisation), operating from Guernsey, Colombia and Brazil. The information reviewed by the Board includes summarised financial information for each investment in the portfolio.

	Segment Income		Segment profit	
	2015	2014	2015	2014
Segment revenues and results	**USD'000**	**USD'000**	**USD'000**	**USD'000**
Sales of product	16,301	17,492	(1,626)	(7,865)
Interest income	221	257	221	257
Profit on disposal of property, plant and equipment	(5)	-	(5)	-
Unrealised (loss)/gain on Forest assets	(20,381)	9,099	(20,381)	9,099
Total for continuing operations	(3,864)	26,848	(21,791)	1,491
Administration costs			(11,709)	(22,082)
Interest expense			(2,621)	(1,738)
Share of income of associate			-	2,513
Share of profit of joint venture			2,165	974
Loss before tax from continuing operations			(33,956)	(18,842)

31. Operating segments (continued)

	As at 2015 USD'000	As at 2014 USD'000
Segment assets		
Forest assets	157,169	237,280
Investment property	4,637	6,586
Property, plant and equipment	1,724	1,735
Investment in joint venture	40,420	56,886
Other non-current assets	3,005	12,123
	206,955	314,610
Other assets	16,600	22,772
Total segment and consolidated assets	223,555	337,382
Segment liabilities		
Interest bearing borrowings	28,090	30,730
Deferred tax liability	4,782	7,283
Other long term liabilities	553	1,729
Trade and other payables	6,386	11,561
Provisions	536	776
Warrants	14,230	-
Total segment and consolidated liabilities	54,577	52,079

	Income		Non-current assets	
	2015	2014	2015	2014
Geographical segments	USD'000	USD'000	USD'000	USD'000
Guernsey	-	4	-	-
Brazil	(6,199)	27,679	169,407	263,467
Colombia	4,500	139	37,548	51,143
Total	(1,699)	27,822	206,955	314,610

Income has been derived mainly from sales of wood and charcoal.

The geographical segments analysis is based on income and non-current assets including those held under joint ventures.

32. Contingent liabilities

The Company, via its Ibiraçú subsidiary entered into an irrevocable agreement to purchase a farm but the public deed has not yet been issued in respect of this one farm. The contingent liability for this farm is USD 1.20 million (31 December 2014: USD 1.80 million) at the reporting date, being the purchase price yet to be paid.

In addition, the Company, through Ibiraçú, entered into three law suits in Brazil in order to expedite and guarantee the transfer of full title of two properties relating to a farm purchased in 2008. The Company, through its Ibiraçú subsidiary, has planted the properties after receiving all necessary permissions and has possession of the land, and rights to the biological assets on the land. The timing of resolution is not certain, but is expected within the next year. Whilst the sale is under legal challenge, previously the Board understood, through legal advice, that the likelihood of any material loss was remote. However, given current political volatility and the fact that other cases are being heard at the Supreme Court the legal assessment of any loss against the fair value uplift in the land is now deemed possible.

The Company continues to hold guarantees and funds in escrow relating to assets purchased in 2011, and believes that these guarantees and funds deposited in escrow are sufficient in the event that risks arise which have not previously been highlighted during the due diligence process (see Note 17).

Quantification of the liabilities has not been undertaken as the Company believes the risk to be remote.

33. Subsequent events

In 2013 the Company sold its pig-iron mill and this sale included a 60 month payment plan. As disclosed in note 14 the counterparty is currently in default and the Company is in the process of executing its guarantee over the assets which may result in it becoming owner of the pig iron mill once more. Since 31 December 2015 no buyer to purchase the assets has been identified at public auctions and the Company now plans to operate the mill with a third party.

GLOSSARY

AB Florestal: AB Florestal Participacoes Ltda.

Administrator: Heritage International Fund Managers Limited.

AGM: Annual General Meeting.

AIC: Association of Investment Companies.

AIC Code: The AIC's Code of Corporate Governance by way of reference to the AIC Code.

AIC Guide: The AIC's Corporate Governance Guide for Investment Companies.

Aimara: Aimara Empreendimentos Imobiliários e Participações Ltda.

Annual Report: Report of the activities of the Company.

Antioquia: Antioquia Wood Holdings Limited

Auditor: Deloitte LLP.

Biocarbon: Solid material produced from biomass through carbonisation; also known as charcoal.

Biocarbono: Biocarbono Produção e Comércio de Carvão Ltda

Board: Directors of the Company.

Board Meeting: Meeting of the Directors of the Company.

Bonus Award Shares: shares allocated to the Chairman in accordance with the terms of the bonus award deed dated 9 July 2012

BRL: Brazilian Real.

CDI: Brazilian interbank interest rate

Cementos: Cementos Argos S.A

Chapter: Chapter Participacoes S.A

Charcoal: see Biocarbon.

CISE: Channel Islands Security Exchange .

CISEA: Channel Islands Security Exchange Authority.

Class A Ordinary Shares: A redeemable Ordinary Share of USD 0.10 in the capital of the Company and designated a Class A Ordinary Share.

COFINS: Contribuição para o Financiamento da Seguridade Social; a social contribution tax in Brazil based on gross revenue.

Company: The Forest Company Limited.

Company Secretary: Belasko Administration Limited.

COP: Colombian Peso.

Corrupt Practice: The offering, giving, receiving or soliciting, directly or indirectly, of anything of value to influence improperly the actions of another party.

Cotopaxi: Aglomerados Cotopaxi S.A.

CREE: Colombian social income tax.

CSLL: Contribuição Social sobre o Lucro Líquido das Pessoas Jurídicas; a social contribution tax in Brazil based on net profit.

Current Adjusted NAV: the last preceding Adjusted Net Asset Value current at the date of payment

DCF: Discounted Cash Flow.

Deferred tax: tax payable or recoverable in a future period.

Depletion: The Fair Value of biological assets harvested.

Donahoo: Donahoo Participacoes S.A

DtF: Colombian central bank interest rate

El Guasimo: Reforestadora El Guasimo

EU: The European Union.

Eucalyptus: Trees of the Genus *Eucalyptus.*

EY: Ernst & Young

Fair Value: Defined in IFRS 13 as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

FRC: Financial Reporting Council.

Frondosa: Frondosa Empreendimentos Imobiliários , Atividades Florestais e Participações Ltda

FSC: The Forest Stewardship Council; an independent, non-profit organisation established in 1993 to respond to global environmental concerns especially as they pertain to deforestation. The FSC is an internationally recognised forest management certification body.

FSC Certification: Obtained by organisations that comply with the Principles and Criteria set forth by the FSC. This is done through an independent annual audit carried out by accredited auditing bodies.

GBP: Great British Pound.

GFSC: Guernsey Financial Services Commission.

GFSC Code: Code of Corporate Governance issued by the Guernsey Financial Services Commission.

Group: The Forest Company Limited and its subsidiaries and other investments.

Hadoque: Hadoque Propriedades Rurais e Participacoes Ltda

HCS: Heritage Corporate Services Limited, the Listing Sponsor.

IAS: International Accounting Standard

IASB: International Accounting Standards Board.

IFRS: International Financial Reporting Standards.

IMA: Investment Management Agreement.

Indufor: Indufor Oy, appointed to independently assess and report the value of forestry assets in accordance with IFRS.

Initial Hurdle Amount: the Adjusted Net Asset Value per share on the funding date as increased by an annual compounding hurdle rate of 8%

Investment Manager: Timber Capital Limited (TCL).

IRPJ: Corporate Income Tax in Brazil

IRR: Internal Rate of Return.

Joint Venture: joint contractual arrangement, involving two or more parties, whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Klabin: Klabin SA

KPI: Key Performance Indicator.

Law: The provisions of the Companies (Guernsey) Law, 2008, (as amended).

LLC: Limited Liability Company.

LLP: Limited Liability Partnership.

Lucro Real: Actual Profit Tax Regime in Brazil.

Lucro Presumido: Presumed Profit Tax Regime in Brazil.

Management Shares: Non-redeemable ordinary share of USD 1.00 each in the capital of the Company and designated as a Management Share.

Master Hurdle Amount: The Master Hurdle Amount is calculated in line with Note 9.

MDC: Volume based unit of charcoal; approximately 200kg.

Metlife: Metropolitan Life Insurance Company.

Millco: Millco Participacoes Ltda

Money Laundering: The generic term used to describe the process by which the original ownership and control of the proceeds of illegal conduct is disguised to make such proceeds appear to have been derived from a legitimate source.

MOU: Memorandum of understanding

MSTH: MS Timberland Holdings Ltd

NAV: Net Asset Value.

The Company prepares three NAVs –

1. **IFRS NAV** – the value of all of the assets of the Group less the liabilities to creditors of the Group determined in accordance with the valuation policy. The valuation is determined in accordance with IFRS.

2. **Adjusted NAV** – the IFRS NAV adjusted, as below, for the purposes of reporting to the Shareholders.

The Adjusted NAV, and corresponding Adjusted NAV per share, is currently calculated as the respective amounts calculated under IFRS, adjusted as follows:

1. to reflect the future tax liability of the Company's investments without duplication. Whereas under IFRS the future tax payments are deducted from future cash flows in the calculation of the fair value of biological assets and are again deducted from the NAV by way of a deferred tax liability accrual; for the purposes of the adjusted measures the deferred tax liability accrual on biological assets is not included as a result of an "in use" basis of realisation being assumed;

2. to remove a notional land lease charge over acquired planted land. Whereas these notional land lease charges are included in the determination of the fair value of forest assets under IFRS, for the purposes of the Adjusted NAV, these costs are not included in the determination of the fair value of forest assets, as they are non-cash costs;

3. to reflect the capitalisation of costs associated with the Company's share capital issuances and original organisation costs. Whereas under IFRS these costs are deducted from equity in the first accounting period, for the purposes of the adjusted measures, these costs are capitalised and amortised over a five-year period

A reconciliation of the Group's NAV per share in accordance with these financial statements and the Group's Adjusted NAV per share is disclosed in Note 25.

3. **IMA Adjusted NAV** – the Adjusted NAV as further adjusted to remove liability for warrant instruments for the purpose of calculating the Investment Manager's fee.

NAV per Share: Net Asset Value per Ordinary Share.

New Adjusted Hurdle Amount : the Initial Hurdle Amount as adjusted for any new share issues or dividends paid by the Company.

New Shares: Shares issued following shareholders electing to receive the declared dividend in fully paid shares of the Company (either Ordinary Shares or Class A Ordinary Shares)

Notional Land Lease (NLL) charge: A charge included in the computation of the value of biological assets where the Group owns the land on which the plantations are grown. It is based on market reference data at the time of valuation.

NPV: Net Present Value.

Ordinary Share: A redeemable Ordinary Share of USD 0.10 in the capital of the Company and designated as an Ordinary Share.

Optimus: Optimus Group Limited

Pig iron: Crude iron as first obtained from a smelting furnace.

Pine: Trees of the Genus *Pinus*.

PIS: Programa de Integração Social; a social integration programme tax in Brazil.

Prohibited Investments: Investments with, or on behalf of, terrorists, terrorist organisations or narcotics traffickers, but also include transactions with, or on behalf of, those persons or entities that are included on any relevant lists maintained by the United Nations Security Council or its committees pursuant to any resolution issued under Chapter VII of the United Nations Charter.

Redimento: Banco Redimento S.A.

SCP: Sociedade em Conta de Participações (meaning approximates to a Joint Venture).

SID: Senior Independent Director

Silvotecnia: Silvotecnia S.A.

SPV: Special Purpose Vehicles which hold the Company's investment portfolio of underlying forestry assets.

Surubim: Surubim Empreendimentos Imobiliários, Atividades Florestais e Participações Ltda

TCL: Timber Capital Limited (also see 'Investment Manager').

Tree Holdings: Tree Holdings SPC Limited.

UK: The United Kingdom of Great Britain and Northern Ireland.

UK Code: The UK Corporate Governance Code issued by the FRC.

Updated Adjusted NAV: an updated Net Asset Value

USD: United States Dollar.

WACC: Weighted Average Cost of Capital.