The Forest Company

Unaudited Condensed Consolidated Interim Financial Statements
For the six months ended 30 June 2013

Company Number: 47338

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THE FOREST COMPANY LIMITED
GENERAL INFORMATION

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THE FOREST COMPANY LIMITED
HIGHLIGHTS

FINANCIAL HIGHLIGHTS FOR THE SIX-MONTHS ENDED 30 JUNE 2013

- Revenue was USD 15.25 million and gross profit USD 4.00 million, an increase of 94 and 63 per cent respectively compared to the same period in 2012.

- Net loss, after operating expenses, depletion and unrealised loss on biological assets, was USD 20.09 million, a reduction of 35 per cent compared with the same period in 2012.

- The unrealised loss of USD 7.29 million represented Indufor's valuation of forest assets, which took into account foreign exchange translation, harvesting, new planting, forestry costs and changes in wood prices. Foreign exchange translation, resulting from the strengthening of the US dollar against Brazilian and Colombian currencies by 10 per cent between December 2012 and June 2013, negatively affected the Company, causing a USD 26.99 million reduction in the underlying assets.

- Net loss per share amounted to 52.27 US cents based on the weighted average number of shares in issue (2012: 88.73 US cents).

FINANCIAL POSITION

- Total non-current assets were USD 323.33 million, 7 per cent lower compared with total non-current assets at 31 December 2012. The decrease was due to a number of factors, including changes in valuation assumptions related to the WACC and future wood prices with the main factor being the Brazilian Reais to United States Dollar exchange rate which changed from 2.0516 as at 31 December 2012 to 2.2317 as at 30 June 2013.

- Cash balance increased to USD 52.67 million, from USD 23.69 million at 31 December 2012, as a result of private placements during the period.

- The Company repaid a portion of its loan with Brazilian bank, Banco Rendimento, used to finance the Frondosa project. Interest bearing borrowings therefore reduced from USD 17.93 million at 31 December 2012 to USD 13.14 million at 30 June 2013.

- Total liabilities reduced to USD 42.23 million, representing a 30 per cent decrease compared with the total liabilities at 31 December 2012.

- The Adjusted NAV per share at 30 June 2013 was USD 8.91, which is 8 per cent lower than that on 31 December 2012. The IFRS NAV per share as at 30 June 2013 was USD 8.35 and the total IFRS NAV was USD 357.03 million. This represented a decrease of 7 per cent on the IFRS NAV per share over the period.

- The Company issued 206,475 Ordinary Shares on 4 March 2013 for a gross consideration of USD 2 million. Subsequently on 28 May 2013 the Company issued 5,404,020 Ordinary Shares for a gross consideration of USD 52.36 million. Shares were allotted at a share price of USD 9.69 per share on both occasions. As at 30 June 2013, the Company had a total of 42.74 million shares in issue.

POST PERIOD EVENTS

- On 16 August 2013 the Company spun-off the charcoal division in Frondosa, creating a new company BioCarbono. As of that date, Frondosa and BioCarbono are independent entities, with the first having its core business in silviculture and harvesting operations and the latter in charcoal production.

- On 9 September 2013, following completion of Metlife's due diligence process, the Company, through its subsidiaries, agreed to draw down the USD 15 million term loan.

- On 20 September 2013 the Directors declared an interim dividend of 3 per cent of the Adjusted Net Asset Value per share as at 31 December 2012 (29 US cents) to be paid on 31 October 2013 to investors at the record date of 25 September 2013. A scrip dividend alternative will be available to shareholders.

THE FOREST COMPANY LIMITED
INVESTMENT MANAGER'S REPORT

I am pleased to present you with a summary of The Forest Company Limited's ("The Forest Company" or the "Group" or the "Company") activities for the six month period ended 30 June 2013.

The IFRS NAV per share as at 30 June 2013 was USD 8.35 and the total IFRS NAV was USD 357.03 million. This represented a decrease of 7 per cent on the IFRS NAV per share over the period. The Adjusted NAV at 30 June 2013 was USD 380.82 million and the Adjusted NAV per share was USD 8.91. This represented a decrease of 8 per cent on the Adjusted NAV per share over the period. The decrease was due to a number of factors, including changes in valuation assumptions related to the WACC and future wood prices with the main factor being the Brazilian Reais to United States Dollar exchange rate which changed from 2.0516 as at 31 December 2012 to 2.2317 as at 30 June 2013. The Group's forest assets and investment property were valued at 30 June 2013 by independent professionally qualified valuers, Indufor.

HIGHLIGHTS FOR THE PERIOD

During the six-month period ended 30 June 2013 the Company, together with the Investment Manager:

- successfully completed two private placements, raising gross proceeds of USD 54.36 million;
- increased wood and charcoal sales in Brazil and Colombia;
- completed a group Forest Stewardship Council ("FSC") certification, combining the Aimara, Ibiraçú, Fondosa individual entities under a single accreditation – the Timber Capital Group Certification;
- increased production capacity in Colombia and increased sales by 65 per cent compared to 2012 as a result of enhanced harvest management through Silvotecnia.

MACRO ENVIRONMENT IN THE INVESTMENT REGION

Like most emerging markets, Brazil and Colombia saw their currencies fall in value relative to the US Dollar in the first half of 2013. This was mainly fuelled by the global markets' response to the US Federal Reserve's tapering of the QE3 programme, which led to the overall strengthening of the US dollar (particularly against currencies in emerging markets). One advantage, however, is that a weaker currency strengthens Brazil's and Colombia's competitiveness in the export markets, attracting more demand for some wood products.

Overall, the emerging market growth started to take on a much slower rhythm. The first half of 2013 saw Brazil grow by only 1 per cent, although growth rates in the second quarter were slightly more positive than the first quarter. Inflation rose above the band set by the Central Bank and interest rates increased. Although this first half of 2013 has been rather turbulent – particularly with the sharp movements in FX and some social unrest in the region– the current picture is one of a more stable development compared with the (perhaps not so realistic) hype that was given to Brazil until last year. Colombia, on the other hand, continued to attract the focus of international investors seeking an exposure to South America, as the country showed steady growth, modest inflation and lower interest rates than its peers during the period. The government's continued effort to finalise peace negotiations with the FARC further contributed to the positive sentiment about Colombia.

BRAZILIAN WOOD PRODUCTS MARKET

As reported by Wood Resource Quarterly in the 2Q/13 the Global Sawlog Price Index (GSPI) increased for the fourth consecutive quarter to reach USD 86.60/m3. The Index has gone up by 5.1 percent year-over-year, reaching its highest level since the 4Q/11. In Brazil it was no different. The Forest Company has experienced price increases in the local regions in which the Company operates, most notably in the Kaa project where sales of sawlog for export markets are significant. Prices for small logs or pulp logs also increased globally during the first half of 2013, especially within Asia. In Brazil, however, prices remained unchanged compared to Q4 2012.

BRAZILIAN CHARCOAL MARKET

The first half of 2013 saw a positive pickup in the charcoal market. The delayed on-set of the 2012 rainy season resulted in higher charcoal production which in turn resulted in lower prices. This delayed on-set of the rainy season has not been experienced in 2013 and as a result charcoal prices have increased. Early in the year charcoal prices averaged BRL 116 MDC, a 4 per cent increase compared to BRL 112 MDC in December 2012. Prices continued increasing with highest prices reaching BRL 135 MDC in the second quarter. As the dry season begins, charcoal prices will, as expected, fall slightly.

COLOMBIAN WOOD PRODUCT MARKET

In the first half of 2013 the Colombian wood market presented a fairly positive scenario with saw log and pulp log prices in a stable range, and small roundwood prices increasing. Small roundwood prices increased mainly because Tablemac, one of the country's largest panel producers, started its new MDF mill, boosting demand for this type of wood.

INVESTMENT PORTFOLIO

The Company's current portfolio is comprised of five investments, four of which are located in Brazil and one in Colombia. The portfolio combines both greenfield and standing plantation projects, providing capital return and immediate cash flow. With a mix of eucalyptus and pine at different age classes, the portfolio provides ample opportunity to serve more than one end-market. A summary of each project is provided in the following section.

INVESTMENT PIPELINE AND OUTLOOK

Timber Capital, on behalf of the Company, maintains relationships with a number of potential transaction partners. The Company's investment pipeline comprises of a number of attractive investment opportunities in a number of locations, species and end user markets that will result in a balanced portfolio of standing and greenfield projects as the Company grows. In parallel to a variety of new investment opportunities, Timber Capital is working to expand and increase efficiencies within the current portfolio to continue to add value for the Company's investors.

OTHER UPDATES

The Forest Company has appointed Eduardo Naum to the position of CFO, in place of Sally-Anne Baron, who left the Company after completing a three-month hand-over process with Mr Naum. He has over 20 years of experience in finance and accounting and prior to joining the team he was the Latin American Regional CFO of Cabot Corporation, a global petro-chemical company. Mr Naum is based in São Paulo. Having our CFO based in São Paulo addresses the need for a local approach to management, where the assets and finances can be monitored from a close perspective.

Best regards,

Harald Örneberg
CEO and Founder
Timber Capital Limited
20 September 2013

THE FOREST COMPANY LIMITED
THE FOREST COMPANY PROJECTS IN PARANA STATE, BRAZIL

KAA PROJECT	
LOCATION	PARANA, BRAZIL
YEAR OF INVESTMENT	2011
OWNERSHIP	100 PER CENT
SPECIES	PINE
END-USE	PULPWOOD/ SAWLOGS
TOTAL AREA	2,020 HA

AIMARA PROJECT	
LOCATION	PARANA, BRAZIL
YEAR OF INVESTMENT	2008
OWNERSHIP	80 PER CENT
SPECIES	PINE AND EUCALYPTUS
END-USE	PULPWOOD/ SAWLOGS
TOTAL AREA	2,820 HA

KAA PROJECT DESCRIPTION

In 2011 the Company acquired the Kaa existing pine plantations with a total area of 2,012 ha, of which 1,165 ha were mature pine plantations available for harvest. The plantations are located in Parańa state close to the border of Sao Paulo state in Brazil and approximately 100 km north of Curitiba, the state capital of Parańa. The region is a traditional pine growing area, with a significant cluster of saw and veneer mills and a range of service providers active in the forest industry, such as harvesting contractors, planting operators and forest consulting companies.

The total harvestable volume of wood from the property was 716,000m^3 solid over-bark (sob), which is equivalent to a stocking of above 600m^{3}sob/ha. The Investment Manager believes that the plantations have been well managed in the past and are of the highest saw and veneer log quality.

HIGHLIGHTS FOR THE PERIOD

The Company's wood sales during the period increased to 93,599 m^3 from 54,302 m^3 achieved in the comparable period for 2012. Kaa is now selling to a higher number of local buyers and exporters and is in negotiations for further wood sales. Wood is now predominantly being sold roadside, as opposed to on the stump, in order to increase the Company's share of the value chain. Marketing of the remaining mature pine continues.

AIMARA PROJECT DESCRIPTION

The Aimara Project is located in the Curitiba region of Parana state in south-western Brazil. The climate in the region is favourable for plantations. The annual precipitation is around 1,400mm and is relatively evenly distributed over the year, thus facilitating planting evenly over the year. The landscape in the region is characterised by valleys and rivers, which limits the average available land for planting to approximately 50%.

The forest assets of the Aimara project are held by the Company's Brazilian SPV, Aimara Ltda, which has entered into a contractual partnership arrangement with Klabin S/A, a leading pulp producer in Brazil.

At the outset Klabin contributed the harvesting rights to 538 ha of standing pine in return for a 20% stake in the project. The harvesting rights were not related to the biological growth of the standing pine and the rights were reflected as a financial receivable at fair value through profit and loss in the statements of the Company. The new plantations are all eucalyptus. A substantial part of the eucalyptus wood fibre produced by the Aimara project is being sold to Klabin for use in its local pulp and paper production facilities under a 28 year off-take agreement that is governed by a predetermined price mechanism.

HIGHLIGHTS FOR THE PERIOD

The Company included the Aimara FSC certification into the Timber Capital Group Certification.

Projected growth according to plan.

The Forest Company Limited
The Forest Company Projects in Minas Gerais State, Brazil

Frondosa Project	
Location	Minas Gerais, Brazil
Year of investment	2011
Ownership	100 per cent
Species	Eucalyptus
End-use	Charcoal/ Biocarbon for pig-iron production
Total area	32,157 ha

Ibiracu Project	
Location	Minas Gerais, Brazil
Year of investment	2008
Ownership	100 per cent
Species	Eucalyptus
End-use	Charcoal/ Biocarbon for pig-iron production
Total area	11,478 ha

Ibiracu Project Description

The Ibiracu Project is located in the Pirapora region of Minas Gerais state in south-eastern Brazil. The region is characterised by high altitude, fertile soil and, like Parańa, relatively high rainfall (1,450mm annually). It is rugged with numerous gullies which limit the average available land for forest plantations to approximately 55% of the areas of the properties in the project, which is a typical area ratio for Minas Gerais state. The limited availability of area for forest plantations is to a large extent a result of the restrictions of the Brazilian Forest Code, which requires landowners to leave a buffer zone around valleys, rivers and gorges etc. The Ibiracu Project is an afforestation project relating to a land area of 11,478 ha of unplanted, mainly old cattle land. The total expected plantation area amounts to 6,095 ha, which will be planted with eucalyptus. All of the properties in the project are located in close proximity to each other in the Pirapora area and are managed as one unit of timberland.

Highlights for the Period

The Company included the Ibiraçú FSC certification into the Timber Capital Group Certification.

During the period, the entire plantable area in Chapadinha farm in Ibiraçú was prepared and planted.

FRONDOSA PROJECT DESCRIPTION

In 2011 the Company acquired existing eucalyptus plantations covering a total plantable area of 20,034 ha in the Pirapora region of Minas Gerais in south-eastern Brazil. The plantations are located close to, and are managed in conjunction with, The Forest Company project of Ibiracu.

As a part of the Frondosa transaction, the Company acquired the physical assets of a pig-iron mill, and the surface rights on which the pig-iron mill stands. There are on-going efforts to sell these assets. The Company has an off-take agreement to supply charcoal to the pig-iron facility.

HIGHLIGHTS FOR THE PERIOD

The Company increased the number of charcoal customers, and after the period, started to increase its charcoal capacity by building more kilns.

Also, the Company initiated the certification process for its charcoal production, and passed government labour audit in June.

Progress is being made on the continuing efforts to sell the pig-iron mill.

On 16 August 2013 the Company spun-off the charcoal division in Frondosa, creating a new company BioCarbono. As of that date, Frondosa and BioCarbono are independent entities, with the first having its core business in silviculture and harvesting operations and the latter in charcoal production.

THE FOREST COMPANY LIMITED
THE FOREST COMPANY PROJECT IN COLOMBIA

MS TIMBERLAND PROJECT	
LOCATION	ANTIOQUIA REGION, COLOMBIA
YEAR OF INVESTMENT	2010
OWNERSHIP	90 PER CENT
SPECIES	PINE
END-USE	SAW LOGS / WOOD BASED PANELS
TOTAL AREA	10,852 HA

MS TIMBERLAND PROJECT DESCRIPTION

The Antioquia project consists of 10,852 ha of acquired land located in the Antioquia region near Medellin, Colombia, a pine growing area traditionally. The net plantation area is 6,976 ha, of which 6,461 ha is currently planted, primarily with existing pine plantations. The Company plans to harvest these plantations on a sustainable basis, replanting shortly after harvest. The plantation currently consists mainly of the *P. patula* pine species. There is potential to increase significantly the growth rate by introducing a pine species more suited to the region, *P. maximinoii*.

In December 2010 the Company entered into a joint venture arrangement with Cotopaxi, an Ecuadorian wood-based panel manufacturer with existing plantation assets, through a jointly-owned project company, in which The Forest Company holds a 90% stake.

The joint venture originally acquired 8,036 ha of land, and in June 2011, it acquired a further 2,569 ha of land, including 1,723 ha of high quality standing pine neighbouring the current El Guasimo property. The land and biological assets are managed with the El Guasimo property. In addition, the Company owns bare land for potential greenfield projects.

HIGHLIGHTS FOR THE PERIOD

The Company renewed FSC certification for the Antioquia project in accordance with the FSC audit conducted in November 2012.

Antioquia continued to construct bridges and build roads to facilitate harvesting and replanting and ensure sustainability.

THE FOREST COMPANY LIMITED
INDEPENDENT REVIEW REPORT TO THE FOREST COMPANY LIMITED

We have been engaged by the Company to review the Condensed Consolidated Interim Financial Statements for the half-year ended 30 June 2013 which comprises the Condensed Consolidated Statement of Financial Position, the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Statement of Changes in Equity, the Condensed Consolidated Statement of Cash Flows and related notes 1 to 24. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review report 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, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim financial report in accordance with International Accounting Standard 34 “Interim Financial Reporting” as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the interim financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Emphasis of matter - valuation of biological and land assets

In forming our review conclusion on the Condensed Consolidated Interim Financial Statements, which is not modified, we have considered the adequacy of the disclosures made in notes 2, 8 and 9 to the Condensed Consolidated Interim Financial Statements regarding the critical judgements made in the valuation of biological and land assets. Biological and land assets are included in the Unaudited Condensed Consolidated Statement of Financial Position at fair value as estimated by independent professional valuers at USD 320 million (31 December 2012: USD 344 million).

The valuations reflect the impact of key inputs in respect of future events, in particular the estimated future woodflow at current market prices; the effects of the elected Brazilian tax regime as discussed further below; and the estimated market discount rates applied to the cashflows.

Notes 8 and 9 to the Condensed Consolidated Interim Financial Statements include a sensitivity analysis which illustrates the potential impact of a change in the inputs and assumptions and is not intended to imply the likelihood of change or that possible changes in value would be restricted to this range.

Emphasis of matter – taxation of unrealised gains in biological and land assets

In forming our review conclusion on the Condensed Consolidated Interim Financial Statements, which is not modified, we have considered the adequacy of the disclosures made in notes 2, 8, 9 and 17 to the Condensed Consolidated Interim Financial Statements regarding the critical judgements made in respect of the evolution of the application of the Brazilian tax rules for the valuation of biological and land assets and calculation of deferred tax thereon. The accumulated deferred tax provisions in the Unaudited Condensed Consolidated Statement of Financial Position on the accumulated gains on biological and land assets of USD 174 million (31 December 2012: USD 168 million) are USD 9 million (31 December 2012: USD 10 million) reflecting the assumption that the tax system of Lucro Presumido (a revenue based tax) will remain available to the Company in the long term.

Note 8 to the Condensed Consolidated Interim Financial Statements includes a sensitivity analysis which illustrates the potential impact of a full change in the Brazilian tax system to Lucro Real on the valuations of biological assets and the deferred tax provisions.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim financial report for the half-year ended 30 June 2013 is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

Deloitte LLP
Chartered Accountants
Guernsey, Channel Islands
20 September 2013

THE FOREST COMPANY LIMITED
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2013

	Notes	30 Jun 2013 USD'000	31 Dec 2012 USD'000	30 Jun 2012 USD'000
ASSETS:				
Non-current assets				
Forest assets				
Land	**8**	124,821	116,393	106,946
Biological assets	**8**	187,555	217,475	214,954
Investment property	**9**	7,596	9,918	9,671
Property, plant and equipment	**10**	797	689	2,713
Investment in associates	**11**	2,189	2,194	2,200
Deferred tax asset	**17**	354	396	333
Other non-current assets		14	-	262
Total non-current assets		323,326	347,065	337,079
Current assets				
Non-current assets held for sale	**12**	13,461	14,529	15,414
Inventory	**13**	3,470	4,350	575
Trade and other receivables	**14**	6,334	4,578	5,588
Cash and cash equivalents				
- Restricted	**15**	13,702	17,835	9,872
- Unrestricted	**15**	38,966	5,856	37,663
Total current assets		75,933	47,148	69,112
TOTAL ASSETS		399,259	394,213	406,191
Non-current liabilities				
Interest bearing borrowings	**16**	(5,713)	(8,605)	(697)
Deferred tax liability	**17**	(9,310)	(10,215)	(9,779)
Other long term liability	**18**	(9,521)	(11,157)	(8,831)
Total non-current liabilities		(24,544)	(29,977)	(19,307)
Current liabilities				
Interest bearing borrowings	**16**	(7,430)	(9,329)	(23,638)
Trade and other payables	**19**	(9,409)	(20,040)	(40,391)
Provisions		(843)	(690)	-
Total current liabilities		(17,682)	(30,059)	(64,029)
TOTAL LIABILITIES		(42,226)	(60,036)	(83,336)
Net assets		357,033	334,177	322,855

THE FOREST COMPANY LIMITED
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2013

(CONTINUED)

	Notes	30 Jun 2013 USD'000	31 Dec 2012 USD'000	30 Jun 2012 USD'000
Equity				
Share capital	**21**	329,533	276,714	267,664
Revaluation reserve		71,845	54,729	44,633
Foreign currency translation reserve		(79,776)	(52,784)	(44,648)
Accumulated profit		35,431	55,518	55,206
Equity attributable to holders of redeemable Ordinary Shares and Class A Ordinary Shares		357,033	334,177	322,855
Number of redeemable Ordinary Shares in issue at period end		18,543,688	12,933,193	12,566,461
Number of redeemable Class A Ordinary Shares in issue at period end		24,191,383	24,191,383	23,614,698
		42,735,071	37,124,576	36,181,159
Net asset value per redeemable Ordinary and Class A Ordinary Share	**22**	$8.35	$9.00	$8.92

The notes on pages 22 to 38 are an integral part of the condensed financial statements.

The condensed consolidated interim financial statements were approved by the Board of Directors on 20 September 2013 and signed on their behalf by:

Susan Lloyd

Director
20 September 2013

THE FOREST COMPANY LIMITED
UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2013

		Jan - Jun 2013	Jan - Jun 2012	Jan-Dec 2012
Income	**Notes**	**USD'000**	**USD'000**	**USD'000**
Revenue	**3**	15,245	7,857	21,210
Cost of sales	**3**	(11,247)	(5,408)	(12,444)
Gross profit		3,998	2,449	8,766
Depletion	**3**	(4,283)	-	(7,286)
		(285)	2,449	1,480
Realised gain on disposal of planted land		-	-	266
Unrealised loss on biological assets	**8**	(7,287)	(21,766)	(5,488)
Unrealised gain on investment property	**9**	-	49	238
Realised gain on financial receivable		-	577	362
		(7,572)	(18,691)	(3,142)
Operating expenses				
Administrative expenses	**4**	6,068	6,515	13,550
Forestry operating expenses	**5**	2,649	2,793	6,320
Revaluation of planted land	**8**	227	-	-
Revaluation of property, plant and equipment	**10**	-	1,612	3,170
		8,944	10,920	23,040
Operating loss		(16,516)	(29,611)	(26,182)
Interest income on bank deposits		206	570	984
Interest expense		(3,640)	(2,539)	(5,990)
Share of income from associate	**11**	9	27	21
Loss before tax		(19,941)	(31,553)	(31,167)
Taxation (charge)/credit	**6**	(146)	490	(326)
Loss for the period/year		(20,087)	(31,063)	(31,493)
Loss attributable to:				
Holders of redeemable Ordinary Shares and Class A Ordinary Shares		(20,087)	(31,063)	(31,493)
Loss per share - Basic and Diluted (US cents)	**7**	(52.27)	(88.73)	(87.73)

THE FOREST COMPANY LIMITED
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2013

	Note	Jan - Jun 2013 USD'000	Jan - Jun 2012 USD'000	Jan-Dec 2012 USD'000
Loss for the period/year		(20,087)	(31,063)	(31,493)
Other comprehensive loss net of income tax				
Items that may be reclassified subsequently to profit or loss				
Foreign currency translation differences		(26,992)	(15,032)	(23,168)
Deferred tax effect on other comprehensive income	**17**	(478)	(266)	(927)
		(27,470)	(15,298)	(24,095)
Items that will not be reclassified subsequently to profit or loss				
Revaluation of planted land	**8**	17,594	7,917	19,684
Revaluation of property, plant and equipment	**10**	-	(2,111)	(2,379)
		17,594	5,806	17,305
Other comprehensive loss for the period/year		(9,876)	(9,492)	(6,790)
Total comprehensive loss for the period/year		(29,963)	(40,555)	(38,283)
Loss attributable to:				
Holders of redeemable Ordinary Shares and Class A Ordinary Shares		(29,963)	(40,555)	(38,283)

The results for the period relate to continuing operations.

The notes on pages 22 to 38 are an integral part of the condensed financial statements.

THE FOREST COMPANY LIMITED
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2013

2013	Notes	Share capital USD'000	Revaluation reserve USD'000	Currency translation reserve USD'000	Accumulated profit USD'000	Total USD'000
As at 1 January 2013		276,714	54,729	(52,784)	55,518	334,177
Total comprehensive loss for the period						
Loss for the period		-	-	-	(20,087)	(20,087)
Other comprehensive income/(loss)						
Currency translation loss		-	-	(26,992)	-	(26,992)
Revaluation of planted land	**8**	-	17,594	-	-	17,594
Deferred tax on revaluation	**17**	-	(478)	-	-	(478)
Total comprehensive loss for the period		-	17,116	(26,992)	(20,087)	(29,963)
Transactions with owners						
Shares issued	**21**	54,365	-	-	-	54,365
Issue costs	**21**	(1,546)	-	-	-	(1,546)
Total transactions with owners		52,819	-	-	-	52,819
As at 30 June 2013		329,533	71,845	(79,776)	35,431	357,033

2012	Share capital USD'000	Revaluation reserve USD'000	Currency translation reserve USD'000	Accumulated profit USD'000	Total USD'000
As at 1 January 2012	246,607	39,093	(29,616)	86,269	342,353
Total comprehensive income for the period					
Loss for the period	-	-	-	(31,063)	(31,063)
Other comprehensive income					
Currency translation loss	-	-	(15,032)	-	(15,032)
Revaluation of planted land	-	7,917	-	-	7,917
Revaluation of property, plant and equipment	-	(2,111)	-	-	(2,111)
Deferred tax on revaluation	-	(266)	-	-	(266)
Total comprehensive income for the period	-	5,540	(15,032)	(31,063)	(40,555)
Transactions with owners					
Shares issued	33,878	-	-	-	33,878
Issue costs	(751)	-	-	-	(751)
Dividends payable	(12,070)	-	-	-	(12,070)
Total transactions with owners	21,057	-	-	-	21,057
As at 30 June 2012	267,664	44,633	(44,648)	55,206	322,855

The notes on pages 22 to 38 are an integral part of the condensed financial statements.

THE FOREST COMPANY LIMITED
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2013

	Notes	Jan - Jun 2013 USD'000	Jan - Jun 2012 USD'000	Jan - Dec 2012 USD'000
Cash flows from operating activities				
Loss for the period/year		(20,087)	(31,063)	(31,493)
Adjustments for:				
Original biological asset cost on sales	**3**	3,627	-	3,850
Depletion	**3**	4,283	-	7,286
Unrealised gain on investment property		-	(49)	(238)
Unrealised loss on forest assets	**8**	7,287	21,766	5,488
Unrealised gain on financial receivable		-	(577)	-
Realised gain on financial receivable		-	-	(362)
Realised gain on disposal of planted land		-	-	(266)
Taxation	**6**	146	(490)	326
Depreciation	**10**	59	-	73
Revaluation of property, plant and equipment		-	1,612	3,170
Revaluation of planted land	**8**	227	-	-
Decrease in inventory		328	1,209	1,403
Increase in trade receivables		(1,756)	(2,408)	(1,398)
Decrease in trade payables		(8,658)	(2,617)	(12,176)
Cashflow used in operating activities		(14,544)	(12,617)	(24,337)
Tax paid		(692)	(429)	(1,260)
Net cash used in operating activities		(15,236)	(13,046)	(25,597)
Cash flows from investing activities				
Purchase of property, plant and equipment		(650)	(250)	(624)
Purchase of investment property		-	(2,863)	(4,279)
Purchase of forest assets		-	(14,154)	(7,786)
Purchase of investment in associate	**11**	-	(2,173)	(2,173)
Proceeds from repayment of financial receivable at fair value through profit or loss		-	7,889	7,889
Proceeds from sale of planted land		-	-	2,533
Cost capitalised to forest assets	**8**	(2,479)	-	(12,714)
Net cash used in investing activities		(3,129)	(11,551)	(17,154)

THE FOREST COMPANY LIMITED
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2013
(CONTINUED)

	Notes	Jan - Jun 2013 USD'000	Jan - Jun 2012 USD'000	Jan - Dec 2012 USD'000
Cash flow from financing activities				
Proceeds from issue of shares		54,365	33,878	38,378
Issue costs paid		(1,546)	(751)	(841)
Proceeds from interest bearing borrowings		-	1,165	1,068
Repayment of interest bearing borrowings		(4,539)	(4,035)	(8,279)
Dividends paid		-	-	(7,430)
Net cash from financing activities		48,280	30,257	22,896
Net increase/(decrease) in cash and cash equivalents during the period/year		29,915	5,660	(19,855)
Cash and cash equivalents at the beginning of the period/year		23,691	39,506	39,506
Effects of changes in foreign exchange rates		(938)	2,369	4,040
Cash and cash equivalents at the end of the period/year	**15**	52,668	47,535	23,691

The notes on pages 22 to 38 are an integral part of the condensed financial statements.

1. GENERAL INFORMATION

The information relating to the year ended 31 December 2012 included in these accounts does not constitute the full statutory accounts. The auditors reported on those accounts and their report contained emphasis of matter paragraphs in relation to the critical judgements made in the valuation of biological and land assets, and an emphasis noting the critical judgements made in the application of the Brazilian tax rules for the calculation of deferred tax on the valuation of biological and land assets. These critical judgements have been explained in the critical accounting judgements and estimation uncertainties section below.

2. ACCOUNTING POLICIES

Basis of preparation
The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting" as adopted by the European Union. The condensed consolidated interim financial statements do not include all the information and disclosures required in annual financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2012.

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.

The same accounting policies, presentation and methods of computation are followed in these condensed consolidated interim financial statements as those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2012. The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Going concern
The Board has made enquiries and examined the Group's cash forecasts for the 18 month period to 31 December 2014, including restricted cash, borrowings and covenants under various scenarios and assumptions. Having previously acquired significant levels of mature plantations in 2011, 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 without recourse to the breadth of other cash generating options, including the reduction or deferral of scheduled silvicultural maintenance costs, that are available to the Group. 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.

During the period the Company closed its sixth and seventh private placements raising a further USD 52.82 million (net of costs) bringing the total equity raised to USD 364.4 million. The Company also agreed terms for a loan of USD 15 million from Metropolitan Life Insurance Company ("Metlife") with an additional line of credit of the same amount.

2. ACCOUNTING POLICIES (CONTINUED)

Critical accounting judgements and estimation uncertainties
Management makes 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 six months 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 Oy ("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. The valuations are based on certain assumptions concerning discount rate, 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 8). 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. Following the acquisition of the majority of the Company's biological and land assets in 2011, management continue to work on establishing a customer base to meet the level of woodflow estimated in the valuations.
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.
c) The Company continues to market the pig iron mill acquired as part of the Frondosa assets. Whilst it is intended that the best price will be achieved on disposal there is a possibility that the sale proceeds will not equal the carrying value at 30 June 2013.

Adoption of new and revised standards
During the period the Group adopted all new and revised IFRS and International Accounting Standards (IAS) that are relevant to its operations and were also endorsed by the European Union for accounting periods commencing on or after 1 January 2013.

The adoption of these new accounting standards had no impact on the condensed consolidated financial statements of the Group for the half-year ended 30 June 2013 with the exception of IFRS 13 which results in additional disclosures with regards to the sensitivity analysis as to significant inputs to the Group's Forest Assets and Investment Property valuations which is included in notes 8 and 9.

2. ACCOUNTING POLICIES (CONTINUED)

Segmental reporting
The Board believe that the Company and the Group are engaged in a single segment of business of holding investments in timber and timberland, operating from Guernsey, Colombia and Brazil. 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 condensed consolidated interim financial statements. The Group engaged in a single segment of business in the comparative period.

Basis of consolidation
The condensed consolidated interim financial statements incorporate the financial statements of The Forest Company Limited and its subsidiaries for the period ended 30 June 2013.

Foreign exchange rates
The exchange rates used in these financial statements relative to the USD are as follows:

	Jan - Jun 2013		**Jan - Jun 2012**		**Jan - Dec 2012**	
Currency	***Closing rate***	***Average rate***	***Closing rate***	***Average rate***	***Closing rate***	***Average rate***
Brazilian Reais (BRL)	2.2317	2.0337	2.0094	1.8666	2.0516	1.9552
Sterling (GBP)	0.657	n/a	0.637	n/a	0.637	n/a
Colombian Pesos (COP)	1,922.8	1,827.5	1,783.8	1,792.3	1,767.0	1,797.1

3. REVENUE

Jan - Jun 2013	**Harvested timber**	**Standing trees**	**Charcoal**	**Lease income**	**Total**
	USD'000	**USD'000**	**USD'000**	**USD'000**	**USD'000**
Sales	3,858	2,518	7,984	885	15,245
Cost of sales					
Original biological asset cost	(1,135)	(1,508)	(984)	-	(3,627)
Variable cost	(1,772)	(92)	(5,756)	-	(7,620)
	(2,907)	(1,600)	(6,740)	-	(11,247)
Gross profit	**951**	**918**	**1,244**	**885**	**3,998**
Depletion	(958)	(1,297)	(2,028)	-	(4,283)
	(7)	**(379)**	**(784)**	**885**	**(285)**

Jan - Jun 2012	**Harvested timber**	**Standing trees**	**Charcoal**	**Lease income**	**Total**
	USD'000	**USD'000**	**USD'000**	**USD'000**	**USD'000**
Sales	3,299	154	3,419	985	7,857
Cost of sales	(2,416)	(58)	(2,934)	-	(5,408)
Gross profit	**883**	**96**	**485**	**985**	**2,449**
Depletion	-	-	-	-	-
	883	**96**	**485**	**985**	**2,449**

3. REVENUE (CONTINUED)

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 other sales-related taxes. The Group's depletion charged to the income statement represents the prior years unrealised gains on the biological assets sold or used in the production of charcoal sold during the period. For the period January to June 2012 this was included within the unrealised gains on biological assets.

4. ADMINISTRATIVE EXPENSES

	Jan - Jun 2013 USD'000	Jan - Jun 2012 USD'000
Investment Management fees	2,773	2,889
Legal and professional fees	1,469	1,493
Consultancy fees	171	186
Travel expenses	503	485
Audit fees	492	552
Administration fees	346	629
Directors fees and expenses	234	187
Bank charges	80	94
	6,068	**6,515**

5. FORESTRY OPERATING EXPENSES

	Jan - Jun 2013 USD'000	Jan - Jun 2012 USD'000
Project facilities	327	399
Payroll	567	473
Forestry services	885	592
Irrecoverable tax inputs	188	232
Insurance	374	166
Valuation fees	41	208
Repairs and maintenance	-	614
Other general expenses	267	109
	2,649	**2,793**

6. TAXATION

	Jan - Jun 2013 USD'000	Jan - Jun 2012 USD'000
Current tax		
Brazil	566	295
Colombia	(6)	(9)
	560	286
Deferred tax		
Brazil	(157)	(650)
Colombia	(257)	(126)
	(414)	(776)
	146	(490)

7. BASIC AND DILUTED EARNINGS PER ORDINARY AND CLASS A ORDINARY SHARE

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

	Jan - Jun 2013	Jan - Jun 2012	Jan - Dec 2012
Loss for the period/year	**USD'000**	**USD'000**	**USD'000**
From continuing operations	(20,087)	(31,063)	(31,493)
	(20,087)	(31,063)	(31,493)
Average number of issued shares ('000s)	38,432	35,008	35,898
Basic and diluted loss per share	**US cents**	**US cents**	**US cents**
From continuing operations	(52.27)	(88.73)	(87.73)
	(52.27)	(88.73)	(87.73)

8. FOREST ASSETS

The table below details the movements in forest assets for the six months ended 30 June 2013.

2013	Land* USD'000	Biological assets USD'000	Total USD'000
Cost:			
Opening balance	74,813	143,122	217,935
Land and biological assets costs capitalised	501	1,978	2,479
Biological assets harvested	-	(3,840)	(3,840)
Transferred from Investment Property	1,065	-	1,065
Closing balance	76,379	141,260	217,639
Fair value movements:			
Opening balance	59,075	108,523	167,598
Decrease in fair value of biological assets	-	(7,287)	(7,287)
Biological assets harvested	-	(4,283)	(4,283)
Transferred from Investment Property	602	-	602
Revaluation loss recognised in income statement	(227)	-	(227)
Revaluation surplus	17,594	-	17,594
Closing balance	77,044	96,953	173,997
Accumulated effect of foreign exchange movement on translation	(28,602)	(50,658)	(79,260)
Fair value of forest assets	**124,821**	**187,555**	**312,376**

*Includes leased and owned land

The Group's forest assets were valued at 30 June 2013 by independent professionally qualified valuers, Indufor. The Group's biological assets consisted of eucalyptus and pinus plantations.

Changes in valuation assumptions
Real post-tax discount rate: The discount rates used range from 5.98% to 6.14% (31 December 2012: 5.46% to 5.81%).

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. 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.

8. FOREST ASSETS (CONTINUED)

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	10,786	198,341	5.75%
	1% increase in discount rate	(9,804)	177,751	-5.23%
Forecast wood volume				
	1% decrease	(2,676)	184,879	-1.43%
	1% increase	2,675	190,230	1.43%
Wood prices				
	1% decrease	(2,676)	184,879	-1.43%
	1% increase	2,675	190,230	1.43%
Forestry costs				
	1% decrease	208	187,763	0.11%
	1% increase	(208)	187,347	-0.11%

For example, a decrease in the forecast wood volume of 1% would result in a decrease of the biological asset value from USD 187.6 million to USD 184.9 million, and an increase in the forecast wood volume of 1% would result in an increase in the biological asset value from USD 187.6 million to USD 190.2 million, when all the other variables are held constant.

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 Group's financial performance. This risk is relevant to the Group's assets in Brazil where the Lucro Presumido tax 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 tax regime is currently only available to companies with annual revenue of less than BRL 78 million. The limit for the Lucro Presumido tax regime has increased from BRL 48m to BRL 78m during the current period due to a change in Brazilian tax legislation. 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 three 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.

Thirdly, it would mean that the current tax payable by the Group would increase, all else being equal.

The Group's project Frondosa, in Minas Gerais, Brazil, has the highest annual revenue. Forecast revenues are consistent with the criteria for Lucro Presumido.

8. FOREST ASSETS (CONTINUED)

Brazilian tax sensitivity analysis (continued)
The Group is in the process of separating out the charcoal activity of Frondosa into a separate company, which will elect to be taxed under the Lucro Real tax regime. Each of the Group's Brazilian projects 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.

	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	151,850	127,975	(23,875)	-15.72%
Biological asset deferred tax provision sensitivity to tax election	(4,651)	(22,907)	(18,255)	392.46%
Total biological asset value and deferred tax sensitivity to tax election	147,199	105,068	(42,130)	-28.62%
Net Asset Value sensitivity to tax election on biological asset and deferred tax	312,376	270,146	(42,130)	-13.49%
Land value deferred tax provision sensitivity to tax election	(3,466)	(20,964)	(17,498)	504.92%
Total land, forest asset value and deferred tax sensitivity to tax election	143,733	84,105	(59,628)	-41.49%
Net Asset Value sensitivity to tax election	312,376	252,748	(59,628)	-19.09%

The above data has been compiled with the input of the Valuer and Tax Advisor.

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 tax 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 7.4 million (31 December 2012: USD 6.3 million) as detailed above.

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 one per cent 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 30 June 2013, 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 1.2 million respectively.

8. FOREST ASSETS (CONTINUED)

Forest assets foreign currency exchange rate sensitivity analysis
The Group's forest assets are held in currencies other than United States Dollar 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 30 June 2013, the Group forest assets were denominated in Brazilian Reais and Colombian Pesos.

If the United States Dollar strengthened or weakened by 10% against the Brazilian Reais and all other variables held constant, the Group's forest asset values for the period would have been USD 24.4 million lower or USD 29.8 million higher respectively as a result of the translation of Brazilian Reais denominated forest asset values.

If the United States Dollar strengthened or weakened by 10% against the Colombian Peso and all other variables held constant, the Group's forest asset values for the period would have been USD 4.9 million lower or USD 6.0 million higher respectively as a result of the translation of Colombian Peso denominated forest asset values.

Fair value of forest assets
All forest assets held by the Company during the period are classified under Level 3 of the fair value hierarchy under IFRS 13.

9. INVESTMENT PROPERTY

The table below details the movements in investment property for the six months ended 30 June 2013.

	30 Jun 2013 USD'000	31 Dec 2012 USD'000
Cost:		
Opening balance	7,486	4,639
Additions	-	2,847
Transfer to forest assets	(1,065)	-
Closing balance	6,421	7,486
Fair value movements:		
Opening balance	417	179
Transfer to forest assets	(602)	-
Increases in fair value of investment property	-	238
Closing balance	(185)	417
Accumulated effect of foreign exchange movement on translation	1,360	2,015
Fair value of investment properties	**7,596**	**9,918**

The Group's investment properties were valued at 30 June 2013 by professional qualified valuers, Indufor.

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.

9. INVESTMENT PROPERTY (CONTINUED)

Investment property price sensitivity analysis (continued)
A 1% increase or decrease has been used in order to illustrate the effect that each one per cent 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 30 June 2013, 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 75,960.

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 30 June 2013, the Group forest assets were denominated in Brazilian Reais and Colombian Pesos.

If the United States Dollar strengthened or weakened by 10% against the Colombian Peso and all other variables held constant, the Group's Investment property values for the period would have been USD 689,481 lower or USD 842,433 higher as a result of the translation of Colombian Peso denominated Investment property values.

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

10. PROPERTY, PLANT AND EQUIPMENT

2013	Buildings USD'000	Carbonisation assets USD'000	Equipment USD'000	Total USD'000
Cost:				
Opening balance as at 1 January	422	3,313	1,069	4,804
Additions	492	-	158	650
Disposals	(383)	-	(3)	(386)
Closing balance as at 30 June	531	3,313	1,224	5,068
Depreciation / Fair Value:				
Opening balance as at 1 January	(129)	(3,313)	(106)	(3,548)
Depreciation	(35)	-	(24)	(59)
Revaluation	-	-	-	-
Disposals	-	-	-	-
Closing balance as at 30 June	(164)	(3,313)	(130)	(3,607)
	367	-	1,094	1,461
Effect of foreign exchange movements	(209)	-	(455)	(664)
Carrying value as at 30 June 2013	**158**	**-**	**639**	**797**

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The USD nil value attributable to the carbonisation assets is due to the fluctuations of valuation inputs relating to the price of wood and charcoal. Management believe that these fluctuations are short term and continue to monitor market conditions.

In accordance with IAS 16 'Property, Plant and Equipment' the revaluation loss in excess of the previously recognised revaluation surplus has been recognised in the consolidated income statement. There have been no such gains or losses during the period.

11. INVESTMENT IN ASSOCIATES

	30 Jun 2013 USD'000	31 Dec 2012 USD'000
Opening balance	2,194	-
Additions	-	2,173
Share of income from associate	9	21
Dividends received	(14)	-
Closing balance	2,189	2,194

The Company holds 6,717,571 shares in Silvotecnia S.A. ("Silvotecnia"), a forestry industry service provider, as part of its Colombian operations, which were acquired on 26 April 2012.

12. DISPOSAL GROUP HELD FOR SALE

	30 Jun 2013 USD'000	31 Dec 2012 USD'000
Property, plant and equipment	13,641	14,839
Trade and other receivables	-	12
Cash and cash equivalents	135	9
Trade and other payables	(315)	(331)
	13,461	14,529

The Company's advisors continue to market the pig-iron mill assets held by Frondosa and it is anticipated that these will be disposed of within 12 months of the reporting date. The related assets and liabilities have been classified as non-current assets held for sale.

13. INVENTORY

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

	30 Jun 2013 USD'000	31 Dec 2012 USD'000
Seedlings and consumables	51	381
Work in progress	3,417	3,969
Finished products	2	-
	3,470	4,350

14. TRADE AND OTHER RECEIVABLES

	30 Jun 2013 USD'000	31 Dec 2012 USD'000
Trade receivables	1,799	2,133
Advances to suppliers	2,040	323
Prepaid interest	1,723	206
Other receivables	772	1,916
	6,334	4,578

15. CASH AND CASH EQUIVALENTS

These comprise cash held by the Group and short-term deposits available on demand. The carrying amounts of these assets approximate their fair value. At the reporting date the Group had the following cash balances which are considered to be restricted and unrestricted at 30 June 2013.

	30 June 2013 USD'000	31 Dec 2012 USD'000
Restricted		
Amounts pledged as collateral	1,666	4,235
Amounts held in escrow accounts in respect of assets purchased	12,036	13,600
	13,702	17,835
Unrestricted	38,966	5,856
	52,668	23,691

16. INTEREST BEARING BORROWINGS

2013 Lender	Project	Current USD'000	Non-current USD'000	Total USD'000
Banco Rendimento SA ("Rendimento")	Frondosa	6,346	5,713	12,059
Serfinco SA (see below)	Antioquia	552	-	552
Other	Antioquia	532	-	532
		7,430	5,713	13,143

16. INTEREST BEARING BORROWINGS (CONTINUED)

On 22 May 2012 the Company, through El Guasimo, entered into a factoring agreement with Serfinco S.A. Stockbrokers ("Serfinco") for invoices relating to a three year timber sales contract with a total value of COP 2,218 million (approx. USD 1.19 million). As part of this agreement COP 1,688 million (approx. USD 852,000) was received from Serfinco and will be repaid by settlement of the timber invoices over a period of 34 months with an effective interest rate of 11% per year. Any default by the buyer will be settled by the Company.

The Group, through Frondosa, drew down the facilities to complete the acquisition in November 2011, receiving BRL 35 million from Rendimento and BRL 15 million from Rodobens.

The facility from Rendimento bears interest at the Brazilian interbank ("CDI") rate plus 1.0% per month. As at 30 June 2013 the outstanding loan balance was BRL 26.91 million.

The capital on the facility from Rodobens was fully repaid on 10 May 2013.

On 6 September 2012 the repayment period of USD 16.21 million (BRL 32.57 million) Frondosa loan with Banco Rendimento was extended by 18 months, ending in November 2014, in order that the repayments will more closely match the income being generated by the project.

The facility from Rendimento was initially secured by

i) an assignment under a Fiduciary Lien by Aimara in favour of Rendimento, over a CDB deposited therewith, in the amount of USD 2.49 million (BRL 5 million); and
ii) an Agricultural Pledge over standing trees valued at USD 19.41 million (BRL 39 million).

The security in relation to the facilities is being released by Rendimento proportionally with the repayments of principal and interest to be made by Frondosa.

17. MOVEMENT IN DEFERRED TAX BALANCES

The table below details the movements in deferred tax assets and liabilities for the six months to 30 June 2013.

	1 Jan to 30 Jun 2013	
	Liability USD'000	**Asset USD'000**
Opening balance	(10,215)	396
Credited to income statement on fair value adjustments on forest assets	414	
(Charged)/Credited to other comprehensive income on revaluation adjustments	(478)	79
Other movements	-	(90)
Exchange rate differences	969	(31)
Closing balance	(9,310)	354

17. MOVEMENT IN DEFERRED TAX BALANCES (CONTINUED)

Deferred tax liabilities arise in relation to unrealised fair value adjustments on both forest assets and investment property. Unrealised fair value adjustments on planted land and their corresponding deferred tax liability are reflected in comprehensive income.

18. OTHER LONG TERM LIABILITY

	30 Jun 2013	31 Dec 2012
	USD'000	USD'000
Amounts owing on purchase of forest assets	8,644	10,203
Deferred income on land sold	877	954
	9,521	11,157

19. TRADE AND OTHER PAYABLES

	30 Jun 2013	31 Dec 2012
	USD'000	USD'000
Trade payables	5,845	4,962
Amounts due on purchase of forest assets	1,403	3,244
2011 Investment management performance fees payable	-	11,005
Dividends payable	27	-
Taxes payable	37	129
Accruals	2,097	700
	9,409	20,040

The 2011 Investment management performance fee payable was paid in full on 3 June 2013 with an additional balance of USD 324,471 of interest accrued to that date.

20. CONTINGENT LIABILITIES

The Company, via its Ibiracu subsidiary, has 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 2.33 million (31 December 2012: USD 2.33 million) at the reporting date, being the purchase price yet to be paid.

In addition, the Company, through Ibiracu, 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 Ibiracu 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 the resolution is not certain, but is expected in 2014.

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 a risk surfaces that has not previously been highlighted during the due diligence process (see note 15).

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

21. MOVEMENT IN SHARE CAPITAL

Share capital at 30 June 2013 amounted to USD 329.5 million (31 December 2012: USD 276.7 million).

Transactions in the shares of the Company for the six months ended 30 June 2013 were as follows:

2013	**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 2013	2	12,933,193	24,191,383	37,124,578
Shares issued 26 February 2013	-	206,475	-	206,475
Shares issued 23 May 2013	-	5,404,020	-	5,404,020
As at 30 June 2013	2	18,543,688	24,191,383	42,735,073

On 26 February 2013, the Company accepted a subscription agreement for USD 2 million with 206,475 Ordinary shares being allotted on 4 March 2013 at a price of USD 9.69 per share.

On 23 May 2013, the Company accepted a subscription agreement for USD 52.36 million with 5,404,020 Ordinary shares being allotted on 29 May 2013 at a price of USD 9.69 per share. Of this total, 5,400,557 Ordinary Shares were allotted by the Company to subscribers to its Offering Memorandum dated 20 July 2012 (as updated by the Supplement dated 17 December 2012). The remaining 3,463 Ordinary Shares (the "Bonus Award Shares") were 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 30 June 2013, all of these shares remain in escrow.

22. NET ASSET VALUE

	30 Jun 2013		**31 Dec 2012**	
	USD	**USD'000**	**USD**	**USD'000**
	per share	***total***	***per share***	***total***
IFRS net asset value attributable to holders of redeemable Ordinary and Class A Ordinary shares	8.35	357,033	9.00	334,177
Adjustment for deferred tax duplication	0.12	5,150	0.17	6,288
Adjustment for notional land lease charge	0.31	12,948	0.38	14,266
Adjustment for unamortised organisation expenses	0.13	5,685	0.14	5,072
Adjusted net asset value attributable to redeemable Ordinary and Class A Ordinary shareholders	8.91	380,816	9.69	359,803

23. 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 Company'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.

The Directors believe that the Company and the Group are engaged in a single segment of business of holding investments in timber and timberland, operating from Guernsey, Colombia and Brazil. The information reviewed by the Board does include summarised financial information for each investment in the portfolio.

	Segment revenue		**Segment loss/profit**	
Segment income and results	**Six months ended 30 Jun 2013 USD'000**	**Six months ended 30 Jun 2012 USD'000**	**Six months ended 30 Jun 2013 USD'000**	**Six months ended 30 Jun 2012 USD'000**
Sales of product	15,245	7,857	(285)	2,449
Interest income	206	570	206	570
Unrealised gain on Investment property	-	49	-	49
Realised gain on Financial receivable at fair value through profit or loss	-	577	-	577
Unrealised gain on Forest assets	(7,287)	(21,766)	(7,287)	(21,766)
Total for continuing operations	8,164	(12,713)	(7,366)	(18,121)
Operating expenses			(8,944)	(10,920)
Interest expense			(3,640)	(2,539)
Share of income from associate			9	27
Loss before tax from continuing operations			(19,941)	(31,553)

23. OPERATING SEGMENTS (CONTINUED)

	As at 30 Jun 2013 USD'000	As at 31 Dec 2012 USD'000
Segment assets		
Investment property	7,596	9,918
Forest assets	312,376	333,868
Property, plant and equipment	797	689
Investment in associate	2,189	2,194
Deferred tax assets	354	396
Other non-current assets	14	-
	323,326	347,065
Other assets	75,933	47,148
Total segment and consolidated assets	399,259	394,213
Segment liabilities		
Interest bearing borrowings	13,143	17,934
Other long term liabilities	9,521	11,157
Deferred tax liability	9,310	10,215
Trade and other payables	9,409	20,040
Provisions	843	690
Total segment and consolidated liabilities	42,226	60,036

	Income		Non-current assets	
	Period ended 30 Jun 2013 USD'000	Period ended 30 Jun 2012 USD'000	As at 30 Jun 2013 USD'000	As at 31 Dec 2012 USD'000
Guernsey	2	3	-	-
Brazil	11,589	5,125	263,716	279,424
Colombia	3,860	3,299	59,610	67,641
Total	15,451	8,427	323,326	347,065

24. SUBSEQUENT EVENTS

On 16 August 2013 the Company spun-off the charcoal division in Frondosa, creating a new company BioCarbono. As of that date, Frondosa and BioCarbono are independent entities, with the first having its core business in silviculture and harvesting operations and the latter in charcoal production.

On 9 September 2013, following completion of Metlife's due diligence process, the Company, through its subsidiaries, agreed to draw down the USD 15 million term loan.

On 20 September 2013 the Directors declared an interim dividend of 3 per cent of the Adjusted Net Asset Value per share as at 31 December 2012 (29 US cents) to be paid on 31 October 2013 to shareholders at the record date of 25 September 2013. A scrip dividend alternative will be available to shareholders.