The Forest Company

Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2014

Company Number: 47338

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THE FOREST COMPANY LIMITED
GENERAL INFORMATION

Board of Directors
Rainer Häggblom (Non-executive Chairman)
Dr. Dermot Smurfit (Non-executive)
Susan Lloyd (Non-executive)
John Harald Örneberg (Non-executive) (Resigned 4 June 2014)
Dr. Panu Kallio (Non- executive)
Joseph Ryan (Non-executive)

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Ticker: FCO
Website: www.theforestcompany.se

THE FOREST COMPANY LIMITED
HIGHLIGHTS

FINANCIAL HIGHLIGHTS FOR THE SIX-MONTHS ENDED 30 JUNE 2014

- Net profit for the period ended 30 June 2014 amounted to USD 0.57 million (2013 loss: USD 20.09 million).

- Revenue from continuing sales for the period was USD 7.94 million (2013: USD 11.39 million).

- Earnings per share amounted to 1.32 cents based on the weighted average number of shares in issue (2013 loss per share: 52.27 cents per share).

FINANCIAL POSITION

- IFRS NAV was USD 363.58 million (31 December 2013: USD 334.66 million). Adjusted NAV was USD 389.69 million (31 December 2013: USD 358.45 million). The change was mainly due to the uplift in value of the recently purchased assets in Paraná, a general increase in land prices in Brazil and the strengthening of the local currencies in Brazil and Colombia against the US dollar.

- The cash balance available for use as at 30 June 2014 was USD 13.46 million (31 December 2013: USD 23.82 million).

- Interest bearing borrowings were USD 23.13 million at 30 June 2014 (31 December 2013: USD 15.16 million). The increase over the period was a result of the Group drawing down on the revolving credit facility with MetLife Timberland Finance Group to part-finance a new pine asset in Paraná, Brazil. In addition the Group received a bridging loan from Brazilian bank Banco Rendimento SA to finance the Biocarbono expansion.

THE FOREST COMPANY LIMITED
INVESTMENT MANAGER'S REPORT

The Adjusted NAV of The Forest Company as at 30 June 2014 was USD 389.69 million and the Adjusted NAV per share was USD 9.04 (USD 9.29 adjusting for the dividend declared on 10 April 2014, to be paid 31 October 2014). This represents an increase of 11.72% on the Adjusted NAV since 31 December 2013 after the dividend adjustment.

The total IFRS NAV was USD 363.58 million as at 30 June 2014 and the IFRS NAV per share was USD 8.44. This represents an increase of 12% on the IFRS NAV per share since 31 December 2013 after dividend adjustment.

HIGHLIGHTS FOR THE PERIOD

During the period ended 30 June 2014 the Company, with the assistance of the Investment Manager:

- declared a fifth dividend to Shareholders of USD 0.25 cents a share payable 31 October 2014;

- acquired additional pine plantations neighbouring one of its existing projects in the Brazilian state of Paraná with a total area of 3,758 hectares

MACRO ENVIRONMENT IN THE INVESTMENT REGION

In Brazil, inflation is estimated at 6% p.a. and has been at this level since March 2014. At 11% pa the Brazil benchmark interest rate is at its highest level since 2011. The central bank has gradually lifted the SELIC rate, from its historic low of 7.25% in April 2013 in an effort to reduce inflation. For now it seems as if some authorities may be getting more comfortable with a strong Real and the associated benefits of domestic competitiveness.

Colombia continues to attract the focus of international investors in South America as the country shows steady growth, modest inflation, and lower interest rates than its peers. Colombia's central bank increased its main interest rates for a fourth straight month in June to 4.25% p.a. and raised its 2014 economic growth forecast, saying better-than-expected economic activity will probably continue through the year with GDP forecast to grow by 5%. All three core inflation measures improved with average inflation now around 3%, a trend that is expected to continue. The Colombian government works closely with businesses in creating and maintaining a good investment climate. Environmental regulation is strong and overall legislation predictable.

THE WOOD PRODUCT MARKET

Lower wood fiber prices in local currencies combined with a strengthening against the US dollar resulted in declines in both the Softwood and Hardwood Fiber Price Indices (SFPI and HFPI), which are measured in USD. These price indices track wood costs for the global pulp industry. Further, Wood Resource Quarterly reported the Global Sawlog Price Index at USD 89.45/m3 in the first quarter of 2014, which is up by 0.8% since the prior quarter.

THE BRAZILIAN WOOD PRODUCTS MARKET

Despite the reduction in global wood price prices, The Forest Company has not experienced price reductions in the regions in which it operates; most notably in the Kaa project, sales of sawlogs have been significant. It is likely that this is as a result of a change in marketing strategy to sell directly to the end user (sawmills) rather than to wood traders. This has enabled the Company to retain a large share of the value in the value chain. Further, we still see healthy demand for construction products, one of the main end uses of pine sawlogs in Brazil. This has driven a slight price increase for pine sawlogs in the Kaa project. In Minas Gerais, where the company's wood is mainly sold to charcoal producers, the prices have remained unchanged compared to Q4 2013.

THE BRAZILIAN CHARCOAL MARKET

The Forest Company and the Investment Manager have seen charcoal prices increasing from 135 BRL/MDC in January to 143 BRL/MDC in June, and they currently range between 135 to 143 BRL/MDC. The price increase is due to a tighter control over natural forestry charcoal. Further, suppliers offering long-term stable supply agreements receive a price premium in the market. Even though prices increased, slower demand is driven by the challenging European market for pig-iron producers, whilst the demand from the US market is yet to pick up. However, it is worth noting that the price for pig-iron, also reported by Poyry, has increased since January from USD 442 per ton to USD 480 per ton. The Investment Manager believes that the increases in pig-iron prices during the first half of 2014 will trickle down and positively impact charcoal prices. This, coupled with additional pig-iron demand expected to come on line in Minas Gerais, should have a positive impact on the price as supply and demand for plantation based charcoal realigns.

THE COLOMBIAN WOOD PRODUCT MARKET

In Colombia both sawlog and pulplog prices have been stable during the first half of 2014. The price for small roundwood is still around 88,000 COP/m3. The packaging industry, which is the main consumer of the saw wood in Colombia, had a difficult start to 2014. Despite this, the Company has still managed to maintain, or slightly increase, the sawlog price so far this year to 152,000 COP/m3.

INVESTMENT PORTFOLIO

The Company has five main investments, four in Brazil and one in Colombia. On the following pages, you will find details on each of these investments. The Company has made another acquisition in Paraná state of 3,758 hectares in the period, and maintained all the current investments in Colombia.

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 range of geographies, 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 shareholders.

Best regards,

Harald Örneberg

Chief Executive Officer
Timber Capital Limited
9 September 2014

THE FOREST COMPANY LIMITED
THE FOREST COMPANY PROJECTS IN MINAS GERAIS STATE, BRAZIL

IBIRAÇÚ PROJECT	
LOCATION	MINAS GERAIS, BRAZIL
YEAR OF INVESTMENT	2008
OWNERSHIP	100%
SPECIES	EUCALYPTUS
END-USE	CHARCOAL/ BIOCARBON FOR PIG IRON PRODUCTION
TOTAL AREA	11,478 HA

FRONDOSA AND BIOCARBONO PROJECTS	
LOCATION	MINAS GERAIS, BRAZIL
YEAR OF INVESTMENT	2011
OWNERSHIP	100%
SPECIES	EUCALYPTUS
END-USE	CHARCOAL/ BIOCARBON FOR PIG IRON PRODUCTION
TOTAL AREA	32,157 HA

IBIRAÇÚ PROJECT DESCRIPTION

The Ibiraçu 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). The Ibiraçu 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 6,979 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.

The Company has obtained FSC certification for Ibiracu.

HIGHLIGHTS FOR THE PERIOD

The total planted area is now 6,060 ha compared to 5,249 ha in Q4 2013. Planting was not complete prior to a particularly long rainy season and all areas available to plant are now planted.

Ibiraçu has passed the annual FSC audit process.

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. The plantations are located close to, and are managed in conjunction with, The Forest Company project of Ibiraçú.

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

During the period the Company, through Frondosa, has also entered into additional contracts to supply charcoal and is currently negotiating further sales and increasing the volume of current contracts.

Charcoal production capacity is currently being increased and production efficiencies reviewed., However this business incurred a loss of USD 5.0 million. The expectation is that the new kilns will result in improved operational efficiencies which will result in the charcoal business becoming profitable towards the end of 2015.

Frondosa and Biocarbono have passed the annual FSC audit process.

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

AIMARA PROJECT	
LOCATION	PARANÁ, BRAZIL
YEAR OF INVESTMENT	2008
OWNERSHIP	80%
SPECIES	EUCALYPTUS
END-USE	PULPWOOD/ SAWLOGS
TOTAL AREA	2,820 HA

KAA PROJECT	
LOCATION	PARANÁ, BRAZIL
YEAR OF INVESTMENT	2011 2014
OWNERSHIP	100%
SPECIES	PINE
END-USE	PULPWOOD/ SAWLOGS
TOTAL AREA	5,770 HA

AIMARA PROJECT DESCRIPTION

The Aimara Project is located in the Curitiba region of Paraná 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.

All eucalyptus wood fibre produced by the Aimara project will be 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 suffered wind losses on plantation edges during January 2014 covering about 30 hectares, which is not material compared to total 2,467 planted hectares.

Aimara has passed the annual FSC audit process.

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 Paraná state close to the border of Sao Paulo state in Brazil and approximately 100 km north of Curitiba, the state capital of Paraná. 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.

HIGHLIGHTS FOR THE PERIOD

In June 2014 the Company acquired additional pine plantations neighbouring one of its existing plantations in the state of Paraná with a total area of 3,758 ha, of which 1,074 ha are mature pine plantations available for harvest. This purchase was achieved at a significant discount to the fair market values calculated by the valuer; as a result the Company recognised an unrealised gain of USD 11.0 million.

THE FOREST COMPANY LIMITED
THE FOREST COMPANY PROJECT IN COLOMBIA

MS TIMBERLAND PROJECT	
LOCATION	ANTIOQUIA REGION, COLOMBIA
YEAR OF INVESTMENT	2010 2011
OWNERSHIP	90%
SPECIES	PINE
END-USE	SAW LOGS / WOOD BASED PANELS
TOTAL AREA	10,852 HA

MS TIMBERLAND PROJECT DESCRIPTION

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.

In 2011, the joint venture 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.

The MS Timberland project consists of 10,852 ha of acquired land located in the Antioquia region near Medellin, Colombia, traditionally a pine growing area. 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*.

HIGHLIGHTS FOR THE PERIOD

The Company opted to reduce harvest operations during Q1. During Q2 the company resumed the operations and to supply the local sawmill sector in Antioquia. Furthermore, the Company is improving the selection process of assortments at harvesting in order to increase the share of higher priced logs for sawmills and immunisation and to decrease the amount of low priced pulp-logs.

The Company continued to construct bridges and build roads to facilitate harvesting and replanting on a sustainable basis during Q2.

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 six months ended 30 June 2014 which comprises the Condensed Consolidated Statement of Financial Position, the Condensed Consolidated Income Statement, the Condensed Consolidated Statement of other Comprehensive Income, the Condensed Consolidated Statement of Changes in Equity, the Condensed Consolidated Statement of Cash Flows and related notes 1 to 23. We have read the other information contained in the interim 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 consolidated 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of consolidated financial statements in the interim financial report for the half-year ended 30 June 2014 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
10 September 2014

THE FOREST COMPANY LIMITED
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2014

	Notes	30 Jun 2014 USD'000	31 Dec 2013* USD'000	30 Jun 2013* USD'000
ASSETS				
Non-current assets				
Forest assets				
Land	**8**	138,197	108,979	109,275
Biological assets	**8**	151,947	129,554	139,571
Investment property	**10**	7,841	7,630	7,596
Property, plant and equipment	**11**	1,668	2,430	158
Investment in associates	**19**	4,833	2,298	2,189
Investment in joint ventures	**19**	72,577	66,707	64,890
Trade and other receivables	**13**	12,653	11,883	-
Total non-current assets		389,716	329,481	323,679
Current assets				
Non-current assets held for sale		-	-	13,461
Inventory	**12**	6,030	2,293	3,442
Trade and other receivables	**13**	4,731	6,495	4,315
Cash and cash equivalents				
Restricted	**14**	1,170	7,906	12,036
Unrestricted	**14**	13,459	23,822	37,919
Total current assets		25,390	40,516	71,173
TOTAL ASSETS		415,106	369,997	394,852
LIABILITIES				
Non-current liabilities				
Interest bearing borrowings	**15**	(22,457)	(15,000)	(5,292)
Deferred tax liability	**16**	(8,908)	(7,481)	(7,693)
Other long term liability	**17**	(1,795)	(6,046)	(9,521)
Total non-current liabilities		(33,160)	(28,527)	(22,506)
Current liabilities				
Interest bearing borrowings	**15**	(677)	(161)	(6,768)
Trade and other payables	**18**	(16,756)	(5,808)	(7,702)
Provisions		(932)	(838)	(843)
Total current liabilities		(18,365)	(6,807)	(15,313)
TOTAL LIABILITIES		(51,525)	(35,334)	(37,819)
NET ASSETS		363,581	334,663	357,033

*Comparative numbers have been adjusted following the adoption of IFRS 11 (see Note 2).

THE FOREST COMPANY LIMITED
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2014

(CONTINUED)

	Notes	30 Jun 2014 USD'000	31 Dec 2013* USD'000	30 Jun 2013* USD'000
Equity				
Share capital		309,406	320,178	329,533
Revaluation reserve		95,989	77,694	71,845
Foreign currency translation reserve		(74,030)	(94,857)	(79,776)
Accumulated profit		32,216	31,648	35,431
Equity attributable to holders of redeemable Ordinary Shares and Class A Ordinary Shares		363,581	334,663	357,033
Number of redeemable Ordinary Shares in issue at period end		18,885,736	18,885,736	18,543,688
Number of redeemable Class A Ordinary Shares in issue at period end		24,201,802	24,201,802	24,191,383
		43,087,538	43,087,538	42,735,071
Net asset value per redeemable Ordinary and Class A Ordinary Share	**21**	$8.44	$7.77	$8.35

The notes on pages 20 to 44 are an integral part of the condensed financial statements.

The condensed consolidated interim financial statements were approved by the Board of Directors on 9 September 2014 and signed on their behalf by:

Susan Lloyd

Non-Executive Director
10 September 2014

*Comparative numbers have been adjusted following the adoption of IFRS 11 (see Note 2).

THE FOREST COMPANY LIMITED
UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2014

		Jan - Jun	Jan - Jun	Jan-Dec
Continuing Operations		**2014**	**2013***	**2013***
Income	**Notes**	**USD'000**	**USD'000**	**USD'000**
Revenue	**3**	7,938	11,387	21,628
Cost of sales	**3**	(5,423)	(8,339)	(18,266)
Gross profit		2,515	3,048	3,362
Depletion	**3**	(2,957)	(3,325)	(7,620)
		(442)	(277)	(4,258)
Unrealised gain/(loss) on biological assets	**8**	7,493	(3,007)	24
Share of profit/(loss) of joint ventures	**19**	3,180	(5,445)	(3,385)
Share of income from associate	**19**	2,592	9	118
		12,823	(8,720)	(7,501)
Operating expenses				
Administrative expenses	**4**	6,171	5,824	13,370
Forestry operating expenses	**5**	2,642	1,565	4,302
Impairment of property, plant and equipment	**11**	2,577	-	-
		11,390	7,389	17,672
Operating profit/(loss)		1,433	(16,109)	(25,173)
Interest income on bank deposits		138	89	3,714
Interest expense		(457)	(3,587)	(4,984)
Profit/(loss) before tax		1,114	(19,607)	(26,443)
Taxation charge	**6**	(546)	(480)	(1,136)
Profit/(loss) for the period/year from continuing operations		568	(20,087)	(27,579)
Discontinued operations				
Profit for the period/year from discontinued operations		-	-	3,709
Profit/(loss) for the period attributable to:				
Holders of redeemable Ordinary Shares and Class A Ordinary Shares		568	(20,087)	(23,870)
Earnings/(loss) per share - Basic and Diluted (US cents)				
From continuing operations	**7**	1.32	(52.27)	(67.83)
From discontinued operations	**7**	-	-	9.12
		1.32	(52.27)	(58.71)

*Comparative numbers have been adjusted following the adoption of IFRS 11 (see Note 2).

The Forest Company Limited
Unaudited Condensed Consolidated Statement of other Comprehensive Income
For the six months ended 30 June 2014

		Jan - Jun 2014 USD'000	Jan - Jun 2013* USD'000	Jan-Dec 2013* USD'000
Profit/(loss) for the period/year		568	(20,087)	(23,870)
Other comprehensive income/(loss) net of income tax				
Items that may be reclassified subsequently to profit or loss				
Foreign currency translation differences		20,827	(26,992)	(42,073)
Items that will not be reclassified subsequently to profit or loss				
Revaluation of planted land	**8**	18,568	17,579	22,812
Deferred tax effect on other comprehensive income	**16**	(642)	(567)	(770)
		17,926	17,012	22,042
Share of other comprehensive income of joint ventures	**19**	369	104	923
Other comprehensive income/(loss) for the period/year		39,122	(9,876)	(19,108)
Total comprehensive income/(loss) for the period/year		39,690	(29,963)	(42,978)
Total Comprehensive income/(loss) attributable to:				
Holders of redeemable Ordinary Shares and Class A Ordinary Shares		39,690	(29,963)	(42,978)

The results for the period relate to continuing operations.

The notes on pages 20 to 44 are an integral part of the condensed financial statements.

*Comparative numbers have been adjusted following the adoption of IFRS 11 (see Note 2).

THE FOREST COMPANY LIMITED
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2014

2014	**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 2014		320,178	77,694	(94,857)	31,648	334,663
Total comprehensive income for the period						
Profit for the period		-	-	-	568	568
Other comprehensive income						
Currency translation gain		-	-	20,827	-	20,827
Share of other comprehensive income of joint ventures	**19**	-	369	-	-	369
Revaluation of planted land	**8**	-	18,568	-	-	18,568
Deferred tax on revaluation	**16**	-	(642)	-	-	(642)
Total comprehensive income for the period		-	18,295	20,827	568	39,690
Transactions with owners						
Dividends payable		(10,772)	-	-	-	(10,772)
Total transactions with owners		(10,772)	-	-	-	(10,772)
As at 30 June 2014		309,406	95,989	(74,030)	32,216	363,581

2013*	**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)
Share of other comprehensive income of joint ventures	-	104	-	-	104
Revaluation of planted land	-	17,579	-	-	17,579
Deferred tax on revaluation	-	(567)	-	-	(567)
Total comprehensive loss for the period	-	17,116	(26,992)	(20,087)	(29,963)
Transactions with owners					
Shares issued	54,365	-	-	-	54,365
Issue costs	(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

The notes on pages 20 to 44 are an integral part of the condensed financial statements.
*Comparative numbers have been adjusted following the adoption of IFRS 11 (see Note 2)

THE FOREST COMPANY LIMITED
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2014

	Notes	Jan - Jun 2014 USD'000	Jan - Jun 2013* USD'000	Jan - Dec 2013* USD'000
Cash flows from operating activities				
Profit/(loss) for the period/year		568	(20,087)	(23,870)
Adjustments for:				
Original biological asset cost of sales	**3**	2,888	2,492	5,452
Depletion	**3**	2,957	3,325	7,620
Unrealised (gain)/loss on biological assets	**8**	(7,493)	3,007	(24)
Impairment of property, plant and equipment	**11**	2,577	-	-
Realised gain on disposal of planted land	**11**	-	-	(14)
Taxation	**6**	546	480	1,136
Depreciation	**11**	16	17	64
Share of (profit)/loss of joint ventures	**19**	(3,180)	5,445	3,385
Share of income from associate	**19**	(2,592)	(9)	(118)
(Increase)/decrease in inventory		(196)	325	321
Decrease/(increase) in trade receivables		1,764	(1,927)	(4,107)
Decrease in trade payables		(81)	(9,004)	(10,158)
Cashflow used in operating activities		(2,226)	(15,936)	(20,313)
Tax paid		(408)	(566)	(1,127)
Net cash used in operating activities		(2,634)	(16,502)	(21,440)
Cash flows from investing activities				
Net cashflows received from joint ventures		397	2,899	2,384
Net cashflows received from associate		57	14	14
Purchase of property, plant and equipment	**11**	(1,733)	(158)	(3,081)
Purchase of investment property		-	-	(62)
Purchase of forest assets	**8**	(10,457)	-	-
Release of escrow amounts owed on forest assets purchased in prior periods	**14**	(6,736)	-	(4,986)
Cost capitalised to forest assets	**8**	(3,205)	(1,717)	(1,373)
Net cash (used in)/from investing activities		(21,677)	1,038	(7,104)

*Comparative numbers have been adjusted following the adoption of IFRS 11 (see Note 2).

THE FOREST COMPANY LIMITED
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2014
(CONTINUED)

	Notes	Jan - Jun 2014 USD'000	Jan - Jun 2013* USD'000	Jan - Dec 2013* USD'000
Cash flow from financing activities				
Proceeds from issue of shares		-	54,365	54,365
Issue costs paid		-	(1,546)	(1,546)
Proceeds from interest bearing borrowings		8,134	-	15,161
Repayment of interest bearing borrowings		(161)	(4,806)	(15,367)
Dividends paid		-	-	(9,355)
Net cash from financing activities		7,973	48,013	43,258
Net (decrease)/increase in cash and cash equivalents during the period/year		(16,338)	32,549	14,714
Cash and cash equivalents at the beginning of the period/year		31,728	18,283	18,283
Effects of changes in foreign exchange rates		(761)	(877)	(1,269)
Cash and cash equivalents at the end of the period/year	**14**	14,629	49,955	31,728

The notes on pages 20 to 44 are an integral part of the condensed financial statements.

*Comparative numbers have been adjusted following the adoption of IFRS 11 (see Note 2).

1. GENERAL INFORMATION

The information relating to the year ended 31 December 2013 included in these accounts does not constitute the full statutory accounts. The auditors reported on those accounts and their report contained an unmodified opinion. The critical accounting 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 2013.

The Company's forestry operations do not operate in an industry where significant or cyclical variations as a result of seasonal activity are experienced during the financial year, however the charcoal business is subject to higher productivity during the dry season in Minas Gerais, Brazil.

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 2013 with the exception of the adoption of International Financial Reporting Standard (IFRS) 11 (see below). The annual financial statements have been prepared in accordance with IFRS as adopted by the European Union.

Adoption of new and revised standards
During the period the Group adopted all new and revised IFRS and IAS that are relevant to its operations and were also endorsed by the European Union for accounting periods commencing on or after 1 January 2014. Adoption of these standards had no impact on the financial statements except for IFRS 11 which is detailed below.

IFRS 11 Joint Arrangements – effective 1 January 2014
IFRS 11 impacts the accounting and disclosure of interests the Company holds in joint arrangements. In particular the Company's current MS Timberland Holdings and Aimara joint arrangements are no longer eligible for line by line proportionate consolidation but rather are accounted for using the equity method as they are classified as joint ventures as the terms of the agreements with their joint venture partners, Cotopaxi and Klabin respectively, give both parties rights to the net assets of the entities.

The change in accounting policy for the Company's joint ventures has been made in accordance with the transitional provisions included in IFRS 11 which require that the initial investment be measured as the aggregate of the carrying amounts of the assets and liabilities that were previously proportionally consolidated at the reporting date of 31 December 2012. Subsequently the initial investment shall be accounted for using the equity method in accordance with IAS 28.

Investment Entities Amendment to IFRS 10 Consolidated Financial Statements – effective 1 January 2014
Following the year end, the Company has assessed the impact of this Amendment; and following this, the Company has not adopted the Amendment on the basis that it does not meet the definition of an investment entity.

2. ACCOUNTING POLICIES (CONTINUED)

Going concern
The Board has made enquiries and examined the Group's cash forecasts for the 18 month period to 31 December 2015, including restricted cash, borrowings and covenants 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 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.

In November 2013 the sale of the pig iron mill assets held by Frondosa was completed for BRL 35 million (USD 16.19 million). Payment for this sale will be received over 60 months, with the first payment received in February 2014, and will be adjusted annually for inflation. The Group has also entered into an agreement with the new owners of the pig iron mill to supply them with charcoal each month on an ongoing basis.

The Company also agreed the terms of a loan of USD 15 million from Metropolitan Life Insurance Company ("Metlife") with an additional line of credit of the same amount. The term loan was drawn down on 27 November 2013, and during the period, the Company drew down on the line of credit an amount of USD 5.5 million.

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 values 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, 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 9). 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.

2. ACCOUNTING POLICIES (CONTINUED)

Critical accounting judgements and estimation uncertainties (continued)

Key sources of estimation uncertainties
Changes in exchange rates can impact the financial results as the Company has operations and assets in jurisdictions which use currencies other than the United States Dollar (USD).

Segmental reporting
The Board believe that the Company and the Group are engaged in a single segment of business of holding investments in timber, timberland and related activities, 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 six months ended 30 June 2014.

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

	Jan - Jun 2014		**Jan - Jun 2013**		**Jan - Dec 2013**	
Currency	***Closing rate***	***Average rate***	***Closing rate***	***Average rate***	***Closing rate***	***Average rate***
Brazilian Reais (BRL)	2.2143	2.2964	2.2317	2.0337	2.3621	2.1612
Sterling (GBP)	0.585	n/a	0.657	n/a	0.604	n/a
Colombian Pesos (COP)	1,877.4	1,959.0	1,922.8	1,827.5	1,929.5	1,869.3

3. REVENUE

Jan - Jun 2014	**Standing trees USD'000**	**Charcoal USD'000**	**Lease income USD'000**	**Total USD'000**
Sales	2,610	5,328	-	7,938
Cost of sales				
Original biological asset cost	(1,941)	(947)	-	(2,888)
Variable cost	-	(2,535)	-	(2,535)
	(1,941)	(3,482)	-	(5,423)
Gross profit	**669**	**1,846**	**-**	**2,515**
Depletion	(1,020)	(1,937)	-	(2,957)
	(351)	**(91)**	**-**	**(442)**

Jan - Jun 2013	**Standing trees USD'000**	**Charcoal USD'000**	**Lease income USD'000**	**Total USD'000**
Sales	2,518	7,984	885	11,387
Cost of sales				
Original biological asset cost	(1,508)	(984)	-	(2,492)
Variable cost	(92)	(5,755)	-	(5,847)
	(1,600)	(6,739)	-	(8,339)
Gross profit	**918**	**1,245**	**885**	**3,048**
Depletion	(1,297)	(2,028)	-	(3,325)
	(379)	**(783)**	**885**	**(277)**

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.

Following the adoption of IFRS 11, revenue from the joint ventures harvested timber is included within Note 19.

4. ADMINISTRATIVE EXPENSES

	Jan - Jun 2014 USD'000	**Jan - Jun 2013 USD'000**
Investment Management fees	2,666	2,773
Legal and professional fees	1,664	1,326
Travel expenses	418	499
Audit fees	243	492
Administration fees	512	292
Consultancy fees	251	171
Directors fees and expenses	312	234
Bank charges	105	37
	6,171	**5,824**

5. FORESTRY OPERATING EXPENSES

	Jan - Jun 2014 USD'000	Jan - Jun 2013 USD'000
Project facilities	319	183
Payroll	1,134	386
Forestry services	516	348
Irrecoverable tax inputs	264	107
Insurance	286	359
Valuation fees	113	41
Other general expenses	10	141
	2,642	**1,565**

6. TAXATION

	Jan - Jun 2014 USD'000	Jan - Jun 2013 USD'000
Current tax		
Brazil	267	543
Colombia	27	8
	294	551
Deferred tax		
Brazil	252	(71)
Colombia	-	-
	252	(71)
	546	480

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 2014	Jan - Jun 2013	Jan - Dec 2013
Profit/(loss) for the period/year	**USD'000**	**USD'000**	**USD'000**
From continuing operations	568	(20,087)	(27,579)
From discontinued operations	-	-	3,709
	568	(20,087)	(23,870)
Average number of issued shares ('000s)	43,088	38,432	40,661
Basic and diluted earnings/(loss) per share	**US cents**	**US cents**	**US cents**
From continuing operations	1.32	(52.27)	(67.83)
From discontinued operations	-	-	9.12
	1.32	(52.27)	(58.71)

8. FOREST ASSETS

The table below details the movements in forest assets for the six months ended 30 June 2014.

30 June 2014	Land* USD'000	Biological assets USD'000	Total USD'000
Cost:			
Opening balance	74,453	138,260	212,713
Land and plantations purchased	2,687	10,669	13,356
Land and biological assets costs capitalised	-	3,205	3,205
Biological assets harvested	-	(5,157)	(5,157)
Closing balance	77,140	146,977	224,117
Fair value movements:			
Opening balance	80,759	114,965	195,724
Increase in fair value of biological assets	-	7,493	7,493
Biological assets harvested	-	(2,957)	(2,957)
Revaluation surplus	18,568	-	18,568
Closing balance	99,327	119,501	218,828
Accumulated effect of foreign exchange movement on translation	(38,270)	(114,531)	(152,801)
Fair value of forest assets	**138,197**	**151,947**	**290,144**

31 Dec 2013	Land* USD'000	Biological assets USD'000	Total USD'000
Cost:			
Opening balance	73,451	143,445	216,896
Land and biological assets costs capitalised	-	1,184	1,184
Biological assets harvested	-	(6,369)	(6,369)
Transferred from Investment Property	1,002	-	1,002
Closing balance	74,453	138,260	212,713
Fair value movements:			
Opening balance	57,380	119,069	176,449
Increase in fair value of biological assets	-	24	24
Biological assets harvested	-	(4,128)	(4,128)
Transferred from Investment Property	567	-	567
Revaluation surplus	22,812	-	22,812
Closing balance	80,759	114,965	195,724
Accumulated effect of foreign exchange movement on translation	(46,233)	(123,671)	(169,904)
Fair value of forest assets	**108,979**	**129,554**	**238,533**

*Includes leased and owned land

8. FOREST ASSETS (CONTINUED)

The Group's forest assets were valued at 30 June 2014 by independent professionally qualified valuers, Indufor. The Group's biological assets consisted of eucalyptus and pinus plantations.

The Company has pledged land and biological assets with a value of USD 190.40 million as security for the Metlife loan (see Note 15).

Land and Biological asset acquired

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 ha, of which 1,074 ha are mature pine plantations available for harvest for a total cost of BRL 30.85 million (USD 13.36 million).

Changes in valuation assumptions

Real post-tax discount rate: The discount rates used range from 5.59% to 5.72% (31 December 2013: 5.64% to 5.92%).

9. FOREST ASSETS SENSITIVITIES

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. The analysis is based on biological asset values including those held under joint ventures.

30 June 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	12,305	220,413	5.91%
	1% increase	(11,196)	196,912	-5.38%
Forecast wood volume				
	1% decrease	(2,884)	205,224	-1.39%
	1% increase	2,871	210,979	1.38%
Wood prices				
	1% decrease	(2,884)	205,224	-1.39%
	1% increase	2,871	210,979	1.38%
Forestry costs				
	1% decrease	213	208,321	0.10%
	1% increase	(222)	207,886	-0.11%

9. FOREST ASSETS SENSITIVITIES (CONTINUED)

Biological assets sensitivity analysis (continued)

31 Dec 2013 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	11,043	190,321	6.16%
	1% increase	(10,014)	169,264	-5.59%
Forecast wood volume				
	1% decrease	(2,512)	176,766	-1.40%
	1% increase	2,515	181,793	1.34%
Wood prices				
	1% decrease	(2,509)	176,769	-1.40%
	1% increase	2,515	181,793	1.34%
Forestry costs				
	1% decrease	178	179,456	0.11%
	1% increase	(171)	179,107	-0.29%

For example, a decrease in the forecast wood volume of 1% would result in a decrease of the biological asset value from USD 208.2 million to USD 205.2 million, and an increase in the forecast wood volume of 1% would result in an increase in the biological asset value from USD 208.2 million to USD 211.0 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 prior 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.

9. FOREST ASSETS SENSITIVITIES (CONTINUED)

Brazilian tax sensitivity analysis (continued)

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:

First, 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.

The Group has separated out the charcoal activity of Frondosa into a separate company, which has elected to be taxed under the Lucro Real tax regime. 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.

30 Jun 2014	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	165,283	140,668	(24,615)	-14.89%
Biological asset deferred tax provision sensitivity to tax election	(5,103)	(25,927)	(20,824)	408.07%
Total biological asset value and deferred tax sensitivity to tax election	160,180	114,742	(45,438)	-28.37%
Net Asset Value sensitivity to tax election on biological asset and deferred tax	363,581	318,143	(45,438)	-12.50%
Land value deferred tax provision sensitivity to tax election	(4,381)	(30,110)	(25,729)	587.26%
Total land, forest asset value and deferred tax sensitivity to tax election	298,043	226,876	(71,167)	-23.88%
Net Asset Value sensitivity to tax election	363,581	292,414	(71,167)	-19.57%

9. FOREST ASSETS SENSITIVITIES (CONTINUED)

Brazilian tax sensitivity analysis (continued)

31 Dec 2013	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	142,380	120,715	(21,665)	-15.22%
Biological asset deferred tax provision sensitivity to tax election	(4,385)	(22,826)	(18,441)	420.51%
Total biological asset value and deferred tax sensitivity to tax election	137,995	97,888	(40,106)	-29.06%
Net Asset Value sensitivity to tax election on biological asset and deferred tax	334,663	294,557	(40,106)	-11.98%
Land value deferred tax provision sensitivity to tax election	(3,461)	(21,996)	(18,535)	535.59%
Total land, forest asset value and deferred tax sensitivity to tax election	246,893	188,252	(58,641)	-23.75%
Net Asset Value sensitivity to tax election	334,663	276,022	(58,641)	-17.52%

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 25.7 million (31 December 2013: USD 18.5 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 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 30 June 2014, 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 1.4 million respectively.

9. FOREST ASSETS SENSITIVITIES (CONTINUED)

Biological assets sensitivity to charcoal operations profitability

At 30 June 2014, the Group's forestry projects in Minas Gerais, which produce wood primarily for its charcoal production subsidiary had biological assets valued at USD 102.5 million (2013: USD 125.4 million). The Group's charcoal production subsidiary made losses during the first 6 months of 2014 which are expected to continue throughout 2014. However, the Group's investment in newly designed, larger and more efficient kilns is expected to reduce production costs and lead to operating profits being made by the end of 2015.

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. Moreover, the Directors believe the wood could be sold to independent charcoal producers in the region at the price currently transacted with the Group's charcoal producing subsidiary. The biological asset valuations referred to above are therefore not currently sensitive to the results of the charcoal operations.

If the charcoal producing subsidiary were to produce additional profits or losses of BRL 1.56 per m^3 of wood sales, and if the Group reflected the charcoal operations within its biological asset valuations, the impact of this would increase or decrease the above mentioned biological asset valuations by USD 3.83 million.

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 2014, the Group forest assets were denominated in Brazilian Reais.

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 24.6 million lower or USD 30.1 million higher respectively as a result of the translation of Brazilian Reais denominated forest asset values.

Fair value of forest assets

All forest assets held by the Company during the current and comparative periods are classified under Level 3 of the fair value hierarchy under IFRS 13.

10. INVESTMENT PROPERTY

The table below details the movements in investment property for the six months ended 30 June 2014.

	30 Jun 2014 USD'000	31 Dec 2013 USD'000
Cost:		
Opening balance	6,546	7,486
Additions	-	62
Transfer to forest assets	-	(1,002)
Closing balance	6,546	6,546
Fair value movements:		
Opening balance	(150)	417
Transfer to forest assets	-	(567)
Closing balance	(150)	(150)
Accumulated effect of foreign exchange movement on translation	1,445	1,234
Fair value of investment properties	**7,841**	**7,630**

The Group's investment properties were valued at 30 June 2014 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.

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 30 June 2014, 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 78,410.

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 2014, the Group investment property was denominated in 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 714,032 lower or USD 872,989 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.

11. PROPERTY, PLANT AND EQUIPMENT

30 Jun 2014	Carbonisation assets	Equipment	Total
	USD'000	USD'000	USD'000
Cost:			
Opening balance as at 1 January	5,957	510	6,467
Additions	704	1,029	1,733
Closing balance as at 30 June	6,661	1,539	8,200
Depreciation/Fair Value:			
Opening balance as at 1 January	(3,056)	(74)	(3,130)
Depreciation	-	(16)	(16)
Impairment loss charged to income statement	(2,577)	-	(2,577)
Closing balance as at 30 June	(5,633)	(90)	(5,723)
	1,028	1,449	2,477
Effect of foreign exchange movements	(389)	(420)	(809)
Carrying value as at 30 June 2014	**639**	**1,029**	**1,668**

31 Dec 2013	Carbonisation assets	Equipment	Total
	USD'000	USD'000	USD'000
Cost:			
Opening balance as at 1 January	3,313	73	3,386
Additions	2,644	437	3,081
Disposals	-	-	-
Closing balance as at 31 December	5,957	510	6,467
Depreciation / Fair Value:			
Opening balance as at 1 January	(3,056)	(14)	(3,070)
Depreciation	-	(64)	(64)
Disposals	-	4	4
Closing balance as at 31 December	(3,056)	(74)	(3,130)
	2,901	436	3,337
Effect of foreign exchange movements	(822)	(85)	(907)
Carrying value as at 31 December 2013	**2,079**	**351**	**2,430**

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

During the period the Group continued constructing additional kilns. The kilns under construction have a carrying value at 30 June 2014 of USD 933,000 (31 December 2013: USD 2.42 million), and have not been included in valuations as these were not in use by the period end date.

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.

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

12. INVENTORY

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

	30 Jun 2014	31 Dec 2013
	USD'000	USD'000
Seedlings and consumables	225	29
Work in progress	5,522	2,264
Finished products	283	-
	6,030	2,293

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

13. TRADE AND OTHER RECEIVABLES

	30 Jun 2014	31 Dec 2013
	USD'000	USD'000
Non-current assets		
Receivable on pig iron mill assets disposal	12,653	11,854
Other	-	29
	12,653	11,883
Current assets		
Trade receivables	1,459	235
Advances to suppliers	303	316
Prepayments	200	32
Receivable on pig iron mill	1,898	2,963
Other receivables	871	2,949
	4,731	6,495
	17,384	**18,378**

During the period the Company received USD 1.2 million in sale proceeds relating to the pig iron mill disposal.

14. 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 2014.

	30 Jun 2014 USD'000	31 Dec 2013 USD'000
Restricted		
Amounts held in escrow accounts in respect of assets purchased	1,170	7,906
Unrestricted	13,459	23,822
	14,629	31,728

During the period the Group released BRL 14.9 million (USD 6.7 million) relating to the amounts held in escrow for prior period forest assets acquisitions.

15. INTEREST BEARING BORROWINGS

30 Jun 2014 Lender	Project	Current USD'000	Non- current USD'000	Total USD'000
Metlife term loan	Frondosa	-	15,000	15,000
Metlife credit facility	Kaa	-	5,500	5,500
Banco Rendimento SA ("Rendimento")	Biocarbono	677	1,957	2,634
		677	22,457	23,134

31 Dec 2013 Lender	Project	Current USD'000	Non- current USD'000	Total USD'000
Metlife term loan	Frondosa	-	15,000	15,000
Other	Antioquia	161	-	161
		161	15,000	15,161

On 11 April 2013, the Company, through SP Timberland Holdings 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. As at 30 June 2014 the principal amount owing to Metlife was USD 15 million. The total interest incurred on this term loan was USD 0.80 million (31 December 2013: USD 0.13 million).

On 28 May 2014 the Group drew down USD 5.5 million of the line of credit. The fixed interest rate on the line of credit is based upon 585 basis points above the 6 month LIBOR. As at 30 June 2014 the principal amount owing to Metlife was USD 5.5 million. The total interest incurred on this line of credit was USD 0.03 million (31 December 2013: USD Nil).

The Company has pledged land and biological assets with a value of USD 190.40 million as security for the Metlife loan. The facility from Rendimento is secured by an assignment under a Fiduciary Lien by Aimara (see Note 19) in favour of Rendimento, over a CDB deposited therewith, in the amount of USD 1.13 million.

16. MOVEMENT IN DEFERRED TAX LIABILITIES BALANCES

The table below details the movements in deferred tax liabilities for the six months to 30 June 2014.

	30 Jun 2014 USD'000	31 Dec 2013 USD'000
Opening balance	(7,481)	(8,005)
Credited to income statement on fair value adjustments on forest assets	(252)	194
Charged to other comprehensive income on revaluation adjustments	(642)	(770)
Exchange rate differences	(533)	1,100
Closing balance	(8,908)	(7,481)

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.

17. OTHER LONG TERM LIABILITY

	30 Jun 2014 USD'000	31 Dec 2013 USD'000
Amounts owing on purchase of forest assets	1,795	5,217
Deferred income on land sold	-	829
	1,795	6,046

18. TRADE AND OTHER PAYABLES

	30 Jun 2014 USD'000	31 Dec 2013 USD'000
Trade payables	3,773	3,727
Amounts due on purchase of forest assets	1,104	733
Dividends payable	10,772	-
Taxes payable	13	127
Accruals	1,094	1,221
	16,756	5,808

On 8 April 2014, the Directors declared an interim dividend of 3% of the Adjusted Net Asset Value per share as at 31 December 2013 (USD 0.25 cents per share), payable on 31 October 2014 to shareholders at the record date of 1 May 2014.

Under Guernsey law, companies can pay dividends in excess of accounting profit for the period provided that they satisfy the Solvency test prescribed under the Companies (Guernsey) Law, 2008. 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 dividend declared during the period.

19. JOINT ARRANGEMENTS AND INVESTMENT IN ASSOCIATE

Joint Ventures

The Company has a joint venture with Aglomerados Cotopaxi S.A. ("Cotopaxi"), an Ecuadorian wood based panel producer, through MS Timberland Holdings Ltd ("MSTH"), 90% of which is owned by the Company. MS Timberland Holdings Ltd owns 100% of the shares of Reforestadora El Guasimo ("El Guasimo"), a former subsidiary of Cementos Argos S.A, one of the largest cement producers in Colombia.

Although the Company owns 90% of MS Timberland Holdings Ltd 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.

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 operation 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.

Following the adoption of IFRS 11, 'Joint Arrangements' for the current period, MS Timberland Holdings and Aimara are no longer eligible for line by line consolidation but 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.

19. JOINT ARRANGEMENTS AND INVESTMENT IN ASSOCIATE (CONTINUED)

The following is a breakdown of the Group's portion of assets and liabilities of the joint ventures that have been aggregated in calculating the initial investment value at 31 December 2012;

	MSTH USD'000	Aimara USD'000	Total USD'000
ASSETS			
Non-current assets			
Forest assets	56,178	18,822	75,000
Property, plant and equipment	629	-	629
Deferred tax asset	366	-	366
	57,173	18,822	75,995
Current assets			
Trade and other receivables	1,871	373	2,244
Cash and cash equivalents			
Restricted (Note 15)	-	4,235	4,235
Unrestricted	175	999	1,174
Inventories	30	-	30
	2,076	5,607	7,683
LIABILITIES			
Non-current liabilities			
Deferred tax liability	1,637	580	2,217
Other non-current liabilities	475	-	475
	2,112	580	2,692
Current liabilities			
Trade and other payables	1,795	293	2,088
Net Assets	**55,342**	**23,556**	**78,898**

19. JOINT ARRANGEMENTS AND INVESTMENT IN ASSOCIATE (CONTINUED)

Joint ventures (continued)
The comparative numbers shown in these interim financial statements have been adjusted accordingly with no impact on previously reported net assets or losses of the Group.

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

	MSTH 30 Jun 2014 USD'000	Aimara 30 Jun 2014 USD'000	Total 30 Jun 2014 USD'000
Non-current assets			
Forest assets			
Land	12,558	4,047	16,605
Biological assets	42,425	13,736	56,161
Other non-current assets	1,073	-	1,073
	56,056	17,783	73,839
Current assets			
Cash and cash equivalents			
Restricted	-	1,130	1,130
Unrestricted	271	500	771
Other current assets	1,791	408	2,199
	2,062	2,038	4,100
Non-current liabilities			
Deferred tax	2,568	543	3,111
Other non-current liabilities	223	-	223
	2,791	543	3,334
Current liabilities			
Interest bearing borrowings	770	-	770
Other current liabilities	662	596	1,258
	1,432	596	2,028
Net Assets	53,895	18,682	72,577

19. JOINT ARRANGEMENTS AND INVESTMENT IN ASSOCIATE (CONTINUED)

Joint ventures (continued)

	MSTH 31 Dec 2013 USD'000	Aimara 31 Dec 2013 USD'000	Total 31 Dec 2013 USD'000
Non-current assets			
Forest assets			
Land	12,219	3,380	15,599
Biological assets	36,891	12,833	49,724
Other non-current assets	1,172	-	1,172
	50,282	16,213	66,495
Current assets			
Cash and cash equivalents			
Unrestricted	1,394	1,622	3,016
Other current assets	1,410	367	1,777
	2,804	1,989	4,793
Non-current liabilities			
Deferred tax	2,183	496	2,679
Other non-current liabilities	260	-	260
	2,443	496	2,939
Current liabilities			
Interest bearing borrowings	720	-	720
Other current liabilities	637	285	922
	1,357	285	1,642
Net Assets	49,286	17,421	66,707

19. JOINT ARRANGEMENTS AND INVESTMENT IN ASSOCIATE (CONTINUED)

Joint ventures (continued)

	MSTH 30 Jun 2014 USD'000	Aimara 30 Jun 2014 USD'000	Total 30 Jun 2014 USD'000
Revenue - from harvested timber	893	-	893
Cost of sales	(496)	-	(496)
Gross profit	397	-	397
Depletion	(654)	-	(654)
	(257)	-	(257)
Unrealised gain/(loss) on biological assets	4,885	(70)	4,815
	4,628	(70)	4,558
Operating expenses	(782)	(305)	(1,087)
Interest income on bank deposits	213	81	294
Profit on disposal of assets	14	-	14
Unrealised loss on planted land	(184)	-	(184)
Profit/(loss) before tax	3,889	(294)	3,595
Taxation charge	(391)	(24)	(415)
Profit/(loss) for the period	3,498	(318)	3,180
Other comprehensive income/(loss)	43	(412)	(369)
Total comprehensive income/(loss)	**3,541**	**(730)**	**2,811**

	MSTH 30 Jun 2013 USD'000	Aimara 30 Jun 2013 USD'000	Total 30 Jun 2013 USD'000
Revenue - from harvested timber	3,858	-	3,858
Cost of sales	(2,907)	-	(2,907)
Gross profit	951	-	951
Depletion	(959)	-	(959)
	(8)	-	(8)
Unrealised gain/(loss) on biological assets	(1,121)	(3,159)	(4,280)
	(1,129)	(3,159)	(4,288)
Operating expenses	(999)	(609)	(1,608)
Interest income on bank deposits	1	116	117
Profit/(loss) before tax	(2,127)	(3,652)	(5,779)
Taxation charge	272	62	334
Profit/(loss) for the period	(1,855)	(3,590)	(5,445)
Other comprehensive income/(loss)	201	(304)	(103)
Total comprehensive income/(loss)	**(1,654)**	**(3,894)**	**(5,548)**

19. JOINT ARRANGEMENTS AND INVESTMENT IN ASSOCIATE (CONTINUED)

Investment in associate
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, giving the Company a 33.56% interest in Silvotecnia. Silvotecnia is accounted for using the equity method.

	30 Jun 2014	31 Dec 2013
	USD'000	USD'000
Opening balance	2,298	2,194
Share of income from associate	2,592	118
Dividends received	(57)	(14)
Closing balance	4,833	2,298

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 2.15 million (31 December 2013: USD 2.02 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 within the next year. The Company has received legal advice on these matters and the Board does not expect that material costs will arise in resolving the issue.

The Company continues to hold guarantees and funds in escrow relating to assets purchased in 2011, and following legal advice obtained, 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 14).

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

21. NET ASSET VALUE

	30 Jun 2014		31 Dec 2013	
	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	8.44	363,581	7.77	334,663
Adjustment for deferred tax duplication on biological assets	0.17	7,470	0.15	6,522
Adjustment for notional land lease charge	0.34	14,949	0.29	12,576
Adjustment for unamortised organisation expenses	0.09	3,687	0.11	4,686
Adjusted net asset value attributable to redeemable Ordinary and Class A Ordinary shareholders	9.04	389,687	8.32	358,447

22. 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.

22. OPERATING SEGMENTS (CONTINUED)

Segment revenues and results	Segment revenue Six months ended 30 Jun 2014 USD'000	Segment revenue Six months ended 30 Jun 2013 USD'000	Segment profit/(loss) Six months ended 30 Jun 2014 USD'000	Segment profit/(loss) Six months ended 30 Jun 2013 USD'000
Sales of product	7,938	11,387	(442)	(277)
Interest income	138	89	138	89
Unrealised gain/(loss) on Forest assets	7,493	(3,007)	7,493	(3,007)
Total for continuing operations	15,569	8,469	7,189	(3,195)
Operating expenses			(11,390)	(7,389)
Interest expense			(457)	(3,587)
Share of profit/(loss) of joint ventures			3,180	(5,445)
Share of income from associate			2,592	9
Loss before tax from continuing operations			1,114	(19,607)

	As at 30 Jun 2014 USD'000	As at 31 Dec 2013 USD'000
Segment assets		
Investment property	7,841	7,630
Forest assets	290,144	238,533
Property, plant and equipment	1,668	2,430
Investment in associate	4,833	2,298
Investment in joint ventures	72,577	66,707
Other non-current assets	12,653	11,883
	389,716	329,481
Other assets	25,390	40,516
Total segment and consolidated assets	415,106	369,997
Segment liabilities		
Interest bearing borrowings	23,134	15,161
Other long term liabilities	1,795	7,481
Deferred tax liability	8,908	6,046
Trade and other payables	16,756	5,808
Provisions	932	838
Total segment and consolidated liabilities	51,525	35,334
Total segment net assets	363,581	334,663

22. OPERATING SEGMENTS (CONTINUED)

	Income		Non-current assets	
	Period ended 30 Jun 2014 USD'000	Period ended 30 Jun 2013 USD'000	As at 30 Jun 2014 USD'000	As at 31 Dec 2013 USD'000
Guernsey	4	2	-	-
Brazil	7,753	7,883	323,121	270,241
Colombia	6,091	(1,845)	66,595	59,240
Total	13,848	6,040	389,716	329,481

23. SUBSEQUENT EVENTS

There are no material subsequent events.