The Forest Company

Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2015

Company Number: 47338

TABLE OF CONTENTS **PAGE**

THE FOREST COMPANY LIMITED
GENERAL INFORMATION

Board of Directors
Rainer Häggblom (Non-executive Chairman)
Dr. Dermot Smurfit (Non-executive)
Susan Lloyd (Non-executive)
Dr. Panu Kallio (Non- executive)
Joseph Ryan (Non-executive)

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Sedol: B4TC8Z5
Ticker: FCO
FATCA GIIN: SNR7BX.9999.SL.831
Website: www.theforestcompany.se

THE FOREST COMPANY LIMITED
HIGHLIGHTS

FINANCIAL HIGHLIGHTS FOR THE SIX-MONTHS ENDED 30 JUNE 2015

- Net loss for the period ended 30 June 2015 amounted to USD 9.65 million (30 June 2014 profit: USD 0.57 million; 31 December 2014 loss: USD 19.65 million).

- Revenue from continuing sales for the period was USD 9.67 million (30 June 2014: USD 7.94 million; 31 December 2014: USD 17.49 million).

- Loss per share amounted to 22.15 cents based on the weighted average number of shares in issue (30 June 2014 earnings per share: 1.32 cents per share; 31 December 2014 loss per share: 45.43 cents per share).

- Total comprehensive loss for the period amounted to USD 46.27 million (30 June 2014 income: USD 39.69 million; 31 December 2014 loss: USD 41.58 million).

FINANCIAL POSITION

- IFRS NAV was USD 238.00 million (31 December 2014: USD 285.30 million, a decrease of 16.6%). Adjusted NAV was USD 254.36 million (31 December 2014: USD 305.67 million, a decrease of 16.8%).

- IFRS NAV per share was USD 5.50 (31 December 2014: USD 6.60, a decrease of 16.7%). Adjusted NAV per share was USD 5.88 (31 December 2014: USD 7.07, a decrease of 16.8%).

- The cash balance available for use as at 30 June 2015 was USD 2.29 million (31 December 2014: USD 8.90 million).

- Interest bearing borrowings were USD 30.64 million at 30 June 2015 (31 December 2014: USD 30.73 million).

THE FOREST COMPANY LIMITED
INVESTMENT MANAGER'S REPORT

The total IFRS NAV was USD 238.00 million as at 30 June 2015 and the IFRS NAV per share was USD 5.50.

The Adjusted NAV of The Forest Company as at 30 June 2015 was USD 254.36 million and the Adjusted NAV per share was USD 5.88.

The Company's NAV and results were significantly impacted by the depreciation against the USD, since 31 December 2014, of the BRL (-17%) and the COP (-10%).

HIGHLIGHTS FOR THE PERIOD

During the period ended 30 June 2015 the Company, with the assistance of the Investment Manager:

- Completed the start-up of the new charcoal production assets;
- Signed warrant agreements to a value of USD 25.5 million, available to be drawn by the Company; and
- Has decreased its production costs in the charcoal operations and improved its results compared to 30 June 2014. However, the business has been impacted by the slowdown of the Brazilian economy and is still showing a loss.

MACRO ENVIRONMENT IN THE INVESTMENT REGION

In Brazil, inflation is estimated at 9.25% per annum according to the latest report issued by the central bank in July 2015 and at 14.25% per annum, the Brazilian benchmark interest rate is at a nine-year high. 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. The BRL is expected to further depreciate against the USD, resulting in an effect that is deemed to support exports of Brazilian manufacturing industry and drive foreign capital investment.

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 at the 24 June 2015 monetary policy meeting to 4.5% per annum, while its 2015 economic growth is forecast to continue to outperform other Latin American countries with gross domestic product forecast to grow by 3.4%, against a Latin American average of 0.9%. Average inflation is now around 4.4%, broadly in line with the central bank's target of 3% ±1%. The Colombian government works closely with businesses in creating and maintaining a good investment climate. Environmental regulation is strong and overall legislation more certain. The COP has depreciated 9% since 31 December 2014 against USD.

THE WOOD PRODUCT MARKET

Wood costs for sawmills and pulpmills continued to decline worldwide in USD terms. The global sawlog price index fell as much as 8.2% in quarter 1 2015 quarter-over-quarter and was 14.3% lower than a year ago. The softwood fiber and hardwood fiber price indices fell 3.4% and 4.0% respectively in quarter 1 2015 from the previous quarter and were just over 7% lower than in quarter 1 2014.

THE BRAZILIAN WOOD PRODUCTS MARKET

Even with the ongoing global wood price reduction, the Investment Manager has experienced stable to slightly upward price trends in the Group's projects. In the Kaa project, local currency prices have been stable during the first half of 2015, but increased 5% higher compared to quarter 2 2014. Due to the decreasing supply of sawlogs in Parana, where Kaa is located, sawlog prices are following an upward trend according to forestry industry specialist, Poyry. The Investment Manager has gained from this trend in new contract negotiations. In Minas Gerais, where the company's wood is sold to Biocarbono, third party wood treatment producers and pulp producers, the prices have remained unchanged compared to quarter 2 2014.

THE BRAZILIAN CHARCOAL MARKET

The Investment Manager has seen charcoal prices increase from 117 BRL/MDC in January to 132 BRL/MDC in June, and foresees these to settle in the range of 120 BRL/MDC and 130 BRL/MDC for the rest of the year. The current charcoal prices and demand are reflective of less activity in the pig iron segment due to weak domestic consumption and decreased export prices in USD terms. However, the depreciation of the BRL has reduced the effect on export producer's profit margins in local currency. The Investment Manager believes that demand will grow in the coming months and prices will keep within the above mentioned range.

THE COLOMBIAN WOOD PRODUCT MARKET

In Colombia both sawlog and pulplog prices have been stable during the first half of 2015. The price for small round wood has remained stable around 88,000 COP/m3. With the currency depreciation, the local wood product industry became more competitive on the export dominated market for wood based products. This has increased demand for wood raw material, both pulplog and sawlog. The Investment Manager foresees upward price trends driven by the increasing demand.

INVESTMENT PORTFOLIO

During the first half of 2015 we have been increasingly focused on increasing production and on cost reductions across our project portfolio. This includes insourcing some of our silviculture operations and reducing the overhead structure in our charcoal operations. This should increase our margins and enhance the long-term returns for our investors. On the following pages there is a detailed description of each of our current projects.

In November 2014 the pig-iron mill, acquired in 2011, was sold. The sale price was BRL 35 million to be paid in 60 instalments. The pig-iron asset was given as guarantee for the payment schedule. Earlier this year the buyer started to default on payments, and as at 30 June 2015, over 5 monthly instalments were in arrears. Due to this, the Investment Manager has commenced the process of exercising the guarantee over the pig-iron mill. Furthermore, the Investment Manager has entered into a memorandum of understanding to sell 50% of the pig-iron mill for BRL 14 million in an asset swap and BRL 1.7 million in cash, valuing the asset at BRL 31.4 million. The current book value of the asset is BRL 27.3 million.

INVESTMENT PIPELINE AND OUTLOOK

The Investment Manager is evaluating several attractive investment opportunities in the markets and regions where the Company operates. The slowdown of the local economies combined with depreciating local currency has created an opportune time for investment in forest assets that are mainly supplying export oriented industries. Export industries such as pulp producers are showing EBITDA margins of over 40% and are increasing capacity through new investments in new production capacity. At the same time, the Investment Manager is increasing efforts regarding increased productivity and efficiencies within the current portfolio in order to continue creating long-term value for the Company's shareholders.

Best Regards,

Johan Larsson

Chief Executive Officer
Timber Capital Limited
22 September 2015

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 PROJECT	
LOCATION	MINAS GERAIS, BRAZIL
YEAR OF INVESTMENT	2011
OWNERSHIP	100%
SPECIES	EUCALYPTUS
END-USE	CHARCOAL/ BIOCARBON FOR PIG IRON PRODUCTION
TOTAL AREA	29,799 HA

BIOCARBONO PROJECT	
LOCATION	MINAS GERAIS, BRAZIL
YEAR OF INVESTMENT	2011
OWNERSHIP	100%
END-USE	CHARCOAL/ BIOCARBON FOR PIG IRON PRODUCTION

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 6,060 ha. 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 and in 2016 will have areas to be harvested.

Ibiraçu has passed the annual FSC audit process.

FRONDOSA PROJECT DESCRIPTION

In 2011 the Company initially acquired existing eucalyptus plantations covering a total plantable area of 18,425 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 have high log quality.

HIGHLIGHTS FOR THE PERIOD

Frondosa has also entered into contracts to supply a pulp producer and is currently negotiating further sales and to increase the volume of current contracts.

Frondosa has passed the FSC re-certification audit process.

BIOCARBONO PROJECT DESCRIPTION

In October 2013 the Group separated out the charcoal activity of Frondosa into a separate company, Biocarbono. The company is engaged in the production of charcoal for use in pig iron production.

HIGHLIGHTS FOR THE PERIOD

During the period Biocarbono has entered into additional contracts to supply charcoal.

The results of the charcoal business are now starting to be positively impacted by the new kilns that the company invested in at the end of 2014 and beginning of 2015. Those kilns are now fully up and running and together with improved operational efficiencies in the old production assets should drive the business to improved results towards the end of 2015.

Biocarbono has passed the FSC re-certification 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

Aimara has passed the FSC re-certification 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.

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

HIGHLIGHTS FOR THE PERIOD

In 2015 the Company started to sell the wood from the asset acquired in 2014 and has implemented sales based on inventory volume in order to transfer the volume risk to the client.

After a planning process the Company identified an opportunity to increase the plantable area by five hectares.

The Company has decreased overhead cost by insourcing the local management team.

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	10,856 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 10,856 ha of acquired land located in the Antioquia region near Medellin, Colombia, traditionally a pine growing area. The net plantation area is 7,048 ha, of which 6,315 ha is currently planted, primarily 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 continues 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.

MS Timberland has passed the annual FSC audit process.

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 2015 which comprise 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 24. 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 2015 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
22 September 2015

THE FOREST COMPANY LIMITED
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2015

	Notes	30 Jun 2015 USD'000	31 Dec 2014 USD'000	30 Jun 2014 USD'000
ASSETS				
Non-current assets				
Forest assets				
Land	**8**	104,389	117,286	138,197
Biological assets	**8**	98,240	119,994	151,947
Investment property	**10**	5,649	6,586	7,841
Property, plant and equipment	**11**	2,539	1,735	1,668
Investment in associates	**12**	-	-	4,833
Investment in joint ventures	**12**	48,913	56,886	72,577
Other non-current assets	**13**	10,242	12,123	12,653
Total non-current assets		269,972	314,610	389,716
Current assets				
Inventory	**14**	4,390	5,777	6,030
Trade and other receivables	**15**	7,866	7,092	4,731
Cash and cash equivalents				
Restricted	**16**	863	1,000	1,170
Unrestricted	**16**	2,285	8,903	13,459
Total current assets		15,404	22,772	25,390
TOTAL ASSETS		285,376	337,382	415,106
LIABILITIES				
Non-current liabilities				
Interest bearing borrowings	**17**	(28,682)	(29,319)	(22,457)
Deferred tax liability	**18**	(6,287)	(7,283)	(8,908)
Other long term liability	**19**	(2,438)	(1,729)	(1,795)
Total non-current liabilities		(37,407)	(38,331)	(33,160)
Current liabilities				
Interest bearing borrowings	**17**	(1,960)	(1,411)	(677)
Trade and other payables	**20**	(7,219)	(11,561)	(16,756)
Provisions		(792)	(776)	(932)
Total current liabilities		(9,971)	(13,748)	(18,365)
TOTAL LIABILITIES		(47,378)	(52,079)	(51,525)
NET ASSETS		237,998	285,303	363,581

THE FOREST COMPANY LIMITED

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

(CONTINUED)

	Notes	30 Jun 2015 USD'000	31 Dec 2014 USD'000	30 Jun 2014 USD'000
Equity				
Share capital		310,771	310,771	309,406
Revaluation reserve		103,908	99,721	95,989
Foreign currency translation reserve		(179,626)	(138,852)	(74,030)
Accumulated profit		2,481	12,060	32,216
Non-controlling interests		464	1,603	-
Equity attributable to holders of redeemable Ordinary Shares and Class A Ordinary Shares		237,998	285,303	363,581
Number of redeemable Ordinary Shares in issue at period end		19,028,483	19,028,483	18,885,736
Number of redeemable Class A Ordinary Shares in issue at period end		24,210,655	24,210,655	24,201,802
		43,239,138	43,239,138	43,087,538
Net asset value per redeemable Ordinary and Class A Ordinary Share	**22**	$5.50	$6.60	$8.44

The accompanying notes form an integral part of the condensed financial statements.

The condensed consolidated interim financial statements were approved by the Board of Directors on 22 September 2015 and signed on their behalf by:

Joseph E Ryan FCA

Non-Executive Director
22 September 2015

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THE FOREST COMPANY LIMITED
UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2015

		Jan - Jun	Jan - Jun	Jan-Dec
Continuing Operations		**2015**	**2014**	**2014**
Income	**Notes**	**USD'000**	**USD'000**	**USD'000**
Revenue	**3**	9,665	7,938	17,492
Cost of sales	**3**	(7,211)	(5,423)	(17,418)
Gross profit		2,454	2,515	74
Depletion	**3**	(2,340)	(2,957)	(7,939)
		114	(442)	(7,865)
Unrealised (loss)/gain on forest assets	**8**	(562)	7,493	9,099
Realised (loss) on disposal of asset	**11**	(8)	-	-
Share of (loss)/profit of joint venture	**12**	(842)	3,180	974
Share of income from associate	**12**	-	2,592	2,513
		(1,298)	12,823	4,721
Operating expenses				
Administrative expenses	**4**	4,567	6,171	12,659
Forestry operating expenses	**5**	1,826	2,642	4,034
Revaluation of property, plant and equipment		-	2,577	-
Impairment of property, plant and equipment	**11**	-	-	5,389
		6,393	11,390	22,082
Operating (loss)/profit		(7,691)	1,433	(17,361)
Interest income on bank deposits		40	138	257
Interest expense		(1,521)	(457)	(1,738)
Loss/profit before tax		(9,172)	1,114	(18,842)
Taxation charge	**6**	(475)	(546)	(810)
(Loss)/profit for the period/year from continuing operations		(9,647)	568	(19,652)
(Loss)/profit for the period attributable to:				
Holders of redeemable Ordinary Shares and Class A Ordinary Shares		(9,579)	568	(19,588)
Non-controlling interests		(68)	-	(64)
		(9,647)	568	(19,652)
Earnings per share - Basic and Diluted (US cents)	**7**	(22.15)	1.32	(45.43)

THE FOREST COMPANY LIMITED

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	Note	Jan - Jun 2015 USD'000	Jan - Jun 2014 USD'000	Jan-Dec 2014 USD'000
(Loss)/profit for the period/year		(9,647)	568	(19,652)
Other comprehensive (loss)/income net of income tax				
Items that may be reclassified subsequently to profit or loss				
Foreign currency translation differences		(40,817)	20,827	(43,959)
		(40,817)	20,827	(43,959)
Items that will not be reclassified subsequently to profit or loss				
Revaluation of planted land	**8**	4,128	18,568	21,808
Deferred tax effect on other comprehensive income	**18**	(125)	(642)	(704)
		4,003	17,926	21,104
Share of other comprehensive income of joint venture	**12**	184	369	923
Other comprehensive (loss)/income for the period/year		(36,630)	39,122	(21,932)
Total comprehensive (loss)/income for the period/year		(46,277)	39,690	(41,584)
Total Comprehensive (loss)/income attributable to:				
Holders of redeemable Ordinary Shares and Class A Ordinary Shares		(46,166)	39,690	(41,556)
Non-controlling interests		(111)	-	(28)
		(46,277)	39,690	(41,584)

The results for the period relate to continuing operations.

The accompanying notes form 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 2015

2015	**Notes**	**Share capital USD'000**	**Revaluation reserve USD'000**	**Currency translation reserve USD'000**	**Accumulated profit USD'000**	**Non-controlling interests USD'000**	**Total USD'000**
As at 1 January 2015		310,771	99,721	(138,852)	12,060	1,603	285,303
Total comprehensive loss for the period							
Loss for the period		-	-	-	(9,579)	(68)	(9,647)
Other comprehensive income/(loss)							
Currency translation loss		-	-	(40,774)	-	(43)	(40,817)
Share of other comprehensive income of joint venture	**12**	-	184	-	-	-	184
Revaluation of planted land	**8**	-	4,128	-	-	-	4,128
Deferred tax on revaluation	**18**	-	(125)	-	-	-	(125)
Total comprehensive income for the period		-	4,187	(40,774)	(9,579)	(111)	(46,277)
Transactions with owners							
Dividends payable		-	-	-	-	-	-
Total transactions with owners		-	-	-	-	-	-
Non-controlling interests movement in period		-	-	-	-	(1,028)	(1,028)
As at 30 June 2015		310,771	103,908	(179,626)	2,481	464	237,998

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						
Profit for the period		-	-	-	568	568
Other comprehensive income						
Currency translation gain		-	-	20,827	-	20,827
Share of other comprehensive income of joint ventures	**12**	-	369	-	-	369
Revaluation of planted land	**8**	-	18,568	-	-	18,568
Deferred tax on revaluation	**18**	-	(642)	-	-	(642)
Total comprehensive income		-	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

The accompanying notes form 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 2015

	Notes	Jan - Jun 2015 USD'000	Jan - Jun 2014 USD'000	Jan - Dec 2014 USD'000
Cash flows from operating activities				
(Loss)/profit for the period/year		(9,647)	568	(19,652)
Adjustments for:				
Original biological asset cost of sales	**3**	2,207	2,888	9,960
Depletion	**3**	2,340	2,957	7,939
Unrealised loss/(gain) on forest assets	**8**	562	(7,493)	(9,099)
Impairment of property, plant and equipment	**11**	-	-	5,389
Revaluation of property, plant and equipment		-	2,577	-
Taxation	**6**	475	546	810
Depreciation	**11**	463	16	500
Share of loss/(profit) of joint venture	**12**	842	(3,180)	(974)
Share of income from associate	**12**	-	(2,592)	(2,513)
Increase in inventory		(27)	(196)	(19)
Decrease in trade receivables		140	1,764	1,545
Increase/(decrease) in trade payables		1,524	(81)	4,062
Cash used in operating activities		(1,121)	(2,226)	(2,052)
Tax paid		(2,266)	(408)	(923)
Net cash used in operating activities		(3,387)	(2,634)	(2,975)
Cash flows from investing activities				
Net cashflows received from joint venture		1,520	397	397
Net cashflows received from associate		-	57	57
Purchase of property, plant and equipment	**11**	(591)	(1,733)	(4,178)
Sale of property, plant and equipment		40	-	-
Purchase of investment property		-	-	(74)
Purchase of forest assets	**8**	-	(10,457)	(16,131)
Acquisition of subsidiary		(2,548)	-	4,640
Release of escrow amounts owed on forest assets purchased in prior periods	**16**	-	(6,736)	(6,906)
Planted land and biological assets cost capitalised	**8**	(871)	(3,205)	(2,908)
Net cash used in investing activities		(2,450)	(21,677)	(25,103)

THE FOREST COMPANY LIMITED
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2015

(CONTINUED)

	Notes	Jan - Jun 2015 USD'000	Jan - Jun 2014 USD'000	Jan - Dec 2014 USD'000
Cash flow from financing activities				
Proceeds from issue of shares		-	-	1,365
Proceeds from interest bearing borrowings		805	8,134	15,730
Repayment of interest bearing borrowings		(429)	(161)	(155)
Dividends paid		-	-	(9,479)
Net cash (used in)/from financing activities		376	7,973	7,461
Net decrease in cash and cash equivalents during the period/year		(5,461)	(16,338)	(20,617)
Cash and cash equivalents at the beginning of the period/year		9,903	31,728	31,728
Effects of changes in foreign exchange rates		(1,294)	(761)	(1,208)
Cash and cash equivalents at the end of the period/year	**16**	3,148	14,629	9,903

The accompanying notes form an integral part of the condensed financial statements.

1. GENERAL INFORMATION

The information relating to the year ended 31 December 2014 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 2014.

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 2014. The annual financial statements have been prepared in accordance with IFRS as adopted by the European Union.

Adoption of new and revised standards
There are no new or revised standards endorsed by the European Union for accounting periods commencing on or after 1 January 2015 relevant to the Group's operations. Additionally, the Group has not early adopted any standards, amendments and interpretations to existing standards that have been published and will be mandatory for the Group's accounting periods beginning on or after 1 January 2016 or later periods.

Going concern
The Board has made enquiries and examined the Group's cash forecasts for the 18 month period to 31 December 2016, 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. The charcoal arm of the Company, Biocarbono, is showing signs of performance improvement and management believes breakeven is achievable in a short period of time. The results of Biocarbono are susceptible to movements in the market prices of pig iron and thus the Company is continuously seeking to reduce its costs in order to compensate for the unfavourable market conditions. Sales outlets, additional to Biocarbono, for the wood generated by Frondosa and its subsidiaries have been actively sought and have met with some success.

Furthermore, a decision on starting to harvest the Aimara project in late 2015, rather than in 2016, is being considered which will enhance the cash position of the Company.

The Company has additional sources of funds available in case a market downturn occurs, namely a warrants agreement, for a total subscription amount of USD 25.5 million, dated June 2015. This warrant structure was developed in order to reduce currency volatility for investors subscribing to equity in the Company. The structure gives investors the option to choose, within a 12 month period, when to convert the warrants to shares at the last published Adjusted NAV per share at the time of exercise. After this period, the warrants are automatically converted to shares. Additionally the Company has access to the balance of USD 2.5 million available through its Metlife line of credit facility.

2. ACCOUNTING POLICIES (CONTINUED)

Going concern (continued)
As a result of the foregoing the Board has a reasonable expectation that the Company and the Group have adequate resources to continue as a going concern. Accordingly, the Group continues to adopt the going concern basis in preparation of these financial statements.

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, 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.
c) During the first half of 2015 the Investment Manager has taken several actions in order to turn around the loss making charcoal business. This has involved decreasing overhead costs, renegotiating contracts with subcontractors and increasing the yield in the charcoal operations. Further, the new kilns constructed at the end of 2014 are now fully operational. The results of the business have been improved by these actions. However, further decreasing charcoal prices due to the slowdown of the Brazilian economy has put pressure on the business. The Investment Manager is forecasting improvements in the performance of the business during the second half of 2015 leading to a reduction in forecast losses. Given the reductions already achieved in operational costs, if a recovery in the charcoal price also occurs, the business should then be in a position to breakeven or make a profit.

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

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 USD.

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, 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 2015.

Foreign exchange rates

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

	Jan - Jun 2015		Jan - Jun 2014		Jan - Dec 2014	
Currency	***Closing rate***	***Average rate***	***Closing rate***	***Average rate***	***Closing rate***	***Average rate***
Brazilian Reals (BRL)	3.1030	2.9713	2.2143	2.2964	2.6576	2.3552
Sterling (GBP)	0.636	n/a	0.585	n/a	0.642	n/a
Colombian Pesos (COP)	2,606.0	2,486.8	1,877.4	1,959.0	2,376.5	2,001.7

3. REVENUE

Jan - Jun 2015	**Standing trees USD'000**	**Charcoal USD'000**	**Service and consultancy USD'000**	**Elimination USD'000**	**Total USD'000**
Sales	5,772	5,890	2,256	(4,253)	9,665
Cost of sales					
Original biological asset cost	(2,699)	(3,674)	-	4,166	(2,207)
Variable cost	-	(2,967)	(2,037)	-	(5,004)
	(2,699)	(6,641)	(2,037)	4,166	(7,211)
Gross profit	**3,073**	**(751)**	**219**	**(87)**	**2,454**
Depletion	(2,340)	-	-	-	(2,340)
	733	**(751)**	**219**	**(87)**	**114**

3. REVENUE (CONTINUED)

Jan - Jun 2014	Standing trees USD'000	Charcoal USD'000	Service and consultancy USD'000	Elimination USD'000	Total USD'000
Sales	9,130	5,328	-	(6,520)	7,938
Cost of sales					
Original biological asset cost	(5,740)	(3,668)	-	6,520	(2,888)
Variable cost	-	(2,535)	-	-	(2,535)
	(5,740)	(6,203)	-	6,520	(5,423)
Gross profit	**3,390**	**(875)**	**-**	**-**	**2,515**
Depletion	(2,957)	-	-	-	(2,957)
	433	**(875)**	**-**	**-**	**(442)**

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 accruals 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 year's unrealised gains on the biological assets sold or used in the production of charcoal sold during the period.

In October 2013 the Group separated out the charcoal activity of Frondosa into a separate company, Biocarbono. The category described above as 'Charcoal' reflects solely the activity of Biocarbono. In the Consolidated Interim Financial Statements for the six months ended 30 June 2014 the category described as 'Charcoal' also included activity in respect of Frondosa; the 2014 comparative, shown above, has been adjusted to show only Biocarbono's activity so as to be consistent with the 30 June 2015, and 31 December 2014, presentation. No comparative figures are shown for 'Service and consultancy' sales and cost of sales as prior to 15 December 2014 the entity to which the figures relate, Silvotecnia, was an associate investment (See Note 12). The column described as 'Elimination' relates to adjustments made on consolidation.

Following the adoption of IFRS 11 at 1 January 2014, revenue from the joint ventures harvested timber is included within Note 12.

4. ADMINISTRATIVE EXPENSES

	Jan - Jun 2015 USD'000	Jan - Jun 2014 USD'000
Investment Management fees	2,399	2,666
Legal and professional fees	680	1,664
Travel expenses	284	418
Audit fees	333	243
Administration fees	321	512
Consultancy fees	185	251
Directors fees and expenses	295	312
Bank charges	70	105
	4,567	**6,171**

5. FORESTRY OPERATING EXPENSES

	Jan - Jun 2015 USD'000	Jan - Jun 2014 USD'000
Project facilities	290	319
Payroll	499	1,134
Forestry services	549	516
Irrecoverable tax inputs	189	264
Insurance	179	286
Valuation fees	103	113
Other general expenses	17	10
	1,826	**2,642**

6. TAXATION

	Jan - Jun 2015 USD'000	Jan - Jun 2014 USD'000
Current tax		
Brazil	485	267
Colombia	57	27
	542	294
Deferred tax		
Brazil	(69)	252
Colombia	2	-
	(67)	252
	475	546

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 2015	Jan - Jun 2014	Jan - Dec 2014
(Loss)/profit for the period/year	**USD'000**	**USD'000**	**USD'000**
From continuing operations	(9,579)	568	(19,588)
	(9,579)	568	(19,588)
Average number of issued shares ('000s)	43,239	43,008	43,113
Basic and diluted (loss)/earnings per share	**US cents**	**US cents**	**US cents**
From continuing operations	(22.15)	1.32	(45.43)
	(22.15)	1.32	(45.43)

8. Forest Assets

The table below details the movements in forest assets for the six months ended 30 June 2015.

2015	Land* USD'000	Biological assets USD'000	Total USD'000
Cost:			
Opening balance	75,534	142,872	218,406
Land and biological assets costs capitalised	-	871	871
Biological assets harvested	-	(2,699)	(2,699)
Land sold	(10)	-	(10)
Closing balance	75,524	141,044	216,568
Fair value movements:			
Opening balance	102,586	115,821	218,407
Decrease in fair value of biological assets	-	(562)	(562)
Biological assets harvested	-	(2,340)	(2,340)
Land sold	(6)	-	(6)
Surplus on revaluation of planted land	4,128	-	4,128
Closing balance	106,708	112,919	219,627
Accumulated effect of foreign exchange movement on translation	(77,843)	(155,723)	(233,566)
Fair value of forest assets	**104,389**	**98,240**	**202,629**

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

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

8. FOREST ASSETS (CONTINUED)

The Group's forest assets were valued at 30 June 2015 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 127.85 million (31 December 2014: USD 154.81 million) as security for the Metlife loan (see Note 17).

Changes in valuation assumptions
Real post-tax discount rate: The discount rates used range from 6.24% to 6.41% (31 December 2014: 5.70% to 5.77%).

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.

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	7,257	142,827	5.35%
	1% increase	(6,612)	128,958	-4.88%
Forecast wood volume				
	1% decrease	(1,860)	133,710	-1.37%
	1% increase	1,865	137,435	1.38%
Wood prices				
	1% decrease	(1,860)	133,710	-1.37%
	1% increase	1,865	137,435	1.38%
Forestry costs				
	1% decrease	109	135,679	0.08%
	1% increase	(103)	135,467	-0.08%

9. FOREST ASSETS SENSITIVITIES (CONTINUED)

Biological assets sensitivity analysis (continued)

31 Dec 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	9,665	172,921	5.92%
	1% increase	(8,778)	154,478	-5.38%
Forecast wood volume				
	1% decrease	(2,264)	160,992	-1.39%
	1% increase	2,265	165,521	1.39%
Wood prices				
	1% decrease	(2,264)	160,992	-1.39%
	1% increase	2,265	165,521	1.39%
Forestry costs				
	1% decrease	147	163,403	0.09%
	1% increase	(143)	163,113	-0.09%

For example, a decrease in the forecast wood volume of 1% would result in a decrease of the biological asset value of USD 1.86 million (2014: USD 2.26 million) to USD 133.71 million (2014: USD 160.99 million), and an increase in the forecast wood volume of 1% would result in an increase in the biological asset value of USD 1.87 million (2014: USD 2.27 million) to USD 137.44 million (2013: USD 165.52 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 regime has been elected by all of the Group's forestry operations. This tax regime allows eligible companies to pay a lower tax rate of 3.08% on operating revenue at a presumed rate of profitability, as opposed to a higher tax rate of 34% on actual profits under the Lucro Real regime. The Lucro Presumido regime is currently available to companies with annual revenue of less than BRL 78 million (approximately USD 25.1 million). Whilst the revenues are managed to ensure the annual revenue stays below BRL 78 million, should the revenue of one of the Group's Brazilian projects exceed BRL 78 million in any one calendar year, that project would be subject to Lucro Real the following year.

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.

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. Included in the balances in the tables below are amounts relating to the Company's joint venture, Aimara.

30 Jun 2015	**Lucro Presumido USD'000**	**Lucro Real USD'000**	**Change in value under Lucro Real USD'000**	**Percentage change in valuation under Lucro Real**
Biological asset value sensitivity to tax election	109,752	91,912	(17,840)	-16.25%
Biological asset deferred tax provision sensitivity to tax election	(3,362)	(16,966)	(13,604)	404.64%
Total biological asset value and deferred tax sensitivity to tax election	106,390	74,946	(31,444)	-29.56%
Net Asset Value sensitivity to tax election on biological asset and deferred tax	237,998	206,554	(31,444)	-13.21%
Land value deferred tax provision sensitivity to tax election	(3,271)	(23,797)	(20,526)	627.51%
Total land, forest asset value and deferred tax sensitivity to tax election	210,527	158,558	(51,969)	-24.69%
Net Asset Value sensitivity to tax election	237,998	186,029	(51,969)	-21.84%

9. FOREST ASSETS SENSITIVITIES (CONTINUED)

Brazilian tax sensitivity analysis (continued)

31 Dec 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	133,549	114,197	(19,352)	-14.49%
Biological asset deferred tax provision sensitivity to tax election	(4,070)	(21,022)	(16,952)	416.52%
Total biological asset value and deferred tax sensitivity to tax election	129,479	93,175	(36,304)	-28.04%
Net Asset Value sensitivity to tax election on biological asset and deferred tax	285,303	248,999	(36,304)	-12.72%
Land value deferred tax provision sensitivity to tax election	(3,677)	(26,205)	(22,529)	612.78%
Total land, forest asset value and deferred tax sensitivity to tax election	247,450	188,616	(58,833)	-23.78%
Net Asset Value sensitivity to tax election	285,303	226,470	(58,833)	-20.62%

The Directors, through their active management of the Company's dual purpose of investing in real estate and forestry, believe that both the land and biological assets of the Brazilian subsidiaries will remain eligible for the Lucro Presumido 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 20.5 million (31 December 2014: USD 22.5 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 2015, if the per hectare values of land were to increase or decrease by 1%, with all other variables held constant, the planted land values would have increased or decreased by USD 1.14 million respectively (31 December 2014: USD 1.31 million).

9. FOREST ASSETS SENSITIVITIES (CONTINUED)

Forest assets foreign currency exchange rate sensitivity analysis
The Group's forest assets are held in currencies other than USD and therefore expose the Group to sensitivity as the value of the assets denominated in other currencies will fluctuate due to changes in exchange rate on translation. As at 30 June 2015, the Group forest assets were denominated in BRL and COP.

If the USD strengthened or weakened by 20% against the BRL and all other variables held constant, the Group's forest asset values for the period would have been USD 31.64 million lower or USD 47.46 million higher (31 December 2014: USD 40.39 million lower or USD 60.59 million higher) respectively as a result of the translation of BRL denominated forest asset values.

If the USD strengthened or weakened by 20% against the COP and all other variables held constant, the Group's forest asset values for the year would have been USD 6.46 million lower or USD 9.68 million higher (2014: USD 7.41 million lower or USD 11.11 million higher) respectively as a result of the translation of COP denominated forest asset values.

Biological assets sensitivity to charcoal operations profitability
At 30 June 2015, the Group's forestry projects in Minas Gerais, which produce wood primarily for its charcoal production subsidiary had biological assets valued at USD 86.1 million (31 December 2014: USD 106.6 million). The Group's charcoal production subsidiary made losses throughout 2014. However, investment in newly designed, larger and more efficient kilns have led to an improvement in the business. Whilst losses have been incurred in the first six months of 2015, these are forecast to continue but reduce in the second six months and, if there should be a recovery in charcoal prices, which have fallen due to the downturn in the Brazilian economy, the business should be in a position to breakeven or make a profit.

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

If the valuations were adjusted to take into account charcoal production losses of BRL 5 per m3 of wood sales, the impact of this would decrease the above mentioned biological asset valuations by USD 10.3 million (31 December 2014: USD 12.7 million).

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 2015.

	30 Jun 2015 USD'000	31 Dec 2014 USD'000
Cost:		
Opening balance	7,011	6,546
Additions	-	465
Reclassification to property plant and equipment	(381)	-
Closing balance	6,630	7,011
Fair value movements:		
Opening balance	(150)	(150)
Closing balance	(150)	(150)
Accumulated effect of foreign exchange movement on translation	(831)	(275)
Fair value of investment properties	**5,649**	**6,586**

The Group's investment properties were valued at 30 June 2015 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 2015, if the per hectare values of land were to increase or decrease by 1%, with all other variables held constant, the NAV would have increased or decreased by USD 56,000 (31 December 2014: USD 66,000).

Investment property foreign currency exchange rate sensitivity analysis
The Group's Investment property is also exposed to foreign exchange rate fluctuation in the same manner as the forest assets above. As at 30 June 2015, the Group investment property was denominated in COP.

If the USD strengthened or weakened by 20% against the COP and all other variables held constant, the Group's Investment property values for the period would have been USD 941,000 lower or USD 1,412,000 higher (31 December 2014: USD 1,097,000 lower or USD 1,644,000 higher) respectively as a result of the translation of COP 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 have been no transfers in or out of this total.

11. PROPERTY, PLANT AND EQUIPMENT

30 Jun 2015	Carbonisation assets USD'000	Equipment USD'000	Total USD'000
Cost:			
Opening balance as at 1 January	8,276	3,242	11,518
Additions	398	1,091	1,489
Disposals	-	(50)	(50)
Closing balance as at 30 June	8,674	4,283	12,957
Depreciation/Fair Value:			
Opening balance as at 1 January	(8,218)	(574)	(8,792)
Depreciation	(170)	(293)	(463)
Disposals	-	2	2
Closing balance as at 30 June	(8,388)	(865)	(9,253)
	286	3,418	3,704
Effect of foreign exchange movements	(90)	(1,075)	(1,165)
Carrying value as at 30 June 2015	**196**	**2,343**	**2,539**

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

During the period the Group continued constructing additional kilns.

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. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The impairment loss charged to income statement relates to carbonisation assets previously held at cost as per the valuation policy. The realised loss on disposal of asset charged to income statement relates to the sale of equipment during the period.

12. JOINT VENTURES AND INVESTMENT IN ASSOCIATE

Joint Ventures

The Company has two joint ventures.

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

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

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

Although the Company owns 80% of the joint 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.

12. JOINT VENTURES AND INVESTMENT IN ASSOCIATE (CONTINUED)

Joint ventures (continued)

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

	MSTH 30 Jun 2015 USD'000	Aimara 30 Jun 2015 USD'000	Total 30 Jun 2015 USD'000
Non-current assets			
Forest assets			
Land	9,050	3,019	12,069
Biological assets	25,819	11,511	37,330
Other non-current assets	659	-	659
	35,528	14,530	50,058
Current assets			
Cash and cash equivalents	569	747	1,316
Other current assets	825	325	1,150
	1,394	1,072	2,466
Non-current liabilities			
Deferred tax	1,662	441	2,103
Other non-current liabilities	251	-	251
	1,913	441	2,354
Current liabilities			
Interest bearing borrowings	171	-	171
Other current liabilities	654	432	1,086
	825	432	1,257
Net Assets	**34,184**	**14,729**	**48,913**

12. JOINT VENTURES AND INVESTMENT IN ASSOCIATE (CONTINUED)

Joint ventures (continued)

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

12. JOINT VENTURES AND INVESTMENT IN ASSOCIATE (CONTINUED)

Joint ventures (continued)

	MSTH 30 Jun 2015 USD'000	Aimara 30 Jun 2015 USD'000	Total 30 Jun 2015 USD'000
Revenue - from harvested timber	2,723	-	2,723
Cost of sales	(1,078)	-	(1,078)
Gross profit	1,645	-	1,645
Depletion	(1,412)	-	(1,412)
	233	-	233
Unrealised (loss)/gain on biological assets	(489)	256	(233)
	(256)	256	-
Operating expenses	(816)	(285)	(1,101)
Interest (expense)/income on bank deposits	(11)	54	43
(Loss)/profit before tax	(1,083)	25	(1,058)
Taxation credit/(charge)	242	(26)	216
Loss for the year	(841)	(1)	(842)
Other comprehensive income	156	28	184
Total comprehensive (loss)/income	**(685)**	**27**	**(658)**

12. JOINT VENTURES 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 year	3,498	(318)	3,180
Other comprehensive income/(loss)	43	(412)	(369)
Total comprehensive income/(loss)	**3,541**	**(730)**	**2,811**

Investment in associate

In 2012 the Company entered into a share purchase agreement to purchase 3,700,071 shares of capital stock of Silvotecnia, a forestry industry service provider, as part of its Colombian operations. At the same time the Company entered into a subscription agreement to subscribe to 3,017,500 of newly issued shares, giving the Company a 33.56% interest in Silvotecnia. The share purchase agreement also gave the Company the option to purchase a further 28.5% of Silvotecnia's issued share capital, 4,963,787 shares, for USD 2.55 million on 15 December 2014. The Company took up this option. Prior to this, on 15 October 2014, Silvotecnia purchased back 13.5% of its own shares. These two events gave the Company effective control of 67.5% of Silvotecnia's shares. As a result, as of 15 December 2014, the Company, through it subsidiary, Antioquia, was deemed to have control of Silvotecnia as described by IFRS 10 and the Group now includes Silvotecnia in its consolidated results. Up to 15 December 2014, Silvotecnia was accounted for as an associate.

	30 Jun 2015 USD'000	31 Dec 2014 USD'000
Opening balance	-	2,298
Share of income from associate	-	2,513
Dividends received	-	(57)
Value of initial investment on acquisition	-	(4,754)
Closing balance	-	-

13. OTHER NON-CURRENT ASSETS

	30 Jun 2015	31 Dec 2014
	USD'000	USD'000
Pig iron mill receivable (see Note 15)	6,296	8,179
Goodwill	3,914	3,914
Other	32	30
	10,242	12,123

Goodwill arose on the acquisition of additional shares of Silvotecnia in December 2014.

14. INVENTORY

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

	30 Jun 2015	31 Dec 2014
	USD'000	USD'000
Seedlings and consumables	75	48
Work in progress	4,238	5,464
Finished products	77	265
	4,390	5,777

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

15. TRADE AND OTHER RECEIVABLES

	30 Jun 2015	31 Dec 2014
	USD'000	USD'000
Trade receivables	2,567	1,165
Advances to suppliers	679	243
Prepayments	380	160
Receivable on pig iron mill	2,486	2,640
Other receivables	1,754	2,884
	7,866	7,092

The counterparty from whom the receivable on the pig iron mill is due is currently in default. The Company is considering its options to recover the receivable amounting to total arrears of BRL 3.73 million (USD 1.2 million). Due to the nature of the contractual commitments at the time of sale, this has not been impaired. During the period the Company received USD 0.15 million in sale proceeds relating to the pig iron mill disposal.

16. 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 2015.

	30 Jun 2015	31 Dec 2014
	USD'000	USD'000
Restricted		
Amounts held in escrow accounts in respect of assets purchased	863	1,000
Unrestricted	2,285	8,903
	3,148	9,903

17. INTEREST BEARING BORROWINGS

2015		Current	Non- current	Total
Lender	Project	USD'000	USD'000	USD'000
Metlife term loan	Frondosa	-	15,000	15,000
Metlife credit facility	Frondosa	-	12,500	12,500
Banco Rendimento SA	Biocarbono	1,155	1,182	2,337
Banco Itau SA	Kaa	805	-	805
		1,960	28,682	30,642

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

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

The term loan was drawn down on 27 November 2013 and utilised to repay the remaining balance on a Redimento facility in Fondrosa. The fixed interest rate on the term loan is based upon 585 bps above the 10 year US Treasury rate, subject to a minimum 7.75% and matures on 30 September 2023. As at 30 June 2015 the principal amount owing to Metlife in respect of the term loan is USD 15 million (31 December 2014: USD 15 million).

On 28 May 2014, USD 5.5 million of the line of credit was drawn down and a further USD 7 million drawn down on 23 October 2014, leaving a further USD 2.5 million available. The interest rate applicable to the line of credit is 585 bps above the 6-month LIBOR with no interest rate floor. As at 30 June 2015 the principal amount owing to Metlife in respect of the line of credit was USD 12.5 million (31 December 2014: USD 12.5 million). Amounts drawn down on the line of credit facility mature 5 years after the date of drawdown.

17. INTEREST BEARING BORROWINGS (CONTINUED)

During the prior year four loans were arranged and drawn down from Banco Rendimento through the Company's carbonisation entity, Biocarbono. These loans attract interest at rates between 3.50% and 23.60%, with maturity dates between 24 November 2016 and 19 May 2017.

During the period the Company arranged and drew down a loan from Banco Itau through its Kaa subsidiary, amounting to BRL 2.5 million (USD 0.81 million), attracting interest at 21.84% maturing on 17 June 2016.

The total interest incurred on these borrowings was USD 1.3 million (31 December 2014: USD 1.4 million).

The Company has pledged land and biological assets with a value of USD 127.85 million (31 December 2014: USD 154.81 million) as security for the Metlife term loan. The Rendimento loans are secured on cash in Aimara and trade receivables in Biocarbono.

18. MOVEMENT IN DEFERRED TAX LIABILITIES BALANCES

The table below details the movements in deferred tax liabilities for the six months to 30 June 2015.

	30 Jun 2015 USD'000	31 Dec 2014 USD'000
Opening balance	(7,283)	(7,481)
Credited/(charged) to income statement on fair value adjustments on forest assets	69	(1)
Charged to other comprehensive income on revaluation adjustments	(125)	(704)
Exchange rate differences	1,052	903
Closing balance	(6,287)	(7,283)

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.

19. OTHER LONG TERM LIABILITY

	30 Jun 2015 USD'000	31 Dec 2014 USD'000
Amounts owing on purchase of forest assets	1,280	1,495
Other	1,158	234
	2,438	1,729

20. TRADE AND OTHER PAYABLES

	30 Jun 2015 USD'000	31 Dec 2014 USD'000
Trade payables	5,535	4,730
Amounts due on purchases	801	3,484
Taxes payable	562	2,507
Accruals	321	840
	7,219	11,561

21. 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 1.54 million (31 December 2014: USD 1.80 million) at the reporting date, being the purchase price yet to be paid.

In addition, the Company, through 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. Whilst the sale is under legal challenge, the Board understand, through legal advice, that the likelihood of any material loss is remote. 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 16).

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

22. NET ASSET VALUE

	30 Jun 2015		31 Dec 2014	
	USD *per share*	**USD'000** *total*	**USD** *per share*	**USD'000** *total*
IFRS NAV attributable to holders of redeemable Ordinary and Class A Ordinary shares	5.50	237,998	6.60	285,303
Adjustment for deferred tax duplication	0.11	4,881	0.14	5,882
Adjustment for notional land lease charge	0.23	9,718	0.27	11,797
Adjustment for unamortised organisation expenses	0.04	1,766	0.06	2,688
Adjusted NAV attributable to redeemable Ordinary and Class A Ordinary shareholders	5.88	254,363	7.07	305,670

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.

23. OPERATING SEGMENTS (CONTINUED)

	Segment revenue		Segment profit/(loss)	
Segment revenues and results	Six months ended 30 Jun 2015 USD'000	Six months ended 30 Jun 2014 USD'000	Six months ended 30 Jun 2015 USD'000	Six months ended 30 Jun 2014 USD'000
Sales of product	9,665	7,938	114	(442)
Interest income	40	138	40	138
Realised loss on Financial receivable at fair value through profit or loss	(8)	-	(8)	-
Unrealised (loss)/gain on Forest assets	(562)	7,493	(562)	7,493
Total for continuing operations	9,135	15,569	(416)	7,189
Operating expenses			(6,393)	(11,390)
Interest expense			(1,521)	(457)
Share of (loss)/profit of joint venture			(842)	3,180
Share of income from associate			-	2,592
(Loss)/profit before tax from continuing operations			(9,172)	1,114

	As at 30 Jun 2015 USD'000	As at 31 Dec 2014 USD'000
Segment assets		
Investment property	5,649	6,586
Forest assets	202,629	237,280
Property, plant and equipment	2,539	1,735
Investment in joint venture	48,913	56,886
Other non-current assets	10,242	12,123
	269,972	314,610
Other assets	15,404	22,772
Total segment and consolidated assets	285,376	337,382
Segment liabilities		
Interest bearing borrowings	30,642	30,730
Other long term liabilities	2,438	1,729
Deferred tax liability	6,287	7,283
Trade and other payables	7,219	11,561
Provisions	792	776
Total segment and consolidated liabilities	47,378	52,079

23. OPERATING SEGMENTS (CONTINUED)

	Income		Non-current assets	
	Period ended 30 Jun 2015 USD'000	Period ended 30 Jun 2014 USD'000	As at 30 Jun 2015 USD'000	As at 31 Dec 2014 USD'000
Guernsey	-	4	-	-
Brazil	7,424	7,753	224,816	263,467
Colombia	1,439	6,091	45,156	51,143
Total	8,863	13,848	269,972	314,610

24. SUBSEQUENT EVENTS

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

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

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

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

As can be seen at the end of Note 2, there had been a 16.8% and 9.7% fall in the closing exchange rate of the BRL and COP respectively, against the USD between 31 December 2014 and 30 June 2015 which had a significant impact on the Group's currency translation reserve during the six months ended 30 June 2015. As at the date of signing these interim financial statements, the BRL and COP had fallen by a further 28.4% and 15.5% respectively against the USD and the closing rates on 21 September 2015 were 3.9851 and 3,009.2 respectively.

GLOSSARY

AB Florestal: AB Florestal Participacoes Ltda.

Administrator: Heritage International Fund Managers Limited.

AGM: Annual General Meeting.

AIC: Association of Investment Companies.

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

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

Aimara: Aimara Empreendimentos Imobiliários e Participações Ltda.

Annual Report: Report of the activities of the Company.

Antioquia: Antioquia Wood Holdings Limited.

Auditor: Deloitte LLP.

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

Biocarbono: Biocarbono Produção e Comércio de Carvão Ltda.

Board: Directors of the Company.

Board Meeting: Meeting of the Directors of the Company.

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

BRL: Brazilian Real.

CDI: Brazilian interbank interest rate

Cementos: Cementos Argos S.A.

Chapter: Chapter Participacoes S.A.

Charcoal: see Biocarbon.

CISE: Channel Islands Security Exchange (previously known as the Channel Islands Stock Exchange, CISX).

CISEA: Channel Islands Security Exchange Authority.

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

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

GLOSSARY (CONTINUED)

Company: The Forest Company Limited.

Company Secretary: Belasko Administration Limited.

COP: Colombian Peso.

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

Cotopaxi: Aglomerados Cotopaxi S.A.

CREE: Colombian social income tax.

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

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

DCF: Discounted Cash Flow.

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

Depletion: The Fair Value of biological assets harvested.

Donahoo: Donahoo Participacoes S.A.

El Guasimo: Reforestadora El Guasimo.

EU: The European Union.

Eucalyptus: Trees of the Genus *Eucalyptus.*

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

FRC: Financial Reporting Council.

Frondosa: Frondosa Empreendimentos Imobiliários, Atividades Florestais e Participações Ltda.

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

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

GBP: Great British Pound.

GFSC: Guernsey Financial Services Commission.

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

GLOSSARY (CONTINUED)

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

Hadoque: Hadoque Propriedades Rurais e Participacoes Ltda.

HCS: Heritage Corporate Services Limited, the Listing Sponsor.

IAS: International Accounting Standard.

IASB: International Accounting Standards Board.

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

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

Investment Manager: Timber Capital Limited (TCL).

IFRS: International Financial Reporting Standards.

IMA: Investment Management Agreement.

IRPJ: Corporate Income Tax in Brazil.

IRR: Internal Rate of Return.

Klabin: Klabin S.A.

KPI: Key Performance Indicator.

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

LLC: Limited Liability Company.

LLP: Limited Liability Partnership.

Lucro Real: Actual Profit Tax Regime in Brazil.

Lucro Presumido: Presumed Profit Tax Regime in Brazil.

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

Master Hurdle Amount: The Master Hurdle Amount has been set at USD 8.32 as of 1 January 2014 and is increased by an annual compound rate of 8%.

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

Metlife: Metropolitan Life Insurance Company.

Millco: Millco Participacoes Ltda.

GLOSSARY (CONTINUED)

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

MSTH: MS Timberland Holdings Ltd.

NAV: Net Asset Value.

The Company prepares two NAVs –

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

2. **Adjusted NAV** – the IFRS NAV adjusted, as below, for the purposes of reporting to the Shareholders and for use in the calculation of fees payable to the Investment Manager and Administrator. The Adjusted NAV, and corresponding Adjusted NAV per share, is currently calculated as the respective amounts calculated under IFRS, adjusted as follows:

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

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

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

A reconciliation of the Group's NAV per share in accordance with these financial statements and the Group's Adjusted NAV per share is disclosed in note 22.

NAV per Share: Net Asset Value per Ordinary Share.

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

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

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

NPV: Net Present Value.

GLOSSARY (CONTINUED)

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

Optimus: Optimus Group Limited.

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

Pine: Trees of the Genus *Pinus*.

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

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

Rendimento: Banco Rendimento S.A.

SCP: Sociedade em Conta de Participações.

SID: Senior Independent Director.

Silvotecnia: Silvotecnia S.A.

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

Surubim: Surubim Empreendimentos Imobiliários, Atividades Florestais e Participações Ltda.

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

Tree Holdings: Tree Holdings SPC Limited.

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

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

Updated Adjusted NAV: an updated Net Asset Value.

USD: United States Dollar.

WACC: Weighted Average Cost of Capital.