The Forest Company

Unaudited Condensed Consolidated Interim Financial Statements
For the six months ended 30 June 2012

Company Number: 47338

THE FOREST COMPANY LIMITED

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THE FOREST COMPANY LIMITED
GENERAL INFORMATION

Board of Directors
Rainer Häggblom (Chairman)
Dr. Dermot Smurfit (non-executive)
Susan Lloyd (non-executive)
John Harald Örneberg (non-executive)
Birgitta Johansson – Hedberg (non-executive) (retired 6 June 2012)
Dr. Panu Kallio (non- executive)
Joseph Ryan (non-executive) (appointed 9 July 2012)

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Identifiers:
ISIN: GG00B4TC8Z57
Sedol: B4TC8Z5
Ticker: FCO

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THE FOREST COMPANY LIMITED
HIGHLIGHTS

FINANCIAL HIGHLIGHTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

- Revenue from continuing sales for the six month period ended 30 June 2012 was USD 7.86 million (2011: USD 2.86 million), representing an increase of 175%.

- Net loss for the six month period ended 30 June 2012 amounted to USD 31.06 million (2011: profit USD 12.78 million). This includes an unrealised loss of USD 21.77 million on the revaluation of forest assets, of which USD 10.27 million was a result of a change in the methodology used for the calculation of the notional land lease charge applied to the IFRS Net Asset Value. Other factors such as acquisitions, harvesting, changes in age class structure and costs also contributed to the unrealised loss figure. Interest expenses were USD 2.54 million for the current period, after drawing down on the Frondosa loans late in 2011.

- Gross profit for the six month period was USD 2.45 million, up 44% compared to the same period last year, and operating expenses were USD 10.92 million, down 28.5% compared to the same period last year.

- Loss per share amounted to 88.73 cents based on the weighted average number of shares in issue over the six month period (2011 earnings per share: 54.03 cents).

- On 24 April 2012 The Forest Company declared a dividend of 33.36 cents per share to be paid on 31 October 2012.

FINANCIAL POSITION

- The Adjusted NAV as at 30 June 2012 was USD 10.02 per share cum-dividend and USD 9.69 per share ex-dividend. This is a decrease of 9.9% on the 31 December 2012 Adjusted NAV. The IFRS NAV as at 30 June 2012 was USD 8.92 (31 December 2011: USD 10.56).

- Total non-current assets fell to USD 337.08 million at 30 June 2012 from USD 360.28 million at 31 December 2011, as calculated in accordance with IFRS. This drop was partly as a result of the increased notional land lease accrual as explained on page 7 and partly due to the weakening Brazilian Reais.

- The cash balance as at 30 June 2012 was USD 47.54 million, up from USD 39.51 million at 31 December 2011.

- The Company, through a Brazilian subsidiary, borrowed USD 27.21 million (BRL 50.00 million) in November 2011 in order to part finance the Frondosa project. These interest bearing borrowings account for USD 23.17 million of liabilities.

- The Company issued 3,772,549 shares (2,783,964 Ordinary Shares and 988,585 Class A Ordinary Shares) on 17 February 2012 for a gross consideration of USD 33.88 million. As at 30 June 2012, the Company had a total of 36,181,159 Ordinary and Class A Ordinary Shares in issue.

POST BALANCE SHEET EVENTS

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

- On 9 July 2012, the Company put in place an incentive plan for Mr. Häggblom in his capacity as Chairman of the Company so that part of the Chairman's compensation is structured as a multi-year retention package. It has an effective monetary value of USD 70,000 per annum and it is at the Company's discretion as to whether this is paid in cash or shares. The Chairman's additional incentive package remains within the maximum annual expenditure on Directors' fees as set out in the articles of the Company.

POST BALANCE SHEET EVENTS (CONTINUED)

- On 20 September 2012, the Company entered into a public deed to sell 3,313 ha of rural land located in Minas Gerais at an agreed price of USD 8.47 million. A down payment of USD 2.54 million (30%) has been received by the Company with the remainder, less adjustments for use of the remaining unharvested land, to be paid over a five year period. Possession of the land will transfer to the buyer over this period as the Company harvests and receives further payments. Legal title will be transferred at the end of the five years after final payment has been received.

- On 24 September 2012, the Company accepted Subscription Agreements totalling USD 4.5 million with shares to be issued on 27 September 2012 at a price of USD 9.69 per share.

INVESTMENT MANAGER'S REPORT

I am happy to present you with a summary of The Forest Company Limited's ("The Forest Company" or the "Group" or the "Company") activities for the six month period ended 30 June 2012.

The IFRS NAV per share as at 30 June 2012 was USD 8.92 and the total IFRS NAV was USD 322.86 million. This represents a decrease of 15.53% on the IFRS NAV per share over the period. The Adjusted NAV of The Forest Company as at 30 June 2012 was USD 350.54 million (USD 362.61 million cum-dividend) and the Adjusted NAV per share was USD 9.69 (USD 10.02 cum-dividend) following accrual of the dividend declared on 24 April 2012 and to be paid on 31 October 2012. This represents a decrease of 12.86% (9.89% cum-dividend) on the Adjusted NAV per share over the period.

HIGHLIGHTS FOR THE PERIOD

During the six month period ended 30 June 2012 the Company, with the assistance of the Investment Manager:

- declared a third dividend to Shareholders of 33.36 cents per share payable on 31 October 2012;

- successfully completed another private placement, raising gross proceeds of USD 33.88 million;

- increased sales of standing wood and charcoal;

- increased charcoal production capacity;

- purchased further bare land in Colombia for a potential future greenfield project and to improve access to current standing wood owned by the Company;

- received FSC certification for the Colombian plantations in March 2012, further demonstrating our commitment to enhancing the environment that the Company is operating in and the product we deliver;

- enhanced the management capacity in Colombia through a minority investment in Silvotecnia, the leading forest service and management company in Colombia; and

- further strengthened the financial expertise in the Company and the Investment Manager through the appointment of Joseph Ryan to the Board as the Chairman of the Audit Committee, in addition to the expansion of the Investment Manager's finance team through the hiring of an additional financial controller.

MACRO ENVIRONMENT IN THE INVESTMENT REGION

Borrowing rates in Brazil were again trimmed in July, with some commentators expecting further cuts this year. Inflation is in general falling or steady, but recent price surges for agricultural products, particularly soy, may drive general inflation rates up over the coming months. Record low unemployment is supporting domestic

demand, although confidence may be waning due to fears that Brazil, like other countries, may not be immune to global economic problems. For now, it seems as if some authorities may be getting more comfortable with a weaker Real and the associated benefits of domestic competitiveness. The current picture is one of a more balanced, steady, development and also of gradually increasing reform and privatisations (such as airports), which, though late, will serve to bring increased competitiveness to the country.

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. The Colombian Monetary Policy Committee surprised markets with a 25 basis point rate cut at the end of July, showing a willingness to react early to signs that domestic growth may decelerate as a result of global economic problems. 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 relatively predictable.

THE WOOD PRODUCT MARKET

THE BRAZILIAN WOOD PRODUCT MARKET

Wood prices decreased globally during the first half of 2012. Wood Resource Quarterly reported the Global Sawlog Price index at USD 82.90/ m3 in the second quarter of 2012, which was down 6 percent since December 2011. Despite this, The Forest Company has not experienced price reductions in the local regions in which the Company operates, most notably in the Kaa project where sales of sawlogs are significant. It is likely that this is as a result of the 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. Prices for small logs or pulp logs fell globally during the first half of 2012, especially within Europe. In Brazil, however, prices remain unchanged compared to Q4 2011, except for in Minas Gerais where a decrease in the charcoal price has also caused a decrease in the small round wood price.

THE BRAZILIAN CHARCOAL MARKET

The Forest Company and the Investment Manager have market charcoal prices reported to them on a monthly basis from Pöyry. The reported prices decreased from 138 BRL/MDC in January to 130 BRL/MDC in June. The price decrease was mainly due to an increased volume of plantation-based charcoal coming onto the market at the same time as demand has been stabilising or decreasing. The slow 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, as reported by Pöyry, has increased since January from 442 USD/ton to 480 USD/ton. We believe that the increases in pig-iron prices during the first half of 2012 will trickle down and positively impact charcoal prices. This, coupled with additional pig-iron demand due to come on line in Minas Gerais, will have a positive impact on the price as supply and demand for plantation-based charcoal realigns.

THE WOOD PRODUCT MARKET (CONTINUED)

THE COLOMBIAN WOOD PRODUCT MARKET

In Colombia both sawlog and pulplog prices were stable during the first half of 2012. One of the region's largest wood panel producers, Tablemac, is now starting up its new medium-density fiberboard ("MDF") mill and prices are likely to increase, especially on small round wood. Some of this price increase is transmitting to the sawlog prices as some substitution occurs between assortments. 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 2012. This industry is currently the main client of the sawmill which the Company is supplying with logs. Despite this, the Company has still managed to maintain, or slightly increase, the sawlog price so far this year to 152,000 COP/m3.

30 JUNE 2012 FINANCIAL POSITION

Equity attributable to holders of redeemable Ordinary Shares and Class A Ordinary Shares decreased to USD 322.86 million (USD 8.92 per share) (2011: USD 342.35 million (USD 10.56 per share)). The decrease was a result of two main factors. Firstly, it was due to the foreign currency translation into USD. Secondly, the IFRS NAV was reduced as a result of a change in the methodology of accounting for a notional land lease accrual to ensure the accrual is reflective of market rents in each location in which the Company operates. The Company, in compliance with IFRS, accrues for a notional land lease charge where biological assets are grown on owned land as opposed to leased land. This accrual impacts the IFRS NAV only, not the Adjusted NAV. The Adjusted NAV per share decreased to USD 9.69 (2011: USD 11.12) primarily in line with the aforementioned foreign exchange movements. Investors will receive a dividend of 33.36 cents per share, as declared on 24 April 2012.

Total non-current assets fell to USD 337.08 million at 30 June 2012 from USD 360.28 million at 31 December 2011, with forest assets (land and biological assets) accounting for USD 321.90 million, of this.

The Company issued 3,772,549 shares (2,783,964 Ordinary Shares and 988,585 Class A Ordinary Shares) on 17 February 2012 for a gross consideration of USD 33.88 million. As at 30 June 2012, the Company had a total of 36,181,159 Class A Ordinary Shares and Ordinary Shares in issue.

INVESTMENT PORTFOLIO

The Company now has five main investments, four in Brazil and one in Colombia. Following, you will find details on each of these investments. The Company has made no principal acquisitions in the period, but has made a number of smaller strategic additions to its 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 number of locations, species and end user markets that will result in a balanced portfolio of standing and greenfield projects as the Company grows. In parallel to a variety of new investment opportunities, Timber Capital is working to expand and increase efficiencies within the current portfolio to continue to add value for the Company's investors.

OTHER UPDATES

During the period the Investment Manager hired an additional financial controller to the finance team. With the current team, current investments and pipeline, we at Timber Capital remain confident in our ability to deliver attractive returns to investors.

The Board of The Forest Company has decided that an Adjusted NAV will be calculated semi-annually as at 31 December and 30 June of each year going forward. Full audited financial statements will also continue to be published as at 31 December, and reviewed interim financial statements as at 30 June. However the Company will no longer publish an Adjusted NAV as at 31 March and 30 September of each year.

Best regards,

Harald Örneberg

Chief Executive Officer
Timber Capital Limited
28 September 2012

AIMARA PROJECT

AIMARA PROJECT	
LOCATION	PARAŃA , BRAZIL
YEAR OF INVESTMENT	2008
OWNERSHIP	80%
TOTAL PROJECT INVESTMENT	USD 20 MILLION
SPECIES	EUCALYPTUS
END-USE	PULPWOOD/ SAWLOGS
TOTAL AREA	2,820 HA

PROJECT DESCRIPTION

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

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

At the outset Klabin contributed the harvesting rights to 538 ha of standing pine in return for a 20% stake in the project. The harvesting rights were not related to the biological growth of the standing pine and the rights were reflected as a financial receivable at fair value through profit and loss in the statements of the Company. The new plantations are all eucalyptus. A substantial part of the eucalyptus wood fibre produced by the Aimara project 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.

The Company is in the process of applying for FSC certification in relation to the Aimara project.

HIGHLIGHTS FOR THE PERIOD

The Company triggered the financial asset receivable for the sale of standing pine trees back to Klabin and consequently received the amount of USD 7.89 million (BRL 14.73 million) on 15 April 2012.

IBIRACU PROJECT

IBIRACU PROJECT	
LOCATION	MINAS GERAIS, BRAZIL
YEAR OF INVESTMENT	2008
OWNERSHIP	100%
TOTAL PROJECT INVESTMENT	USD 42 MILLION
SPECIES	EUCALYPTUS
END-USE	BIOCARBON FOR PIG-IRON PRODUCTION
TOTAL AREA	11,478 HA

PROJECT DESCRIPTION

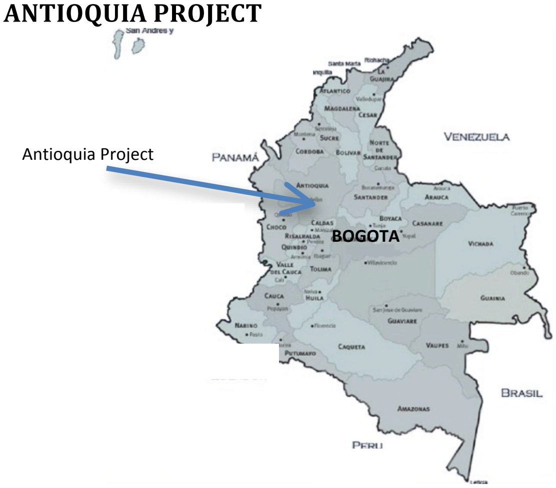
The Ibiracu Project is located in the Pirapora region of Minas Gerais state in south-eastern Brazil. The region is characterised by high altitude, fertile soil and, like Parańa, relatively high rainfall (1,450mm annually). It is rugged with numerous gullies which limit the average available land for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

The Company has obtained FSC certification for Ibiracu.

HIGHLIGHTS FOR THE PERIOD

The Company replanted an area of Compostela in the six month period as a result of below standard planting by a prior service provider. The replanted area will ensure the maintenance of the growth yield expected by the Company and a higher quality wood product.

ANTIOQUIA PROJECT



ANTIOQUIA PROJECT	
LOCATION	ANTIOQUIA REGION, COLOMBIA
YEAR OF INVESTMENT	2010
OWNERSHIP	90%
TOTAL PROJECT INVESTMENT	USD 34.6 MILLION
SPECIES	PINE
END-USE	SAW LOGS / WOOD BASED PANELS
TOTAL AREA	10,852 HA

PROJECT DESCRIPTION

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

In December 2010 the Company entered into a joint venture arrangement with Cotopaxi, an Ecuadorian wood-based panel manufacturer with existing plantation assets, through a jointly-owned project company, in which The Forest Company holds a 90% stake. The Forest Company initially contributed USD 16.88 million and the joint venture acquired a 99.83% equity interest in Reforestadora el Guasimo S.A. ("El Guasimo"), an existing Colombian forestry company.

The joint venture originally acquired 8,036 ha of land, and in June 2011, it acquired a further 2,569 ha of land, including 1,723 ha of high quality standing pine neighbouring the current El Guasimo property. The Forest Company contributed USD 17.69 million towards this expansion. The land and biological assets are managed with the El Guasimo property.

HIGHLIGHTS FOR THE PERIOD

The Company received FSC certification for the Antioquia project in March 2012.

The Company purchased a small farm of 247 ha in the region that is key to providing improved access to the Angostura plantations. The Company's long term supply off-take agreement with Cotopaxi is now in effect and the Company is negotiating with the principal client to start supplying round logs with bark instead of de-barked logs, which will decrease production costs significantly.

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

During the period the Company purchased a further 4,256 ha of bare land in the Vichada region of eastern Colombia. This land will potentially be used for a future greenfield project in the region and it is not included in the summary statistics above.

THE FOREST COMPANY LIMITED

KAA PROJECT

KAA PROJECT	
LOCATION	PARAŃA , BRAZIL
YEAR OF INVESTMENT	2011
OWNERSHIP	100%
TOTAL PROJECT INVESTMENT	USD 20 MILLION
SPECIES	PINE
END-USE	PULPWOOD/ SAWLOGS
TOTAL AREA	2,012 HA

PROJECT DESCRIPTION

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

The Company acquired concessions over the land and an option to acquire the underlying land, should legal restrictions on foreign ownership be lifted. The total investment in the project is approximately USD 20 million. The total harvestable volume of wood from the property was 716,000m^{3}solid over-bark (sob), which is equivalent to a stocking of above 600m^{3}sob/ha. The Investment Manager believes that the plantations have been well managed in the past and are of the highest saw and veneer log quality.

HIGHLIGHTS FOR THE PERIOD

The Company has expanded the wood sales made in 2011 and is now selling to a number of local buyers and is in negotiations for further wood sales. Wood is now predominantly being sold roadside, as opposed to on the stump, in order to increase the Company's share of the value chain. Marketing of the remaining mature pine continues.

FRONDOSA PROJECT

FRONDOSA PROJECT	
LOCATION	MINAS GERAIS, BRAZIL
YEAR OF INVESTMENT	2011
OWNERSHIP	100%
TOTAL PROJECT INVESTMENT	USD 155 MILLION
SPECIES	EUCALYPTUS
END-USE	CHARCOAL/ BIOCARBON
TOTAL AREA	32,157 HA

PROJECT DESCRIPTION

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

The Company agreed to acquire concessions over the land and an option to acquire the underlying land, should legal restrictions on foreign ownership be lifted, with a total land area of 32,157 ha. The Investment Manager believes that the plantations have been well managed in the past and are of the highest saw and veneer log quality. The Company, through Frondosa, drew down on a credit facility for a total amount of BRL 50.00 million to part finance the second close.

As a part of the transaction the Company acquired the physical assets of a pig-iron mill, and the surface rights on which the pig-iron mill stands. There are on-going efforts to sell these assets. The Company also entered into an industrial facility lease agreement with the sellers to lease back the pig-iron mill for a period of two years. The Company paid 60% of the appraised value of the pig-iron mill assets and surface rights assets, and a share of any profit on disposal will go to the original seller, if the assets can be disposed of by November 2013. The Company's off-take agreement to supply charcoal to the pig-iron facility is now in effect.

HIGHLIGHTS FOR THE PERIOD

In January 2012 the Company began to supply charcoal to the Frondosa pig-iron mill. During the period the Company, through Frondosa, has also been contracted to supply two other regional parties with charcoal and is currently negotiating further sales and increasing the volume of current contracts.

Charcoal production capacity is currently being increased and production efficiencies are being reviewed. Planning work for FSC certification has begun. Negotiations and efforts to sell the pig-iron mill continue.

The total reported hectares of the Frondosa project increased by 216 ha in the period as a result of final georeferencing results, despite no acquisitions.

INDEPENDENT REVIEW REPORT TO THE DIRECTORS OF THE FOREST COMPANY LIMITED

We have been engaged by the Company to review the unaudited condensed consolidated interim financial statements (the "Interim Financial Report") for the six month period ended 30 June 2012 which comprise the unaudited condensed consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, and statement of cash flows and the related notes 1 to 25. 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 therein.

This report is made solely to the Company in accordance with International Standard on Review Engagements 2410 (UK & Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Company" 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 them 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".

Our responsibility
Our responsibility is to express to the Company a conclusion on the Interim Financial Report based on our review.

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

Emphasis of matter - valuation of biological and land assets

In forming our review conclusion on the Interim Financial Report, which is not modified, we draw attention to the critical judgements made in the valuation of biological and land assets as disclosed in note 2 to the Interim Financial Report. Biological and land assets are included in the Unaudited Condensed Consolidated Statement of Financial Position at fair value as estimated by independent professional valuers at USD 331.57 million (31 December 2011: USD 352.62 million).

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

Note 2 to the Interim Financial Report explains the progress the Company has made during the period to help mitigate this risk by establishing a customer base for the estimated woodflow assumed in the valuations for projects acquired in 2011.

It is not possible to quantify a realistic range of any changes in the estimated woodflow and the consequential impact on the valuation of biological and land assets.

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

In forming our review conclusion on the Interim Financial Report, which is not modified, we draw attention to the critical judgements made in regards to the future evolution of the application of the Brazilian tax rules for the valuation of biological and land assets and calculation of deferred tax thereon as explained in note 2 to the Interim Financial Report. The accumulated deferred tax provisions in the Unaudited Condensed Consolidated Statement of Financial Position on the accumulated gains on biological and land assets of USD 150.71 million (31 December 2011: USD 164.56 million) are USD 9.78 million (31 December 2011: USD 10.77 million) reflecting the uncertain assumption that the tax system of Lucro Presumido (a revenue based tax) will remain available to the Company and potential purchasers for all Brazilian projects.

It is not possible to quantify a realistic estimate of the consequences of any change in the assumption of taxation in Brazil.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Report for the six month period ended 30 June 2012 is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

Deloitte LLP
Chartered Accountants
Guernsey

THE FOREST COMPANY LIMITED
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2012

	Notes	30 Jun 2012 USD'000	31 Dec 2011 USD'000	30 Jun 2011 USD'000
ASSETS:				
Non-current assets				
Forest assets				
Land	**6**	106,946	104,311	47,827
Biological assets	**6**	214,954	241,895	98,229
Investment property	**7**	9,671	6,411	1,759
Property, plant and equipment	**8**	2,713	6,774	1,113
Investment in associates	**9**	2,200	-	-
Financial receivable at fair value through profit or loss	**11**	-	-	7,487
Deferred tax asset	**16**	333	444	579
Other non-current assets		262	442	-
Total non-current assets		337,079	360,277	156,994
Current assets				
Non-current assets held for sale	**10**	15,414	16,248	-
Financial receivable at fair value through profit or loss	**11**	-	7,589	-
Inventory	**12**	575	1,784	1,763
Trade and other receivables	**13**	5,588	3,180	7,725
Cash and cash equivalents	**14**	47,535	39,506	133,685
Total current assets		69,112	68,307	143,173
TOTAL ASSETS		406,191	428,584	300,167
Non-current liabilities				
Interest bearing borrowings	**15**	(697)	(11,335)	-
Deferred tax liability	**16**	(9,779)	(10,773)	(8,177)
Other long term liability	**17**	(8,831)	(17,989)	(2,864)
Total non-current liabilities		(19,307)	(40,097)	(11,041)
Current liabilities				
Interest bearing borrowings	**15**	(23,638)	(15,870)	-
Trade and other payables	**18**	(40,391)	(30,264)	(14,464)
Total current liabilities		(64,029)	(46,134)	(14,464)
TOTAL LIABILITIES		(83,336)	(86,231)	(25,505)
Net assets		322,855	342,353	274,662

THE FOREST COMPANY LIMITED
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2012
(CONTINUED)

	Notes	30 Jun 2012 USD'000	31 Dec 2011 USD'000	30 June 2011 USD'000
Equity				
Share capital	**20**	3,618	3,241	3,016
Share premium		264,046	243,366	230,285
Revaluation reserve		44,633	39,093	4,316
Foreign currency translation reserve		(44,648)	(29,616)	15,871
Accumulated profit		55,206	86,269	21,174
Equity attributable to holders of redeemable Ordinary Shares and Class A Ordinary Shares		322,855	342,353	274,662
Number of redeemable Ordinary Shares in issue at period end		12,566,461	9,782,497	10,157,012
Number of redeemable Class A Ordinary Shares in issue at period end		23,614,698	22,626,113	20,000,000
		36,181,159	32,408,610	30,157,012
Net asset value per redeemable Ordinary and Class A Ordinary Share	**21**	$8.92	$10.56	$9.11

The condensed consolidated interim financial statements were approved by the Board of Directors on 28 September 2012 and signed on their behalf by:

Director
28 September 2012

THE FOREST COMPANY LIMITED
UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
For the period ended 30 June 2012

Income	Notes	Jan - Jun 2012 USD'000	Jan - Jun 2011 USD'000	Jan - Dec 2011 USD'000
Revenue	3	7,857	2,858	3,854
Cost of sales		(5,408)	(1,163)	(2,408)
Gross profit		2,449	1,695	1,446
Unrealised gain on investment property	7	49	612	552
Unrealised (loss)/gain on forest assets	6	(21,766)	21,085	112,720
Unrealised gain on financial receivable at fair value through profit or loss	11	-	56	1,472
Realised gain on financial receivable at fair value through profit or loss	11	577	-	-
		(18,691)	23,448	116,190
Operating expenses				
Investment management fees		2,889	1,536	3,751
Investment management performance fees accrued		-	3,315	16,851
Legal and professional expenses	22	2,439	3,934	6,712
Fundraising costs written off		-	1,061	3,664
Administration fees		629	515	837
Revaluation loss on property, plant and equipment	8	1,612	-	-
Directors' fees and expenses		187	226	387
Other taxes not on income		232	776	3,263
Other fees and expenses	23	2,932	3,911	3,345
Total expenses		10,920	15,274	38,810
Operating (loss)/profit		(29,611)	8,174	77,380
Interest income on bank deposits		570	1,048	3,042
Interest expense		(2,539)	-	(530)
Share of income from associate	9	27	-	-
(Loss)/Profit before tax		(31,553)	9,222	79,892
Taxation credit/(charge)	4	490	3,560	(2,181)
(Loss)/Profit for the period/year from continuing operations		(31,063)	12,782	77,711
Profit for the period/year from discontinued operations		-	-	166
(Loss)/Profit for the period/year		(31,063)	12,782	77,877
(Loss)/Profit attributable to:				
Holders of redeemable Ordinary Shares and Class A Ordinary Shares		(31,063)	12,782	77,877
(Loss)/Earnings per share - Basic and Diluted (US cents)				
From continuing operations	5	(88.73)	54.03	281.29
From discontinued operations	5	-	-	0.60
		(88.73)	54.03	281.89

THE FOREST COMPANY LIMITED
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the period ended 30 June 2012

	Notes	Jan - Jun 2012 USD'000	Jan - Jun 2011 USD'000	Jan - Dec 2011 USD'000
(Loss)/Profit for the period/year		(31,063)	12,782	77,877
Other comprehensive (loss)/income net of income tax				
Foreign currency translation differences		(15,032)	8,258	(37,229)
Revaluation of property, plant and equipment		5,540	3,668	38,445
Total comprehensive (loss)/income for the period/year		(40,555)	24,708	79,093
Total comprehensive (loss)/income attributable to:				
Holders of redeemable Ordinary Shares and Class A Ordinary Shares		(40,555)	24,708	79,093

THE FOREST COMPANY LIMITED
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the period ended 30 June 2012

2012	Notes	Share capital USD'000	Share premium USD'000	Revaluation reserve USD'000	Currency translation reserve USD'000	Accumulated profit USD'000	Total USD'000
As at 1 January 2012		3,241	243,366	39,093	(29,616)	86,269	342,353
Total comprehensive income for the period							
Loss for the period		-	-	-	-	(31,063)	(31,063)
Other comprehensive income							
Currency translation loss		-	-	-	(15,032)	-	(15,032)
Revaluation surplus		-	-	5,806	-	-	5,806
Deferred tax on revaluation		-	-	(266)	-	-	(266)
Total comprehensive income for the period		-	-	5,540	(15,032)	(31,063)	(40,555)
Transactions with owners							
Shares issued		377	33,501	-	-	-	33,878
Issue costs		-	(751)	-	-	-	(751)
Dividends payable	**18**	-	(12,070)	-	-	-	(12,070)
Total transactions with owners		377	20,680	-	-	-	21,057
As at 30 June 2012		3,618	264,046	44,633	(44,648)	55,206	322,855

2011	Share capital USD'000	Share premium USD'000	Revaluation reserve USD'000	Currency translation reserve USD'000	Accumulated deficit USD'000	Total USD'000
As at 1 January 2011	2,214	166,640	648	7,613	8,392	185,507
Total comprehensive income for the period						
Profit for the period	-	-	-	-	12,782	12,782
Other comprehensive income						
Currency translation loss	-	-	-	8,258	-	8,258
Revaluation surplus	-	-	7,057	-	-	7,057
Deferred tax on revaluation	-	-	(3,389)	-	-	(3,389)
Total comprehensive income for the period	-	-	3,668	8,258	12,782	24,708
Transactions with owners						
Shares issued	802	65,942	-	-	-	66,744
Issue costs	-	(2,297)	-	-	-	(2,297)
Total transactions with owners	802	63,645	-	-	-	64,447
As at 30 June 2011	3,016	230,285	4,316	15,871	21,174	274,662

THE FOREST COMPANY LIMITED
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the period ended 30 June 2012

	Jan - Jun 2012 USD'000	Jan - Jun 2011 USD'000	Jan - Dec 2011 USD'000
Cash flows from operating activities			
(Loss)/Profit for the period/year	(31,063)	12,782	77,877
Adjustments for:			
Unrealised gain on investment property	(49)	(612)	(552)
Unrealised loss/(gain) on forest assets	21,766	(21,141)	(112,720)
Unrealised gain on financial receivable at fair value through profit or loss	(577)	-	(1,472)
Taxation	(490)	(3,560)	2,181
Revaluation loss on property, plant and equipment	1,612	-	-
Decrease/(Increase) in inventory	1,209	(436)	(457)
(Increase)/Decrease in trade receivables	(2,408)	951	2,701
(Decrease)/Increase in trade payables	(2,617)	7,737	24,159
Cashflow from operating activities before tax	(12,617)	(4,279)	(8,283)
Tax paid	(429)	(273)	(1,080)
Net cash from operating activities	(13,046)	(4,552)	(9,363)
Cash flows from investing activities			
Purchase of property, plant and equipment	(250)	-	(20,129)
Purchase of investment property	(2,863)	(5,190)	(7,754)
Purchase of forest assets	(14,154)	(29,424)	(132,399)
Purchase of investment in associate	(2,173)	-	-
Proceeds from repayment of financial receivable at fair value through profit or loss	7,889	-	-
Cost capitalised to forest assets	-	(3,511)	(8,856)
Net cash used in investing activities	(11,551)	(38,125)	(169,138)
Cash flow from financing activities			
Proceeds from issue of shares	33,878	66,744	85,259
Issue costs paid	(751)	(1,661)	(2,123)
Future fundraising costs paid	-	(425)	(3,042)
Proceeds from interest bearing borrowings	1,165	-	27,205
Repayment of interest bearing borrowings	(4,035)	-	-
Dividends paid	-	-	(5,012)
Net cash from financing activities	30,257	64,658	102,287
Net increase/(decrease) in cash and cash equivalents during the period/year	5,660	21,981	(76,214)
Cash and cash equivalents at the beginning of the period/year	39,506	112,335	112,335
Effects of changes in foreign currency	2,369	(631)	3,385
Cash and cash equivalents at the end of the period/year	47,535	133,685	39,506

1. GENERAL INFORMATION

The information relating to the year ended 31 December 2011 included in these accounts does not constitute the full statutory accounts. The auditors reported on those accounts and their report contained emphasis of matter paragraphs in relation to the critical judgements made in the valuation of biological and land assets, and an emphasis noting the critical judgements made in the application of the Brazilian tax rules for the calculation of deferred tax on the valuation of biological and land assets. These critical judgements have been explained in the critical accounting judgements and estimation uncertainties section below.

2. ACCOUNTING POLICIES

Basis of preparation
The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting" as adopted by the European Union. The condensed consolidated interim financial statements do not include all the information and disclosures required in annual financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2011.

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

The same accounting policies, presentation and methods of computation are followed in these condensed consolidated interim financial statements as those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2011. The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

Going concern
During the prior year the Company successfully raised gross proceeds of USD 85.26 million through two private placements and to date the Investment Manager has committed a significant portion of the proceeds, with a focus on investing in standing timber to build the Group's free, short-term cash flow. During the period the Company closed its fourth private placement raising a further USD 33.88 million.

The Board has made enquiries and examined the Group's cash forecasts, including restricted cash, borrowings and covenants under various scenarios and assumptions. Having acquired significant levels of mature plantations during the prior year, the Company will continue to develop markets for wood and wood products in order for sales to meet 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.

2. ACCOUNTING POLICIES (CONTINUED)

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

a) Fair value of the investment property, planted land, forest assets and carbonisation assets are based on the current market valuation provided by Indufor Oy ("Indufor"), the 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 properties. The valuations are based on certain assumptions concerning growth rates, prices, forecast woodflow realizations and costs, and future eligibility for current tax rates of the Company and potential purchasers of the Company's assets, and are sensitive to changes in these assumptions.
b) The Group is subject to income and capital gains taxes in Brazil and Colombia. Significant judgment is required in determining the taxation assumed in the biological asset valuation and the total provision for income and deferred taxes. There are many transactions and calculations for which the ultimate tax determination and timing of payment are uncertain, in particular the Brazilian projects are assumed to be taxed under a favourable tax regime of Lucro Presumido which requires management of annual revenues within a fixed limit. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income and deferred tax provisions in the period in which the determination is made.
c) The Company continues to market the pig iron mill acquired as part of the Frondosa assets. Whilst it is intended that the best price will be achieved on disposal there is a possibility that the sale proceeds will not equal the carrying value at 30 June 2012.

Following the acquisition of the majority of the Company's biological and land assets in 2011, progress has been made in 2012 to establish customers for the woodflow. Management continue to work on establishing a customer base to meet the level of woodflow estimated in the valuations.

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").

The Company is also exposed to the risk of fluctuations in the value of investment properties, forestry assets and plant held at fair value.

Segmental reporting
The Board believe that the Company and the Group are engaged in a single segment of business of holding investments in timber and timberland, operating from Guernsey, Colombia and Brazil. The Board, as a whole, has been determined as constituting the chief operating decision maker of the Company. The key measure of performance used by the Board to assess the Company's performance and to allocate resources is the total return on the Company's net asset value, and therefore no reconciliation is required between the measure of profit or loss used by the Board and that contained in the condensed consolidated interim financial statements. The Group engaged in a single segment of business in the comparative period.

Basis of consolidation
The condensed consolidated interim financial statements incorporate the financial statements of The Forest Company Limited and its subsidiaries for the period ended 30 June 2012.

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

	Jan - Jun 2012		**Jan - Jun 2011**		**Jan - Dec 2011**	
Currency	***Closing rate***	***Average rate***	***Closing rate***	***Average rate***	***Closing rate***	***Average rate***
Brazilian Reais (BRL)	2.0094	1.8666	1.5633	1.6311	1.8669	1.6742
Euro (EUR)	0.789	n/a	0.689	n/a	0.717	n/a
Sterling (GBP)	0.637	n/a	0.622	n/a	0.623	n/a
Colombian Pesos (COP)	1,783.8	1,792.3	1,770.8	1,836.8	1,938.5	1,847.5

Accounting policies adopted during the period

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

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

3. ACCOUNTING POLICIES (CONTINUED)

Accounting policies adopted during the period (continued)

Investment in associates (continued)

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

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

Debt factoring

During the period the Group entered into a debt factoring agreement for invoices relating to a three year timber sales contract from its Colombian operations. As part of this agreement the Group received an advance on the sales contract from the factoring agent which will be repaid by settlement of the timber invoices over a period of 34 months.

Revenue relating to these invoices will be recognised in accordance with the Group's revenue accounting policy whilst the advance received has been classified as an interest bearing borrowing and accounted for in accordance with the Group's policy on interest bearing borrowings.

3. REVENUE

	Jan - Jun 2012 USD'000	Jan - Jun 2011 USD'000
Sales - harvested timber	3,299	2,858
Sales - standing trees	154	-
Sales - charcoal	3,419	-
Lease income	985	-
	7,857	2,858

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.

In January 2012 the Company began to supply charcoal to the Frondosa pig-iron mill. During the period the Company, through Frondosa, has also been contracted to supply two other regional parties with charcoal and is currently negotiating further sales and increasing the volume of current contracts.

4. TAXATION

	Jan - Jun 2012 USD'000	Jan - Jun 2011 USD'000
Current tax		
Brazil	295	308
Colombia	(9)	41
	286	349
Deferred tax		
Brazil	(650)	(2,830)
Colombia	(126)	(1,079)
	(776)	(3,909)
	(490)	(3,560)

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

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

(Loss)/Profit for the period/year	Jan - Jun 2012 USD'000	Jan - Jun 2011 USD'000	Jan - Dec 2011 USD'000
From continuing operations	(31,063)	12,782	77,711
From discontinuing operations	-	-	166
	(31,063)	12,782	77,877
Average number of issued shares ('000s)	35,008	23,658	27,627

Basic and diluted (loss)/earnings per share	Jan - Jun US cents	Jan - Jun US cents	Jan - Dec US cents
From continuing operations	(88.73)	54.03	281.29
From discontinuing operations	-	-	0.60
	(88.73)	54.03	281.89

6. FOREST ASSETS

The table below details the movements in forest assets for the six months ended 30 June 2012.

2012	Land* USD'000	Plantations USD'000	Total USD'000
Cost:			
Opening balance	73,278	137,369	210,647
Land and Plantation costs capitalised	575	2,989	3,564
Closing balance	73,853	140,358	214,211
Fair value movements:			
Opening balance	40,157	124,222	164,379
Decrease in fair value of plantations	-	(21,766)	(21,766)
Revaluation surplus	7,917	-	7,917
Closing balance	48,074	102,456	150,530
Accumulated effect of foreign exchange movement on translation	(14,981)	(27,860)	(42,841)
Fair value of forest assets	**106,946**	**214,954**	**321,900**

*Includes leased and owned land

The Group's forest assets were revalued at 30 June 2012 by independent professionally qualified valuers, Indufor. The Group's biological assets consisted of eucalyptus and pinus plantations.

Changes in valuation assumptions

Real post-tax discount rate: The discount rates used range from 5.67% to 6.30% (31 December 2011: 5.83% to 5.93%).

7. INVESTMENT PROPERTY

The table below details the movements in investment property for the six months ended 30 June 2012.

	30 Jun 2012 USD'000	31 Dec 2011 USD'000
Cost:		
Opening balance	4,639	4,802
Additions	2,863	6,474
Transfer to forest assets	-	(6,130)
Reclassification to Property plant and equipment	-	(507)
Closing balance	7,502	4,639
Fair value movements:		
Opening balance	179	(181)
Transfer to forest assets	-	(192)
Increases in fair value of investment property	49	552
Closing balance	228	179
Accumulated effect of foreign exchange movement of translation	1,941	1,593
Fair value of investment properties	**9,671**	**6,411**

The Group's investment properties were valued at 30 June 2012 by professional qualified valuers, Indufor.

8. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT BALANCES

	Buildings USD'000	Carbonisation assets USD'000	Equipment USD'000	Total USD'000
Cost/Valuation	864	5,689	375	6,928
Accumulated Depreciation	(59)	-	(95)	(154)
Balance as at 1 January 2012	805	5,689	280	6,774
Movements				
Assets acquired in the year	218	-	32	250
Depreciation for the year	(86)	-	(3)	(89)
Revaluation reversal	-	(2,111)	-	(2,111)
Revaluation loss charged to the income statement	-	(1,612)	-	(1,612)
Foreign exchange effect	(6)	(493)	-	(499)
Balance as at 30 June 2012	931	1,473	309	2,713

The impairment of the carbonisation assets is due to the fluctuations of valuation inputs relating to the price of wood and charcoal. Management believe that these fluctuations are short term and will reassess at the year-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.

9. INVESTMENT IN ASSOCIATES

	30 Jun 2012 USD'000	31 Dec 2011 USD'000
Opening balance	-	-
Additions	2,173	-
Share of income from associate	27	-
Effect of foreign exchange movements	-	-
Closing balance	2,200	-

On 26 April 2012 the Company entered into a Share Purchase Agreement to purchase 3,700,071 shares of capital stock of Silvotecnia S.A. ("Silvotecnia"), a forestry industry service provider, as part of its Colombian operations. On the same date 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 purchase price paid for the acquired shares was USD 2.17 million.

10. NON-CURRENT ASSETS HELD FOR SALE

	30 Jun 2012 USD'000	31 Dec 2011 USD'000
Property, plant and equipment	15,151	16,307
Trade and other receivables	621	262
Trade and other payables	(358)	(321)
Total	15,414	16,248

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

11. FINANCIAL RECEIVABLE AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 Jun 2012 USD'000	31 Dec 2011 USD'000
Opening balance	7,589	-
Reclassified from forest assets	-	7,487
Fair value adjustments	577	1,472
Repayment of financial receivable	(7,889)	-
Effect of foreign exchange movements	(277)	(1,370)
Closing balance	-	7,589

As at 31 March 2012 the Company, through the Aimara project, returned the 538 ha of pine originally contributed by Klabin. The Company agreed a fixed rate of return from the biological asset and it has been reflected as a financial asset receivable in the condensed consolidated interim financial statements. Accordingly, on 15 April 2012 the Company received USD 7.89 million (BRL 14.73 million).

12. INVENTORY

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

	2012 USD'000	2011 USD'000
Seedlings and consumables	575	1,651
Work in progress	-	110
Finished products	-	23
	575	1,784

13. TRADE AND OTHER RECEIVABLES

	30 Jun 2012	31 Dec 2011
	USD'000	USD'000
Trade receivables	2,774	1,416
Advances to suppliers	564	272
Prepayments	248	-
Other receivables	2,002	1,492
	5,588	3,180

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 2012.

	30 June 2012	31 Dec 2011
	USD'000	USD'000
Restricted		
Aimara Joint venture cash and cash equivalents	9,301	12,084
Amounts held in escrow accounts	9,872	20,662
	19,173	32,746
Unrestricted	28,362	6,760
	47,535	39,506

15. INTEREST BEARING BORROWINGS

Lender	Project	Current USD'000	Non- current USD'000	Total USD'000
Banco Rodobens SA	Frondosa	6,963	-	6,963
Banco Rendimento SA	Frondosa	16,207	-	16,207
Serfinco SA (see below)	Antioquia	346	506	852
Other	Antioquia	122	191	313
		23,638	697	24,335

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

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

The facility from Rendimento bears interest at the Brazilian interbank ("CDI") rate plus 1.0% per month and that from Rodobens bears interest at the rate of CDI plus 3.0% per year. As at 30 June 2012 the outstanding loan balances were BRL 13.99 million and BRL 32.57 million for the Rodobens and Rendimento loans respectively.

15. INTEREST BEARING BORROWINGS (CONTINUED)

The capital on the facility from Rodobens will be repaid in 14 instalments of principal and interest, with the first paid on 6 February 2012 and the last due on 10 May 2013.

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

The facility from Rendimento was initially secured by

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

The facility from Rodobens was initially secured by a fiduciary assignment over a CDB owned by Aimara, in the amount of USD 7.47 million (BRL 15 million).

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

16. MOVEMENT IN DEFERRED TAX BALANCES

The table below details the movements in deferred tax assets and liabilities for the six months to 30 June 2012.

	1 Jan 2012 to 30 Jun 2012	
	Liability USD'000	**Asset USD'000**
Opening balance	(10,773)	444
(Credited)/charged to income statement on fair value adjustments on forest assets	776	-
Charged to other comprehensive income on revaluation adjustments	(266)	-
Other movements	-	(165)
Exchange rate differences	484	54
Closing balance	(9,779)	333

Deferred tax liabilities rise 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

The Group's long term liabilities of USD 8.83 million (31 December 2011: USD 17.99 million) consist of amounts owed by Kaa Empreendimentos Imobiliários e Participações Ltda and Frondosa Empreendimentos Imobiliários e Participações Ltda on forest assets previously purchased. The amounts owing on these liabilities have been deposited into escrow accounts (see note 14) and will be disbursed as and when the liabilities become due.

18. TRADE AND OTHER PAYABLES

	30 Jun 2012 USD'000	31 Dec 2011 USD'000
Trade payables	10,491	11,699
Amounts due on purchase of forest assets	2,249	-
2011 Investment management performance fees payable (see note 25)	15,151	16,851
Dividends payable	12,070	-
Accruals	430	282
Amounts due on purchase of investment property	-	1,432
	40,391	30,264

19. CONTINGENT LIABILITIES

The Company, via its Ibiracu subsidiary, has entered into an irrevocable agreement to purchase a farm but the public deed has not yet been issued in respect of this one farm. The contingent liability for this farm is USD 2.33 million (31 December 2011: USD 2.50 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 continues to hold guarantees and funds in escrow relating to assets purchased in 2011, and believes that these guarantees and funds deposited in escrow are sufficient in the event that a risk surfaces that has not previously been highlighted during the due diligence process (see note 14).

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

20. SHARE CAPITAL

Share capital at 30 June 2012 amounted to USD 3.62 million (31 December 2011: USD 3.24 million).

Transactions in the shares of the Company for the six months ended 30 June 2012 were as follows:

2012	**Management Shares of USD 1 each**	**Redeemable Ordinary Shares or USD 0.10 each**	**Redeemable Class A Ordinary Shares of USD 0.10 each**	**Total Shares in issue**
At 1 January 2012	2	9,782,497	22,626,113	32,408,612
Shares issued 17 February 2012	-	2,783,964	988,585	3,772,549
As at 30 June 2012	2	12,566,461	23,614,698	36,181,161

2011	**Management Shares of USD 1 each**	**Redeemable Ordinary Shares or USD 0.10 each**	**Redeemable Class A Ordinary Shares of USD 0.10 each**	**Total Shares in issue**
At 1 January 2011	2	8,738,558	13,406,031	22,144,591
Fractional shares issued 31 January 2011	-	3	1	4
Shares issued 27 May 2011	-	1,418,451	6,593,968	8,012,419
Shares redesignated on 28 July 2011	-	(486,939)	486,939	-
Shares issued 26 August 2011	-	-	2,115,996	2,115,996
Shares issued 1 October 2011	-	56,745	23,178	79,923
Shares issued 22 December 2011	-	55,679	-	55,679
As at 31 December 2011	2	9,782,497	22,626,113	32,408,612

On 17 February 2012, the Company completed the final close of its fourth private placement. Subscription Agreements were accepted totaling USD 33.88 million in respect of 988,585 Class A Ordinary Shares and 2,783,964 Ordinary Shares. Following this close, 988,585 Class A Ordinary Shares and 2,783,964 Ordinary Shares were issued and allotted by the Board at a price of USD 8.98 per share on the same date.

On 30 April 2012, the Directors declared an interim dividend of 3% of the Adjusted Net Asset Value as at 31 December 2011 (USD 0.3336 per share), payable on 31 October 2012 to investors at the record date of 1 May 2012. Shareholders eligible to receive the dividend have the option to elect to receive the dividend payment in cash or to have their dividend entitlement applied to fully paid shares of the Company (either Ordinary Shares or Class A Ordinary Shares).

21. NET ASSET VALUE

	30 Jun 2012		31 Dec 2011	
	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	8.92	322,855	10.56	342,353
Adjustment for deferred tax duplication	0.20	7,186	0.23	7,471
Adjustment for notional land lease charge	0.40	14,485	0.14	4,220
Adjustment for unamortised organisation expenses	0.17	6,010	0.19	6,260
Adjusted net asset value attributable to redeemable Ordinary and Class A Ordinary shareholders - ex-dividend	9.69	350,536	11.12	360,304
Dividend payable	0.33	12,070	-	-
Adjusted net asset value attributable to redeemable Ordinary and Class A Ordinary shareholders - cum-dividend	10.02	362,606	11.12	360,304

22. LEGAL AND PROFESSIONAL EXPENSES

	Jan - Jun 2012 USD'000	Jan - Jun 2011 USD'000
Lawyer and other professional fees	1,493	2,393
Audit fees	552	418
Valuation fees	208	17
Consultancy fees	186	1,106
	2,439	**3,934**

23. OTHER FEES AND EXPENSES

	Jan - Jun 2012 USD'000	Jan - Jun 2011 USD'000
Agricultural services	592	92
Office expenses	399	183
Payroll expenses	473	469
Travel expenses	485	384
Property insurance premiums	125	-
Directors and officers insurance premiums	41	40
Bank charges	94	112
Repairs and maintenance	614	-
Other general expenses	109	2,631
	2,932	**3,911**

24. OPERATING SEGMENTS

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

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

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

	Segment revenue		Segment profit	
Segment revenues and results	**Six months ended 30 Jun 2012 USD'000**	**Six months ended 30 Jun 2011 USD'000**	**Six months ended 30 Jun 2012 USD'000**	**Six months ended 30 Jun 2011 USD'000**
Sales of product	7,857	2,858	2,449	1,695
Interest income	570	1,048	570	1,048
Unrealised gain on investment property	49	612	49	612
Unrealised gain on financial receivable at fair value through profit or loss	577	56	577	56
Unrealised (loss)/gain on Forest assets	(21,766)	21,085	(21,766)	21,085
Total for continuing operations	(12,713)	25,659	(18,121)	24,496
Operating expenses			(10,920)	(15,274)
Interest expense			(2,539)	-
Share of profit of associate			27	-
Profit before tax from continuing operations			(31,553)	9,222

24. OPERATING SEGMENTS (CONTINUED)

	As at 30 Jun 2012 USD'000	As at 31 Dec 2011 USD'000
Segment assets		
Investment property	9,671	6,411
Forest assets	321,900	346,206
Property, plant and equipment	2,713	6,774
Investment in associate	2,200	-
Deferred tax assets	333	444
Other non-current assets	262	442
	337,079	360,277
Other assets	69,112	68,307
Total segment and consolidated assets	406,191	428,584
Segment liabilities		
Interest bearing borrowings	24,335	27,205
Other long term liabilities	8,831	19,421
Deferred tax liability	9,779	10,773
Trade and other payables	40,391	28,832
Total segment and consolidated liabilities	83,336	86,231

	Income		Non-current assets	
Geographical segments	Six months ended 30 Jun 2012 USD'000	Six months ended 30 Jun 2011 USD'000	As at 30 Jun 2012 USD'000	As at 31 Dec 2011 USD'000
Guernsey	3	71	-	-
Brazil	5,125	977	266,174	293,156
Colombia	3,299	2,858	70,905	67,121
Total	8,427	3,906	337,079	360,277

25. SUBSEQUENT EVENTS

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

On 9 July 2012, the Company put in place an incentive plan for Mr. Häggblom in his capacity as Chairman of the Company so that part of the Chairman's compensation is structured as a multi-year retention package. It has an effective monetary value of USD 70,000 per annum and it is at the Company's discretion as to whether this is paid in cash or shares. The Chairman's additional incentive package remains within the maximum annual expenditure on Directors' fees as set out in the articles of the Company.

25. SUBSEQUENT EVENTS (CONTINUED)

On 11 September 2012, The Company and the Manager formalised an agreement for the Company to pay the performance fees in respect of the financial year ended 31 December 2011 over a mutually agreed period of time, allowing the Company to utilise the funds. The Company will pay interest to the Manager on the deferred amount at USD 3 month LIBOR plus 4% per annum.

On 20 September 2012, the Company entered into a public deed to sell 3,313 ha of rural land located in Minas Gerais at an agreed price of USD 8.47 million. A down payment of USD 2.54 million (30%) has been received by the Company with the remainder, less adjustments for use of the remaining unharvested land, to be paid over a five year period. Possession of the land will transfer to the buyer over this period as the Company harvests and receives further payments. Legal title will be transferred at the end of the five years after final payment has been received.

On 24 September 2012, the Company accepted Subscription Agreements totalling USD 4.5 million with shares to be issued on 27 September 2012 at a price of USD 9.69 per share.