Regulatory Story

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Company	Phaunos Timber Fund Limited
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PHAUNOS TIMBER FUND LIMITED

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS TO 30 JUNE 2010

27 August 2010 *For immediate release*

Phaunos Timber Fund Limited ("Phaunos" or the "Company"), the closed-ended investment company managed by FourWinds Capital Management (the "Investment Manager") and established to invest in timberland and timber related assets on a global basis, today issues its unaudited results and Interim Financial Report ("interim financial report") for the six months ended 30 June 2010 (the "period").

Highlights

- The Company completed its programme of full investment with over 85% of the portfolio drawn down at the end of the period, and the remainder reserved for committed projects and working capital. The following transactions were completed during the period:
    - US$117.6 million investment in Matariki Forestry Group in New Zealand;
    - US$85.8 million acquisition of over 19,000 hectares of timberland in Minas Gerais, Brazil; and
    - US$2.5 million investment in the first timberland investment made in China's Jiangxi province.
- The resulting portfolio has achieved the objectives set out for the Company.
    - The Company has excellent geographic diversification, with investments in North America, South America, Eastern Europe, Africa, Asia, and New Zealand.
    - The Company is also well diversified in species of wood, end market, and maturity.
    - The combination of these elements, and the state of the assets, means that the portfolio is today well positioned for both capital appreciation and income growth going forward.
- While the global recovery continued during the period, the strength of the recovery was mixed, and currencies remained volatile.
    - The Company had unrealised valuation gains on financial assets of US$14.6 million, mostly attributable to its African and New Zealand investments.
    - However, the value of the US Dollar versus other currencies remained volatile and the Company experienced realised and unrealised foreign exchange losses totalling US$27.3 million.
- The total amount invested in timber and timber related assets was US$448.5 million at 30 June 2010.
- The total net asset value ("NAV") of the Company at 30 June 2010 was US$560.5 million (31 December 2009: US$575.0 million). This equates to a NAV per ordinary share of the Company ("Ordinary Share") of US$1.04 (31 December 2009: US$1.07 per Ordinary Share).
- An underlying comprehensive profit of US$12.8 million (30 June 2009: loss of US$12.6 million) was achieved before total foreign exchange losses of US$27.3 million (30 June 2009: gains of US$4.9 million).

Kimberly Tara, Chief Executive Officer of the Investment Manager, commented on the results: "We are very pleased with the progress of the Phaunos global portfolio. Our timber properties are growing in line with expectations and we expect them to continue to mature and provide both capital appreciation and income over the years to come".

In accordance with DTR 6.3.5, the interim financial report will shortly be available from the Company's website www.phaunostimber.com.

Enquiries:

FourWinds Capital Management(*Investment Manager*)
Kimberly Tara info@fourwindscm.com
Liane Luke

Collins Stewart(*Broker*)
Andrew Zychowski/ Lucy Lewis +44 207 523 8000

Citigate Dewe Rogerson*(PR Advisor)*
Lindsay Noton/ Kevin Smith 020 7638 9571

HSBC Securities Services (Guernsey) Limited *(Administrator)*
Secretary 01481 707 000

Notes to Editors

Phaunos is a Guernsey-domiciled closed-ended investment company authorised by the GFSC. Its ordinary shares are listed on the Main Market of the London Stock Exchange. The Company's investment objective is to provide shareholders with attractive long term total returns, expected to be in the form of capital appreciation but with some income, through a diversified portfolio of timberland and timber-related investments.

The Company's investments are managed by FourWinds Capital Management.

The Company intends to seek investments that meet or exceed the guidelines set out in the Sustainable Forestry Initiative and, wherever possible and practicable, to certify the lands under the Forest Stewardship Council guidelines

The Company's ticker is PTF and its website address is www.phaunostimber.com

Interim Management Report

Financial Results for the Period

The total NAV of the Company at 30 June 2010 was US$560.5 million (31 December 2009: US$575.0 million). This equates to a NAV of US$1.04 per Ordinary Share (31 December 2009: US$1.07 per Ordinary Share and US$0.96 per C Share).

The major drivers of the movement in the NAV during the period are shown in the table on page 4 and are:

1. Unrealised gains on the revaluation of land and biological assets, excluding foreign exchange, for Green Resources AS ("Green Resources") of US$7.8 million, and for Matariki Forestry Group ("Matariki") of US$7.7 million. Other investments such as Aurora Forestal Limited ("Aurora"), NTP Timber Plus+ Fund I, LP ("NTP"), Pradera Roja SA ("Pradera") and Eucateca SA ("Eucateca") also had modest valuation gains.

2. Adverse foreign exchange movements(1), both realised and unrealised, for the period totaled US$27.3 million were attributable to:

    a) Realised foreign exchange losses of US$9.1 million.

    b) Unrealised foreign exchange losses totalling US$18.2 million caused by the strengthening of the US Dollar and the consequent weakening of the currencies in which some of the underlying investments are held. These losses are in effect a reversal of some of the unrealised exchange gains, totalling US$22.9 million, recognised at 31 December 2009.

3. As was anticipated in this period prior to full investment, operating expenses continued to exceed operating income of US$5.4 million, resulting in net operating losses of US$3.9 million. However, portfolio development is in line with expectations and is well positioned for growth.

(1) Phaunos does not engage in systematic hedging, since this requires real cash outflows to protect the NAV against potential and unrealised losses. This has been the policy of Phaunos since inception, because a global basket of currencies should, over time, self-hedge.

Interim Management Report (continued)

Financial Results (continued)

The following table presents a summary of the movement in NAV during the period:

Company	NAV Ordinary Shares 31 Dec 2009 US$'000	Acquisitions US$'000	Unrealised Gain/(Loss) Valuation US$'000	Unrealised Gain/(Loss) Foreign Exchange US$'000	Foreign Exchange Translation Differences US$'000	Realised Foreign Exchange(2) US$'000	Net Income/ (Expenses) US$'000	NAV Ordinary Shares 30 June 2010 US$'000	% of NAV 30 June 2010
Phaunos Timber Fund Limited	257,274	(167,793)	-	-	(225)	(9,313)	(2,049)	77,894	13.90
Minority-owned investments								**77,894**	**13.90**
GreenWood Tree Farm Fund LP(3)	30,921	(1,818)	(1,798)	-	-	-	-	27,305	4.87
NTP Timber Plus+ Fund I, LP	10,736	-	205	-	-	-	-	10,941	1.95
Aurora Forestal Limited	27,815	2,475	502	-	-	-	-	30,792	5.49
Green Resources AS	73,492	-	7,802	(8,328)	-	-	-	72,966	13.02
Matariki Forestry Group	-	117,551	7,745	(2,124)	-	-	-	123,172	21.98
Total Minority-owned investments								**265,176**	**47.31**
Loans and Deposits									
Masarang Foundation	-	-	-	-	-	-	-	-	-
Total Loans and Deposits								-	-
Operating Subsidiaries									
Caldrey SA	3,727	-	-	-	-	(7)	(179)	3,541	0.63
Pradera Roja SA	28,321	-	276	-	-	(16)	(117)	28,464	5.08
Forest Enterprises doo	8,557	687	-	-	(1,813)	6	(591)	6,846	1.22
BaltFor Timber OU	476	-	-	-	(72)	-	(40)	364	0.06
SC Romfor Timber SRL	8,903	-	-	-	(1,444)	199	(110)	7,548	1.35
Eucateca SA	63,063	10,000	1,985	-	(2,099)	-	(487)	72,462	12.93
Mata Mineira Investimentos Florestais Ltda	49,406	37,000	-	-	(2,082)	-	725	85,049	15.18
Green China Forestry Company Limited	12,347	1,898	-	-	-	(3)	(1,113)	13,129	2.34
Total Operating Subsidiaries								**217,403**	**38.79**
Total	**575,038**	**-**	**16,717**	**(10,452)**	**(7,735)**	**(9,134)**	**(3,961)**	**560,473**	**100.00**
					Total Foreign Exchange losses	**(27,321)**			

(2) Realised foreign exchange losses are included in Operating Expenses in the Interim Condensed Consolidated Statement of Comprehensive Income.
(3)GreenWood Tree Farm Fund LP made a return of capital payment of US$1.8 million to Phaunos during January 2010.

Interim Management Report (continued)

Portfolio Summary

Company	Description	Location
1. GreenWood Tree Farm Fund LP	Four mixed age poplar plantations, currently with 35,000 acres and a new sawmill.	North West USA
2. NTP Timber Plus+ Fund I, LP	Loan: "Higher-and-better-use" timberland conversion.	South East USA
3. Aurora Forestal Limited	Joint venture in a sawmill and mixed age pine plantations, currently with 19,500 hectares.	Northern Uruguay
4. Caldrey SA	Timber harvesting company.	Southern Uruguay
5. Masarang Foundation (4)	Loan: commercial forestry project with social and environmental goals.	Indonesia
6. Forest Enterprises doo	Pellet fuel plant using waste wood.	Serbia
7. Pradera Roja SA	Greenfield plantation project for fast growing eucalyptus, currently with 12,000 hectares.	Southern Uruguay
8. Eucateca SA	Greenfield teak and eucalyptus plantations in Mato Grasso, Brazil, currently with 17,210 hectares.	West Central Brazil
9. Green China Forestry Company Ltd	Pine, fir and poplar plantations, currently with 2,800 hectares	China
10. SC Romfor Timber SRL	No further investment is planned for the development of timberland plantations.	Eastern Europe
11. Green Resources AS	Mixed age, mixed species plantations, currently with 16,000 productive hectares and rights to plant more than 200,000 hectares.	East Africa
12. BaltFor Timber OU	No further investment is planned for the development of timberland plantations.	Eastern Europe
13. Mata Mineira Investimentos Florestais Ltda	Mature and mixed age eucalyptus plantations in Minas Gerais, Brazil, currently with over 19,000 hectares.	East Central Brazil
14. Matariki Forestry Group	Mixed age pine plantations, six estates, currently with 183,000 hectares	New Zealand

(4) The Board has reviewed the loan to Masarang and concluded that whilst the loan is currently not strictly in default, it is prudent to continue making a provision against the full value at 30 June 2010, given the uncertainty surrounding the ability of Masarang to repay.

Interim Management Report (continued)

Portfolio Summary (continued)
Phaunos invested an additional US$167.5 million during the period, and was over 85% invested at the end of the period, with the remainder reserved for committed projects and working capital. Operations are progressing well in the portfolio and the assets are generally performing above or in line with expectations. Markets are making strong recoveries in most of Phaunos' operating regions, such as Asia and South America, and making a slower recovery in North America.

Significant events during the period were as follows.

1. Pradera: The initial investment phase of Phaunos' Uruguayan eucalyptus plantation company, Pradera, was concluded in January 2010 with the purchase of La Tapera farm, bringing the total hectares under management in Pradera to approximately 12,000 hectares.

2. Aurora: In January 2010, Phaunos made an additional investment of US$2.5 million in Aurora. The investment was used to progress the installation of a cooling, heating and power plant in the sawmill which uses waste wood to generate electricity to be used at the plant and sold back to the national grid.

3. Green Resources: In January 2010, Green Resources finalised an agreement with the Mozambique government to acquire an additional 126,000 hectares of land on which to establish new plantations.

4. Matariki: In February 2010, Phaunos completed its single largest investment of US$117.6 million in the New Zealand forestry company, Matariki, when the New Zealand government granted its approval to the investment.

5. Green China Forestry Company Limited ("Green China"): In March 2010, Phaunos completed its initial investment in China's Jiangxi province, investing US$2.5 million in mature and mixed age pine and fir plantations. Subsequent to the end of the period, in July 2010, Phaunos announced that it had agreed to invest a further US$14.7 million in timberland in the Jiangxi province.

6. Mata Mineira Investimentos Florestais Ltda ("Mata Mineira"): In April 2010, Phaunos invested a further $37.0 million, completing its investment of US$85.8 million in mature and mixed age eucalyptus plantations in Minas Gerais, Brazil, held via its Mata Mineira subsidiary.

Share Capital
On 8 June 2010, 43,510,000 C Shares were converted into 38,815,271 Ordinary Shares and were admitted to the Official List of the UK Listing Authority, to trading on the London Stock Exchange and to listing on the Channel Islands Stock Exchange. The C Shares were converted to Ordinary Shares at a conversion ratio of 0.8921 based on the NAV of the respective share classes at 31 December 2009, and in accordance with the Company's Articles of Association.

At 30 June 2010, the Company had 537,149,832 issued Ordinary Shares and 4,065,045 Ordinary Shares were held in treasury.

Principal Risks and Uncertainties
The principal risks facing the Company relate to the Company's investment activities. These risks are market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and capital management risk.

Interim Management Report (continued)

An explanation of these risks and how they are managed is contained in Note 26 of the Company's Annual Report and Consolidated Financial Statements for the year ended 31 December 2009 ("2009 Annual Report").

The principal risks and uncertainties to which the Company is exposed to, have not significantly changed since the publication of the 2009 Annual Report and are not expected to change for the remainder of 2010.

The 2009 Annual Report is available on the Company's website www.phaunostimber.com.

Going concern
The Directors confirm the use of the going concern basis in the preparation of the interim financial report. In this regard there are no new events or circumstances since the 2009 Annual Report.

Dividends
The Board is not proposing to declare an interim dividend for the period. Given that the Company is approaching full investment, the Company will, as part of its review of the full results for the year to 31 December 2010, consider the payment of dividends going forward and at that point, expects to announce its dividend policy in further detail. The payment of dividends will necessitate amendment to the Company's Articles which the Board will propose in any event to reflect changes in Guernsey Company Law and in the UK Listing regime.

Related Parties
There were no significant related party transactions during the period nor any material change to related party transactions described in the 2009 Annual Report. Please refer to Note 16 for details.

Responsibility Statement
To the best of the knowledge of the Directors:

The Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2010 give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and have been prepared in accordance with International Accounting Standards (IAS) 34 *Interim Financial Reporting*.

The Interim Management Report includes a fair review of the information required by:

a) DTR 4.2.7 of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

b) DTR 4.2.8 of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

Signed on behalf of the Board by:

Keith Oates Director	Sarah Evans Director

26 August 2010

Interim Condensed Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2010

	Note	30June 2010 Unaudited US$	30 June 2009 Unaudited US$
Income			
Net gain/(loss) on financial assets designated at fair value through profit or loss	8	4,001,757	(2,426,223)
Net losses on financial liabilities held for trading	9	-	(269,382)
Revaluation of biological assets	6	904,708	-
Operating income	2	5,379,063	3,332,507
		10,285,528	636,902
Expenses			
Operating expenses	3	(18,470,249)	(8,343,398)
		(18,470,249)	(8,343,398)
Operating loss before taxation		(8,184,721)	(7,706,496)
Tax charge on ordinary activities		(1,800)	-
Loss for the period		(8,186,521)	(7,706,496)
Other comprehensive income			
Revaluation of land	5	1,356,397	-
Exchange differences on translation of operating subsidiaries' net assets		(7,734,856)	5,633,844
		(6,378,459)	5,633,844
Total comprehensive loss for the period		(14,564,980)	(2,072,562)
Loss for the period attributable to:			
Equity holders of the parent		(8,186,521)	(7,706,197)
Minority interest		-	(299)
Net loss for the period attributable to Ordinary Shareholders		(8,186,521)	(7,706,496)
Other comprehensive income attributable to:			
Equity holders of the parent		(6,378,459)	5,633,844
Net (loss)/gain for the period attributable to Ordinary Shareholders		(6,378,459)	5,633,844
Loss per Ordinary Share for the period - Basic and Diluted (in US cents per share)		(1.64)	(1.54)

(Based on weighted average number of Ordinary Shares 503,078,650 (2009: 500,733,661))

In arriving at the operating results for the financial period, all amounts above relate to continuing operations.

The notes on pages 13 to 26 form an integral part of the interim consolidated financial statements.

Interim Condensed Consolidated Statement of Financial Position
at 30 June 2010

	Note	30 June 2010 Unaudited US$	31 Dec 2009 Audited US$
Non-Current Assets			
Financial assets designated at fair value through profit or loss	8	265,174,374	142,964,749
Intangible assets		1,405	1,405
Plant and equipment	4	8,038,533	9,857,221
Land	5	93,977,563	62,560,656
Biological assets	6	81,443,975	21,548,269
Deferred income tax		432,578	490,238
Loans receivable	10	7,847,764	8,430,826
		456,916,192	245,853,364
Current Assets			
Inventories and work in progress		1,012,256	692,237
Receivables		7,622,200	7,034,909
Cash and cash equivalents		102,843,475	331,032,285
		111,477,931	338,759,431
TOTAL ASSETS		568,394,123	584,612,795
Current Liabilities			
Payables - due within one year		7,921,596	9,575,288
TOTAL LIABILITIES		7,921,596	9,575,288
Equity			
Share capital	12	-	-
Share premium	14	432,100,443	390,546,882
C Share class	11	-	41,553,561
Retained earnings		1,733,414	10,136,416
Foreign currency translation reserve		7,013,534	14,748,390
Land revaluation reserve		12,015,852	10,659,455
Distributable reserves		110,418,595	110,418,595
Purchase of own shares (Treasury Shares)	13	(2,809,311)	(3,025,792)
TOTAL EQUITY		560,472,527	575,037,507
TOTAL EQUITY AND LIABILITIES		568,394,123	584,612,795
Ordinary Shares in Issue	12	537,149,832	498,334,561
C Shares in Issue		-	43,510,000
		US$	**US$**
Net Asset Value per Ordinary Share		1.04	1.07
Net Asset Value per C Share		-	0.96

The notes on pages 13 to 26 form an integral part of the interim consolidated financial statements.

Interim Condensed Consolidated Statement of Cash Flows
for the six months ended 30 June 2010

	Note	30 June 2010 Unaudited US$	30 June 2009 Unaudited US$
Operating activities			
Net loss for the period attributable to OrdinaryShareholders		(8,186,521)	(7,706,496)
Add: Depreciation and amortisation		340,096	116,360
Inventory impairment		464,143	-
Less: Net loss on financial assets designated at fair value through profit or loss	8	(4,001,757)	2,426,223
Revaluation of biological assets	6	(904,708)	(7,953,729)
Movement in inventories		(784,162)	(2,045,295)
Movement in receivables excluding accrued income		(694,407)	6,006,694
Movement in payables		(1,170,885)	1,313,305
Investment income		(4,755,774)	(2,845,944)
Taxation paid		(482,807)	-
Net cash outflow from operating activities before income		(20,176,782)	(10,688,882)
Investment income received		4,673,271	2,535,601
Net cash outflow from operating activities		(15,503,511)	(8,153,281)
Investing activities			
Purchase of financial assets	8	(118,207,868)	(407,778,170)
Disposals of financial assets		-	420,200,000
Disposals of plant and equipment	4	12,466	-
Purchase of biological assets	6	(61,009,937)	-
Purchase of land	5	(32,221,810)	(17,513,986)
Purchase of plant and equipment	4	(129,495)	(99,863)
Repayment of loans/(loans granted)		250,958	(5,306,461)
Net cash outflow from investing activities		(211,305,686)	(10,498,480)

The notes on pages 13 to 26 form an integral part of the interim consolidated financial statements.

Interim Condensed Consolidated Statement of Cash Flows (continued)
for the six months ended 30 June 2010

	30 June 2010 Unaudited US$	30 June 2009 Unaudited US$
Financing activities		
Proceeds of issue of C Shares	-	2,830,000
Costs of issue of C Shares	-	(227,753)
Repurchase of Ordinary Shares	-	(1,821,875)
Net cash inflow from financing activities	-	780,372
Cash and cash equivalents at beginning of period	331,032,285	186,074,469
Decrease in cash and cash equivalents	(226,809,197)	(17,871,389)
Effect of foreign exchange rate changes	(1,379,613)	(3,451,117)
Cash and cash equivalents at end of period	102,843,475	164,751,963

The notes on pages 13 to 26 form an integral part of the interim consolidated financial statements.

Interim Condensed Consolidated Statement of Changes in Equity
for the six months ended 30 June 2010

	30 June 2010 Unaudited US$	30 June 2009 Unaudited US$
Opening balance	575,037,507	494,994,723
Comprehensive income for the period		
Loss for the period	(8,186,521)	(7,706,496)
Other comprehensive income	(6,378,459)	5,633,844
Total comprehensive income for the period	(14,564,980)	(2,072,652)
Transactions with owners, directly recorded in equity		
Purchase of own shares (Treasury Shares)	-	(1,821,875)
Closing balance at 30 June 2010	560,472,527	491,100,196

The notes on pages 13 to 26 form an integral part of the interim consolidated financial statements.

Notes to the Interim Condensed Consolidated Financial Statements

for the six months ended 30 June 2010

1. ACCOUNTING POLICIES

(a) Basis of Preparation

The unaudited interim condensed consolidated financial statements ("interim consolidated financial statements") of Phaunos Timber Fund Limited (the "Company" or "Phaunos") has been prepared in accordance with International Accounting Standard ("IAS") 34: *Interim Financial Reporting*. The interim consolidated 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 Report and Consolidated Financial Statements for the year ended 31 December 2009 ("2009 Annual Report"), which were prepared in accordance with International Financial Reporting Standards ("IFRS").

The interim consolidated financial statements are presented in US Dollars being the currency of the primary economic environment in which the Company and entities controlled by the Company (its subsidiaries as listed below in Note 7 ("subsidiaries")) (the "Group") operate.

The interim consolidated financial statements are prepared to the nearest US$1.

These interim consolidated financial statements have not been audited or reviewed by the auditors pursuant to the Auditing Practices Board guidance on Review of Interim Financial Information Performed by the Independent Auditor of the Entity.

(b) Significant Accounting Policies

The same accounting policies, presentation and methods of computation are followed in these interim consolidated financial statements as were followed in the preparation of the 2009 Annual Report. The adoption of the following new standards, effective from 1 January 2010, has not had any impact on the financial position or performance of the Group:

IFRS 2 *Share-based Payment - Group Cash-settled Share-based Payment* Transactions
The standard has been amended to clarify the accounting for group cash-settled share-based payment transactions. This amendment also supersedes IFRIC 8 and IFRIC 11.

IAS 39 *Financial Instruments: Recognition and Measurement - Eligible Hedged Items*
The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations.

IFRIC 17 *Distribution of Non-cash Assets to Owners*
This interpretation provides guidance on accounting for arrangements whereby an entity distributes non cash assets to shareholders either as a distribution of reserves or as dividends.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

for the six months ended 30 June 2010

2 . OPERATING INCOME

	30 June 2010 Unaudited US$	30 June 2009 Unaudited US$
Investment income	4,755,774	2,845,944
Income from sales of services	604,779	486,563
Sundry income	18,510	-
	5,379,063	3,332,507

3 . OPERATING EXPENSES

	30 June 2010 Unaudited US$	30 June 2009 Unaudited US$
Holding Company Expenses		
General operating expenses		
Administration fees	186,697	90,530
Audit fees	180,403	91,623
Directors' remuneration	98,739	126,370
Directors' expenses	1,417	2,779
Directors' &officers' insurance	86,666	77,158
Foreign exchange loss	9,134,478	281,214
Investment Manager's fees	3,931,716	3,680,713
Legal and professional fees	535,653	522,635
Regulatory fees	51,685	58,443
Other operating expenses	48,744	13,239
	14,256,198	4,944,704
Operating Subsidiary Expenses		
Setting up expenses		
Legal and professional fees	375,448	381,982
General operating expenses		
Audit fees	183,931	154,619
Depreciation and amortisation	340,096	116,360
Employee compensation and benefits	324,272	241,792
Impairment of inventory	464,143	-
Management fees*	895,081	978,106
Professional fees	251,012	147,457
Property, repairs and maintenance	570,449	384,374
Other operating expenses	809,619	994,004
	3,838,603	3,016,712
	18,470,249	8,343,398

***** These fees are payable in respect of the management of certain operating subsidiaries (i.e. they are not Management Fees payable to the Investment Manager)

Notes to the Interim Condensed Consolidated Financial Statements (continued)

for the six months ended 30 June 2010

4. PLANT AND EQUIPMENT

	30 June 2010 Unaudited US$	31 Dec 2009 Audited US$
Cost		
Opening cost	10,649,969	8,367,502
Additions	129,495	2,357,792
Disposals	(24,135)	(75,325)
Closing cost	10,755,329	10,649,969
Depreciation		
Opening depreciation	(490,484)	(297,624)
Charge for the period/year	(340,096)	(214,919)
Disposal adjustments	11,669	22,059
Closing depreciation	(818,911)	(490,484)
Exchange differences	(1,897,885)	(302,264)
Closing carrying value*	8,038,533	9,857,221

*All construction in progress at 31 December 2009 to the value of US$7.3 million, relating to the construction of the pellet mill by Forest Enterprises doo, is now a depreciable asset at 30 June 2010.

5. LAND

	30 June 2010 Unaudited US$	31 Dec 2009 Audited US$
Cost		
Opening cost	46,238,121	24,751,710
Additions	32,221,810	21,486,411
Closing cost	78,459,931	46,238,121
Revaluation of land:		
Opening	10,659,455	-
Revaluation for the period/year	1,356,397	10,659,455
Closing	12,015,852	10,659,455
Exchange differences	3,501,780	5,663,080
Closing carrying value	93,977,563	62,560,656

Land valuation

The Investment Manager's valuations at 30 June 2010 for Eucateca and Pradera are based on the US Dollar per hectare unit values from the external appraisal of that land at 30 September 2009 and applied to the updated number of hectares at 30 June 2010. Land purchased by Mata Mineira and Green China is valued at cost at 30 June 2010 as it was acquired less than 12 months ago.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

for the six months ended 30 June 2010

6. BIOLOGICAL ASSETS

	30 June 2010 Unaudited US$	31 Dec 2009 Audited US$
Cost:		
Plantations and biological assets		
Opening cost	20,754,936	1,248,861
Costs incurred during the period/year:		
Silviculture costs	6,040,735	12,429,667
Treatment costs	819,724	3,778,427
Plantations acquired	54,115,128	3,195,665
Other costs	34,350	102,316
	61,009,937	19,506,075

Closing cost	81,764,873	20,754,936
Revaluation of plantations:		
Opening balance	(1,132,733)	-
Revaluation for the period/year	904,708	(1,132,733)
Closing balance	(228,025)	(1,132,733)
Exchange differences	(92,873)	1,926,066
Closing carrying value	81,443,975	21,548,269

Biological assets valuation

The Investment Manager's valuations at 30 June 2010 for Eucateca and Pradera are based on the US Dollar per hectare unit values from the external appraisal of the biological assets at 30 September 2009 and applied to the updated number of hectares for each age class of pre-merchantable timber in existence at 30 June 2010. The biological assets purchased by Mata Mineira and Green China are valued at cost at 30 June 2010 as they were acquired less than 12 months ago.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

for the six months ended 30 June 2010

7. INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries consist of investments in the following wholly-owned companies (except for Green China, which is 99.5% owned by the Company and Eucateca which is 99.99% owned):

Company	**Place of Incorporation**
BaltFor Timber BV	Netherlands
BaltFor Timber OU	Estonia
Caldrey SA	Uruguay
Cottage International Group Limited	British Virgin Islands
Eucateca SA	Brazil
Exclusive Technologies Limited	British Virgin Islands
Forest Enterprise BV	Netherlands
Forest Enterprises doo	Serbia
Green China Forestry Company Limited	Hong Kong
Hamar Holding Limited	British Virgin Islands
Mata Mineira Investimentos Florestais LTDA	Brazil
Nora Timber Cyprus Limited	Cyprus
Nortimber BV	Netherlands
Oxford Financial Investments Limited	British Virgin Islands
Phaunos Brazil Investimentos Florestais LTDA	Brazil
Phaunos China Limited	Hong Kong
Phaunos Norge AS	Norway
Phaunos US Incorporated	USA
Pradera Roja SA	Uruguay
Romfor Timber (Cyprus) Limited	Cyprus
Romfor Timber BV	Netherlands
SC Romfor Timber SRL	Romania
South Hampton International Limited	British Virgin Islands
Tura Holding Limited	British Virgin Islands
Waimarie Forests Pty Ltd	Australia
Wood NRG Limited	Cyprus

Notes to the Interim Condensed Consolidated Financial Statements (continued)

for the six months ended 30 June 2010

8. INVESTMENTS

FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	**30 June 2010 US$ Unaudited**	**31 Dec 2009 US$ Audited**
Opening Portfolio cost	127,958,783	314,402,939
Net additions at cost:	118,207,868	23,453,974
Proceeds on disposals*:	-	(210,014,967)
Realised gain on disposal of investments	-	116,837
Closing Portfolio cost	**246,166,651**	**127,958,783**

Unrealised appreciation/(depreciation) on valuation brought forward	15,492,227	(4,376,783)
Unrealised appreciation on valuation for the period/year	14,454,053	25,798,716
Provision against Masarang loan	-	(5,929,706)
Unrealised foreign exchange movement brought forward	(486,261)	(341,306)
Unrealised foreign exchange movement for the period/year	(10,452,296)	(144,955)
Unrealised appreciation and foreign exchange movement on valuation carried forward	19,007,723	15,005,966
Closing valuation	**265,174,374**	**142,964,749**
Unrealised appreciation and foreign exchange movement on valuation for the period/year	4,001,757	19,724,055
Realised gain on disposal of investments	-	116,837
Net gain on financial assets designated at fair value through profit or loss	**4,001,757**	**19,840,892**

The nature of the investments designated at fair value through profit or loss is as follows:

GreenWood Tree Farm Fund LP	Timber operation
Aurora Forestal Limited	Joint owned timber operation
NTP Timber Plus Fund I LP	Higher-and-better-use conversion loans
Green Resources AS	Timber operation
Matariki Forestry Group	Timber operation
Masarang Foundation Asset Linked Euro Note 09/2012	Loan
US Treasury Bills 0% 07/02/2009	Financial Instrument

* Includes proceeds on maturity of US Treasury Bills of US$210.0 million during 2009.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

for the six months ended 30 June 2010

8. INVESTMENTS (continued)
Fair value analysis

In the opinion of the Directors there is no material difference between the book values and the fair values of other financial assets and liabilities.

Financial assets and financial liabilities recorded at fair value are analysed by using a fair value hierarchy that reflects the significance of inputs. The fair value hierarchy has the following levels:

- Level 1: Quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for assets or liabilities that are not based on observable market data (that is, unobservable inputs).

The Group's unlisted securities, classified as financial assets designated at fair value through profit or loss and valued at US$265,174,374 at 30 June 2010 (31 December 2009: US$142,964,749), were categorised as Level 3 inputs in accordance with the fair value hierarchy.

Inputs for the determination of the fair values of financial assets designated as Level 3 include valuations provided by the managers of all the underlying investments at the period end. There were no transfers of financial assets between Levels during the period. The table below reflects the movements in assets designated as Level 3 during the course of the period.

	30 June 2010 US$ Unaudited	31 Dec 2009 US$ Audited
Fair value at beginning of period/year	142,964,749	99,486,532
Acquisitions at cost	118,207,868	23,453,974
Unrealised appreciation	4,001,757	19,724,055
Reversal of prior year unrealised depreciation	-	300,188
Fair value at end of period/year	265,174,374	142,964,749

9. FORWARD FOREIGN EXCHANGE POSITIONS

At 30 June 2010 the Company had no open forward foreign exchange positions. However, at 30 June 2009, the Company had the following open forward foreign exchange positions:

Currency Bought	Currency Sold	Maturity Date	Unrealised loss US$
CNY 203,250,000	USD 30,000,000	27 August 2009	(269,382)

Notes to the Interim Condensed Consolidated Financial Statements (continued)

for the six months ended 30 June 2010

10. LOANS RECEIVABLE

Borrower	Ccy(5)	Principal borrowed	Draw down date	Maturity date	Interest rate	30 June 2010 Local Balance outstanding	30 June 2010 Local Market value*	30 June 2010 Balance outstanding US$	30 June 2010 Market Value* US$
AGN Gestao Florestal LTDA ("AGN", formerly Nemus SA)	R$	1,920,000	31 Jan 2009	30 Sept 2012	8% p.a.	1,187,674	1,273,114	660,112	707,600
AP Servicos Agronomicos LTDA	R$	12,261,901	31 Jan 2009	30 Sept 2012	8% p.a.	6,250,669	6,700,336	3,474,138	3,724,064
AP Servicos Agronomicos LTDA	R$	1,400,000	31 Jan 2009	30 Sept 2012	8% p.a.	1,135,884	1,217,598	631,327	676,744
						8,574,227	9,191,047	4,765,577	5,108,408
Green Resources AS	NOK	20,000,000	17 Jul 2009	30 Nov 2012	12% p.a.	20,000,000	20,110,719	3,082,187	3,469,878
						20,000,000	20,110,719	3,082,187	3,469,878
								7,847,764	8,578,286

(5) R$ = Brazilian Real; NOK = Norwegian Krone

(continued overleaf)

Notes to the Interim Condensed Consolidated Financial Statements (continued)

for the six months ended 30 June 2010

10. LOANS RECEIVABLE (continued)

Borrower	Ccy	Principal borrowed	Draw down date	Maturity date	Interest rate	31 Dec 2009 Local Balance outstanding	31 Dec 2009 Local Market value*	31 Dec 2009 Balance outstanding US$	31 Dec 2009 Market Value* US$
AGN Gestao Florestal LTDA ("AGN", formerly Nemus SA)	R$	1,920,000	31 Jan 2009	30 Sept 2012	8% p.a.	1,497,556	1,522,381	858,937	873,175
AP Servicos Agronomicos LTDA	R$	12,261,901	31 Jan 2009	30 Sept 2012	8% p.a.	6,093,455	6,194,467	3,494,955	3,552,892
AP Servicos Agronomicos LTDA	R$	1,400,000	31 Jan 2009	30 Sept 2012	8% p.a.	1,091,709	1,109,806	626,159	636,539
						8,682,720	8,826,654	4,980,051	5,062,607
Green Resources AS	NOK	20,000,000	17 Jul 2009	30 Nov 2012	12% p.a.	20,000,000	20,110,719	3,450,775	3,469,878
						20,000,000	20,110,719	3,450,775	3,469,878
								8,430,826	8,532,485

* Market value is adjusted for market interest rates prevailing at the reporting date.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

for the six months ended 30 June 2010

10. LOANS RECEIVABLE (continued)

Collateral for loans

The loan to AGN of R$1.2 million (31 December 2009: R$1.5 million) is secured by two rural properties of 485 hectares, located in Mato Grosso, Brazil. The loan of R$6.3 million (31 December 2009: R$6.1 million) to AP, an affiliate company of AGN, is secured by a lien on all the equipment purchased using this loan. The working capital loan of R$1.1 million (31 December 2009: R$1.1 million) to AP is secured by AGN's guarantee. The loan to Green Resources AS of NOK 20.0 million (31 December 2009: NOK 20.0 million) is an unsecured working capital loan to fund the expansion of its plantations.

11. NET ASSETS ATTRIBUTABLE TO C SHARE CLASS

	30 June 2010 Unaudited US$	31 Dec 2009 Audited US$
Net assets attributable to C Share class	41,553,561	41,553,561
Net Asset Value per C Share	-	0.97

The issues of C Shares took place as follows:

Date of issue	Number of shares	Price per share US$	Amount received US$
At 1 January 2009	38,870,000	1.00	38,870,000
14 May 2009	2,830,000	1.00	2,830,000
29 October 2009	1,810,000	1.00	1,810,000
At 31 December 2009	43,510,000	1.00	43,510,000
08 June 2010 - C Shares converted to Ordinary Shares	(43,510,000)	1.00 1.00	(43,510,000)
At 30 June 2010	-		-

Reconciliation of carrying amount:	30 June 2010 Unaudited US$	31 Dec 2009 Audited US$
Issue proceeds	43,510,000	43,510,000
Issue costs	(1,384,380)	(1,384,380)
Income in relation to C Share class	18,514	18,514
Expenses in relation to C Share class	(590,573)	(590,573)
C Shares converted to Ordinary Shares	(41,553,561)	-
Net assets attributable to C Share class	-	41,553,561

On 8 June 2010, 43,510,000 C Shares were converted into 38,815,271 Ordinary Shares and were admitted to the Official List of the UK Listing Authority, to trading on the London Stock Exchange and to listing on the Channel Islands Stock Exchange. The C Shares were converted to Ordinary Shares at a conversion ratio of 0.8921 based on the audited NAV of the respective share classes at 31 December 2009, and according to the Articles of Association of the Company.

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Notes to the Interim Condensed Consolidated Financial Statements (continued)

for the six months ended 30 June 2010

12. SHARE CAPITAL

Authorised, issued and fully paid

As at 30 June 2010 and31 December 2009**:**	**US$**
Unlimited Ordinary Shares of no par value	-

The issues of Ordinary Shares and purchase of Treasury Shares took place as follows:

	Number of shares	Price per share US$	Amount US$
At 1 January 2009:			
Ordinary Shares	502,399,606		518,204,394
Purchase of Ordinary Shares (now held in Treasury)	(1,335,000)		(996,775)
	501,064,606		517,207,619
Purchase of Ordinary Shares (now held in Treasury) during the year:			
1 May 2009	(75,000)	0.69	(51,479)

6 May 2009	(250,000)	0.72	(179,485)
8 May 2009	(350,000)	0.71	(249,875)
12 May 2009	(350,000)	0.71	(247,245)
26 June 2009	(1,405,045)	0.64	(901,029)
30 June 2009	(300,000)	0.64	(192,762)
	(2,730,045)		(1,821,875)
At 31 December 2009:			
Ordinary Shares	502,399,606		518,204,394
Purchase of Ordinary Shares (now held in Treasury)	(4,065,045)		(2,818,650)
	498,334,561		515,385,744
Conversion of C Shares to Ordinary Shares during the period:			
08 June 2010	38,815,271	1.07	41,553,561
At 30 June 2010:			
Ordinary Shares	541,214,877		559,757,955
Purchase of Ordinary Shares (now held in Treasury)	(4,065,045)		(2,818,650)
	537,149,832		556,939,305

The holders of the Ordinary Shares will, under general law, be entitled to participate in any surplus assets in a winding-up only in proportion to their shareholdings in the appropriate class.

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Notes to the Interim Condensed Consolidated Financial Statements (continued)

for the six months ended 30 June 2010

13. PURCHASE OF OWN SHARES

	30 Jun 2010 Unaudited US$	31 Dec 2009 Audited US$
Treasury shares reserve at beginning of period/year	3,025,792	987,436
Purchased during the period/year	-	2,038,356
Adjustment to prior period purchase value	(216,481)	-
Treasury shares reserve at end of period/year	2,809,311	3,025,792

The Treasury Shares reserve at the end of the period represents 4,065,045 Ordinary Shares (31 December 2009: 4,065,045 Ordinary Shares) purchased in the market at various prices per share ranging from US$0.64 to US$0.80 and held by the Company in Treasury. These shares may be reissued or cancelled.

At the Annual General Meeting of the Company held on 27 May 2010, it was resolved that the Company be authorised to make market purchases of Ordinary Shares, provided that the number of Ordinary Shares purchased does not exceed 14.99% of the number of Ordinary Shares in issue on the date the resolution was passed.

The number of Ordinary Shares in issue at the date the resolution was passed was 498,334,561. The number of Ordinary Shares held in treasury by the Company at the date the resolution was passed was 4,065,045 representing 0.82% of the Ordinary Shares in issue at the date the resolution was passed.

The Company's authority to make purchases of its own issued Ordinary Shares will expire at the conclusion of the 2011 Annual General Meeting. A renewal of such authority to make purchases of Ordinary Shares will therefore be sought from shareholders at the 2011 Annual General Meeting. Under such authority, Directors only intend to purchase shares where they believe such purchases will result in an increase in the NAV per Ordinary Share and will assist in narrowing any discount to the NAV per Ordinary Share at which the shares may be trading. When Ordinary Shares trade at a substantial discount to the NAV per Ordinary Share and do not coincide with trading volumes in the market, the Directors may feel that it is appropriate to exercise such authority.

14. SHARE PREMIUM

	30 June 2010 US$
Share premium at 31 December 2009	390,546,882
Add: Conversion of C Shares to Ordinary Shares 8 June 2010	41,553,561
Share premium at 30 June 2010	432,100,443

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Notes to the Interim Condensed Consolidated Financial Statements (continued)

for the six months ended 30 June 2010

15. CAPITAL COMMITMENTS

At the period end, the Company has legally binding commitments of US$9.1 million.

16. RELATED PARTIES

Liane Luke is a senior consultant in the Investment Manager's group. Kimberly Tara is also a director and shareholder of the Investment Manager. In the period the Company incurred costs with the Investment Manager of US$3.9 million (30 June 2009: US$3.7 million), where US$159,166 of these fees (31 December 2009: US$1.2 million) has been prepaid by the Company at 30 June 2010.

Under the terms of the investment management agreement with the Investment Manager, the Investment Manager is entitled to receive a base fee together with reimbursement of reasonable expenses incurred by it in the performance of its duties. The base fee is equal to 0.375% per quarter of the NAV of the Company, calculated quarterly and payable in advance, using an implied straight-line increase in NAV of 10% per annum on a basis which increases at 2.5% per quarter. As the quarterly calculation is based on an estimated NAV, following the calculation of the audited NAV at the end of each financial period, the base fee payable over such financial period will be recalculated and any deficiency will be payable by the Company to the Investment Manager. To the extent that such post-audit recalculation demonstrates that an excess fee has been paid, any such amount will be deducted from the payment due in respect of subsequent periods, up until the amount equal to the excess has been repaid.

In addition, the Investment Manager is entitled to a performance fee if the NAV per Ordinary Share at the end of each performance period exceeds the performance hurdle. Please refer to the 2009 Annual Report for full details.

17. SEGMENT INFORMATION

In accordance with IFRS 8 *Operating Segments*, the Board, as a whole, has been determined as constituting the chief operating decision maker of the Group. The key measure of performance used by the Board in its capacity of 'chief operating decision maker' is to assess the Group's performance and to allocate resources based on the total expected return of each individual investment within the Group's portfolio, as opposed to geographic regions. As a result, the Board is of the view that the Group is engaged in a single segment of business, being investment in timber and timber-related investments. The financial results from this segment are equivalent to the consolidated financial statements of the Group as a whole.

There are no differences from the 2009 Annual Report in the basis of segmentation or in the basis of measurement of segment profit or loss.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

for the six months ended 30 June 2010

18. EVENTS AFTER THE BALANCE SHEET DATE

Collins Stewart Europe Limited was appointed as the Company's broker with effect from 1 July 2010, replacing Shore Capital Stockbrokers Limited. Shore Capital and Corporate Limited also ceased to be the Company's sponsor, effective 3 July 2010.

On 14 July 2010, Phaunos announced that it had signed agreements to make its second investment in Jiangxi province, China. At completion of these investments, the Company will have invested a total of US$14.7 million in two properties, consisting of mature and mixed age fir and pine plantations.

On 28 July 2010, Phaunos invested an additional US$1.2 million into Green Resources. The additional investment will be used for planting operations.

Schedule of Investments

Name of investment	Nature of investment	Fair Value US$	30 June2010 Total Net Assets %	31 Dec 2009 Total Net Assets %
GreenWood Tree Farm Fund LP	Timber operation	27,304,536	4.87%	5.38%
Aurora Forestal Limited	Timber operation	30,791,741	5.50%	4.84%
Masarang Foundation Asset Linked Euro Note 09/2012	Loan	-	-	-
NTP Timber Plus+ Fund I, LP	Higher-and-better-use conversion	10,940,856	1.96%	1.87%
Green Resources AS	Timber operation	72,965,685	13.02%	12.78%
Matakari Forestry Group	Timber Operation	123,171,556	21.97%	-
Total financial assets designated at fair value through profit or loss		265,174,374	47.31%	24.87%
Other non-current assets		191,741,818	34.21%	17.89%
Other net current assets		712,860	0.13%	(0.33)%
Cash and cash equivalents		102,843,475	18.35%	57.57%
Total NAV		560,472,527	100.00%	100.00%

Shareholder Information

The Ordinary Shares are traded on the Main Market of the London Stock Exchange and on the Channel Islands Stock Exchange. The Ordinary Shares may be dealt in directly through a stockbroker or professional adviser acting on an investor's behalf. The buying and selling of Ordinary Shares may be settled through CREST.

The ISIN, SEDOL and the LSE mnemonic of the Ordinary Shares are:

ISIN	SEDOL	LSE mnemonic
GG00B1G3RS66	B1G3RS6	PTF

Shareholder Enquiries

The Company's CREST compliant registrar is, as at the date of publication of these financial statements, Capita Registrars (Guernsey) Limited, who maintains the Company's registers of shareholders. They may be contacted by telephone on +44 (0)1534847445.

Further information regarding the Company can be found on its website at:www.phaunostimber.com.

For information about investing in the Company contact info@fourwindscm.com.

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