



Phaunos Timber Fund Limited - PTF Company Update
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Company update

The information contained within this announcement constitutes inside information.

Further to the appointment of Jon Bridel to the Board of Phaunos Timber Fund Limited ("**Phaunos**" or the "**Company**"), the Board replacement process that started in July 2017, is now complete.

The Company's last reported NAV, as detailed in the Company's unaudited interim report and condensed consolidated financial statements for the period ending 30 June 2017 ("**2017 Interim Accounts**"), was US\$287 million. As set out in the 2017 Interim Accounts, the NAV figure reflected provisions of US\$11.8 million for estimated wind-down costs, including potential sales commissions and tax liabilities associated with the sale of the assets and repatriation of funds, together with the increased base fee payable to Stafford on the 2017 continuation vote not being passed.

While adjustments were made to the 2017 Interim Accounts, wherever possible, to reflect the fact that the Company was no longer reporting on a going concern basis, it was not practical in the time between the failed continuation vote and the publication of the 2017 Interim Accounts to obtain new independent third-party valuations for the assets at 30 June 2017. The procedures followed when preparing the 2017 Interim Accounts were in accordance with the process followed by the Company for previous interim reporting periods.

The new Board has now had the opportunity to consult with the Company's investment manager, Stafford Capital Partners Ltd ("**Stafford**"). Stafford has undertaken a high-level review of the portfolio in order to estimate the possible range of realisation outcomes for the

Company's assets following the outcome of the June 2017 continuation vote by Shareholders to wind-down the Company.

Asset realisation estimates

Stafford's review utilised the NAV for each individual asset as at December 2016 as a starting point, which was then adjusted for the positive or negative impact of the following factors:

- possible changes that prospective buyers might make, based on current market conditions, to input assumptions used in the 31 December 2016 independent appraisals;
- potential discounts that the market may apply should any circumstances result in a forced liquidation;
- adjustments which prospective buyers may factor in when determining the value of the minority interests held by Phaunos; and
- the possible impact of foreign exchange rate movements.

The sum of the negative movements was used to estimate the lower end of the range of realisation and, similarly, the sum of the positive movements was used to estimate the top end estimate.

On that basis, it is estimated that the realisation NAV range of the Company's portfolio falls between US\$229 million and US\$286 million, equivalent to US\$0.42 cents per share and US\$0.52 cents per share respectively. This estimated realisation NAV range reflects the same provisions as used in the NAV figure in the 2017 Interim Accounts (as set out above) and includes the value of the Company's cash balances. The estimated realisation NAV range excludes additional costs that may be incurred by the Company as part of the ongoing management and realisation process.

While the Board appreciates the estimated realisation NAV range is broad, the ultimate realisable value of the assets will depend on a number of factors which cannot be predicted with confidence at this stage. The assumptions applied by Stafford in developing this range of possible realisation values may prove to be incorrect or different to those adopted by the potential buyers and, as such, it is possible that the ultimate realisation value of the portfolio could fall outside of the range set out above.

The context for Stafford's review was to educate the new Board on the possible realisation outcomes. However, the Board believes that it is also important for Shareholders to be provided with estimated realisation NAV range prior to third party valuations to be undertaken when preparing the Company's annual report and financial statements as at 31 December 2017.

Going forward, the new Board intends to provide realisation updates to shareholders on a quarterly basis. It is intended that the first such update will be provided by 31 October 2017, in respect of the quarter ending 30 September 2017.

The person responsible for arranging for the release of this announcement on behalf of the Company is Chris Bougourd, Vistra Guernsey, Company Secretary.

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Notes to Editors

Established in 2006, Phaunos Timber Fund Limited ("PTF" or "the Company") invests in a concentrated, but diversified portfolio of timberland and timber-related investments. It was announced on 19 June 2017 that the Company's continuation resolution had not been passed. The Board is now conducting an orderly realisation of the assets of the Company.

PTF is a Guernsey-domiciled authorised closed-ended investment scheme, authorised by the Guernsey Financial Services Commission under section 8 of The Protection of Investors (Bailiwick of Guernsey) Law, 1987 (as amended) and the Authorised Closed-ended Investment Schemes Rules 2008 made thereunder. The Company's ordinary shares are traded on the Main Market of the London Stock Exchange. www.phaunostimber.com

The Company's ticker is PTF. www.phaunostimber.com

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