

Regulatory Story

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Company	Phaunos Timber Fund Limited
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Phaunos Timber Fund Limited - Interim Management Statement

Phaunos Timber Fund Limited ("Phaunos" or the "Company") the Authorised Closed-ended Investment Scheme managed by FourWinds Capital Management established to invest in timberland and timber-related assets on a global basis, today issues its Interim Management Statement for the period from 1 January 2010 to 14 May 2010 (the "Period").

Financial Position and Performance

The Company is nearing completion of its investment programme and has now built the necessary in-country infrastructure to support its operations. At 14 May 2010, the Company had invested US\$451.4 million. The Company's pipeline of investment opportunities remains robust.

At 30 April 2010, the Company held US\$109.6 million in cash to fund its commitments and to complete its portfolio investments. Of that US\$109.6 million, the Company is reserving between US\$50-60 million for working capital with the remainder committed to existing operating projects.

The latest published audited net asset values per ordinary share and per C share of the Company are US\$1.07 and US\$0.96 respectively (in each case being the asset value as at 31 December 2009, as announced on 23 April 2010).

Portfolio Summary

At 14 May 2010, the Company had invested in the following projects, totalling US\$451.4million:

- US\$30.1million in Greenwood Tree Farm Fund LP for investment in the Northwest US with a targeted investment total of US\$36.4 million.
- US\$10.1 million in National Timber Partners' Timber Plus+ Fund I, LP for investment in the Southeast US.
- US\$35.2 million by way of minority interest in Aurora Forestal Limited, a joint venture formed in northern Uruguay owning pine plantations and a sawmill, with a targeted total investment of US\$37.9 million.
- US\$4.9 million in Caldrey SA to provide forestry services to the growing timber management industry in Uruguay, with a targeted total investment of US\$6.8 million.
- US\$5.6 million in the form of an interest bearing loan note to the Dutch Masarang Foundation, operating in Indonesia. As reported in the 2009 Annual Report and Consolidated Financial Statements, the Board of Directors of the Company reviewed the loan to the Masarang Foundation and concluded it prudent to make a provision against the full value, given some uncertainty surrounding its ability to repay the loan on its original schedule.
- US\$12.2 million in Forest Enterprise doo, to establish a wood pellet plant in Serbia, with a targeted total investment of US\$13.0 million.
- US\$29.3 million in Pradera Roja for a eucalyptus plantation project in Uruguay to be grown for both the fibre and sawn wood markets, with a targeted total investment of US\$30.0 million.
- US\$52.5 million in Eucateca SA, for eucalyptus and teak plantations in Mato Grosso, Brazil, with a targeted total investment of US\$150.0 million.
- US\$16.8 million in Green China Forestry Company Limited, an investment in China developing fast-growing species plantations, with a targeted total investment of US\$200.0 million.
- US\$9.5 million in Romfor Timber SRL and BaltFor Timber OU, two wholly owned operating subsidiaries for investment in mature timberland in Eastern Europe.
- US\$42.0 million in Green Resources AS, a Norwegian company with extensive forestry assets in East Africa.

- US\$85.8 million in Mata Mineira Investimentos Florestais Ltda, for investment in mature timberland in Minas Gerais, Brazil.
- US\$118.0 million in a significant minority stake in Matariki Forestry Group, a New Zealand company holding 183,000 gross hectares in six mixed-age plantations across both islands of New Zealand.

Material Events and Transactions during the Period

On 22 February 2010, the Company announced that it had completed its investment for a significant minority stake in Matariki Forestry Group, which owns 183,000 gross hectares in New Zealand, primarily pine.

On 29 March 2010, the Company announced that its subsidiary, Green China (Jiangxi) Forestry Co. Ltd had completed the first investment in China by a timber investment management organisation, with its initial acquisition in Jiangxi Province of a small (2,800 hectares, primarily pine and fir) but pivotal property in the roll-out of Phaunos' China acquisition programme.

On 28 April 2010, the Company announced that Mata Mineira had completed its acquisition of over 19,000 hectares of eucalyptus, both mature and pre-merchantable, in Minas Gerais, Brazil.

Important Information

This Interim Management Statement has been produced solely to provide additional information to shareholders of the Company to meet the relevant requirements of the U.K. Listing Authority's Disclosure and Transparency Rules. It should not be relied upon by any other party for any other purpose. The information in this statement has not been audited.

The information related to the Company included in this statement is provided for information purposes only and does not constitute an invitation or offer to subscribe for or purchase shares in the Company. This material is not intended to provide a sufficient basis on which to make an investment decision. All investments are subject to risk. An investment in the Company should be regarded as long term in nature and is suitable only for sophisticated investors, investment professionals, high net worth bodies corporate, unincorporated associations and partnerships and trustees of high value trusts, in each case, who can bear the economic risk of a substantial or entire loss of their investment. Prospective investors are advised to seek expert legal, financial, tax and other professional advice before making any investment decisions.

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END OF ANNOUNCEMENT

Notes to Editors:

Phaunos Timber Fund Limited is a Guernsey domiciled authorised closed-ended investment scheme pursuant to section 8 of the Protection of Investors (Bailiwick of Guernsey) Law 1987, as amended, and rule 6.02 of the Authorised Closed-ended Investment Scheme Rules 2008, and was incorporated in Guernsey on 28 September 2006 with an unlimited life.

The Company has two classes of shares in issue: US Dollar denominated ordinary shares ("Ordinary Shares") and US Dollar denominated C shares ("C Shares"). The Ordinary Shares are admitted to the Official List of the UK Listing Authority ("Official List") and to trading on the Main Market of the London Stock Exchange plc ("LSE") and to listing and trading on the Channel Islands Stock Exchange ("CISX"). The C Shares are not admitted to the Official List or traded on the LSE, nor are they listed or traded on the CISX. The C Shares currently in issue will convert into Ordinary Shares in accordance with the provisions relating thereto which are contained in the Company's prospectus dated 5 June 2008 ("Prospectus") and its current articles of association ("Articles") at a conversion ratio determined by reference to the respective net asset values ("NAV") of the Ordinary Shares and the C Shares at 31 December 2009, with actual conversion expected to take place in or around June 2010.

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