

Regulatory Announcement

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Company	Phaunos Timber Fund Limited
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Phaunos Timber Fund Limited
27 September 2007

PHAUNOS TIMBER FUND LIMITED

PRELIMINARY ANNOUNCEMENT OF INTERIM RESULTS

HIGHLIGHTS

- US\$485 million in subscriptions since launch
- Net asset value per share of US\$1.00
- US\$40 million in investments closed (plus an additional US\$33.5 million since the mid-year)
- Extensive pipeline of deals in progress

CHAIRMAN'S STATEMENT

INTRODUCTION

Dear Shareholders,

It is my pleasure in this first report to welcome all shareholders after our successful fundraisings. Phaunos raised US\$115 million in a placing by Shore Capital Stockbrokers Limited and LCF Edmond de Rothschild Securities Limited and joined AIM and the Channel Islands Stock Exchange on 20 December 2006. The Company raised an additional \$370 million in a secondary issue on 5 June 2007. The Board believes that Phaunos now has sufficient funds to achieve a well-diversified investment programme.

Phaunos has moved forward rapidly to ensure its investment programme has an excellent pipeline of well diversified international investments in line with the Company's objectives and guidelines. Phaunos has already closed on five initial investments, two prior to period end and three after, and expects to announce others in the coming weeks and months as projects that are in advanced stages are finalized subject to final due diligence and negotiations.

The Company's investment manager, FourWinds Capital Management, has continued to build its team of senior timber investment professionals focused on building and managing the Phaunos portfolio. The Board is pleased with the high ethical and environmental standards applied by the investment manager.

Phaunos is focused on generating attractive long term returns from a diversified global portfolio of timberland and timber-related investments.

NET ASSET VALUE

The Company's unaudited net asset value per share is \$1.00 as at 30 June 2007.

DIVIDENDS

The Board is not proposing a dividend for the period.

INVESTMENTS

During the period from inception to 30 June 2007, the Company closed on deals totalling US\$40 million:

- US\$30 million in a partnership for investment in the north-western United States, which has acquired its first tree plantation, a 35,000-acre hybrid poplar tree farm in Boardman, Oregon. The tree farm is certified under the stringent forest practices guidelines of the Forest Stewardship Council ("FSC").
- US\$10 million to an investment partnership investing in the south-eastern United States designed to realise the "higher-and-better-use" values of timberland properties.

Since 30 June 2007, the Company has also closed on an additional US\$33.5 million in investments in Uruguay and Indonesia including 18,500 hectares of FSC certified pine plantations and other forestry sector investments.

Other investments are under review and negotiation in Latin America, Oceania, Eastern Europe, Africa, and Asia.

OUTLOOK

The investment manager has an extensive pipeline of potential investments that meet the Company's specified investment criteria. The broad international scope and variety of return streams from the projects under consideration is particularly interesting for the future diversification of the portfolio.

I look forward to reporting the Company's progress in the annual report for the year ended 31 December 2007. In the meantime shareholders should note that further information about the Company is available on its website at www.phaunostimber.com

KEITH OATES
CHAIRMAN
27 SEPTEMBER 2007

Contacts

The Company	
Keith Oates	01481 722260
The Investment Manager	
Kimberly Tara	+33 685 75 38 41
Shore Capital - Nominated Adviser	
Guy Peters	020 7408 4900

BACKGROUND INFORMATION

Phaunos Timber Fund Limited is a closed-ended investment company incorporated in Guernsey on 28 September 2006 with an unlimited life. The Company has one class of share in issue, being US Dollar denominated Ordinary Shares. The Company raised approximately US\$115 million through a placing of 115,150,000 Ordinary Shares at a price of US\$1 each. On 20 December 2006 this share class was admitted to listing and trading on AIM and the Channel Islands Stock Exchange.

The Company raised a further US\$370 million through a secondary equity

fundraising in June 2007 through a placing of 355,769,230 Ordinary Shares at a placing price of US\$1.04 per share. These shares began trading on 5 June 2007.

INVESTMENT STRATEGY

The Company's investment objective is to provide shareholders with attractive long term total returns, predominantly (expected to be) in the form of capital appreciation but with some income, through a diversified portfolio of timberland and timber-related investments.

The Investment Manager will seek to accomplish this investment objective by (i) seeking exposure to timberland and timber-related investments on a global basis; (ii) seeking portfolio diversification by tree species, age classes and geographical timberland markets; and (iii) seeking to control risk through portfolio diversification, investment vehicle selection and implementation of risk control strategies. The only predetermined geographical limits enforced on the Company are that no single country or US region may garner more than 40% of the Company's total investment portfolio. This high limit has been placed to ensure that the Company can maintain flexibility in the market place. The Company will invest in developed timberland markets in politically stable countries and will invest in at least three different regions of the world. No single investment may, at the time of acquisition, exceed 30 per cent. of the gross assets of the Company, without the unanimous approval of the Board.

It is the intention of the Investment Manager to seek for the Company investments that meet or exceed the guidelines set out in the Sustainable Forestry Initiative.

It is the intention of the Directors, subject to market conditions, for the Company to be substantially invested (i.e. 80 to 85 per cent.) or committed in accordance with its investment policy within 18 months of the first placing and thereafter at all times, although the Investment Manager may exercise its discretion to hold cash or cash equivalent instruments. Pending such investment the Company's net funds are invested in fixed income investments (including but not limited to bank deposits, bonds or government issued treasury securities) for the purpose of protecting the capital value of the Company's cash assets.

Since not all of the Company's investments will be income generating the Company may also retain a proportion of its liquid assets in cash or near-cash investments for working capital purposes.

The Company's investment portfolio is expected to comprise predominantly US Dollar denominated investments. The Directors intend that all monies eventually returned to shareholders and the reported Net Asset Value of a share will be denominated in US Dollars. In order to hedge against interest rate risks or currency risk, the Company may, where appropriate, also enter into forward interest rate agreements and forward currency agreements.

As required under the AIM Rules, the Directors intend to seek Shareholder approval of the Company's investment strategy at each annual general meeting of the Company.

The Directors do not currently intend to propose any changes to the Company's investment objective and policy (and associated investment strategy) until the earlier of the time when the net funds currently available are fully invested or three years from the first placing, save in the case of exceptional and unforeseen circumstances and with the prior approval of shareholders by way of special resolution.

NET ASSET VALUE PER SHARE

The Company's net unaudited net asset value of a share is US\$1.00 per share as at 30 June 2007.

CONSOLIDATED STATEMENT OF OPERATIONS

For the period from incorporation to 30 June 2007

	28 Sep 2006 to 30 Jun 2007 USD
Net movement in unrealised loss on investments	(29,205)
Operating income	4,164,560
Operating expenses	(1,619,220)
Gain on ordinary activities before taxation	2,516,135
Taxation on ordinary activities	-
Net gain for the period attributable to shareholders	2,516,135
	Cents
Earnings per share for the period - Basic and Diluted	1.82

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

There are no recognised gains or losses for the period other than those disclosed above.

CONSOLIDATED NET ASSET STATEMENT

As at 30 June 2007

	30 Jun 2007 USD
FIXED ASSETS	
Investments in subsidiaries	20,200,000
Unquoted financial assets designated as fair value through profit or loss	3,120,620
	23,320,620
CURRENT ASSETS	
Debtors	1,714,026
Cash and cash equivalents	446,650,498
	448,364,524
CURRENT LIABILITIES	
Creditors - due within one year	57,971
NET CURRENT ASSETS	448,306,553
TOTAL ASSETS LESS CURRENT LIABILITIES	471,627,173

NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS	471,627,173
CAPITAL AND RESERVES	
Share capital	-
Share premium	358,693,034
Retained earnings	2,515,544
Distributable reserves	110,418,595
	471,627,173
SHARES IN ISSUE	470,919,230

NAV PER SHARE	USD 1.00
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The NAV per share is calculated in accordance with International Financial Reporting Standards.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period from incorporation to 30 June 2007

	30 Jun 2007 USD
Operating activities	
Net gain for the period attributable to shareholders	2,516,135
Add: Unrealised depreciation on investments	29,205
Add: Increase in accrued expenses	57,971
Less: (Increase) in prepayments and accrued income	(1,714,026)
Net cashflow from operating activities	889,285
Investing activities	
Purchase of financial assets	(23,326,968)
Net cash outflow from investing activities	(23,326,968)
Financing activities	
Proceeds of issue of shares	485,150,000
Costs of issue of shares	(16,038,371)
Net cash inflow from financing activities	469,111,629
Cash and cash equivalents at beginning of period	-
Increase in cash and cash equivalents	446,673,946
Cash and cash equivalents at end of period	446,673,946

STATEMENT OF CHANGES IN EQUITY

FROM THE PERIOD ENDED 30 JUNE 2007-09-25

GROUP	30 Jun 2007 USD
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Opening balance	-
Issue of shares	485,150,000
Share issue costs	(16,038,371)
Net gain for the period attributable to shareholders	2,516,135
Closing balance as at 30 June 2007	471,627,764

30 Jun 2007
USD

COMPANY

Opening balance	-
Issue of shares	485,150,000
Share issue costs	(16,038,371)
Net gain for the period attributable to shareholders	2,515,544
Closing balance as at 30 June 2007	471,627,173

NOTES

ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in conformity with International Financial Reporting Standards and applicable Guernsey law. The financial statements have been prepared on an historical cost basis except for the measurement at fair value of financial instruments. The financial statements have been prepared in accordance with the requirements of IAS 34.

Basis of calculation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 30 June 2007. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. All inter-group transactions, balances, income and expenses are eliminated on consolidation.

Taxation

The Company has been granted exemption under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 from Guernsey Income Tax, and is charged an annual fee of £600.

Expenses

All expenses are accounted for on an accruals basis.

Interest income

Interest income is accounted for on an accruals basis.

Share issue costs

The share issue costs incurred amounted to US\$16,038,371. Because the Company's shares have no fixed redemption date, the costs are written off through the statement of changes in net assets.

Cash and cash equivalents

Cash at bank and short term deposits which are held to maturity are carried at

cost. Cash and cash equivalents are defined as call deposits, short term deposits and highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value. For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and deposits at bank.

Investments

All investments have been designated "fair value through profit or loss". Investments are initially recognised on the date of purchase at cost, being the fair value of the consideration given, including transaction costs associated with the investment. After initial recognition, investments are measured at fair value, with unrealised gains and losses on investments and impairment of investments recognised in the Statement of Operations. Investments are recognised on their maturity date. Gains and losses on the sale of investments will be taken to the Statement of Operations.

EARNINGS PER SHARE

Earnings per share is based on the net gain for the period attributable to shareholders of Group £2,516,135 and Company £2,515,544 and on 138,436,713 Shares, being the weighted average number of shares in issue during the period. There are no dilutive instruments and therefore basic and diluted earnings per share are identical.

INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries consist of investments in the following wholly owned group company:

Company	Place of Incorporation	No. of shares	30 Jun 2007 USD
Phaunos US Incorporated	USA	20,200,000	20,200,000
			20,200,000

Phaunos Timber Fund Limited owns 100% of the issued share capital of the above company. The value of the investment is stated at cost. Following advice from FourWinds the Directors consider that there has been no diminution in the value of the investment.

GROUP

UNQUOTED FINANCIAL ASSETS DESIGNATED THROUGH PROFIT OR LOSS AS FAIR VALUE	30 Jun 2007 USD
Opening portfolio cost	-
Additions at cost	23,326,968
Unrealised appreciation on valuation brought forward	-
Unrealised appreciation/(depreciation) on valuation for the period	(29,205)
Unrealised appreciation/(depreciation) on valuation carried forward	(29,205)
Closing valuation	23,297,763

INVESTMENTS

COMPANY

UNQUOTED FINANCIAL ASSETS DESIGNATED THROUGH PROFIT OR LOSS AS FAIR VALUE	30 Jun 2007 USD
Opening portfolio cost	-

Additions at cost	3,149,825
Unrealised appreciation on valuation brought forward	-
Unrealised appreciation/(depreciation) on valuation for the period	(29,205)
Unrealised appreciation/(depreciation) on valuation carried forward	(29,205)
Closing valuation	3,120,620

Investments are shown at cost. In the directors' opinion the fair value of investments approximates to cost.

SHARE CAPITAL

30 Jun 2007
USD

Authorised, issued and fully paid
Unlimited Ordinary Shares of no par value -

The issues of shares took place as follows:

Date of issue	Number of shares	Price per share USD	Amount received USD
20 December 2006	115,150,000	1.00	115,150,000
5 June 2007	355,769,230	1.04	370,000,000
	470,919,230		485,150,000

As the company has only one class of shares, the holders of its shares will under general law be entitled to participate in any surplus assets in a winding-up in proportion to their shareholdings.

SHARE PREMIUM

30 Jun 2007
USD

COMPANY AND GROUP

Share premium as at 28 September 2006	-
Share premium on initial raising 20 December 2006	115,150,000
Share premium on second raising 5 June 2007	370,000,000
Less: Share issue costs	(16,038,371)
Transfer to distributable reserves	(110,418,595)
Share premium	358,693,034

RETAINED EARNINGS

	Company 30 Jun 2007 USD	Group 30 Jun 2007 USD
Balance as at 28 September 2006	-	-
Net gain for the period attributable to shareholders	2,515,544	2,516,135
Balance as at 30 June 2007	2,515,544	2,516,135

DISTRIBUTABLE RESERVES

	Company 30 Jun 2007 USD	Group 30 Jun 2007 USD
Balance as at 28 September 2006	-	-
Transferred from share premium	110,418,595	110,418,595

Balance as at 30 June 2007 110,418,595 110,418,595

The Company has passed a special resolution reducing the amount standing to the credit of the share premium account on the initial raising to US\$ Zero, and that the surplus created form a distributable reserve. In accordance with The Companies (Guernsey) Law, 1994 (as amended) (the "Companies Law"), the Directors applied to the Royal Court in Guernsey for an order confirming such reduction of the share premium account following admission. The distributable reserve created on cancellation is available as distributable profits to be used for all purposes permitted by the Companies Law, including the buy back of Ordinary Shares and the payment of dividends.

EVENTS AFTER THE BALANCE SHEET DATE

Since the year end, the Company has made further commitments of US\$21 million into a joint venture, US\$7 million in a wholly owned subsidiary and US\$5.5 million in a loan to a foundation. Two of these investments are in Uruguay and one is in Indonesia.

The Company has also made further commitments to provide funding of around US\$17 million into investments existing at 30 June 2007.

Copies of the interim report and further information regarding the Company can be found on its website at www.phaunostimber.com

These interim accounts do not comprise statutory accounts for Phaunos and they are unaudited. Full audited statutory accounts will be expected to be released in or before June 2008.

For further information contact:

Anson Fund Managers Limited
Company Secretary
Tel: 01481 722260

Or

Shore Capital Ltd
Nominated Advisor for AIM
Tel: 0207 408 4040

27 September 2006

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