NEW FORESTS COMPANY UGANDA UK LIMITED

(Registration Number: 05747834)

ANNUAL REPORT AND FINANCIAL STATEMENTS

30 June 2023

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ANNUAL FINANCIAL STATEMENTS
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NEW FORESTS COMPANY UGANDA UK LIMITED
DIRECTORS' REPORT
for the year ended 30 June 2023

The directors are pleased to present their annual report and financial statements for the year ended 30 June 2023.

PRINCIPAL ACTIVITY

The principal activity of the Company during the period was that of a Holding Company. The principal activities of the Company's trading subsidiary are that of commercial forestry and the manufacture and sale of timber products in Uganda.

REVIEW OF THE BUSINESS

The net asset value position of the Company at the year-end decreased when compared with the prior period, with the net asset value being $35 million (2022: $35.2 million). The financial position is set out in the statement of financial position on page 7 and in the related notes on pages 10 to 30.

Likely future developments as well as principal risks and uncertainties have been included within the strategic report and through cross reference forms part of this report.

Details of the Company's financial risk management policies and its exposure to liquidity risk, credit risk and cash flow risk are contained in note 13 to the Financial Statements.

Financial performance

The Company reported a loss after tax of US$ 0.11 million (2022: US$ 0.11 million loss). The loss before tax increased by US$ 0.02 million compared to the prior year. Financial Instruments are discussed under the Strategic report. The Company's performance is obtaining and maintaining financing for its subsidiary.

Dividends

No dividends were proposed or paid during the current or prior financial year and none have been declared subsequent to the year end.

Going concern

The Company has developed financial budgets and models based on management's best estimates of future operations, its profitability and cash flows required. The Company has secured sufficient funding that will provide adequate cash resources for the next 12 months from the signing of the financial statements. Despite the inherent uncertainties beyond the next financial year, the directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, the Company will continue to adopt the going concern basis of accounting in preparing the financial statements.

The ultimate holding company New Forests Company Holdings I Limited further provided a letter of support which confirms that New Forests Company Uganda UK Limited and its subsidiary (New Forests Company Uganda Limited) will receive sufficient funding in the next 12 months, should it be required.

Events after reporting date

The going concern disclosure within this report contains a summary of the Group refinancing, which was completed post year end. See note 16 to the financial statements for details.

Directors' indemnities

The Company has made qualifying third-party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Directors

The directors during the year and to the date of signing the financial statements, except as noted, were:

	Date appointed	Date resigned
J R Aisbitt	17 June 2019	-
D M Lapp	1 January 2020	-
D P Tauckoor	9 June 2017	-
S J Beeda	9 June 2017	-

Climate Change

As a sub-entity of New Forest Company Holdings I Limited, the Company is aligned with New Forest Company Holdings I Limited approach to supporting the successful transition to a more sustainable, low carbon economy. Further details of this can be found in the New Forest Company Holdings I Limited policy on climate change in its consolidated financial statements. These consolidated financial statements are available at its registered office, from C/o Renesis (Mauritius), 2nd Floor, Suite 122, Harbour Front Building, John Kennedy Street, Port Louis Mauritius.

Political contribution

The Company has not made any political contribution during the year (2022: $Nil).

Approved by the Board and signed on its behalf by:

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D M Lapp
Director
Date: 8 December 2023

NEW FORESTS COMPANY UGANDA UK LIMITED
DIRECTORS' RESPONSIBILITIES STATEMENT
for the year ended 30 June 2023

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom adopted international accounting standards. The financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the IASB. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements of the financial reporting framework are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act of 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors present their Strategic report for the year ended 30 June 2023.

STRATEGIC REVIEW

The principal activity of the Company during the period was that of a Holding Company. The principal activities of the Company's trading subsidiary is that of commercial forestry and the manufacture and sale of timber products.

The financial performance of the Company has been detailed in the directors' report and is set out in the statement of profit or loss and other comprehensive income on page 6, as well as the notes on pages 10 to 30.

Principal Risks and Uncertainties

The directors consider the risk below to be the most significant, but it is not necessarily the only risk:

- Funding - the Company's future growth prospects are heavily dependent on securing appropriate levels of intercompany funding. The parent company and the group's track record of raising finance has been very good and a strong focus on relations with both current and potential investors combined with the shareholder base's commitment to the continued development of the Company, help mitigate this risk.

Likely Future Developments

The Company will continue as an intermediate Holding Company.

Financial Risk Management Objectives and Policies

Details of the Company's financial risk management policies and its exposure to liquidity risk, credit risk and cash flow risk are contained in note 13 to the Financial Statements.

Section 172(1) statement

In accordance with the Companies Act 2006 ("the Act"), the directors provide the following statement describing how they have had regard to the matters set out in section 172(1) of the Act, when preforming their duty to promote the success of the Company under section 172. The Directors remain mindful in all their deliberations of the long-term consequences of their decisions, as well as the importance of maintaining a reputation for high standards of business conduct and taking account of the views of key stakeholders. Further details on key actions in this regard are also contained within the Directors' Report on page 1.

Engagement with Stakeholders

In accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended by the Companies (Miscellaneous Reporting) Regulations 2018), the following statement also provides details of how the Directors have engaged with and had regard to the interests of key stakeholders. The Company is a subsidiary of New Forest Company Holdings I Limited and as such follows many of the processes and practices of parent company, which are further referred to in this statement where relevant.

The Board is collectively responsible for the long-term success of the Company. Understanding the views and interests of key stakeholders (this includes investors, society and the environment), is central to the Company's strategy, crucial to the Company's success, and informs key aspects of Board decision-making as set out in this Statement.

Shareholders

The Company is a majority owned subsidiary of New Forest Company Holdings I Limited and Directors ensure that the strategy, priorities, processes and practices of the Company are fully aligned where required to those of parent entity. Further information in respect of the relationship of parent company with its shareholders is included within the Strategic Report within the New Forest Company Holdings I Limited Annual Report and financial statements for 30 June 2023, available at C/o Renesis (Mauritius), 2nd Floor, Suite 122, Harbour Front Building, John Kennedy Street, Port Louis Mauritius.

Communities and the Environment

The Directors acknowledge that the Company, as part of New Forest Company Holdings I Limited, has responsibilities to invest in the communities in which it operates, to help them prosper economically and build social cohesion by tackling disadvantage. Further information in respect of the parent company approach to engaging with and contributing to the communities in which it operates is included within the Strategic Report within the parent company Annual Report and financial statements for year end 30 June 2023.

Employee

The entity has no employee during the current and prior year.

Events after reporting date

See note 16 to the financial statements for details.

Approved by the Board and signed on its behalf by:

D M Lapp
Director

Date: 8 December 2023

NEW FORESTS COMPANY UGANDA UK LIMITED
STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 30 June 2023

	Notes	30/06/2023 US$'000	30/06/2022 US$'000
Operating expenses	3	(111)	(109)
Operating loss		(111)	(109)
Loss before tax		(111)	(109)
Tax	5		-
Loss for the year		(111)	(109)
Total comprehensive expense for the year		(111)	(109)

The notes on pages 10 to 30 form an integral part of these financial statements. The above results are from continuing operations of the company.

NEW FORESTS COMPANY UGANDA UK LIMITED
STATEMENT OF FINANCIAL POSITION
As at 30 June 2023

	Notes	30/06/2023 US$'000	30/06/2022 US$'000
Assets			
Non-current assets			
Investments	6	56	56
Other receivables	7	35,259	35,380
Total non-current assets		35,315	35,436
Current assets			
Other receivables	7	13	12
Cash and cash equivalents		17	50
Total current assets		30	62
Total assets		35,345	35,498
Equity and liabilities			
Issued capital	8	240	240
Share premium	8	53,267	53,267
Translation reserve	9	58	58
Accumulated losses		(18,508)	(18,397)
Total equity		35,057	35,168
Current liabilities			
Other payables	10	288	330
Total current liabilities		288	330
Total liabilities		288	330
Total equity and liabilities		35,345	35,498

For the year ending 30 June 2023, the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The financial statements of New Forests Company Uganda UK Limited (registered number 05747834) were approved and authorised for issue by the board of directors and were signed on its behalf:

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D-M Lapp
Date: 8 December 2023

The notes on pages 10 to 30 form an integral part of these financial statements.

NEW FORESTS COMPANY UGANDA UK LIMITED
STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2023

	Ordinary shares US$'000	Share premium US$'000	Accumulated loss US$'000	Translation reserve US$'000	Total equity US$'000
Company					
Balance at 1 July 2021	240	53,274	(18,288)	58	35,284
Loss and total comprehensive expense for the year	-	-	(109)	-	(109)
Transaction costs	-	(7)	-	-	(7)
Balance at 30 June 2022	240	53,267	(18,397)	58	35,168
Loss and total comprehensive expense for the year	-	-	(111)	-	(111)
Balance at 30 June 2023	240	53,267	(18,508)	58	35,057

The notes on pages 10 to 30 form an integral part of these financial statements.

NEW FORESTS COMPANY UGANDA UK LIMITED
STATEMENT OF CASH FLOWS
for the year ended 30 June 2023

	Notes	30/06/2023 US$'000	30/06/2022 US$'000
Cash flows from operating activities:			
Loss before tax		(111)	(109)
Adjustments for:			
Impairment of related party receivables		38	-
Change in net working capital		40	157
Cash (used in)/generated from operations		(33)	48
Net cash (used in)/generated from operating activities		(33)	48
Net change in cash and cash equivalents		(33)	48
Cash and cash equivalents at beginning of the year		50	2
Cash and cash equivalents at end of the year		17	50

The notes on pages 10 to 30 form an integral part of these financial statements.

1.1 Nature of business

New Forests Company Uganda UK Limited (the "Company") is a private company, limited by shares, incorporated in the United Kingdom and registered in England and Wales. The Company's registered address is Orrick, Herrington & Sutcliffe (UK) LLP, 107 Cheapside, London EC2V 6DN, United Kingdom. The company was registered as a foreign company in Mauritius and holds a Global Business License issued by the Financial Services Commission (FSC) in Mauritius. Together with its subsidiary it owns and operates commercial forestry operations, which include the manufacture and sale of treated timber poles at three commercial plantations in Uganda.

New Forests Company Uganda UK Limited is a subsidiary of New Forest Company Holdings I Limited, which is the ultimate parent company domiciled in Mauritius and is the only level in the group, where the company is included, that prepares consolidated financial statements. These consolidated financial statements are available at its registered office, from C/o Renesis (Mauritius), 2nd Floor, Suite 122, Harbour Front Building, John Kennedy Street, Port Louis Mauritius.

1.2 Basis of presentation

The financial statements have been prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) in conformity with the requirements of the Companies Act 2006. The financial statements are presented in United States Dollars. The principal accounting policies adopted in the preparation of these financial statements are set out below and are consistent in all material respects with those applied in the previous year.

The financial statements have been prepared on the historical cost basis.

IFRS 10 Consolidated Financial Statements requires a parent company to present consolidated financial statements in which it consolidates its investment in subsidiaries. The Company has taken advantage of paragraph 4(a) of IFRS 10, which dispenses it from the need to present consolidated financial statements as it is a subsidiary of New Forests Company Holdings I Limited, the ultimate parent company, which prepares consolidated financial statements available for public use that comply with IFRS at its registered office at c/o Renesis Financial Services Ltd, 2nd Floor, Suite 122, Harbour Front Building, John Kennedy Street, Port Louis Mauritius. The exemption has also been applied in terms of section 401 of the Companies Act of 2006.

Going Concern

The Company received a letter of support from its ultimate parent company New Forests Company Holdings I Limited which confirms that the company and its subsidiary (The New Forests Company Limited) will receive sufficient funding for at least 12 months from the date of signing the consolidated financial statements should it be required.

The ultimate holding company will not demand payment of the loan and amounts owing by the company to the extent that such payment would prevent the company from paying its other liabilities as they fall due.

The Company incurred a loss after tax of US$0.1 million (2022: Los after tax US$0.1 million) for the year ended 30 June 2023.

1.2 Basis of presentation (continued)

Going Concern (continued)

The ultimate parent company, New Forests Holdings I Limited together with its subsidiaries (referred to as the "NFC Holdings I Group") is assessed on its ability to continue to operate over the next 12 months, from the date of approval of the annual financial statements.

The Directors have reviewed the Company's forecasted cash flows, which are based on management's best estimates of future operations, its profitability and cash flow requirements. The detailed cash flow forecasts for the 12-month period, from the date of issuing these financial statements, indicate that the Company have a cash flow deficit, largely as a result of debt servicing obligations as well as investments into harvesting extraction equipment.

The NFC Holdings I Group identified the need to restructure its statement of financial position to reduce the NFC Holdings I Group financing costs – taking pressure off the cash flow and creating further financial stability and sustainability.

During July 2022, the NFC Holdings I Group entered into various restructuring agreements with Deutsche Investitions-Und Entwicklungsgesellschaft MBH ("DEG"), Finnish Fund for Industrial Cooperation Ltd ("Finnfund") & Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. ("FMO") converting loans payable to equity. This resulted in a decrease of the NFC Holdings I Group's debt by US$37.5 million and US$33.5 million respectively.

Financing arrangements

Further to the above, the NFC Holdings I Group secured financing arrangements amounting to US$10 million in the form of a Mezzanine facility of US$5.5 million and a US$4.5 million bridge term loan.

New investor

Substantial discussions are underway at an NFC Holdings I Group board level with key shareholders (including the Development Finance Institutions (DFIs)) in finalising a transaction with a new strategic investor into the forestry sector. This transaction will resolve the majority of the remaining senior debt servicing obligations as well as the need for investment into harvesting equipment, thereby resolving the forecasted cash flow deficit. Subsequent to year end, a Memorandum of Understanding has been signed with the strategic investor setting out the key terms of the proposed transaction.

However, at the date of signing of these financial statements, no written moratorium agreement has been obtained from the DFIs regarding the debt servicing obligations. While the DFIs have indicated that they intend to support the NFC Holdings I Group, through the signing of no objection funding mechanism arrangements subsequent to year end, the Directors have concluded that these circumstances represent a material uncertainty, which may cast significant doubt on the NFC Holdings I Group's ability to continue as going concerns and realise its assets and discharge its liabilities, in the normal course of business.

1.2 Basis of presentation (continued)

Going Concern (continued)

Despite the inherent uncertainties, the Directors have, at the time of approving the financial statements, a reasonable expectation that the Company will have adequate resources to continue to operate for the foreseeable future.

These financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and the settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Application of new and revised International Financial Reporting Standards (IFRS)

Standards and Interpretations adopted in the current year

The Company has adopted all new and revised standards issued by the International Accounting Standards Board that are relevant and effective for accounting period beginning on or after 1 July 2022, as listed below:

Standard	Amendment	Title
IAS 16	Amendment	Property, Plant and Equipment — Proceeds before Intended Use
IFRS 3	Amendment	Reference to the Conceptual Framework – Amendments to IFRS 3
IAS 37	Amendment	Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37
Annual Improvements to IFRS Standards 2018–2020	Amendment	Annual Improvements to IFRS Standards 2018–2020

Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16

The amendment to IAS 16 - Property, Plant and Equipment prohibits an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

These amendments had no material impact on the Company.

Reference to the Conceptual Framework – Amendments to IFRS 3

Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and to add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.

The Company did not enter any business combinations during the year and as a result, the amendments had no impact on the Company.

1.2 Basis of presentation (continued)

Application of new and revised International Financial Reporting Standards (IFRS) (continued)

Annual Improvements to IFRS Standards 2018–2020

The following improvements were finalised in May 2020:

- IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.

- IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

- IFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

- IAS 41 Agriculture – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

These amendments had no material impact on the Company.

Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37

The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

The Company does not have any onerous contracts and as a result, the amendments had no impact on the Company.

1.2 Basis of presentation (continued)

Standards and Interpretations not yet effective in the current year

At the date of authorisation of the financial statements, the following revised, amended and new Standards and Interpretations applicable to the entity were in issue but not yet effective:

Standard	Amendment	Title
Amendments to IAS 1 and IFRS Practice Statement 2[1]	Amendment	Disclosure of Accounting Policies
Amendments to IAS 8[1]	Amendment	Definition of accounting estimates

1 Annual periods beginning on or after 1 January 2023
2 Annual periods beginning on or after 1 January 2024

These Standards and Interpretations will be applied on their effective date in future periods.

Amendment to IAS1 and IFRS Practice Statement – Disclosure of accounting policies

The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The amendment will have a material impact on the financial statements.

Amendments to IAS 8 - Definition of accounting estimates

The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

The Company does not expect that the amendment will have a material impact on the consolidated and separate financial statements.

2.1 Summary of significant accounting policies

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances with banks and investments in money market instruments.

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets
All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets
Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the company may make the following irrevocable election / designation at initial recognition of a financial asset:

- the company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see (iii) below); and
- the company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (see (iv) below).

2.1 *Summary of significant accounting policies (continued)*

Financial instruments (continued)

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit impaired financial assets, the company recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit impaired.

Interest income is recognised in profit or loss.

Impairment of financial assets

The company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

2.1 Summary of significant accounting policies (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

The company always recognises lifetime ECL (expected credit losses) for trade receivables.

For all other financial instruments, the company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(ii) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

2.1 Summary of significant accounting policies (continued)

Financial instruments (continued)

(ii) Significant increase in credit risk (continued)

Irrespective of the outcome of the above assessment, the company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(1) the financial instrument has a low risk of default;
(2) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
(3) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The company considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(iii) Definition of default

The company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the company, in full (without taking into account any collateral held by the company).

Irrespective of the above analysis, the company considers that default has occurred when a financial asset is more than 90 days past due unless the company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

2.1 Summary of significant accounting policies (continued)

Financial instruments (continued)

(iv) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event (see (ii) above);

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(v) Write-off policy

The company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(vi) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the company in accordance with the contract and all the cash flows that the company expects to receive, discounted at the original effective interest rate.

If the company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which the simplified approach was used.

The company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI.

2.1 Summary of significant accounting policies (continued)

Financial instruments (continued)

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer.

The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Interest-bearing borrowings

Interest-bearing borrowings are stated at amortised cost using the effective interest method.

Other financial liabilities

Other financial liabilities, including borrowings and trade payables, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

2.1 Summary of significant accounting policies (continued)

Financial instruments (continued)

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Equity instruments

Equity instruments are recorded at the proceeds received, net of direct issue costs.

Taxation

Income tax expense represents the sum of the tax paid and currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or tax deductible. The Company's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate at the reporting date.

Deferred tax

Deferred tax is recognised on temporary differences between carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and are expected to reverse in the foreseeable future.

The carrying amounts of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

2.1 Summary of significant accounting policies (continued)

Deferred tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date in other comprehensive income, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on the net basis.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Investments in subsidiaries

Investment in subsidiaries is carried at cost less accumulated impairment. The cost of an investment in subsidiary is the aggregate of the fair value, at the date of exchange, of assets given, liabilities incurred, and equity instruments issued by the company, plus any costs directly attributable to the purchase of the subsidiary.

Corporate expenses

Corporate expenses include costs incurred by the company as part of its activities. These costs include audit, advisory, legal and professional fees.

2.2 Critical judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2.1, the directors may be required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. There are no items which the directors consider to be critical judgements or where key sources of estimation uncertainty have been involved in the preparation of these financial statements.

3. Operating expenses

	30/06/2023 US$'000	30/06/2022 US$'000
	111	109
Audit and other advisory fees	14	46
Legal and professional fees	19	17
Other expenses	40	46
Impairment of loan	38	-
Total expenses	111	109

The company does not have any employees or contracts with directors (2022: none). $nil (2022: $nil) is receivable by directors in respect of qualifying services.

4. Auditor's remuneration

	30/06/2023 US$'000	30/06/2022 US$'000
Fees payable to the Company's auditor for the audit of the Company's annual financial statements in terms of the Mauritius Companies Act	14	46

No non-audit services were performed for the 2023 and 2022 financial years.

5. Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or tax deductible.

The entity is tax resident in Mauritius and therefore is taxed at a rate of 15%.

No corporate taxation is paid in the UK.

	30/06/2023 US$'000	30/06/2022 US$'000
Reconciliation of effective tax charge to the statutory tax charge		
Loss before tax	(111)	(109)
Tax credit at the statutory rates of 15% (2022:15%)	(17)	(16)
Non-deductible expenses	6	-
Deferred tax not recognised	11	16
Total tax on loss for the year	-	-

No provision has been made for deferred tax asset as it is uncertain that the Company will make future taxable profit against which the unused tax losses could be utilised.

The accumulated tax loss amounted to US$472k (2022: US$1.2 million). These estimated tax losses will expire as from 2024-2028 financial years. The estimated tax loss amounted to US$70k (2022: US$102k).

From 1 July 2021, a company issued a GBC license may claim either a partial exemption provided certain conditions are met, or a credit in respect of the actual foreign tax incurred.

6. Investments

	30/06/2023 US$'000	30/06/2022 US$'000
Investments at cost	56	56

At the reporting date, the directors reviewed the carrying amount of the investment and are of the opinion that there is no evidence of impairment. Investments are carried at cost less impairment.

6. Investments (continued)

Name	Type of Shares	Address	Principal activities	Ownership interest
New Forests Company Limited	Ordinary	Plot 1, Kilolo Hill Drive, Block B, 5th Floor, Kilolo, Uganda	Planting and forestry of trees and pole treatment	100%
East African Pole Company (Uganda) Limited	Ordinary	Plot 1, Kilolo Hill Drive, Block B, 5th Floor, Kilolo, Uganda	Dormant	100%

7. Other receivables

	30/06/2023 US$'000	30/06/2022 US$'000
Current non-financial assets:		
Prepayments and other receivables	13	12
Non-current financial assets:		
Amount due from related parties	35,259	35,380
Total other receivables	35,272	35,392

Amounts due from related parties accrue interest at 0% (2022: 0%) are unsecured and are repayable on demand, however there is no expectation that these amounts will be repaid within twelve months. The company assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost. No amounts are passed due. The carrying amount of other receivables represents the Company's maximum exposure to credit risk.

8. Issued capital and share premium

	30/06/2023 Number of shares	30/06/2022 Number of shares
<u>Authorised and issued</u>		
Ordinary shares of £0.01 each	14,375,209	14,375,209
Fully paid issued share capital	14,375,209	14,375,209

All fully paid up shares entitle the holder to one vote and equal rights to dividends.

Movement

	30/06/2023 USD'000	30/06/2022 USD'000
Opening balance	240	240
Shares issued	-	-
Closing balance	240	240

Share premium

	30/06/2023	30/06/2022
Share premium	53,267	53,267

9. Translation reserve

	30/06/2023	30/06/2022
Translation reserve	58	58

Nature of reserve

The translation reserve relates to the historical translation of the company from its previous functional currency of Great British Pound to US dollar.

10. Trade and other payables

	30/06/2023 US$'000	30/06/2022 US$'000
Financial Liabilities:		
Accrued expenses	9	111
Intercompany payables	279	219
Total trade and other payables	288	330

The directors consider that the carrying amount of trade and other payables approximates their fair values.

The intercompany payables listed above are interest free, unsecured and repayable upon demand.

11. Related parties

	30/06/2023 US$'000	30/06/2022 US$'000
Balances with Group companies		
Amount owed to New Forests Company Limited – Tanzania	(1)	(1)
Amount due from New Forests Company Holdings I Limited	2,710	5,358
Amount owed to New Forests Company Management Services (Pty) Ltd	(278)	(218)
Amount due from New Forests Company Management Services	-	38
Amount due from The New Forests Company Limited	32,549	29,985

Amounts owed to and by related parties are unsecured, form part of the net investment in the operation and are repayable at the option of both the borrower and the lender. The balances will be settled in cash when the borrower is able to settle these from cash generated from operations or a restructuring of balances. No guarantees have been given or received. No provisions for doubtful debts have been raised against amounts outstanding, and no expense has been recognised during the period in respect of bad or doubtful debts due from related parties.

12. Group entities

Control of company

The Company is a majority owned 99.96% (2022: 99.96%) subsidiary of New Forest Company Holdings I Limited, the company's immediate and ultimate parent company which owns the controlling stake in the company. The parent company's percentage ownership increased in the year as it purchased shares that had already been issued from another related party.

Subsidiaries

The Company beneficially owns 100% (2022: 100%) of the issued share capital of New Forest Company Limited.

The Company beneficially owns 100% (2022: 100%) of the issued share capital of East African Pole Company (Uganda) Limited.

13. Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Subsequent recognition of financial assets and liabilities are at amortised cost using the effective interest method.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements are approximately equal to their fair values. There has been no change in the valuation method compared to prior period. All financial assets fall into the Amortised cost category including cash. All financial liabilities fall within the amortised cost category under IFRS 9.

Financial risk management

The Company is exposed to a variety of financial risks: market risk (including foreign exchange risk and interest rate cash flow risk), liquidity risk and credit risk. There have been no significant changes in these financial risks since the prior year.

a) Market risk

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market prices. The Company is exposed to the following market risks: foreign currency risk.

Foreign currency risk

Foreign currency risk refers to the risk that the value of a financial commitment or recognised asset or liability will fluctuate due to changes in foreign currency rates.

In accordance with its risk management policy, management monitor the effect of movements in foreign currency rates and the impact on future transactions as part of the Company internal reporting process. In the event that management consider that the Company is exposed to foreign currency risk at an unacceptable level, then the Company would consider the use of forward exchange contracts.

The Company has minimal transactions denominated in foreign currency. Currency exposure arising from the net assets of the Company's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

(b) Liquidity risk

The Company maintains sufficient cash resources based upon cash flow forecasts which are regularly reviewed by management to ensure that sufficient cash reserves are held to meet future working capital requirements, and to take advantage of business opportunities. The table below illustrates the timing of the cash flows and are undiscounted.

13. Financial instruments (continued)

b) Liquidity risk (continued)

Contractual maturity analysis for financial liabilities

Company At 30 June 2023	**Due or due in less than 1 year**	**Due between 1 to 5 years**	**Due after 5 years**	**Total Contractual maturitys**	**Total carrying amount**
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Financial Liabilities					
At amortised cost					
Trade and other payables	288			288	288
	288			288	288
Company					
At 30 June 2022					
Financial Liabilities					
At amortised cost					
Trade and other payables	330	-	-	330	330
	330	-	-	330	330

13. Financial instruments

c) Credit risk

Refer to note 7 to the financial statements for the credit risk assessment.

14. Capital management

The Company's objectives when managing capital are:

i) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
ii) to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Consistently with others in the industry, the Company monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt over adjusted capital. Net debt is calculated as total debt (as shown in the statement of financial position) less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. ordinary shares, share premium, retained earnings, and other reserves), and includes some forms of subordinated debt.

	30/06/2023	30/06/2022
	US$'000	US$'000
Total interest-bearing loans and borrowings	-	-
Less cash and cash equivalents	-	-
Net debt	-	-
Equity	35,057	35,168
Gearing ratio	0%	0%

15. Capital commitments

The Company has no capital commitments at the reporting dates.

16. Events after reporting date

The directors are not aware of any material matter or circumstance arising since the end of the financial year, not dealt with in these financial statements that would significantly affect the results of the Company or the disclosures included in the financial statements.