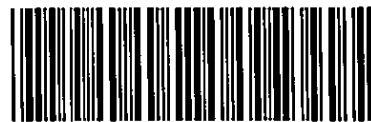


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Company Number: 5838645

NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2008

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NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED
ANNUAL REPORT
YEAR ENDED 31 DECEMBER 2008

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NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED

COMPANY INFORMATION

DIRECTORS

J M M Ozanne
R J Carlier
R Devereux
F J Raja

COMPANY NUMBER

05838645

SECRETARY

Mrs O Burton

REGISTERED OFFICE

17 Bentinck Street
London
W1U 2ES

AUDITORS

PKF (UK) LLP
East Coast House
Galahad Road
Beacon Park
Gorleston
Great Yarmouth
Norfolk
NR31 7RU

NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED
DIRECTORS' REPORT
YEAR ENDED 31 DECEMBER 2008

The directors present their report and the financial statements for the year ended 31 December 2008.

PRINCIPAL ACTIVITY

The principal activity of the company during the period was investment holding. The principal activity of the company's subsidiary for the period under review is tree planting, and likely future commercial activities moving towards the sale of value added products such as fencing and transmission poles, sawn timber, lumber, construction materials, and briquettes with the prospect of biomass energy operations.

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors consider the risks listed below to be the most significant, but they do not necessarily comprise all those, nor are they set out in any order.

- a) Country risk;
- b) Currency risk;
- c) Crop failure risk - main causes are disease and fire;
- d) Risk of loss of key personnel - the company is a rapidly growing business with a small team of directors and key managers. It may therefore suffer in the event that it loses one or more key individuals.

BUSINESS REVIEW

Having started its operations in early 2008, major work involved the hiring and organising of the management team. By end of year, the company employed a full management team both at the plantation and administrative level at Lichinga and have a total of 425 employees at the plantation site in Chiconono. The group invested in capital equipment for the start-up development of the plantation and at end of year a total of 616 acres were planted.

The most important KPI for a greenfield timber plantation company is planting targets. Financial KPI's which were driven principally by the cost per acre were introduced and are as follows:

(In US \$ per Acre)	2008 Actual
Financial measures:	
Cost per Acre	
- Operations	477
- Admin	425
Total Cost per Acre	902

DIRECTORS

The directors who served during the period were:

R J Carlier
F J Raja
J M M Ozanne
R H F Devereux

LIKELY FUTURE DEVELOPMENTS

The Group continued to consolidate its operations in Niassa province, and have planted 2,700 acres now and will to continue to develop the plantation and increase planting targets.

The Group will work closely with the concerned government authorities and is confident to resolve demarcation and other land issues which slowed the development during 2008.

**NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED
DIRECTORS' REPORT
YEAR ENDED 31 DECEMBER 2008**

FINANCIAL INSTRUMENTS

Details of the Group's financial risk management policies and objectives are disclosed in note 22.

PROVISION OF INFORMATION TO AUDITORS

So far as each of the directors is aware at the time the report is approved:

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

BASIS OF PREPARATION

This report was approved by the board on **22 APR 2009** and signed on its behalf.


Mrs O Burton
Secretary

**NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2008**

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 International Financial Reporting Standards as adopted by the European Union. The financial statements are required to give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED

We have audited the group and the parent company financial statements ('the financial statements') of New Forests Company Mozambique UK Limited for the year ended 31 December 2008 which comprise the consolidated income statement and the consolidated and company balance sheets, cashflow statements and statements of changes in equity and the related notes. The financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NEW FORESTS
COMPANY MOZAMBIQUE UK LIMITED**

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2008 and of its loss for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 December 2008;
- the financial statements have been properly prepared in accordance with the Companies Act 1985 and
- the information given in the directors' report is consistent with the financial statements.

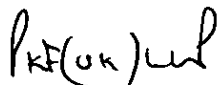
Separate opinion in relation to IFRSs

As explained in Note 1 a) to the group financial statements the group, in addition to complying with IFRSs as adopted by the European Union, has also complied with IFRSs as issued by the International Accounting Standards Board.

In our opinion the group financial statements give a true and fair view, in accordance with IFRSs, of the state of the group's affairs as at 31 December 2008 and of its loss for the year then ended.

Emphasis of matter

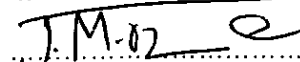
In forming our opinion, which is not qualified we have considered the adequacy of the disclosure made in Note 21 of the financial statements. Due to pending authorisations from the Ministry of Agriculture, the process of transferring the right of use and benefit of land to the New Forests Company Malonda SA (the subsidiary company) is not yet concluded and the concession at the date of this report is still in the name of Malonda Foundation, the minority shareholder of the subsidiary company. The information in Note 21 indicates the existence of a material uncertainty which may cast doubt about the group's ability to occupy the land in the future and obtain the economic benefits there from. The financial statements do not include the adjustments that would result if the asset were not transferred to the subsidiary company.


PKF (UK) LLP
Great Yarmouth, UK
22 APRIL 2009

NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED
CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2008

	Note	2008 US Dollars	2007 US Dollars
Assets			
Property, plant and equipment	8	299,565	-
Biological assets – timber plantation	9	516,787	-
Intangible assets	10	17,300	-
Total non-current assets		833,652	-
Inventories	12	139,487	-
Trade and other receivables	13	62,417	50,801
Cash and cash equivalents	14	188,268	1,040,349
Total current assets		390,172	1,091,150
Total assets		1,223,824	1,091,150
Equity			
Issued capital	15	112,491	108,110
Share premium		1,822,782	1,082,736
Reserves		(49,030)	(1,402)
Retained earnings		(943,389)	(125,515)
Total equity attributable to equity holders of the parent		942,854	1,063,929
Minority interest		(87,798)	20,000
Total equity (pages 12 and 13)		855,056	1,083,929
Liabilities			
Deferred tax liabilities	16	1,621	-
Total non-current liabilities		1,621	-
Trade and other payables	17	367,147	7,221
Total current liabilities		367,147	7,221
Total liabilities		368,768	7,221
Total equity and liabilities		1,223,824	1,091,150

The financial statements were approved and authorised for issue by the board of directors and were signed on its behalf on 22 APR 2009 2009.

 **J M M Ozanne**

The notes on pages 15 to 38 form part of these financial statements.

**NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED
COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2008**

		2008 US Dollars	2007 US Dollars
	Note		
Assets			
Investments	11	1,384,659	80,000
Total non-current assets		<u>1,384,659</u>	<u>80,000</u>
Trade and other receivables	13	43,437	50,801
Cash and cash equivalents	14	87,430	940,349
Total current assets		<u>130,867</u>	<u>991,150</u>
Total assets		<u><u>1,515,526</u></u>	<u><u>1,071,150</u></u>
Equity			
Issued capital	15	112,491	108,110
Share premium		1,822,782	1,082,736
Reserves		(115,365)	(1,402)
Retained earnings		(512,195)	(125,515)
Total equity (page 14)		<u><u>1,307,713</u></u>	<u><u>1,063,929</u></u>
Current Liabilities			
Trade and other payables	17	207,813	7,221
Total current liabilities		<u>207,813</u>	<u>7,221</u>
Total equity and liabilities		<u><u>1,515,526</u></u>	<u><u>1,071,150</u></u>

The financial statements were approved and authorised for issue by the board of directors and were signed on its behalf on 22 APR 2009 2009.

J.M.02
J M M Ozanne

The notes on pages 15 to 38 form part of these financial statements.

NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2008

		Year ended 31 December 2008 US Dollars	Six months ended 31 December 2007 US Dollars
	Note		
Cash flows from operating activities			
Loss before tax		(923,988)	(125,515)
Adjustments for:			-
Depreciation		84,979	-
Changes in fair value gain of biological assets	9	(5,206)	-
Changes in net working capital		(75,488)	54,340
Interest received		(13,933)	-
Net cash outflow from operating activities		<u>(933,636)</u>	<u>(71,175)</u>
Cash flows from investing activities			
Interest received		13,933	-
Acquisition of property, plant and equipment	8	(375,893)	-
Acquisition of intangibles	10	(25,950)	-
Loan advances		-	2,227
Expenses incurred on biological assets	9	(511,581)	-
Net cash (outflow)/inflow from investing activities		<u>(899,491)</u>	<u>2,227</u>
Cash flows from financing activities			
Proceeds from the issue of share capital		844,427	1,109,297
Proceeds of borrowings		184,310	-
Net cash inflow from financing activities		<u>1,028,737</u>	<u>1,109,297</u>
Effects of foreign exchange rates		<u>(47,691)</u>	<u>-</u>
Net (decrease)/increase in cash and cash equivalents		<u>(852,081)</u>	<u>1,040,349</u>
Movement in cash and cash equivalents			
Cash and cash equivalents at 1 January 2008	14	1,040,349	-
Movement in the year		(852,081)	1,040,349
Cash and cash equivalents at 31 December 2008	14	<u>188,268</u>	<u>1,040,349</u>

The notes on pages 15 to 38 form part of these financial statements.

NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED
COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2008

		Year ended 31 December 2008 US Dollars	Six months ended 31 December 2007 US Dollars
	Note		
Cash flows from operating activities			
Loss before tax		(386,680)	(125,515)
Adjustments for:			
Interest received		(13,933)	-
Change in net working capital		23,646	54,340
Net cash outflow from operating activities		<u>(376,967)</u>	<u>(71,175)</u>
Cash flows from investing activities			
Interest received		13,933	-
Acquisition of subsidiary	11	(1,325,774)	(81,229)
Loan advances		-	2,227
Net cash outflow from investing activities		<u>(1,311,841)</u>	<u>(79,002)</u>
Cash flows from financing activities			
Proceeds from the issue of share capital		744,427	1,090,526
Proceeds of borrowings from parent		184,310	-
Net cash inflow from financing activities		<u>928,737</u>	<u>1,090,526</u>
Effects of foreign exchange rates		<u>(92,848)</u>	<u>-</u>
Net (decrease)/increase in cash and cash equivalents		<u>(852,919)</u>	<u>940,349</u>
Movement in cash and cash equivalents			
Cash and cash equivalents at 1 January 2008	14	940,349	-
Movement in year		(852,919)	940,349
Cash and cash equivalents at 31 December 2008	14	<u>87,430</u>	<u>940,349</u>

The notes on pages 15 to 38 form part of these financial statements.

NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

		Year ended 31 December 2008 US Dollars	Six months ended 31 December 2007 US Dollars
Continuing operations	Note		
Revenue		-	-
Cost of sales		-	-
Gross profit		<u>-</u>	<u>-</u>
Fair value gains	9	5,206	-
Administrative expenses		(870,628)	(125,515)
Operating loss before financing costs		<u>(865,422)</u>	<u>(125,515)</u>
Financial income	5	13,933	-
Financial expenses	6	(72,499)	-
Net financing costs		<u>(58,566)</u>	<u>-</u>
Loss before tax		<u>(923,988)</u>	<u>(125,515)</u>
Income tax expense	7	(1,684)	-
Loss for the period		<u>(925,672)</u>	<u>(125,515)</u>
Attributable to:			
Equity holders of the parent		(817,874)	(125,515)
Minority interest		(107,798)	-
		<u>(925,672)</u>	<u>(125,515)</u>

The notes on pages 15 to 38 form part of these financial statements.

NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2008

US Dollars	Share capital stock	Share premium	Retained earnings	Translation differences	Shareholders equity	Minority interest	Total equity
At 1 July 2007	100,320	-	-	-	100,320	-	100,320
Translation differences	-	-	-	(1,402)	(1,402)	-	(1,402)
Net (expense) recognised directly in equity	-	-	-	(1,402)	(1,402)	-	(1,402)
Result for the period	-	-	(125,515)	-	(125,515)	-	(125,515)
Total recognised income and expense for 2007	-	-	(125,515)	(1,402)	(126,917)	-	(126,917)
Issue of shares	7,790	1,082,736	-	-	1,090,526	20,000	1,110,526
	7,790	1,082,736	-	-	1,090,526	20,000	1,110,526
At 31 December 2007	108,110	1,082,736	(125,515)	(1,402)	1,063,929	20,000	1,083,929

The notes on pages 15 to 38 form part of these financial statements.

NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2008

US Dollars	Share capital stock	Share premium	Retained earnings	Translation differences	Shareholders equity	Minority interest	Total equity
At 1 January 2008	108,110	1,082,736	(125,515)	(1,402)	1,063,929	20,000	1,083,929
Translation differences	-	-	-	(47,628)	(47,628)	-	(47,628)
Net (expense) recognised directly in equity	-	-	-	(47,628)	(47,628)	-	(47,628)
Result for the year	-	-	(817,874)	-	(817,874)	(107,798)	(925,672)
Total recognised income and expense for 2008	-	-	(817,874)	(47,628)	(865,502)	(107,798)	(973,300)
Issue of shares	4,381	740,046	-	-	744,427	-	744,427
	4,381	740,046	-	-	744,427	-	744,427
At 31 December 2008	112,491	1,822,782	(943,389)	(49,030)	942,854	(87,798)	855,056

The notes on pages 15 to 38 form part of these financial statements.

NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED
COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2008

US Dollars	Share capital stock	Share premium	Retained earnings	Translation differences	Total equity
At 1 July 2007	100,320	-	-	-	100,320
Translation differences	-	-	-	(1,402)	(1,402)
Net (expense) recognised directly in equity	-	-	-	(1,402)	(1,402)
Result for the period	-	-	(125,515)	-	(125,515)
Total recognised income and expense for 2007	-	-	(125,515)	(1,402)	(126,917)
Issue of shares	7,790	1,082,736	-	-	1,090,526
	7,790	1,082,736	-	-	1,090,526
At 31 December 2007	108,110	1,082,736	(125,515)	(1,402)	1,063,929

US Dollars	Share capital stock	Share premium	Retained earnings	Translation differences	Total equity
At 1 January 2008	108,110	1,082,736	(125,515)	(1,402)	1,063,929
Translation differences	-	-	-	(113,963)	(113,963)
Net (expense) recognised directly in equity	-	-	-	(113,963)	(113,963)
Result for the year	-	-	(386,680)	-	(386,680)
Total recognised income and expense for 2008	-	-	(386,680)	(113,963)	(500,643)
Issue of shares	4,381	740,046	-	-	744,427
	4,381	740,046	-	-	744,427
At 31 December 2008	112,491	1,822,782	(512,195)	(115,365)	1,307,713

The notes on pages 15 to 38 form part of these financial statements.

NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

1 Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently by all Group Companies and to all the years presented, unless otherwise stated.

New Forests Company Mozambique UK Limited (the "Company") is a company domiciled in England and Wales. The company year end was changed from 30 June to 31 December in 2007, and the comparatives to these financial statements represent a shortened period. The year end was changed to fall in line with that of the company's parent. As a result of the shortened period, the comparative amounts shown within the income statement, statement of changes in equity, cash flow statement and related notes are not entirely comparable. The consolidated financial statements of the Company for the year ended 31 December 2008 comprise the Company and its subsidiary New Forests Company Malonda SA (together referred to as the "Group").

The company made a loss in the period of **US \$386,680** (2007: US \$125,515).

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and IFRIC interpretations and with those parts of the Companies Act, 1985 applicable to companies reporting under IFRS and its interpretations adopted by the International Accounting Standards Board (IASB). Accordingly, the Group complies with all IFRS, including those adopted for use in the European Union.

The following interpretation has been applied by the group from 1 January 2008:

- IFRIC 11 (IFRS 2) – Group and treasury share transactions

The following interpretations were mandatory for the groups accounting period but are not relevant to the operations of the group:

- IFRIC 12 – Service concession arrangements
- IFRIC 14 (IAS 19) – The limit on a defined benefit asset, minimum funding requirements and their interaction
- IAS 39 and IFRS 7 (amendment) – Reclassification of financial instruments

The following standards and interpretations were issued and available for early application but have not yet been applied by the group in these financial statements. The group intends to apply these standards and interpretations when they become effective:

- IFRS 1 and IAS 27 (amendment) – Cost of investment in subsidiary
- IFRS 2 (amendment) – Share-based payment
- IFRS 3 (revised) – Business combinations
- IFRS 8 – Operating segments
- IAS 1 (revised) – Presentation of financial statements
- IAS 1 and IAS 32 (amendment) – Puttable financial instruments and obligations arising on liquidation
- IAS 23 (amendment) – Borrowing costs
- IAS 27 (amendment) Consolidated and separate financial statements
- IFRIC 13 – Customer loyalty programmes
- IFRIC 15 – Agreements for the construction of real estate
- IFRIC 16 – Hedges of a net investment in a foreign operation

NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

1 Significant accounting policies (continued)

(a) Statement of compliance (continued)

IFRS 1 and IAS 27 (Amendment) - Introduces a requirement to account for all post acquisition dividends as income in the parent's own financial statements, irrespective of whether those dividends were received out of pre or post-acquisition reserves. A related amendment to IFRS 1 permits first-time adopters to recognise in the separate financial statements, at the date of transition, the deemed cost of investments in subsidiaries, jointly-controlled entities and associates at either fair value or the carrying amount under UK GAAP. The amendment to IFRS 1 will not affect the group or the parent's separate financial statements as the group and the parent have already transitioned to IFRS. The IAS 27 amendment will only impact on the parent's individual financial statements and will have no impact on the group financial statements. Furthermore, as the IAS 27 amendment is required to be prospectively applied for periods commencing on or after 1 January 2009 there will be no impact from the initial application in the parent's individual financial statements.

IFRS 2 (Amendment) - Clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The amendment will apply for periods beginning on or after 1 January 2009. It is not expected that the adoption of this amendment will have any material impact on the group financial statements as the group already applies these principles when accounting for share based payments.

IFRS 3 (Revised) - There have been some significant changes to IFRS 3 that may have a material impact on the way that business combination are accounted for by the group in the future. The main changes brought about by the revision are:

- The inclusion of an accounting policy option to account for non-controlling interests (previously called minority interests).
- Amendments to the calculation of goodwill.
- Accounting for acquisitions in stages.
- Requirement to immediately expense acquisition costs.
- Accounting for contingent consideration.
- Recognition and measurement of certain assets and liabilities.

The revised standard is effective for periods commencing on or after 1 July 2009, and will therefore be applicable for the first time in the year ended 31 December 2010 group financial statements. There will be no impact from the initial application of revised standard as it is required to be prospectively applied.

IFRS 8 - Replaces IAS 14 'Segment Reporting' and requires the group to adopt the 'management approach' to reporting the financial performance and position of its operating segments. Generally, the information to be reported would be what management uses internally for evaluating segment performance and deciding how to allocate resources to operating segments. There is no longer a requirement to make disclosure based on primary and secondary reporting formats, nor is there a requirement to distinguish between business and geographical segments. The new standard will be applicable for the first time in the year ended 31 December 2009 group financial statements. The group will also be required to restate comparative segmental information presented in these accounts in line with the transitional provisions of the new standard. Adoption of the amendment will have no impact on the group financial statements, as the group is not required to comply with this standard.

IAS 1 (Revised) - The revised standard will change the way the group's financial statements are presented. The revision requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a 'statement of comprehensive income'. This will enable readers to analyse changes in a company's equity resulting from transactions with owners in their capacity as owners (such as dividends and share repurchases) separately from 'non-owner' changes (such as transactions with third parties). The revised standard gives an option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements. The revisions include changes in the titles of some of the other financial statements to reflect their function more clearly (for example, the balance sheet is renamed a 'statement of financial position'). The new titles will be adopted by the group, but are not mandatory. The revised standard will be applicable for the first time in the year ended 31 December 2009 group financial statements.

NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

(1) Significant accounting policies (continued)

(a) Statement of compliance (continued)

IAS 1 and IAS 32 (Amendment) - The amendments require entities to classify the following types of financial instruments as equity, provided they have particular features and meet specific conditions:

- Puttable financial instruments.
- Instruments that impose on the entity an obligation to deliver to another party a pro-rata share of the net assets of the entity only on liquidation.

The amendments apply for annual periods beginning on or after 1 January 2009. Adoption of the amendment will have no impact on the group financial statements, as the group does not have such financial instruments.

IAS 23 (Amendment) – The amendment changes the previous version of the standard by removing the option to expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. Such borrowing costs will in future be required to be included in the cost of the fixed asset or inventory item to which they relate. The amendment is applicable for annual periods beginning on or after 1 January 2009. The amendment will not affect the group results as the group incurs no such borrowing costs.

IAS 27 (Amendment) – The amendment includes guidance on accounting for changes in non-controlling interests ('minority interests') where there is no effect on control. The amended IAS 27 states that such transactions should be accounted for as equity transactions, and that any difference between the amount which the non-controlling interests are adjusted by and the consideration paid or received should be recognised directly in equity. The amendment is effective for periods commencing on or after 1 July 2009, and will therefore be applicable for the first time in the year ended 31 December 2010 group financial statements. There will be no impact from the initial application of the amendment as it is required to be prospectively applied.

IFRIC 13 - The IFRIC addresses accounting by the entity that grants award credits to its customers. The group does not grant any customer loyalty awards and therefore the interpretation is not relevant to the group's operations.

IFRIC 15 - The IFRIC provides guidance on when to recognise revenue that arises from an agreement for the construction of real estate. The group does not generate revenue from real estate construction and therefore the interpretation is not relevant to the group's operations.

IFRIC 16 – Clarifies that the presentation currency does not create an exposure to which an entity may apply hedge accounting. Consequently, a parent entity may designate as a hedged risk only the foreign exchange differences arising from a difference between its own functional currency and that of its foreign operation. The IFRIC also clarifies that the hedging instrument(s) may be held by any entity or entities within the group, and that while IAS 39 must be applied to determine the amount that needs to be reclassified to profit or loss from the foreign currency translation reserve in respect of the hedging instrument, IAS 21 must be applied in respect of the hedged item. The guidance is required to be prospectively applied for annual periods beginning on or after 1 October 2008, and will therefore be applicable for the first time in the year ended 31 December 2009 group financial statements. It is not expected that the adoption of this amendment will have any material impact on the group financial statements as the group already applies these principles when accounting for hedges on a net investment in a foreign operation.

On publishing the parent Company financial statements the company is taking advantage of the exemption in S230 of the Companies Act 1985 not to present its individual income statement and related notes that form a part of these approved financial statements.

NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

(1) Significant accounting policies (continued)

(b) Accounting estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The main areas in which estimates are used are:

- Fair value biological assets.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The following subsidiaries have been consolidated within these financial statements:

- New Forests Company Malonda SA

(ii) Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

(d) Foreign currency

(i) Foreign and presentational currency transactions

The companies in the Group prepare their financial statements in the currency used in the primary economic environment in which they operate. This is known as the functional currency.

The functional currency of the company is British Sterling. The closing rate for translating British Sterling to US Dollars was 1.4479 (2007: 1.9973). The average exchange rate during the period was 1.8552 (2007: 2.0018).

The functional currency of the subsidiary is Mozambican Metical's. The closing rate for translating Mozambican Metical's to US Dollars was 25.180 (2007: N/A). The average exchange rate during the period was 24.238 (2007: N/A).

These consolidated financial statements are presented in US Dollars. The Directors believe that this is the recognised industry-wide currency.

NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

1 Significant accounting policies (continued)

(d) Foreign currency (continued)

(ii) Transactions and balance sheet items in a foreign currency

Foreign currency transactions are transactions denominated in a currency other than the entity's functional currency. Transactions in foreign currencies are translated to a functional currency at the average exchange rate prevailing during the period. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair value was determined.

(iii) Translation of foreign group companies

Balance sheet and income statements for all group companies whose functional currency is not the presentational currency are translated into the Group's presentational currency using the following procedures:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
- income and expenses for each income statement presented are translated at the average exchange rate for the year;
- the components of shareholders' equity are translated at the historical exchange rate.

Exchange differences arising from the translation of the net investment in foreign subsidiaries at the year-end exchange rate are recorded as part of the shareholders' equity under "translation differences".

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as local currency assets and liabilities of the foreign entity and are translated at the closing rate.

(e) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see accounting policy k).

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

(ii) Depreciation

Depreciation is charged to the income statement on a reducing balance basis over the estimated useful lives of each part of an item of property, plant and equipment using the following annual rates:

- | | |
|-------------------------|-------------|
| • buildings | 5% |
| • plant and machinery | 12.5% - 25% |
| • fixtures and fittings | 12.5% - 14% |
| • office equipment | 25% |
| • motor vehicles | 17% - 25% |
| • computer equipment | 25% |
| • farm works | 5% |
| • radio equipment | 20% |

NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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1 Significant accounting policies (continued)

(f) Intangible assets

Intangible assets are stated at cost less accumulated depreciation and impairment losses (see accounting policy k).

Intangible assets are depreciated at a rate of 33.33% per annum.

(g) Investments

Investments in subsidiaries are valued at cost less provisions for their impairment.

(h) Biological assets

In accordance with International Financial Reporting Standards, biological activities are measured at fair value less estimated point of sale costs (IAS 41).

The group has adopted early the amendments to IAS 41 (paragraphs 5, 6, 17, 20 and 21 were amended and paragraph 14 deleted) as issued by the IASB under "Improvements to IFRSs" (issued in May 2008). These changes were due to become effective for accounting periods commencing on or after 1 January 2009. Adoption of the amendment has had no material impact on the group financial statements for the year.

At 31 December 2008, the timber plantation comprises immature timber only. This is valued at fair value, using the higher of the fair value on initial recognition of newly planted areas or the market price of the estimated wood volumes, net of harvesting and transport costs and discounted at an appropriate factor. The fair value of standing timber is calculated based upon the maturity of trees planted. The plantation comprises Pine trees.

As at 31 December 2008, the company recorded its biological assets using the fair value model. The model is based on the discounted cash flow method.

The main variables in this model concern;

Currency; US Dollars (US\$)

Production volumes; Estimate based on historical data regarding the yield/ha of the concerning or comparable areas.

Selling price; Estimate based on the current market auction prices:

Pine	US\$ 31.52 / m ³
------	-----------------------------

Cost price; Estimate based on actual cost prices.

Planting costs; Estimated cost for the further development of immature areas is deducted.

Replacement investment; Estimated cost for required replacement investments (vehicles, houses, infrastructure...) is also deducted.

Discount rate; 9.42%. The weighted cost of capital (WACC) was used as the discount rate when discounting the future cash flows. The following factors were applied in defining the WACC; cost of borrowing, cost of equity, industry beta and debt/equity ratio.

NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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1 Significant accounting policies (continued)

(h) Biological assets (continued)

The other variables include estimated plantation area and growth, and the expected yields.

The company recognises a biological asset or agricultural produce when it controls the asset as a result of past events, when it is probable that future economic benefits associated with the asset will flow to the company and when the fair value or cost of the asset can be measured reliably.

A gain or loss arising on the initial recognition of a biological asset at fair value less estimated point of sale costs and from the change in fair value less estimated point of sale cost of a biological asset is included in the period in which it arises.

(i) Financial instruments

The group classifies financial instruments, or their component parts on initial recognition as a financial asset, a financial liability or an equity investment in accordance with the substance of the contractual arrangement.

Financial instruments are recognised on trade date when the group becomes a party to the contractual provisions of the instrument. Financial instruments are recognised initially at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition or issue of the financial instrument.

Financial instruments are derecognised on trade date when the group is no longer a party to the contractual provisions of the instrument.

(i) Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses (see accounting policy (k)).

(ii) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

(iii) Trade and other payables

Trade and other payables are stated at cost.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(k) Impairment

The carrying amounts of the group's assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

If impairment is no longer justified in future periods due to a recovery in assets' fair value or value in use, the impairment loss is reversed.

NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

1 Significant accounting policies (continued)

(l) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided in full using the balance sheet liability method. Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(m) Revenue

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to services performed to date as a percentage of total services to be performed.

(n) Expenses

(i) Net financing costs

Interest income is recognised in the income statement as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established.

(o) Shareholders' equity

Dividends of the parent company payable on ordinary shares are only recognised as a liability in the period in which they are declared.

Costs incurred with respect to the issuance of equity instruments are recorded as a deduction in equity.

(p) Reserves

The movements in the reserves for the group are shown on pages 12 and 13. The movement in the reserves for the company are shown on page 14.

(i) Translation reserve

The translation reserve contains exchange differences arising on consolidation of the Group's foreign operations, and from the functional currencies to the presentational currency.

NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2. Operating profit

Group operating profit for the year is stated after the following:

	Year ended 31 December 2008 US Dollars	Six months ended 31 December 2007 US Dollars
Depreciation	79,294	-
Amortisation of other intangible assets	8,987	-
	<u> </u>	<u> </u>

3. Staff costs

Staff costs comprised:

	Year ended 31 December 2008 US Dollars Company	Year ended 31 December 2008 US Dollars Group	Six months ended 31 December 2007 US Dollars Company	Six months ended 31 December 2007 US Dollars Group
Wages and salaries	-	114,306	-	-
Social security costs	-	4,047	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	-	118,353	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

No directors emoluments were paid in the year (2007: £NIL).

The number of employees can be categorised as follows:

	Year ended 31 December 2008 Company	Year ended 31 December 2008 Group	Six months ended 31 December 2007 Company	Six months ended 31 December 2007 Group
Corporate management	-	1	-	-
Plantation management	-	425	-	-
Finance and administration	-	5	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

4. Auditors remuneration

	Year ended 31 December 2008 US Dollars	Six months ended 31 December 2007 US Dollars
Fees payable to the group's auditor for the audit of the group's annual financial statements	10,124	2,000
Fees payable to the group's auditor for other services:		
Other services pursuant to legislation	11,131	2,005
Tax services	3,710	1,000
	<u> </u>	<u> </u>

NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

5. Financing income

	Year ended 31 December 2008 US Dollars	Six months ended 31 December 2007 US Dollars
Bank interest income	13,933	-
Total financing income	<u>13,933</u>	<u>-</u>

6. Financing costs

	Year ended 31 December 2008 US Dollars	Six months ended 31 December 2007 US Dollars
Bank charges	4,203	-
Net foreign exchange losses	68,296	-
Total financing costs	<u>72,499</u>	<u>-</u>

7. Income tax expense

Recognised in the income statement

	Year ended 31 December 2008 US Dollars	Six months ended 31 December 2007 US Dollars
Current tax expense		
Current tax	-	-
Deferred tax	1,684	-
	<u>1,684</u>	<u>-</u>
Reconciliation of effective tax rate		
Loss before tax	(923,988)	(125,515)
Tax calculated at a tax rate of 28%	(258,717)	(37,655)
Expenses not deductible for tax	-	32,296
Change in tax rate	(12)	-
Deferred tax asset not provided	259,691	5,359
Effect of movement in foreign exchange	722	-
	<u>1,684</u>	<u>-</u>

NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

8. Property, plant and equipment

US Dollars Group Cost	Farm works	Buildings	Plant and equipment	Fixtures, fittings and equipment	Motor vehicles	Total
At 1 January 2008	-	-	-	-	-	-
Acquisitions	18,215	3,624	58,064	45,624	250,366	375,893
At 31 December 2008	<u>18,215</u>	<u>3,624</u>	<u>58,064</u>	<u>45,624</u>	<u>250,366</u>	<u>375,893</u>
Depreciation						
At 1 January 2008	-	-	-	-	-	-
Charge for the year	946	188	10,391	9,255	58,514	79,294
Effects of movements in foreign exchange	(35)	(7)	(389)	(347)	(2,188)	(2,966)
At 31 December 2008	<u>911</u>	<u>181</u>	<u>10,002</u>	<u>8,908</u>	<u>56,326</u>	<u>76,328</u>
Carrying amounts						
At 31 December 2008	<u>17,304</u>	<u>3,443</u>	<u>48,062</u>	<u>36,716</u>	<u>194,040</u>	<u>299,565</u>
At 31 December 2007	-	-	-	-	-	-

9. Biological assets

The valuation, as presented in the fair value model, takes into account the long term exploitation of the plantations. Because of the inherent uncertainty associated with the valuation at fair value of the biological assets due to the volatility of the prices of the agricultural produce and the absence of a liquid market, their carrying value may differ from their realisable value.

The biological assets of the company are mainly on land for which a long term concession has been obtained.

When measuring the fair value of the biological assets it is assumed that these concessions can and will be renewed at normal cost. Future production included in the calculation of the fair value takes into account the age of the asset and not the expiration date of the concessions.

Below is a table with the proprietary rights on which the plantations are established:

Land leased from private individuals	Total Area in acres	Nature	Lease period	Start date	End date	Crop
Niassa, Mozambique	24,710	Licence	50 years	14/04/2006	13/04/2056	Pine
Niassa, Mozambique	22,264	Licence	50 years	14/04/2006	13/04/2056	Pine
Total	<u><u>46,974</u></u>					

NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED
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9. Biological assets (continued)

	2008 US Dollars	2007 US Dollars
Group		
At 1 January 2008	-	-
Cost of growing timber	511,581	-
Change in fair value	5,206	-
	<u>516,787</u>	<u>-</u>
Balance at 31 December 2008	<u>516,787</u>	<u>-</u>

The fair value gain is made up as follows;

Increase due to growth	5,206	-
Fair value gain at year end	<u>5,206</u>	<u>-</u>

Quantities at year end in number of acres under plantation

	2008 Acres	2007 Acres
Mature (harvestable)	NIL	NIL
Immature;		
Pine Timber	616	-
	<u>616</u>	<u>-</u>
Total acres	<u>616</u>	<u>-</u>

	m ³	m ³
Estimated output of wood in cubic metres	3,964	NIL

NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

9. Biological assets (continued)

Financial risk management strategies

The company is exposed to financial risks arising from changes in timber prices. The company does not anticipate that timber prices will decline significantly in the foreseeable future and, therefore, has not entered into any derivatives or other contracts to manage the risk of a decline in timber prices. The company reviews its outlook for timber prices regularly in considering the need for active financial risk management

Determining Fair Values

i) Saw timber

The selling prices used in the valuation were obtained from the South African lumber index and allowing for harvesting, loading and transport costs. The price used was US \$31.52/m³ for pine.

Discount rate

The discount rate (9.42%) used to evaluate the present value of the plantation is the weighted average cost of capital for the company (WACC) appropriate for a timber operation.

Sensitivity variation-sales price

Values as appearing in the balance sheet are very sensitive to changes with regard to the average sales prices applied. Simulations made for pine timber show that a rise or decrease by 10% of the estimated future selling price has the following effect on the net present value of biological assets:

US Dollars	Fair value based on 10% reduction	Fair value per balance sheet	Fair value based on 10% increase
Pine timber	380,969	516,787	652,606

Sensitivity variation-discount rate

Values as appearing in the balance sheet are very sensitive to price changes with regard to the discount rate applied. Simulations made for pine timber show that a rise or decrease by 1% of the discount rate has the following effect on the net present value of biological assets:

US Dollars	Fair value based on discount rate +1%	Fair value per balance sheet	Fair value based on discount rate -1%
Pine timber	450,870	516,787	593,085

NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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10. Intangible assets

	Research Costs
US Dollars Group Cost	
At 1 January 2008	-
Acquisitions	25,950
At 31 December 2008	<u>25,950</u>
Depreciation	
At 1 January 2008	-
Charge for the year	8,987
Effects of movements in foreign exchange	(337)
At 31 December 2008	<u>8,650</u>
Carrying amounts	
At 31 December 2008	<u>17,300</u>
At 31 December 2007	<u>-</u>

11. Investments

	Shares in subsidiary undertaking
US Dollars Cost	
At 1 July 2007	-
Additions	80,000
At 1 January 2008	<u>80,000</u>
Additions	1,325,774
Foreign exchange movement	(21,115)
At 31 December 2008	<u>1,384,659</u>

NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

11. Investments (continued)

Details of the subsidiary undertaking are as follows:-

Name	Principal activity	Shares held (proportion of ownership interest)	Country of incorporation
New Forests Company Malonda SA	Planting and forestry of trees	80%	Mozambique

The latest audited financial statements of the subsidiary for the year ended 31 December 2008 show:

	New Forests Company Malonda SA	
	US Dollars 2008	US Dollars 2007
Aggregate of capital and reserves	932,001	100,000
Loss for the period	538,992	-

12. Inventories

Group	2008 US Dollars	2007 US Dollars
Raw materials	139,487	-

13. Trade and other receivables

	2008 US Dollars Company	2008 US Dollars Group	2007 US Dollars Company	2007 US Dollars Group
Other receivables	43,437	62,417	50,801	50,801
	43,437	62,417	50,801	50,801

NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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14. Cash and cash equivalents

	2008 US Dollars Company	2008 US Dollars Group	2007 US Dollars Company	2007 US Dollars Group
Bank balances	87,430	188,268	940,349	1,040,349
Cash and cash equivalents in the statement of cash flows	87,430	188,268	940,349	1,040,349

15. Issued capital

	2008 US Dollars	2007 US Dollars
Authorised		
10,000,000 ordinary shares of British Sterling £0.01 each	144,790	199,730
Issued and fully paid		
5,626,325 ordinary shares of British Sterling £0.01 each	112,491	108,110
Reconciliation of the number of shares outstanding:		
Opening balance	108,110	-
Shares issued	4,381	108,110
Closing balance	112,491	108,110

NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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16. Deferred Tax

Deferred tax liabilities comprise:

	2008 US Dollars Company	2008 US Dollars Group	2007 US Dollars Company	2007 US Dollars Group
Deferred tax liabilities comprise:				
Fair value gains	-	1,621	-	-
	<u>-</u>	<u>1,621</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>1,621</u>	<u>-</u>	<u>-</u>
Net deferred tax liability	-	1,621	-	-
	<u>-</u>	<u>1,621</u>	<u>-</u>	<u>-</u>
		Assets	Liabilities	Net deferred tax liability
US Dollars				
Balance at 1 January 2008		-	-	-
Recognised in the income account		-	1,621	1,621
		<u>-</u>	<u>1,621</u>	<u>1,621</u>
Balance at 31 December 2008		-	1,621	1,621
		<u>-</u>	<u>1,621</u>	<u>1,621</u>

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	2008 US Dollars Company	2008 US Dollars Group	2007 US Dollars Company	2007 US Dollars Group
Tax losses	112,920	265,050	5,359	5,359
	<u>112,920</u>	<u>265,050</u>	<u>5,359</u>	<u>5,359</u>
	<u>112,920</u>	<u>265,050</u>	<u>5,359</u>	<u>5,359</u>

NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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17. Trade and other payables

	2008 US Dollars Company	2008 US Dollars Group	2007 US Dollars Company	2007 US Dollars Group
Amounts owed to group undertakings	186,538	72,144	2,227	2,227
Other payables	21,275	295,003	4,994	4,994
	<u>207,813</u>	<u>367,147</u>	<u>7,221</u>	<u>7,221</u>

18. Related parties

	2008 US Dollars	2007 US Dollars
Amounts owed to parent company	186,538	2,227

Amounts owed to related parties are unsecured, interest-free, and have no fixed terms of repayment. The balances will be settled in cash. 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.

The company's proprietary rights to the land on which the plantation is situated are shown in note 9. This land is held under licence by the 20% shareholder in New Forests Company Malonda SA, who have agreed to allow New Forests Company Malonda SA to occupy the land.

19. Group entities

Control of the group

The Company is a majority owned (92.8%) subsidiary of New Forests Company Holdings Limited. The Group's ultimate parent company is New Forests Company Holdings Limited. Group accounts for New Forests Company Holdings Limited are available from Companies House, Cardiff, CF4 3UZ.

Significant subsidiaries

The company owns 80% of the issued ordinary voting share capital of New Forests Company Malonda SA.

20. Contingent liabilities

As at 31 December 2008 the minority shareholder of New Forests Company Malonda SA, was still in the process of transferring the land registration to the name of New Forests Company Malonda SA, due to pending authorizations from the Mozambican Government. The Company and the shareholders do not expect to face any contingencies from this situation.

21. Events after the balance sheet date

There are no major events subsequent to the balance sheet date which have a major impact on the further evolution of the Company.

NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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22. Financial instruments

Fair value of financial instruments

The table below provides a comparison, by category, of the carrying amounts and the fair values of the Group's non- derivative financial assets and liabilities at 31 December 2008.

2008

Company US Dollars	Loans and receivables	Cash	Carrying amount	Fair value
Financial assets				
Cash and bank deposits	-	87,430	87,430	87,430
Other receivables	43,437	-	43,437	43,437
	<u>43,437</u>	<u>87,430</u>	<u>130,867</u>	<u>130,867</u>
US Dollars		Other liabilities	Carrying amount	Fair value
Financial liabilities				
Other payables		207,813	207,813	207,813
		<u>207,813</u>	<u>207,813</u>	<u>207,813</u>

2007

Company US Dollars	Loans and receivables	Cash	Carrying amount	Fair value
Financial assets				
Cash and bank deposits	-	940,349	940,349	940,349
Other receivables	50,801	-	50,801	50,801
	<u>50,801</u>	<u>940,349</u>	<u>991,150</u>	<u>991,150</u>
US Dollars		Other liabilities	Carrying amount	Fair value
Financial liabilities				
Other payables		7,221	7,221	7,221
		<u>7,221</u>	<u>7,221</u>	<u>7,221</u>

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22. Financial Instruments (continued)

Fair value of financial instruments (continued)

2008 Group	Loans and receivables	Cash	Carrying amount	Fair value
US Dollars				
Financial assets				
Cash and bank deposits	-	188,268	188,268	188,268
Other receivables	56,390	-	56,390	56,390
	<u>56,390</u>	<u>188,268</u>	<u>244,658</u>	<u>244,658</u>
		Other liabilities	Carrying amount	Fair value
US Dollars				
Financial liabilities				
Trade payables		72,144	72,144	72,144
Other payables		295,003	295,003	295,003
		<u>367,147</u>	<u>367,147</u>	<u>367,147</u>
2007 Group	Loans and receivables	Cash	Carrying amount	Fair value
US Dollars				
Financial assets				
Cash and bank deposits	-	1,040,349	1,040,349	1,040,349
Other receivables	50,801	-	50,801	50,801
	<u>50,801</u>	<u>1,040,349</u>	<u>1,091,150</u>	<u>1,091,150</u>
		Other liabilities	Carrying amount	Fair value
US Dollars				
Financial liabilities				
Other payables		7,221	7,221	7,221
		<u>7,221</u>	<u>7,221</u>	<u>7,221</u>

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22. Financial Instruments (continued)

Financial risk management strategies

The Group is exposed to a variety of financial risks: market risk (including price risk, currency risk and interest rate cash flow risk), liquidity risk and credit risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. There have been no significant changes in these financial risks since the year end.

a) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices. The Group is exposed to the following market risks: price risk, currency risk and interest rate cash flow risk.

i. Price risk

The Group is exposed to the financial risk arising from changes in the prices of Caribbean Pine. The Group does not anticipate that these timber prices will decline significantly in the foreseeable future and, therefore, has not entered into derivative or other contracts to manage the risk of a decline in timber prices. The Group reviews its outlook for timber prices regularly in considering the need for active financial risk management. Sensitivity analysis identifying the effect of a change in market price of timber is shown within note 9.

ii. 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. The group is exposed to foreign currency risk as a result of future transactions and investments in foreign companies, denominated in functional currencies of the Group as set out in Note 1 (d).

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 group internal reporting process. In the event that management consider that the group is exposed to foreign currency risk at an unacceptable level, then the group would consider the use of forward exchange contracts.

The Group has certain investments in foreign operations, whose assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

The table below summarises the effect on post-tax profit and components of equity had the functional currencies of the Group weakened by 10% against the presentational currency (US \$), with all other variables held constant. If the functional currencies of the Group strengthened against the presentational currency (US \$), the effect would have been the opposite.

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22. Financial Instruments (continued)

ii. Currency risk (continued)

Company	2008 US Dollars	2007 US Dollars
Effect on profit (decrease)/increase	-	-
Effect on equity components (decrease)/increase	(7,695)	(94,035)
	<u>(7,695)</u>	<u>(94,035)</u>
Group	2008 US Dollars	2007 US Dollars
Effect on profit (decrease)/increase	-	-
Effect on equity components (decrease)/increase	(11,536)	(94,035)
	<u>(11,536)</u>	<u>(94,035)</u>

iii. Interest rate cash flow risk

Interest rate risk arises from interest bearing financial assets and liabilities that we use. Interest bearing assets comprise cash and cash equivalents which are considered to be short-term liquid assets. It is the group's policy to settle trade payables within the credit terms allowed and the group does therefore not incur interest on overdue balances. Borrowings are sourced from both local and foreign financial markets, covering short and long-term funding. The group manages interest rate risk on borrowings by ensuring access to diverse sources of funding, reducing risks of refinancing by establishing and managing in accordance with target maturity profiles.

There would be no material effect on post-tax profit and components of equity had the interest rate weakened or strengthened by 10% with all other variables held constant.

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22. Financial Instruments (continued)

b) Liquidity risk

The Company maintains sufficient cash resources based upon cashflow 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.

Contractual maturity analysis for financial liabilities

Company	Remaining contractual maturities					Total carrying amount
	Not later than one month	Later than one month and not later than three months	Later than three months and not later than one year	Later than one year and not later than five years	Later than five years	
US Dollars Trade and other payables	-	-	207,813	-	-	207,813
<hr/>						
Group	Remaining contractual maturities					Total carrying amount
	Not later than one month	Later than one month and not later than three months	Later than three months and not later than one year	Later than one year and not later than five years	Later than five years	
US Dollars Trade and other payables	79,508	22,972	264,667	-	-	367,147
Total	79,508	22,972	264,667	-	-	367,147

c) Credit risk

The Group invests its surplus funds in approved high quality banks. Concentrations of credit risk with respect to customers are limited due to the group's customer base being large and unrelated. Customers are assessed for credit worthiness and credit limits are imposed on customers and reviewed regularly.

The Groups maximum exposure to credit risk, without taking into account any collateral held or other credit enhancements:

	2008	2007
	US Dollars	US Dollars
Financial assets		
Other current assets	62,417	50,801
Cash and cash equivalents	188,268	1,040,349
	<hr/>	<hr/>
	250,685	1,091,150
	<hr/>	<hr/>

The Group holds no collateral or other credit enhancements for trade receivables.

The debtors age analysis is evaluated on a regular basis for potential doubtful debts. It is the management's opinion that no provision for doubtful debts is required.

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22. Financial Instruments (continued)

c) Credit risk (continued)

The maturity analysis of trade and other receivables is as follows:

	Not impaired	Not impaired but past due by the following amounts					Total carrying amount
Company		30 days or less	Between 31 and 60 days	Between 61 and 90 days	Between 91 and 120 days	More than 120 days	
US Dollars							
2008 Other receivables	43,437	-	-	-	-	-	43,437
2007 Other receivables	50,801	-	-	-	-	-	50,801

	Not impaired	Not impaired but past due by the following amounts					Total carrying amount
Group		30 days or less	Between 31 and 60 days	Between 61 and 90 days	Between 91 and 120 days	More than 120 days	
US Dollars							
2008 Other receivables	43,437	12,953	-	-	-	-	56,390
2007 Other receivables	50,801	-	-	-	-	-	50,801

23. Capital management

The group'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 group sets the amount of capital in proportion to risk. The group 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 group 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 group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt + adjusted capital. Net debt is calculated as total debt (as shown in the balance sheet) less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. ordinary shares, share premium, minority interest, retained earnings, and other reserves) other than amounts recognised in equity relating to cash flow hedges, and includes some forms of subordinated debt.