

Company Number: 5838645

**NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
PERIOD ENDED 30 JUNE 2011**



NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED
ANNUAL REPORT
PERIOD ENDED 30 JUNE 2011

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NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED

COMPANY INFORMATION

DIRECTORS

R H F Devereux
J R Aisbitt
J M M Ozanne

COMPANY NUMBER

05838645

SECRETARY

Q Scorgie

REGISTERED OFFICE

C/O Morrison & Foerster (UK) LLP
City Point
1 Ropemaker Street
London
EC2Y 9AW

AUDITOR

PKF (UK) LLP
Farringdon Place
20 Farringdon Road
London
EC1M 3AP

**NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED
DIRECTORS' REPORT
PERIOD ENDED 30 JUNE 2011**

The directors present their report and the financial statements for the period ended 30 June 2011

PRINCIPAL ACTIVITY

The principal activity of the company during the period was investment holding

REVIEW OF THE BUSINESS

The company changed its year end to 30 June during the period to be consistent with the other group companies, which changed in order to align themselves better with forestry growth patterns

During the period, the company sold its assets and liabilities, including the investment in the subsidiary company, to a related company. Details of this transaction can be found in note 5. Since that date the company has been collecting its remaining debts and settling liabilities. It is not anticipated that the company will trade for the foreseeable future.

DIRECTORS

The directors who served during the period were

R H F Devereux
J R Aisbitt (Chairman)
R J Carlier (Resigned 11 May 2010)
J M M Ozanne

FINANCIAL INSTRUMENTS

Details of the Company's financial risk management policies and its exposure to market risk, foreign currency risk, liquidity risk and credit risk are contained in Note 16 to the Annual Financial Statements

PRINCIPAL RISKS AND UNCERTAINTIES

The directors consider that there are no longer any principal risks and uncertainties as the company ceased its activity

PROVISION OF INFORMATION TO AUDITOR

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 auditor is 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 auditor is aware of that information

This report was approved by the board on 15/2/12 and signed on its behalf


Q Soorgie
Secretary

NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the directors' 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. 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 the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether the financial statements have been prepared in accordance with IFRSs as adopted by the European Union, and
- 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 adequate accounting records that are sufficient to show and explain the company's transactions, to 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 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.

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

We have audited the financial statements of New Forests Company Mozambique UK Limited for the period ended 30 June 2011 which comprise the statement of comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 auditor

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion, the financial statements,

- give a true and fair view of the state of the company's affairs as at 30 June 2011 and of its loss for the period then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us, or
- the company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

PKF(UK)LLP

Robert Hawkins (Senior statutory auditor)

for and on behalf of PKF (UK) LLP, Statutory auditor

London, UK

Date 23 February 2012

NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2011

		18 Months ended 30 June 2011 US Dollars	Year ended 31 December 2009 US Dollars
Discontinued operations	Note		
Revenue	4	350,000	320,000
Gross profit		<u>350,000</u>	<u>320,000</u>
Administrative expenses		(1,064,273)	(1,219,184)
Operating loss	3	<u>(714,273)</u>	<u>(899,184)</u>
Net financial expenses	6	(565,020)	(52,164)
Exceptional item			
Loss on sale of assets and liabilities	5	(2,002,950)	-
Loss before tax		<u>(3,282,243)</u>	<u>(951,348)</u>
Income tax expense	7	-	-
Loss for the period		<u>(3,282,243)</u>	<u>(951,348)</u>
Other comprehensive income			
Exchange differences on translating foreign operations		21,165	(93,075)
Income tax relating to other comprehensive income		-	-
Other comprehensive income for the period, net of tax		<u>21,165</u>	<u>(93,075)</u>
Total comprehensive income for the period		<u>(3,261,078)</u>	<u>(1,044,423)</u>

The notes on pages 10 to 20 form part of these financial statements

NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED
STATEMENT OF FINANCIAL POSITION
30 JUNE 2011

		At 30 June 2011 US Dollars	At 31 December 2009 US Dollars
	Note		
Assets			
Non-current assets			
Investments	8	-	2,066,803
		-	2,066,803
Current assets			
Trade and other receivables	9	74,009	917,246
Cash and cash equivalents	10	9,786	1,333
		83,795	918,579
Total assets		83,795	2,985,382
Equity and liabilities			
Equity attributable to equity holders of the company			
Issued capital	11	126,082	112,491
Share premium		4,809,191	1,822,782
Reserves		(187,275)	(208,440)
Retained earnings		(4,745,786)	(1,463,543)
Total equity		2,212	263,290
Current Liabilities			
Interest bearing loans and borrowings	14	-	1,000,000
Trade and other payables	13	81,583	1,722,092
Total liabilities		81,583	2,722,092
Total equity and liabilities		83,795	2,985,382

The financial statements were approved and authorised for issue by the board of directors and were signed on its behalf on 15 February 2012

J M M Ozanne

The notes on pages 10 to 20 form part of these financial statements

NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED
STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2011

		18 Months ended 30 June 2011 US Dollars	Year ended 31 December 2009 US Dollars
	Note		
Cash flows from operating activities			
Loss before tax		(3,282,243)	(951,348)
Adjustments for			
Interest paid		565,020	52,164
Change in net working capital		(458,320)	(480,887)
Loss on disposal	5	2,002,950	-
Net cash outflow from operating activities		<u>(1,172,593)</u>	<u>(1,380,071)</u>
Interest paid		(8,550)	(52,164)
Net cash flow from operating activities		<u>(1,181,143)</u>	<u>(1,432,235)</u>
Cash flows from investing activities			
Loan to subsidiary		(1,241,879)	-
Investment in subsidiary	8	(2,488,533)	(682,144)
Net cash outflow from investing activities		<u>(3,730,412)</u>	<u>(682,144)</u>
Cash flows from financing activities			
Proceeds from disposal of investments		1	-
Proceeds from the issue of share capital		3,000,000	-
Proceeds of borrowings from parent		1,920,007	2,028,282
Net cash inflow from financing activities		<u>4,920,008</u>	<u>2,028,282</u>
Net increase/(decrease) in cash and cash equivalents		<u>8,453</u>	<u>(86,097)</u>
Movement in cash and cash equivalents			
Cash and cash equivalents at 1 January 2009	10	1,333	87,430
Movement in period		8,453	(86,097)
Cash and cash equivalents at 30 June 2011	10	<u>9,786</u>	<u>1,333</u>

The notes on pages 10 to 20 form part of these financial statements

NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2011

US Dollars	Share capital stock	Share premium	Retained earnings	Translation differences	Total equity
US Dollars					
Balance at 1 January 2009	112,491	1,822,782	(512,195)	(115,365)	1,307,713
Changes in equity for 2009					
Loss for the year	-	-	(951,348)	-	(951,348)
Exchange differences on translating foreign operations	-	-	-	(93,075)	(93,075)
Total comprehensive income for the year	-	-	(951,348)	(93,075)	(1,044,423)
Balance at 31 December 2009	112,491	1,822,782	(1,463,543)	(208,440)	263,290
Changes in equity					
Loss for the period	-	-	(3,282,243)	-	(3,282,243)
Exchange differences on translating foreign operations	-	-	-	21,165	21,165
Total comprehensive income for the period	-	-	(3,282,243)	21,165	(3,261,078)
Shares issued	13,591	2,986,409	-	-	3,000,000
Balance at 30 June 2011	126,082	4,809,191	(4,745,786)	(187,275)	2,212

The notes on pages 10 to 20 form part of these financial statements

**NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2011**

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

New Forests Company Mozambique UK Limited (the "Company") is a company domiciled in England and Wales.

1 Basis of preparation

These financial statements have been prepared in accordance with IFRS as adopted by the European Union, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have not been prepared on a going concern basis on the grounds that the company sold its investments, assets and liabilities during the period and then ceased to trade.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts in the financial statements. There are no areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the financial statements.

(i) Standards issued and applied for the first time in 2011

All standards and Interpretations that became effective since 1 January 2010 are not relevant to the company's operations.

(ii) Standards issued but not yet effective

No standards have been issued but that are not yet effective which are relevant to the company's operations.

2 Accounting policies

(a) Foreign currency

(i) Functional and presentation currency

The company maintains its accounting records in the currency used in the primary economic environment in which it operates. 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 1.6018 (2009: 1.5928). The average exchange rate during the period was 1.5691 (2009: 1.56593).

These 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 PERIOD ENDED 30 JUNE 2011

2 Accounting policies (continued)

(a) 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.

(b) Investments

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

(c) Financial instruments

The company 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 company becomes a party to the contractual provisions of the instrument. Financial instruments are recognised initially at fair value plus transactions costs that are directly attributable to the acquisition or issue of the financial instrument, except for financial assets at fair value through profit or loss, which are initially measured at fair value, excluding transaction costs.

Financial instruments are derecognised on trade date when the company 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 original invoiced value, as the interest that would be recognised from discounting future cash receipts over the short credit period is not considered to be material. Trade receivables are reduced by appropriate allowances for estimated irrecoverable amounts. Interest on overdue trade receivables is recognised as it accrues.

(ii) Cash and cash equivalents

Cash equivalents comprise short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. An investment with a maturity of three months or less is normally classified as being short-term.

(iii) Trade and other payables

Trade and other payables are stated at their original invoiced value, as the interest that would be recognised from discounting future cash payments over the short payment period is not considered to be material.

NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2011

2 Accounting policies (continued)

(c) Financial instruments (continued)

(iv) Interest-bearing borrowings

Interest-bearing borrowings are stated at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability.

(d) Impairment

The company assesses annually whether there is any indication that any of its assets have been impaired. If such indication exists, the asset's recoverable amount is estimated and compared to its carrying value.

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 statement of comprehensive income.

(e) 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.

Interest payable is recognised in the income statement as it accrues using the effective interest method.

(f) Taxation

Income tax for the period is based on the taxable income for the period. Taxable income differs from profit as reported in the statement of comprehensive income for the period as there are some items which may never be taxable or deductible for tax and other items which may be deductible or taxable in other periods. Income tax for the period is calculated using the current ruling tax rate.

Deferred tax is the future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities shown on the statement of financial position. Deferred tax assets and liabilities are not recognised if they arise in the following situations: the initial recognition of goodwill, or the initial recognition of assets and liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of recovery or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the statement of financial position date.

The company does not recognise deferred tax liabilities, or deferred tax assets, on temporary differences associated with investments in subsidiaries, joint ventures and associates where the parent company is able to control the timing of the reversal of the temporary differences and it is not considered probable that the temporary differences will reverse in the foreseeable future. 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. The carrying amount of the deferred tax assets are reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2011

2 Accounting policies (continued)

(g) Revenue

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.

3 Operating loss

Operating loss for the period is stated after the following

	18 Months ended 30 June 2011 US Dollars	Year ended 31 December 2009 US Dollars
Fees payable to the company's auditor for the audit of the company's annual financial statements	3,551	17,789
The audit fee will be settled by the ultimate parent company		
No director received any remuneration in either period		

4 Revenue

	18 months ended 30 June 2011 US Dollars	Year ended 31 December 2009 US Dollars
The company's revenue comprises		
Management fees	350,000	320,000

5 Disposal of assets and liabilities

	18 months ended 30 June 2011 US Dollars	Year ended 31 December 2009 US Dollars
Loss of sale of assets and liabilities	2,002,950	-
During the period, the company entered into an agreement to sell its assets and liabilities to a fellow group company, New Forests Company Mozambique Mauritius. The value of the assets and liabilities sold are set out below		
	US Dollars	
Loan due from New Forests Company Malonda (SA) Limited	2,129,239	
Investments in New Forests Company Malonda (SA) Limited	4,555,336	
Loan due to New Forests Company Holdings Limited	(4,146,319)	
Accruals	(535,305)	
	2,002,951	
Proceeds	(1)	
Loss on disposal	2,002,950	

The sale was completed on 1 June 2011, although the legal transfer of the shares remains incomplete due to delays in the legal process in Mozambique.

NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2011

6 Financing costs

	18 Months ended 30 June 2011 US Dollars	Year ended 31 December 2009 US Dollars
Interest expense on interest bearing loans and borrowings	565,020	52,164
	<u>565,020</u>	<u>52,164</u>

7 Income tax expense

Reconciliation of effective tax rate

	18 months ended 30 June 2011 US Dollars	Year ended 31 December 2009 US Dollars
Loss before tax	(3,282,243)	(951,348)
	<u>(3,282,243)</u>	<u>(951,348)</u>
Tax calculated at a tax rate of 27.67% (2009: 28%)	(908,197)	(266,377)
Non-deductible expenses	554,216	-
Deferred tax asset not provided	353,981	266,377
	<u>(-)</u>	<u>(-)</u>
	<u>(-)</u>	<u>(-)</u>

8 Investments

	Shares in subsidiary undertaking
US Dollars	
Cost	
At 1 January 2009	1,384,659
Additions	688,037
Foreign exchange movement	(5,893)
	<u>2,066,803</u>
At 1 January 2010	2,066,803
Additions	2,488,533
Disposals	(4,555,336)
	<u>(-)</u>
At 30 June 2011	<u>(-)</u>

New Forests Company (Malonda SA) Limited, a company incorporated in Mozambique, was sold to New Forests Company (Mozambique) Mauritius as part of the sale of the assets and liabilities

NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2011

9 Trade and other receivables

	At 30 June 2011 US Dollars	At 31 December 2009 US Dollars
Amounts owed by group undertakings	7,933	895,293
Other receivables	66,076	21,953
	<u>74,009</u>	<u>917,246</u>

10 Cash and cash equivalents

	At 30 June 2011 US Dollars	At 31 December 2009 US Dollars
Bank balances	9,786	1,333
Cash and cash equivalents in the statement of cash flows	<u>9,786</u>	<u>1,333</u>

11 Issued capital

	2011 Number of shares	2009 Number of shares
Authorised 10,000,000 ordinary shares of British Sterling £0 01 each	10,000,000	10,000,000
Issued 8,020,070 ordinary shares of British Sterling £0 01 each	6,483,468	5,626,325
Reconciliation of the number of shares outstanding		
Opening balance	5,626,325	5,626,325
Shares issued	857,143	-
Closing balance	<u>6,483,468</u>	<u>5,626,325</u>
Fully paid issued share capital	<u>6,483,468</u>	<u>5,626,325</u>

All fully paid up shares have a par value of £0 01 and entitle the holder to one vote and equal rights to dividends declared

During the year, 857,143 ordinary shares with a nominal value of British Sterling £8,571 were issued for cash of US Dollars 3,000,000

NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2011

12 Deferred Tax

Tax losses incurred are irrecoverable due to the company ceasing its activity

13 Trade and other payables

	At 30 June 2011 US Dollars	At 31 December 2009 US Dollars
Amounts owed to group undertakings	81,583	1,307,895
Other payables	-	414,197
	<u>81,583</u>	<u>1,722,092</u>

14. Interest-bearing loans and borrowings

This note provides information about the contractual terms of the company's interest-bearing loans and borrowings. For more information about the company's exposure to interest rate see note 16

	2011 US Dollars	2009 US Dollars
Current liabilities		
Unsecured loans	-	1,000,000
	<u>-</u>	<u>1,000,000</u>

On 15 December 2009, the company entered into an agreement with New Forests Company Holdings Limited to borrow US Dollars 1,000,000 for a 12 month term at an interest rate of 20% per annum. This loan was transferred as part of the transfer of trade to Mauritius.

15 Related parties

Transactions with subsidiary companies

	2011 US Dollars	2009 US Dollars
Amount due from subsidiary company	-	895,293
Amount due from fellow subsidiary	7,933	-
Amount owed to parent company	81,583	2,307,895

Amounts owed to and by related parties are unsecured, 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.

There was no remuneration paid to directors or key management personnel during the period.

Directors of the company control 0.89% of the voting shares of the company.

NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2011

16 Financial instruments and financial risk management

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 30 June 2011

2011

	Cash, loans and receivables	Carrying amount	Fair value
US Dollars			
Financial assets			
Cash and cash equivalents	9,786	9,786	9,786
Other current assets	74,009	74,009	74,009
	<u>83,795</u>	<u>83,795</u>	<u>83,795</u>
	Financial liabilities measured at amortised cost	Carrying amount	Fair value
US Dollars			
Financial liabilities			
Other payables	81,583	81,583	81,583
	<u>81,583</u>	<u>81,583</u>	<u>81,583</u>

2009

	Cash, loans and receivables	Carrying amount	Fair value
US Dollars			
Financial assets			
Cash and cash equivalents	1,333	1,333	1,333
Other current assets	917,246	895,293	895,293
	<u>918,579</u>	<u>918,579</u>	<u>918,579</u>
	Financial liabilities measured at amortised cost	Carrying amount	Fair value
US Dollars			
Financial liabilities			
Other payables	1,722,092	1,722,092	1,722,092
Current borrowings	1,000,000	1,000,000	1,000,000
	<u>2,722,092</u>	<u>2,722,092</u>	<u>2,722,092</u>

It is the directors opinion that the carrying value of other current assets and trade and other payables approximate there fair value

NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2011

16 Financial instruments (continued)

Financial risk management strategies

The company is exposed to a variety of financial risks. A risk management programme has been established to protect the company against the potential adverse effects of these financial risks. The exposure to financial risks was considerably reduced during the period due to the sale of the assets and liabilities as described in note 5.

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 company is exposed to the following market risks: interest rate risk and foreign currency risk.

i. Interest rate risk

Interest rate risk is the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from interest bearing financial assets and liabilities that we use. Interest bearing assets comprise trade receivables, other financial assets at fair value through profit or loss, and cash and cash equivalents which are considered to be short-term liquid assets. Our interest rate liability risk arises primarily from borrowings issued at floating interest rates which exposes the company to cash flow interest rate risk. It is the company's policy to settle trade payables within the credit terms allowed and the company does therefore not incur interest on overdue balances. Borrowings are sourced from both local and foreign financial markets, covering short and long-term funding.

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

ii 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. The company is exposed to foreign currency risk as a result of future transactions denominated in functional currencies of the company as set out in Note 2 (a).

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

NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2011

16 Financial Instruments (continued)

Market risk (continued)

Foreign currency risk sensitivity analysis

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

Company	2011 US Dollars	2009 US Dollars
Effect on profit (decrease)/increase	-	95,135
Effect on equity components (decrease)/increase	-	(269,914)
	<u>-</u>	<u>(174,779)</u>

The impact of a change of 10% has been selected as this has been considered reasonable given the current level of exchange rates and the volatility observed both on a historical basis and market expectations for future movement.

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

	Due or due in less than 1 month	Due between 1 to 3 months	Due between 3 months to 1 year	Due between 1 to 5 years	Due after 5 years	Total carrying amount
At 30 June 2011 US Dollars						
Trade and other payables	-	-	81,583	-	-	81,583
	<u>-</u>	<u>-</u>	<u>81,583</u>	<u>-</u>	<u>-</u>	<u>81,583</u>
At 31 December 2009 US Dollars						
Trade and other payables	414,197	-	1,307,895	-	-	1,722,092
Current borrowings	-	-	1,000,000	-	-	1,000,000
	<u>414,197</u>	<u>-</u>	<u>2,307,895</u>	<u>-</u>	<u>-</u>	<u>2,722,092</u>

NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2011

16 Financial instruments and financial risk management (continued)

c) Credit risk

The company invests its surplus funds in approved high quality banks

The company holds no collateral or other credit enhancements for trade receivables

The debtor's 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

The company's maximum exposure to credit risk, without taking into account any collateral held or other credit enhancements

	2011	2009
	US Dollars	US Dollars
Financial assets		
Other current assets	74,009	917,246
Cash and cash equivalents	9,786	1,333
	<hr/> 83,795 <hr/>	<hr/> 918,579 <hr/>

17 Parent undertaking

The Company is a majority owned (100%) subsidiary of New Forests Company Holdings Limited. The Company's ultimate parent company is New Forests Company Holdings Limited. This company is exempt from the requirement to prepare consolidated financial statements by virtue of section 398 of the Companies Act 2006. Group accounts for New Forests Company Holdings Limited are available from Companies House, Cardiff, CF4 3UZ.

18 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.

19 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.

NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED
UNAUDITED INCOME STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2011

	2011 £	2011 US Dollars	2009 £	2009 US Dollars
Income				
Management fees	223,058	350,000	200,000	320,000
	<u>223,058</u>	<u>350,000</u>	<u>200,000</u>	<u>320,000</u>
Expenses				
Exceptional				
Loss on sale of assets and liabilities	1,276,496	2,002,950	-	-
Cost to acquire land rights	-	-	383,159	600,000
	<u>1,276,496</u>	<u>2,002,950</u>	<u>383,159</u>	<u>600,000</u>
Administration				
Mozambique management costs	678,304	1,060,410	384,072	600,000
Audit and accountancy	1,626	2,683	11,360	17,789
Bank charges	712	1,180	891	1,395
	<u>680,642</u>	<u>1,064,273</u>	<u>396,323</u>	<u>619,184</u>
Finance				
Loan interest paid	342,623	565,020	32,033	52,164
	<u>342,623</u>	<u>565,020</u>	<u>32,033</u>	<u>52,164</u>
Total loss for period	<u>(2,007,901)</u>	<u>(3,282,243)</u>	<u>(611,515)</u>	<u>(951,348)</u>