

Company Number: 5838645

**NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2009**

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**NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED**  
**ANNUAL REPORT**  
**YEAR ENDED 31 DECEMBER 2009**

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**NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED**

**COMPANY INFORMATION**

**DIRECTORS**

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

**COMPANY NUMBER**

05838645

**SECRETARY**

Mrs O Burton

**REGISTERED OFFICE**

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

**AUDITORS**

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

**NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED  
DIRECTORS' REPORT  
YEAR ENDED 31 DECEMBER 2009**

The directors present their report and the financial statements for the year ended 31 December 2009

**PRINCIPAL ACTIVITY**

The principal activity of the company during the year is that of investment holding. The principal activity of the company's trading subsidiary is that of commercial forestry.

**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 and particular order of priority.

- a) Country risk – the company's subsidiary conducts commercial forestry operations in Chiconono in north-western Mozambique. The recent history in Mozambique prescribes a complex political and social landscape impacting on the level of difficulty of operating in this country. Management mitigate this risk by forming and nurturing relationships with all material stakeholders including local communities, suppliers, employees, local and national government through personal and corporate social responsibility initiatives while maintaining the highest standards of corporate governance.
- b) Currency risk – as the company's timber and related products generally fall into the definition of a global commodity, net prices are normally set in United States Dollars in line with the presentational currency of the company and is therefore not affected by fluctuations in the exchange rate to local currency. Likewise borrowings and capital expenditure are also primarily United States Dollar based. Operating expenditure is however substantially denominated in the local currency and therefore any movement in the exchange rate to the United States Dollar will have an impact on reported expenditure.
- c) Crop failure risk – the main risks are related to crop losses caused by adverse weather conditions, disease and insect damage as well as fire. Adverse weather conditions mainly relate to reductions in rainfall during planting season. This risk can be mitigated should the need arise by using planting gels to assist seedlings through their first season reducing the risk of subsequent crop failure. Regular maintenance regimes including the use of pesticides and herbicides are employed to control the risks of crop failure through disease and insect damage. Management employ a risk based fire management plan at each of the plantations.
- d) Loss of key personnel – the company is a rapidly growing business with a small key management team. A loss of any of these personnel may result in the company's prospects being adversely affected. This risk is managed by ensuring that reward schemes are market related and appropriate levels of long-term incentivisation is granted to retain the services of key management.
- e) Funding – the Group's future growth prospects are heavily dependant on securing appropriate levels and costs of funding. The Company's track record of being able to deliver on its stated goals, its unwavering commitment to a "triple bottom line" approach to conducting its business and the credibility of its investor base mitigate the risk of raising funding to finance future expansion plans.

**REVIEW OF THE BUSINESS**

The company endeavors to employ its resources in developing its new commercial forestry operations, seeking investment opportunities in timber related businesses and exploring expansion opportunities in existing and new territories.

Highlights during the 2009 financial year include:

- a) Completing the land verification exercises necessary to secure full title to plantable land,
- b) Employing a full management team necessary to meet the company's business goal in Mozambique,
- c) Growing the area under planted forest to 1335 hectares.

Cost control remains a strong focus in the Company and management remain committed to reducing the costs per hectare planted and under management while meeting the coming year's planting and maintenance targets.

**DIRECTORS**

The directors who served during the period were:

R J Carlier	
F J Raja	(Resigned 20 March 2009)
J M M Ozanne	
R H F Devereux	
J R Aisbitt	(Appointed 22 April 2009)

**NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED  
DIRECTORS' REPORT  
YEAR ENDED 31 DECEMBER 2009**

**LIKELY FUTURE DEVELOPMENTS**

The directors are committed to ensuring that the operations meet their planting targets for the forthcoming year as well as sourcing and securing further land for planting in Mozambique. A strict maintenance regime will be followed to ensure projected timber growth rates are achieved and new planting survival rates are maintained at a high standard.

Fund raising through both equity and debt will continue to ensure that the Company meets its development targets.

**EVENTS SINCE THE END OF THE FINANCIAL YEAR**

The Company commenced planting in January 2010 and by end of season had planted some 311 hectares.

**FINANCIAL INSTRUMENTS**

Details of the Company's financial risk management policies and its exposure to price risk, credit risk, liquidity risk and cash flow risk are contained (note 23) to the Financial Statements.

**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.

This report was approved by the board on 20 MAY 2010 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 2009**

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. 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 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,
- state whether the financial statements have been prepared in accordance with IFRSs as adopted by the European Union
- 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 and disclose with reasonable accuracy at any time the financial position of the company and the group and 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 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 financial statements of New Forests Company Mozambique UK Limited for the year ended 31 December 2009 which comprise the consolidated statement of financial position, the company statement of financial position, the consolidated statement of cash flows, the company statement of cash flows, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the company 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 and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 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**

As explained more fully in the directors' responsibilities statement, 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 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**

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 group's and the parent 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.

### **Opinion on financial statements**

In our opinion,

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2009 and of the group's profit for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

**INDEPENDENT AUDITORS' 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 year 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 parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent 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 auditors  
London, UK  
Date *9 JUNE 2010*

Company Reg No. 5838645

**NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2009**

	Note	2009 US Dollars	2008 US Dollars
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	379,686	299,565
Biological assets – timber plantation	10	4,803,868	516,787
Intangible assets	11	8,193	17,300
		<u>5,191,747</u>	<u>833,652</u>
<b>Current assets</b>			
Inventories	13	147,904	139,487
Trade and other receivables	14	414,023	62,417
Cash and cash equivalents	15	11,119	188,268
		<u>573,046</u>	<u>390,172</u>
<b>Total assets</b>		<u>5,764,793</u>	<u>1,223,824</u>
<b>Equity and liabilities</b>			
<b>Equity attributable to equity holders of the parent</b>			
Issued capital	16	112,491	112,491
Share premium		1,822,782	1,822,782
Reserves		392,677	(49,030)
Retained earnings		(1,357,750)	(943,389)
		<u>970,200</u>	<u>942,854</u>
<b>Minority interest</b>		533,202	(87,798)
<b>Total equity (pages 12 and 13)</b>		<u>1,503,402</u>	<u>855,056</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities	17	1,322,171	1,621
		<u>1,322,171</u>	<u>1,621</u>
<b>Current liabilities</b>			
Interest bearing loans and borrowings	19	1,000,000	-
Trade and other payables	18	1,939,220	367,147
		<u>2,939,220</u>	<u>367,147</u>
<b>Total liabilities</b>		<u>4,261,391</u>	<u>368,768</u>
<b>Total equity and liabilities</b>		<u>5,764,793</u>	<u>1,223,824</u>

The financial statements were approved and authorised for issue by the board of directors and were signed on its behalf on 2010

J M M Ozanne

The notes on pages 15 to 40 form part of these financial statements

20 MAY 2010

**NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED**  
**COMPANY STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2009**

		2009 US Dollars	2008 US Dollars
	<b>Note</b>		
<b>Assets</b>			
<b>Non-current assets</b>			
Investments	12	2,066,803	1,384,659
		<u>2,066,803</u>	<u>1,384,659</u>
<b>Current assets</b>			
Trade and other receivables	14	917,246	43,437
Cash and cash equivalents	15	1,333	87,430
		<u>918,579</u>	<u>130,867</u>
<b>Total assets</b>		<u>2,985,382</u>	<u>1,515,526</u>
<b>Equity and liabilities</b>			
<b>Equity attributable to equity holders of the company</b>			
Issued capital	16	112,491	112,491
Share premium		1,822,782	1,822,782
Reserves		(208,440)	(115,365)
Retained earnings		(1,463,543)	(512,195)
<b>Total equity (page 14)</b>		<u>263,290</u>	<u>1,307,713</u>
<b>Current Liabilities</b>			
Interest bearing loans and borrowings	19	1,000,000	-
Trade and other payables	18	1,722,092	207,813
<b>Total liabilities</b>		<u>2,722,092</u>	<u>207,813</u>
<b>Total equity and liabilities</b>		<u>2,985,382</u>	<u>1,515,526</u>

The financial statements were approved and authorised for issue by the board of directors and were signed on its behalf on 20 MAY 2010 2010

*J M M Ozanne*

**J M M Ozanne**

The notes on pages 15 to 40 form part of these financial statements

**NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

		2009 US Dollars	2008 US Dollars
	Note		
<b>Cash flows from operating activities</b>			
Loss before tax		1,054,478	(923,988)
Adjustments for			
Depreciation		111,728	84,979
Changes in fair value gain of biological assets	10	(3,770,983)	(5,206)
Changes in net working capital		73,347	(75,488)
Interest received		-	(13,933)
<b>Net cash outflow from operating activities</b>		<u>(2,531,430)</u>	<u>(933,636)</u>
<b>Cash flows from investing activities</b>			
Interest received		-	13,933
Acquisition of property, plant and equipment	9	(207,033)	(375,893)
Acquisition of intangibles	11	(410)	(25,950)
Expenses incurred on biological assets	10	(516,098)	(511,581)
<b>Net cash (outflow)/inflow from investing activities</b>		<u>(723,541)</u>	<u>(899,491)</u>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of share capital		403,205	844,427
Proceeds of borrowings		2,121,357	184,310
<b>Net cash inflow from financing activities</b>		<u>2,524,563</u>	<u>1,028,737</u>
Effects of foreign exchange rates		553,259	(47,691)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<u>(177,149)</u>	<u>(852,081)</u>
<b>Movement in cash and cash equivalents</b>			
Cash and cash equivalents at 1 January 2008	15	188,268	1,040,349
Movement in the year		(177,149)	(852,081)
<b>Cash and cash equivalents at 31 December 2009</b>	15	<u>11,119</u>	<u>188,268</u>

The notes on pages 15 to 40 form part of these financial statements

**NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED  
COMPANY STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

		2009 US Dollars	2008 US Dollars
	Note		
<b>Cash flows from operating activities</b>			
Loss before tax		(951,348)	(386,680)
Adjustments for			
Interest received		-	(13,933)
Change in net working capital		(480,887)	23,646
<b>Net cash outflow from operating activities</b>		<u>(1,432,235)</u>	<u>(376,967)</u>
<b>Cash flows from investing activities</b>			
Interest received		-	13,933
Investment in subsidiary	12	(682,144)	(1,325,774)
<b>Net cash outflow from investing activities</b>		<u>(682,144)</u>	<u>(1,311,841)</u>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of share capital		-	744,427
Proceeds of borrowings from parent		2,121,357	184,310
<b>Net cash inflow from financing activities</b>		<u>2,121,357</u>	<u>928,737</u>
<b>Effects of foreign exchange rates</b>		<u>(93,075)</u>	<u>(92,848)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<u>(86,097)</u>	<u>(852,919)</u>
<b>Movement in cash and cash equivalents</b>			
Cash and cash equivalents at 1 January 2009	15	87,430	940,349
Movement in year		(86,097)	(852,919)
<b>Cash and cash equivalents at 31 December 2009</b>	15	<u>1,333</u>	<u>87,430</u>

The notes on pages 15 to 40 form part of these financial statements

**NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

		2009 US Dollars	2008 US Dollars
<b>Continuing operations</b>	<b>Note</b>		
Revenue		-	-
Cost of sales		-	-
<b>Gross profit</b>		<u>-</u>	<u>-</u>
Fair value gains	10	3,770,983	5,206
Administrative expenses		(1,627,736)	(870,628)
Cost of securing land rights		(600,000)	-
<b>Operating profit/(loss)</b>		<u>1,543,247</u>	<u>(865,422)</u>
Financial income	6	-	13,933
Financial expenses	7	(488,769)	(72,499)
<b>Net financing costs</b>		<u>(488,769)</u>	<u>(58,566)</u>
<b>Profit / (loss) before tax</b>		<u>1,054,478</u>	<u>(923,988)</u>
Income tax expense	8	(1,334,592)	(1,684)
<b>Loss for the year</b>		<u>(280,114)</u>	<u>(925,672)</u>
<b>Other comprehensive income:</b>			
Exchange differences on translating foreign operations		441,707	45,220
Income tax relating to other comprehensive income		-	-
<b>Other comprehensive income for the year, net of tax</b>		<u>441,707</u>	<u>45,220</u>
<b>Total comprehensive income for the year</b>		<u>441,707</u>	<u>45,220</u>
<b>Profit attributable to</b>			
Owners of the parent		(414,361)	(817,874)
Minority interest		134,247	(107,798)
		<u>(280,114)</u>	<u>(925,672)</u>
<b>Total comprehensive income attributable to</b>			
Owners of the parent		27,346	(772,654)
Minority interest		134,247	(107,798)
		<u>161,593</u>	<u>(880,452)</u>

The notes on pages 15 to 40 form part of these financial statements  
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**NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

	Attributable to equity holders of the parent				Minority interest	Total equity
	Ordinary shares	Share premium	Retained earnings	Translation reserve	Total	
<b>US Dollars</b>						
<b>Balance at 1 January 2008</b>	108,110	1,082,736	(125,515)	(1,402)	1,063,929	1,083,929
<b>Changes in equity for 2008</b>						
Loss for the year	-	-	(817,874)	-	(817,874)	(925,672)
Exchange differences on translating foreign operations	-	-	-	(47,628)	(47,628)	(47,628)
<b>Total comprehensive income for the year</b>	-	-	(817,874)	(47,628)	(107,798)	(973,300)
Issue of shares	4,381	740,046	-	-	744,427	744,427
	<u>4,381</u>	<u>740,046</u>			<u>744,427</u>	<u>744,427</u>
<b>Balance at 31 December 2008</b>	112,491	1,822,782	(943,389)	(49,030)	(87,798)	855,056

The notes on pages 15 to 40 form part of these financial statements

**NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

	Attributable to equity holders of the parent				Minority interest	Total equity
	Ordinary shares	Share premium	Retained earnings	Translation reserve	Total	
<b>US Dollars</b>						
<b>Balance at 1 January 2009</b>	112,491	1,822,782	(943,389)	(49,030)	942,854	855,056
<b>Changes in equity for 2009</b>						
Loss for the year	-	-	(414,361)	-	(414,361)	(280,114)
Exchange differences on translating foreign operations	-	-	-	441,707	441,707	441,707
<b>Total comprehensive income for the year</b>			(414,361)	441,707	27,346	161,593
Issue of shares	-	-	-	-	-	486,753
	-	-	-	-	486,753	486,753
<b>Balance at 31 December 2009</b>	112,491	1,822,782	(1,357,750)	392,677	533,202	1,503,402

The notes on pages 15 to 40 form part of these financial statements

**NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED**  
**COMPANY STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

<b>US Dollars</b>	<b>Share capital stock</b>	<b>Share premium</b>	<b>Retained earnings</b>	<b>Translation differences</b>	<b>Total equity</b>
<b>US Dollars Balance at 1 January 2008</b>	108,110	1,082,736	(125,515)	(1,402)	1,063,929
<b>Changes in equity for 2008</b>					
Loss for the year	-	-	(386,680)	-	(386,680)
Exchange differences on translating foreign operations	-	-	-	(113,963)	(113,963)
<b>Total comprehensive income for the year</b>	-	-	(386,680)	(113,963)	(500,643)
Issue of shares	4,381	740,046	-	-	744,427
	4,381	740,046	-	-	744,427
<b>Balance at 31 December 2008</b>	112,491	1,822,782	(512,195)	(115,365)	1,307,713
<b>US Dollars</b>	<b>Share capital stock</b>	<b>Share premium</b>	<b>Retained earnings</b>	<b>Translation differences</b>	<b>Total equity</b>
<b>US Dollars Balance at 1 January 2009</b>	112,491	1,822,782	(512,195)	(115,365)	1,307,713
<b>Changes in equity for 2009</b>					
Loss for the year	-	-	(951,348)	-	(951,348)
Exchange differences on translating foreign operations	-	-	-	(93,075)	(93,075)
<b>Total comprehensive income for the year</b>	-	-	(951,348)	(93,075)	(1,044,423)
<b>Balance at 31 December 2009</b>	112,491	1,822,782	(1,463,543)	(208,440)	263,290

The notes on pages 15 to 40 form part of these financial statements

**NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

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 consolidated financial statements of the Company for the year ended 31 December 2009 comprise the Company and its subsidiary New Forests Company Malonda SA (together referred to as the "Group").

**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 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the financial statements are disclosed in note 1b.

A separate statement of comprehensive income for the parent company has not been presented as permitted by section 408 of the Companies Act 2006. The statement of changes in equity is not exempt under S408 and has been disclosed. The parent company earned a loss of US Dollars 951,348 (2008: US Dollars 386,680).

**(i) Adoption of standards effective in 2009**

The following revised standards have been applied by the group from 1 January 2009:

- IAS 1 (Revised) Presentation of financial statements
- IAS 23 (Amendment) Borrowing costs
- IFRS 2 (Amendment) Share based payments
- IAS 27 (Amendment) Consolidated and separate financial statements
- IFRS 7 (Amendment) Financial instruments: Disclosures

**IAS 1** – The revised standard has changed the way the groups primary financial statements have been presented. The revision required information to be aggregated on the basis of shared characteristics and introduced a 'statement of comprehensive income' to enable readers to analyse changes in an entity's equity resulting from transactions with owners separately from 'non-owner' changes. The revisions included changes in the titles of the primary statements to reflect their function more clearly (for example, the balance sheet is renamed a 'statement of financial position'). The new titles are not mandatory but have been adopted by the group. Comparative information has been represented so that it also is in conformity with the revised standard.

**IAS 23** - 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 are now required to be included in the cost of the fixed asset or inventory item to which they relate. The amendment has not materially affected the group results as the group's policy prior to the amendment was to capitalise borrowing costs to qualifying assets.

**IFRS 2** – The amendment clarified that vesting conditions are service conditions and performance conditions only, and that other features of a share-based payment are not vesting conditions. It also specified that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The adoption of this amendment has not had any material impact on the group financial statements as the group already applied these principles when accounting for share-based payments in the past.

**NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**1. Basis of preparation (continued)**

IAS 27 - The amendment introduced 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 has not affected the group or the parent separate financial statements as the group and the parent have already transitioned to IFRS. The IAS 27 amendment has resulted in a change in accounting policy in the parent's individual financial statements. In accordance with the transitional provisions of the amendment this change has been prospectively applied to dividends received from subsidiaries in the current year. There has been no impact on the group financial statements.

IFRS 7 - The amendment introduced a three-level hierarchy for fair value measurement disclosures and required entities to provide additional disclosures about the relative reliability of those fair value measurements. In addition, the amendment clarified and enhanced liquidity risk disclosure requirements to enable users to better evaluate the nature and extent of liquidity risk arising from financial instruments and how the entity managed that risk. The group has provided these additional disclosures in the notes to the financial statements.

**(ii) IFRS effective in 2009 but not relevant**

The following standards and interpretations were mandatory for the current accounting period, but are not relevant to the operations of the group.

- IFRS 1 (Amendment) First time adoption of IFRS
- IFRS 8 Operating segments
- IAS 1 and IAS 32 (Amendment) Presentation of financial statements and Financial instruments Presentation
- IAS 39 and IFRS 7 (Amendment) Reclassification of financial instruments
- IAS 39 and IFRIC 9 (Amendment) Financial instruments Recognition and measurement, and Reassessment of embedded derivatives
- 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

**(iii) Standards and interpretations issued but not yet applied**

Any standards and interpretations that have been issued but are not yet effective, and that are available for early application, have not been applied by the group in these financial statements. Application of the majority of these Standards and Interpretations is not expected to have a material effect on the financial statements in the future.

The Standards that are expected to have a material effect on the financial statements in the future, are

- IAS 27 (Amendment) Consolidated and separate financial statements
- IFRS 3 (Revised) Business Combinations

In accordance with the transitional provisions these standards will be prospectively applied and changes in accounting policy resulting from their application will have no impact on the opening balances in future financial statements.

IAS 27 (Amendment) - The amendment introduced guidance on accounting for changes in non-controlling interests (currently '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 will be adjusted by and the consideration paid or received should be recognised directly in equity.

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**(a) Basis of preparation (continued)**

IFRS 3 (Revised) - There have been some significant changes to IFRS 3 that will impact on the way that business combinations will be accounted for by the group. These changes will be accounted for prospectively and only effect acquisitions made in the future financial years. The main changes brought about by the revision are

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

**(b) Accounting estimates and judgements**

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows

**(i) Key sources of estimation and uncertainty**

Fair value biological assets – The group has biological assets which are valued in accordance with IAS 41 (Agriculture). The valuation is included in the statement of financial position and is based upon variables determined by management. These variables have been disclosed in Note 2 (f) and Note 10 of these financial statements. Sensitivity analysis has been performed and disclosed in Note 10 to these financial statements for key variables used in the valuation.

**(ii) Critical judgements in applying the group accounting policies**

Operating lease commitments – The group has entered into property leases over a number of retail stores. As management have determined that the group has not obtained substantially all the risks and rewards of ownership of these properties, the leases have been classified as operating leases and accounted for accordingly.

**2. Accounting Policies**

**(a) 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

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**2 Accounting Policies (Continued)**

**(a) Basis of consolidation (Continued)**

**(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

**(b) Foreign currency**

**(i) Foreign and presentational currency**

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 1.5928 (2008: 1.4479). The average exchange rate during the period was 1.56593 (2008: 1.8552).

The functional currency of the subsidiary is Mozambican Metical's. The closing rate for translating Mozambican Metical's to US Dollars was 27.500 (2008: 25.180). The average exchange rate during the period was 26.993 (2008: 24.238).

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

**(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.

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**2 Accounting policies (continued)**

**(b) Foreign currency (continued)**

**(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,
- some components of shareholders' equity are translated at the historical exchange rate, i.e. share capital and share premium

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

**(c) 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 i)

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%

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**2 Accounting policies (continued)**

**(d) Intangible assets**

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

Intangible assets are depreciated at a rate of 33 33% per annum

**(e) Investments**

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

**(f) Biological assets**

In accordance with International Accounting standards, biological activities are measured at fair value less costs to sell (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 2010, but were adopted in the financial statements for the year ended 31 December 2008

At 31 December 2009, the timber plantation comprises immature timber only This is valued at fair value, using 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 Caribbean Pine ("Pine") and Eucalyptus trees

As at 31 December 2009, the company recorded its biological assets using the fair value model The model is based on the discounted cash flow method

The main inputs in this model concern,

**Currency,** US Dollars

**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 Dollars 44 48 / m <sup>3</sup>
Eucalyptus	US Dollars 97 36 / m <sup>3</sup>

**Cost price;** Estimate based on actual cost prices

**Harvest costs,** Estimated cost for future harvest of timber

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

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

**Discount rate,** 9 60% The company's 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, country and product risk and debt/equity ratio

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**2 Accounting policies (continued)**

**(f) Biological assets (continued)**

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

The group 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 group 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

**(g) 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 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

**(h) 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

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**2 Accounting policies (continued)**

**(i) Impairment**

The carrying amounts of the Group's assets, other than biological assets (see accounting policy f), inventories (see accounting policy h) and deferred tax assets (see accounting policy j), are reviewed annually to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and compared to its carrying amount.

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.

**(j) Deferred tax**

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 group 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. It is the group's policy to reinvest undistributed profits arising in group companies.

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.

**(k) 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.

**(l) 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.

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**2 Accounting policies (continued)**

**(m) 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

**(n) 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

**3 Operating profit**

Group operating profit for the year is stated after the following

	2009 US Dollars	2008 US Dollars
Depreciation	103,522	79,294
Amortisation of other intangible assets	8,206	8,987
Staff costs	420,518	118,353
Auditors remuneration	17,789	24,965
	<u>103,522</u>	<u>79,294</u>

**4 Staff costs**

Staff costs comprised

	2009 US Dollars Company	2009 US Dollars Group	2008 US Dollars Company	2008 US Dollars Group
Wages and salaries	-	411,409	-	114,306
Social security costs	-	9,108	-	4,047
	<u>-</u>	<u>420,517</u>	<u>-</u>	<u>118,353</u>

No directors emoluments were paid in the current or preceding year

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**4. Staff costs (continued)**

The number of employees can be categorised as follows

	<b>2009 Company</b>	<b>2009 Group</b>	<b>2008 Company</b>	<b>2008 Group</b>
Corporate management	-	2	-	1
Plantation	-	500	-	425
Finance and administration	-	6	-	5
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**5. Auditors remuneration**

	<b>2009 US Dollars</b>	<b>2008 US Dollars</b>
Fees payable to the group's auditor for the audit of the group's annual financial statements	6,827	10,124
Fees payable to the group's auditor for other services	7,047	11,131
Other services pursuant to legislation	3,915	3,710
Tax services	<u>          </u>	<u>          </u>

**6 Financing income**

	<b>2009 US Dollars</b>	<b>2008 US Dollars</b>
Bank interest income	-	13,933
Total financing income	<u>          </u>	<u>13,933</u>

**7 Financing costs**

	<b>2009 US Dollars</b>	<b>2008 US Dollars</b>
Bank charges	98,308	4,203
Net foreign exchange losses	390,461	68,296
Total financing costs	<u>488,769</u>	<u>72,499</u>

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**8. Income tax expense**

**Recognised in the income statement**

	2009 US Dollars	2008 US Dollars
<b>Current tax expense</b>		
Current tax	-	-
Deferred tax	1,334,592	1,684
	<u>1,334,592</u>	<u>1,684</u>
<b>Reconciliation of effective tax rate</b>		
Profit/(loss) before tax	1,054,478	(923,988)
	<u>                    </u>	<u>                    </u>
Tax calculated at a tax rate of 28% (2008 28%)	295,254	(258,717)
Change in tax rate	-	(12)
Deferred tax asset not provided	212,017	259,691
Effect of movement in foreign exchange	-	722
Expenses not deductible	827,321	-
	<u>1,334,592</u>	<u>1,684</u>
	<u>                    </u>	<u>                    </u>

**NEW FORESTS COMPANY MOZAMBIQUE UK LIMITED**  
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**9. Property, plant and equipment**

<b>US Dollars Group Cost</b>	<b>Farm works</b>	<b>Buildings</b>	<b>Plant and equipment</b>	<b>Fixtures, fittings and equipment</b>	<b>Motor vehicles</b>	<b>Total</b>
At 1 January 2008	-	-	-	-	-	-
Acquisitions	18,215	3,624	58,064	45,624	250,366	375,893
At 1 January 2009	<u>18,215</u>	<u>3,624</u>	<u>58,064</u>	<u>45,624</u>	<u>250,366</u>	<u>375,893</u>
Acquisitions	60,160	22,700	43,708	13,957	66,508	207,033
Effects of movements in foreign exchange	(1,537)	(306)	(4,899)	(3,849)	(21,122)	(31,713)
At 31 December 2009	<u><u>76,838</u></u>	<u><u>26,018</u></u>	<u><u>96,873</u></u>	<u><u>55,732</u></u>	<u><u>295,752</u></u>	<u><u>551,213</u></u>
<b>Depreciation</b>						
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 1 January 2009	<u>911</u>	<u>181</u>	<u>10,002</u>	<u>8,908</u>	<u>56,326</u>	<u>76,328</u>
Charge for the year	4,066	1,301	16,921	11,150	68,202	101,640
Effects of movements in foreign exchange	(77)	(15)	(844)	(752)	(4,753)	(6,441)
At 31 December 2009	<u><u>4,900</u></u>	<u><u>1,467</u></u>	<u><u>26,079</u></u>	<u><u>19,306</u></u>	<u><u>119,775</u></u>	<u><u>171,527</u></u>
<b>Carrying amounts</b>						
At 1 January 2008	-	-	-	-	-	-
At 1 January 2009	<u><u>17,304</u></u>	<u><u>3,443</u></u>	<u><u>48,062</u></u>	<u><u>36,716</u></u>	<u><u>194,040</u></u>	<u><u>299,565</u></u>
At 31 December 2009	<u><u>71,938</u></u>	<u><u>24,551</u></u>	<u><u>70,794</u></u>	<u><u>36,426</u></u>	<u><u>175,977</u></u>	<u><u>379,686</u></u>

**10. 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.

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**10 Biological assets (continued)**

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

Land leased from private individuals	Total Area in hectares	Nature	Lease period	Start date	End date	Crop
Niassa, Mozambique	10,000	Licence	50 years	14/04/2006	13/04/2056	Pine and Eucalyptus
Niassa, Mozambique	9,010	Licence	50 years	14/04/2006	13/04/2056	Pine and Eucalyptus
<b>Total</b>	<b>19,010</b>					

	2009 US Dollars	2008 US Dollars
<b>Group</b>		
At 1 January 2009	516,787	-
Cost of growing timber	516,098	511,581
Change in fair value	3,770,983	5,206
<b>Balance at 31 December 2009</b>	<b>4,803,868</b>	<b>516,787</b>

The fair value gain is made up as follows,

Increase due to change in discount rate	219,053	-
Increase due to growth	3,551,930	5,206
<b>Fair value gain at year end</b>	<b>3,770,983</b>	<b>5,206</b>

**Quantities at year end in number of acres under plantation**

	2009 Hectares	2008 Hectares
<b>Mature (harvestable)</b>	<b>NIL</b>	<b>NIL</b>
<b>Immature,</b>		
Pine Timber	1,191	249
Eucalyptus Timber	147	-
<b>Total hectares</b>	<b>1,338</b>	<b>249</b>
	<b>m<sup>3</sup></b>	<b>m<sup>3</sup></b>
<b>Estimated present volume of wood in cubic metres</b>	<b>37,869</b>	<b>3,964</b>

**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.

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**10 Biological assets (continued)**

**Implementation of new forests management information system**

In the year, the group installed MicroForest software and appointed a planning forester responsible for the operation and updating of the forestry database. MicroForest is a computerised integrated plantation and management system that enables better management of the stand register, enumeration inventory, plantation modelling, planning, scheduling, operations and logistics. All plantation compartments and their relevant information are captured in the database. Plantation maps are also linked into the database.

**Determining Fair Values**

i) Saw timber

The selling prices used in the valuation were obtained from third party sources and allowing for harvesting, loading, transport and sawmill production costs. The price used was US Dollars 44.48/m<sup>3</sup> for Pine and US Dollars 97.36/m<sup>3</sup> for Eucalyptus.

**Discount rate**

The discount rate (9.60%) used to calculate the present value of the plantation is the weighted average cost of capital for the company (WACC) appropriate for a timber operation. The discount rate has changed in the year to reflect the revised funding structure related to future cash flows.

**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	2,811,089	3,645,200	4,477,477
Eucalyptus timber	984,511	1,158,668	1,332,826
	<u>3,795,600</u>	<u>4,803,868</u>	<u>5,810,303</u>

**Sensitivity variation-discount rate**

Values as appearing in the balance sheet are very sensitive to 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	3,202,190	3,645,200	4,152,444
Eucalyptus timber	1,039,019	1,158,668	1,293,387
	<u>4,241,209</u>	<u>4,803,868</u>	<u>5,445,831</u>

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**11 Intangible assets**

	<b>Research costs</b>
<b>US Dollars</b>	
<b>Group</b>	
<b>Cost</b>	
At 1 January 2008	-
Acquisitions	25,950
At 1 January 2009	<u>25,950</u>
Acquisitions	410
Effects of movements in foreign exchange	(2,190)
At 31 December 2009	<u><u>24,170</u></u>
<b>Depreciation</b>	
At 1 January 2008	-
Charge for the year	8,987
Effects of movements in foreign exchange	(337)
At 1 January 2009	<u>8,650</u>
Charge for the year	8,057
Effects of movements in foreign exchange	(730)
At 31 December 2009	<u><u>15,977</u></u>
<b>Carrying amounts</b>	
At 1 January 2008	-
At 1 January 2009	<u><u>17,300</u></u>
At 31 December 2009	<u><u>8,193</u></u>

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**12. Investments**

	Shares in subsidiary undertaking
<b>US Dollars</b>	
<b>Cost</b>	
At 1 January 2008	80,000
Additions	1,325,774
Foreign exchange movement	(21,115)
	<u>1,384,659</u>
At 1 January 2009	
Additions	688,037
Foreign exchange movement	(5,893)
	<u>2,066,803</u>
At 31 December 2009	

**12. Investments (continued)**

Details of the subsidiary undertaking are as follows -

<b>Name</b>	<b>Country of incorporation</b>	<b>Principal activity</b>	<b>Proportion of ownership interest</b>	<b>Proportion owned by subsidiary companies</b>
New Forests Company Malonda SA	Mozambique	Planting and forestry of trees	80%	NIL

The latest audited financial statements of the subsidiary for the year ended 31 December 2009 show

	<b>New Forests Company Malonda SA</b>	
	<b>US Dollars 2009</b>	<b>US Dollars 2008</b>
Aggregate of capital and reserves	<u>6,142,766</u>	<u>932,001</u>
Loss for the period	<u>2,611,535</u>	<u>538,992</u>

**13. Inventories**

<b>Group</b>	<b>2009 US Dollars</b>	<b>2008 US Dollars</b>
Raw materials	<u>147,904</u>	<u>139,487</u>

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**14. Trade and other receivables**

	<b>2009 US Dollars Company</b>	<b>2009 US Dollars Group</b>	<b>2008 US Dollars Company</b>	<b>2008 US Dollars Group</b>
Other receivables	<b>917,246</b>	<b>414,023</b>	<b>43,437</b>	<b>62,417</b>
	<u><b>917,246</b></u>	<u><b>414,023</b></u>	<u><b>43,437</b></u>	<u><b>62,417</b></u>

**15 Cash and cash equivalents**

	<b>2009 US Dollars Company</b>	<b>2009 US Dollars Group</b>	<b>2008 US Dollars Company</b>	<b>2008 US Dollars Group</b>
Bank balances	<b>1,333</b>	<b>11,119</b>	<b>87,430</b>	<b>188,268</b>
Cash and cash equivalents in the statement of cash flows	<u><b>1,333</b></u>	<u><b>11,119</b></u>	<u><b>87,430</b></u>	<u><b>188,268</b></u>

**16. Issued capital**

	<b>2009 US Dollars</b>	<b>2008 US Dollars</b>
<b>Issued and fully paid</b>		
5,626,325 ordinary shares of British Sterling £0 01 each	<b>112,491</b>	<b>112,491</b>
Reconciliation of the number of shares outstanding		
Opening balance	<b>112,491</b>	<b>108,110</b>
Shares issued	<b>-</b>	<b>4,381</b>
Closing balance	<u><b>112,491</b></u>	<u><b>112,491</b></u>

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**17 Deferred Tax**

Deferred tax liabilities comprise

	2009 US Dollars Company	2009 US Dollars Group	2008 US Dollars Company	2008 US Dollars Group
Deferred tax liabilities comprise				
Fair value gains	-	1,322,171	-	1,621
	<u>-</u>	<u>1,322,171</u>	<u>-</u>	<u>1,621</u>
	<u>-</u>	<u>1,322,171</u>	<u>-</u>	<u>1,621</u>
Net deferred tax liability	-	1,322,171	-	1,621
	<u>-</u>	<u>1,322,171</u>	<u>-</u>	<u>1,621</u>
		<b>Assets</b>	<b>Liabilities</b>	<b>Net deferred tax liability</b>
<b>US Dollars</b>				
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 1 January 2009		-	1,621	1,621
Recognised in the income account		-	1,334,593	1,334,593
Effects of movements in foreign exchange		-	(14,043)	(14,043)
		<u>-</u>	<u>1,322,171</u>	<u>1,322,171</u>
Balance at 31 December 2009		-	1,322,171	1,322,171
		<u>-</u>	<u>1,322,171</u>	<u>1,322,171</u>

**Unrecognised deferred tax assets**

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

	2009 US Dollars Company	2009 US Dollars Group	2008 US Dollars Company	2008 US Dollars Group
Tax losses	377,227	377,227	112,920	265,050
Short term timing differences	2,780	2,780	-	-
	<u>380,007</u>	<u>380,007</u>	<u>112,920</u>	<u>265,050</u>
	<u>380,007</u>	<u>380,007</u>	<u>112,920</u>	<u>265,050</u>

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**17 Deferred Tax (continued)**

**Unrecognised deferred tax assets (continued)**

The age analysis of unused tax losses and of unrecognised temporary timing differences, for which no deferred tax assets have been provided is as follows

	<b>Tax losses - Revenue US Dollars</b>	<b>Other temporary differences US Dollars</b>	<b>Total US Dollars</b>
<b>2009</b>			
<b>Group and Company</b>			
No expiry date	1,347,240	9,928	1,357,168
	<hr/>	<hr/>	<hr/>
<b>2008</b>			
<b>Group and Company</b>			
No expiry date	112,920	9,928	405,820
	<hr/>	<hr/>	<hr/>

**18 Trade and other payables**

	<b>2009 US Dollars Company</b>	<b>2009 US Dollars Group</b>	<b>2008 US Dollars Company</b>	<b>2008 US Dollars Group</b>
Amounts owed to group undertakings	1,307,895	1,307,895	186,538	72,144
Other payables	414,197	631,325	21,275	295,003
	<hr/>	<hr/>	<hr/>	<hr/>
	1,722,092	1,939,220	207,813	367,147
	<hr/>	<hr/>	<hr/>	<hr/>

**19 Interest-bearing loans and borrowings**

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate see note 23

	<b>2009 US Dollars Company</b>	<b>2009 US Dollars Group</b>	<b>2008 US Dollars Company</b>	<b>2008 US Dollars Group</b>
<b>Current liabilities</b>				
Unsecured loans	1,000,000	1,000,000	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	1,000,000	1,000,000	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

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

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**20. Related parties**

<b>Transactions with subsidiary companies</b>	<b>2009 US Dollars</b>	<b>2008 US Dollars</b>
Amount owed to parent company	2,307,895	186,538

Amounts owed to and by 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.

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

Total remuneration is included in "staff costs" (see note 4).

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

**21. 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.

**22. 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.

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**23. 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 31 December 2009

**2009**

<b>Company</b>	<b>Loans and receivables</b>	<b>Carrying amount</b>	<b>Fair value</b>
<b>US Dollars</b>			
<b>Financial assets</b>			
Cash and cash equivalents	1,333	1,333	1,333
Other current assets	895,293	895,293	895,293
	<u>896,626</u>	<u>896,626</u>	<u>896,626</u>
	<b>Financial liabilities measured at amortised cost</b>	<b>Carrying amount</b>	<b>Fair value</b>
<b>US Dollars</b>			
<b>Financial liabilities</b>			
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>

**2008**

<b>Company</b>	<b>Cash, loans and receivables</b>	<b>Carrying amount</b>	<b>Fair value</b>
<b>US Dollars</b>			
<b>Financial assets</b>			
Cash and cash equivalents	87,430	87,430	87,430
Other current assets	43,437	43,437	43,437
	<u>130,867</u>	<u>130,867</u>	<u>130,867</u>
	<b>Financial liabilities measured at amortised cost</b>	<b>Carrying amount</b>	<b>Fair value</b>
<b>US Dollars</b>			
<b>Financial liabilities</b>			
Other payables	207,813	207,813	207,813
	<u>207,813</u>	<u>207,813</u>	<u>207,813</u>

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**23 Financial instruments and financial risk management (continued)**

*Fair value of financial instruments (continued)*

**2009  
Group**

	<b>Loans and receivables</b>	<b>Carrying amount</b>	<b>Fair value</b>
<b>US Dollars</b>			
<b>Financial assets</b>			
Cash and cash equivalents	11,119	11,119	11,119
Other current assets	386,930	386,930	386,930
	<u>398,049</u>	<u>398,049</u>	<u>398,049</u>

	<b>Financial liabilities measured at amortised cost</b>	<b>Carrying amount</b>	<b>Fair value</b>
<b>US Dollars</b>			
<b>Financial liabilities</b>			
Trade payables	175,477	175,477	175,477
Other payables	1,763,743	1,763,743	1,763,743
	1,000,000	1,000,000	1,000,000
	<u>2,939,220</u>	<u>2,939,220</u>	<u>2,939,220</u>

**2008  
Group**

	<b>Loan and receivables</b>	<b>Carrying amount</b>	<b>Fair value</b>
<b>US Dollars</b>			
<b>Financial assets</b>			
Cash and cash equivalents	188,268	188,268	188,268
Other current assets	56,390	56,390	56,390
	<u>244,658</u>	<u>244,658</u>	<u>244,658</u>

	<b>Financial liabilities measured at amortised cost</b>	<b>Carrying amount</b>	<b>Fair value</b>
<b>US Dollars</b>			
<b>Financial liabilities</b>			
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>

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

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**23. Financial instruments and financial risk management (continued)**

**Financial risk management**

The Group is exposed to a variety of financial risks: market risk (including foreign 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: foreign currency risk and interest rate cash flow risk.

**i 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 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 2 (b).

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.

**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 Group weakened by 10% against the presentational currency (US dollars), with all other variables held constant. If the functional currencies of the Group strengthened against the presentational currency (US dollars), the effect would have been the opposite.

Company	2009	2008
	US Dollars	US Dollars
Effect on profit (decrease)/increase	95,135	38,668
Effect on equity components (decrease)/increase	(269,914)	(7,695)
	<u>(174,779)</u>	<u>30,973</u>
Group	2009	2008
	US Dollars	US Dollars
Effect on profit (decrease)/increase	(14,140)	(15,231)
Effect on equity components (decrease)/increase	(251,503)	(11,536)
	<u>(264,643)</u>	<u>(26,767)</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.

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**23. Financial instruments and financial risk management (continued)**

**iii. 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 group to cash flow interest rate risk. It is the group's policy to settle trade payables within in 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.

**Interest rate exposure and sensitivity analysis**

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.

**b) Liquidity risk**

The group 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**

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

**Company**

<b>2008</b>	<b>Due or due in less than 1 month</b>	<b>Due between 1 to 3 months</b>	<b>Due between 3 months to 1 year</b>	<b>Due between 1 to 5 years</b>	<b>Due after 5 years</b>	<b>Total carrying amount</b>
<b>US Dollars</b>						
Trade and other payables	-	-	207,813	-	-	207,813
	-	-	207,813	-	-	207,813

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**23. Financial instruments and financial risk management (continued)**

**Group**

<b>2009</b>	<b>Due or due in less than 1 month</b>	<b>Due between 1 to 3 months</b>	<b>Due between 3 months to 1 year</b>	<b>Due between 1 to 5 years</b>	<b>Due after 5 years</b>	<b>Total carrying amount</b>
<b>US Dollars</b>						
<b>Trade and other payables</b>	<b>414,197</b>	<b>152,588</b>	<b>1,372,435</b>	-	-	<b>1,939,220</b>
<b>Current borrowings</b>	-	-	<b>1,000,000</b>	-	-	<b>1,000,000</b>
<b>Total</b>	<b>414,197</b>	<b>152,588</b>	<b>2,372,435</b>	-	-	<b>2,939,220</b>

**Group**

<b>2008</b>	<b>Due or due in less than 1 month</b>	<b>Due between 1 to 3 months</b>	<b>Due between 3 months to 1 year</b>	<b>Due between 1 to 5 years</b>	<b>Due after 5 years</b>	<b>Total carrying amount</b>
<b>US Dollars</b>						
<b>Trade and other payables</b>	<b>79,508</b>	<b>22,972</b>	<b>264,667</b>	-	-	<b>367,147</b>
<b>Total</b>	<b>79,508</b>	<b>22,972</b>	<b>264,667</b>	-	-	<b>367,147</b>

**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

	<b>2009</b>	<b>2008</b>
	<b>US Dollars</b>	<b>US Dollars</b>
<b>Financial assets</b>		
Other current assets	<b>414,023</b>	<b>62,417</b>
Cash and cash equivalents	<b>11,119</b>	<b>188,268</b>
	<b>425,142</b>	<b>250,685</b>

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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**24 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.