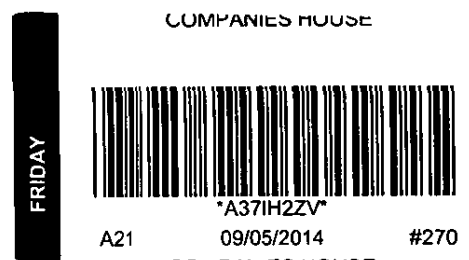


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**GROUP STRATEGIC REPORT, REPORT OF THE DIRECTORS AND
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2013
FOR
ETHICAL FORESTRY LIMITED**



ETHICAL FORESTRY LIMITED

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ETHICAL FORESTRY LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 30 SEPTEMBER 2013

DIRECTORS:

**P A Laver
M Pickard
S Greenaway**

REGISTERED OFFICE:

**9th Floor Ocean
80 Holdenhurst Road
Bournemouth
Dorset
BH8 8AQ**

REGISTERED NUMBER:

06455149 (England and Wales)

SENIOR STATUTORY AUDITOR:

D J Strike

AUDITORS:

**Chorus Audit Limited
3 Branksome Park House
Branksome Business Park
Poole
Dorset
BH12 1ED**

ETHICAL FORESTRY LIMITED
GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2013

The directors present their strategic report of the company and the group for the year ended 30 September 2013.

The Board are pleased to report that the Group has experienced yet another exceptional year with turnover increasing for the period ended 30 September 2013 by 81.6% to £28.4 million compared with the previous nine month period and on a pro rata annualised basis an annual of 36.2%. The Group also reports on page 8 profits before tax of £2.5 million, increasing by 103% compared with the previous nine months and 51.9% on a pro rata annualised basis.

The Board is confident that subject to exceptional adverse economic or regulatory conditions the growth will continue and the Board has set a strategic objective to continue this growth with an ambitious target growth to increase turnover within the next two years to reach £50 million.

The Group has further strengthened its Balance Sheet through retention of profits after tax this year of £1.8 million and an increase in the share capital of £4.5 million, shareholders' funds have increased, after minority interests, from £1.98 million at September 2012 to £8.3 million at September 2013. The shareholders, who are also the directors, have further committed to share capital of £24 million as part of an executive management incentive scheme. Further details of the share capital and shareholders are contained within 16 to 19 of the financial statements.

During the year the Group added to its existing plantation land by acquiring further land, at a cost of £6.1 million, to increase its capacity and has agreed to continue this acquisition policy. Other than plantations acquired on short term deferred terms, the Group seeks to acquire lands from its own internal funds; plantations acquired during the year on short term deferred terms with £1.4 million payable within one year. The Group has planted 1.6 million trees having planted a further 599,000 during the year.

The Group has increased in workforce in both the UK's sales and marketing activities and the South American productive and agricultural workforce from 199 in 2012 to 502 in 2013. The UK workforce increased by 45 to 94, with a far greater increase in the growth of agricultural workers in Costa Rica from 150 to 408 workers. The Group is positive that it's recruitment both within and outside the UK will continue to grow. As reported last year the Group takes great pride in its investment in training and development of the workforce and is particularly proud of its reputation in Costa Rica as a responsible employer and investor in the local community.

The Group's activities are not without risks and there has been no significant change in those risks during the year. The operational side of the business is located in Costa Rica however that country is economically and politically stable. The Costa Rican government encourages overseas investment through the introduction of international trading standards and policies. The Group owns 80% of the operational side with the remainder owned by local directors in Costa Rica.

The UK regulatory environment is continually under review and the Board has retained legal and professional advisors to ensure it is fully compliant and it kept aware of anticipated changes in regulation. The Board is conscious that a change in the regulations may effect its existing routes to market; other than continuing to monitor regulation, the Group is opening up a range of alternative routes to market in the UK and overseas and is actively developing of a broader range of timber and agricultural based investment products.

The Group has plans aimed at expanding its operations overseas and is actively looking at the United States and Canada whilst also considering the Far East. It is also working towards offering a range of fully regulated products. The Board believe that creating and offering a wider range of investment opportunities, across a wider geographical boundary will secure the long terms future of the business.

ETHICAL FORESTRY LIMITED
GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2013

During 2014 the Group intends to positively engage with the all regulatory bodies in the UK and continues to expand upon its internal compliance, corporate governance and internal audit functions. The Board's strategy over the next two years is to establish the Group as a market leader in compliance within the unregulated investment.

The Board believe that retaining control over the production cycle is essential to the stability of its ongoing plantation operations. In addition to the acquisition of its own lands referred to above the Group has invested in the acquisition and operation of its own sawmill and timber product manufacturing facilities and is considering further plans for 2014/2015 to acquire a second productive facility. The Group has established extensive nursery facilities and a policy of investing in research and development as part of its strategy to secure a reliable source of saplings for its plantations.

The Board believes by securing a reliable source of new plants, acquiring plantation lands and building a strong infrastructure on all its sites and a local productive facility for the conversion of timber into marketable products should help secure the best possible returns for the timber investors and maintain strong demand for its products.

All agricultural based activities are subject to environmental risks, the Group monitors very closely the health and the growth rates of its trees and a wide range of environmental conditions on each of plantations. The Group is aware of its longer term obligations to maintain its plantations during the lifecycle of the trees planted. The Group continues to set aside funds to meet future eventualities and has increased the provision included under creditors due over more than one year to £2.1 million.

The Group's rapid growth has presented many challenges for the Group's management. The Group is aware that as it continues to expand different challenges will need to be met by management; accordingly the Group continues to seek out and secure appropriate and adequate management resources, both internally and externally.

Overall the Board are pleased with the Group's performance to date, its current financial position and the opportunities available to the Group in the long term.

ON BEHALF OF THE BOARD:



M Pickard - Director

Date: 27/1/14

ETHICAL FORESTRY LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30 SEPTEMBER 2013

The directors present their report with the financial statements of the company and the group for the year ended 30 September 2013.

DIVIDENDS

No dividends will be distributed for the year ended 30 September 2013.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 October 2012 to the date of this report.

P A Laver
M Pickard
S Greenaway

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and the group'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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

ETHICAL FORESTRY LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30 SEPTEMBER 2013

AUDITORS

The auditors, Chorus Audit Limited, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:



M Pickard - Director

Date: 27/1/14

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF ETHICAL FORESTRY LIMITED

We have audited the financial statements of Ethical Forestry Limited for the year ended 30 September 2013 on pages eight to twenty eight. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 a Report of the Auditors 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 Statement of Directors' Responsibilities set out on page four, 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 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. In addition, we read all the financial and non-financial information in the Group Strategic Report and the Report of the Directors to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 group's and of the parent company's affairs as at 30 September 2013 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006


In our opinion the information given in the Group Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
ETHICAL FORESTRY LIMITED**

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.



**D J Strike (Senior Statutory Auditor)
for and on behalf of Chorus Audit Limited
3 Branksome Park House
Branksome Business Park
Poole
Dorset
BH12 1ED**

Date: 27/1/2014

ETHICAL FORESTRY LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2013

		Year Ended 30.9.13 £	Period 1.1.12 to 30.9.12 £
	Notes		
TURNOVER		28,417,954	15,649,326
Cost of sales		(12,027,106)	(7,662,744)
GROSS PROFIT		16,390,848	7,986,582
Administrative expenses		(14,503,993)	(6,766,082)
		1,886,855	1,220,500
Other operating income		586,677	500
OPERATING PROFIT	4	2,473,532	1,221,000
Interest receivable and similar income		1,161	-
		2,474,693	1,221,000
Interest payable and similar charges	5	(3,148)	(445)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,471,545	1,220,555
Tax on profit on ordinary activities	6	(660,132)	(299,523)
PROFIT FOR THE FINANCIAL YEAR FOR THE GROUP		1,811,413	921,032

CONTINUING OPERATIONS

None of the group's activities were acquired or discontinued during the current year or previous period.

TOTAL RECOGNISED GAINS AND LOSSES

The group has no recognised gains or losses other than the profits for the current year or previous period.

The notes form part of these financial statements

ETHICAL FORESTRY LIMITED (REGISTERED NUMBER: 06455149)

**CONSOLIDATED BALANCE SHEET
30 SEPTEMBER 2013**

	Notes	2013 £	2012 £
FIXED ASSETS			
Tangible assets	8	10,411,049	4,038,474
Investments	9	-	-
		<u>10,411,049</u>	<u>4,038,474</u>
CURRENT ASSETS			
Stocks	10	304,470	-
Debtors	11	766,712	1,279,635
Cash at bank and in hand		4,675,866	1,336,897
		<u>5,747,048</u>	<u>2,616,532</u>
CREDITORS			
Amounts falling due within one year	12	(5,718,116)	(4,626,438)
NET CURRENT ASSETS/(LIABILITIES)		<u>28,932</u>	<u>(2,009,906)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>10,439,981</u>	<u>2,028,568</u>
CREDITORS			
Amounts falling due after more than one year	13	(2,100,000)	-
MINORITY INTERESTS	17	<u>39,593</u>	<u>48,120</u>
NET ASSETS		<u><u>8,300,388</u></u>	<u><u>1,980,448</u></u>

The notes form part of these financial statements

ETHICAL FORESTRY LIMITED (REGISTERED NUMBER: 06455149)

CONSOLIDATED BALANCE SHEET - continued
30 SEPTEMBER 2013

	Notes	2013 £	2012 £
CAPITAL AND RESERVES			
Called up share capital	18	4,644,200	144,200
Profit and loss account	19	3,656,188	1,836,248
SHAREHOLDERS' FUNDS	21	<u>8,300,388</u>	<u>1,980,448</u>

The financial statements were approved by the Board of Directors on 27/1/14 and were signed on its behalf by:


.....
M Pickard - Director

The notes form part of these financial statements

ETHICAL FORESTRY LIMITED (REGISTERED NUMBER: 06455149)

**COMPANY BALANCE SHEET
30 SEPTEMBER 2013**

	Notes	2013 £	2012 £
FIXED ASSETS			
Tangible assets	8	373,192	517,626
Investments	9	13	13
		<u>373,205</u>	<u>517,639</u>
 CURRENT ASSETS			
Debtors	11	9,600,707	4,676,716
Cash at bank and in hand		4,285,212	821,687
		<u>13,885,919</u>	<u>5,498,403</u>
CREDITORS			
Amounts falling due within one year	12	(4,017,110)	(4,228,073)
NET CURRENT ASSETS		<u>9,868,809</u>	<u>1,270,330</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>10,242,014</u>	<u>1,787,969</u>
 CREDITORS			
Amounts falling due after more than one year	13	(2,100,000)	.
NET ASSETS		<u><u>8,142,014</u></u>	<u><u>1,787,969</u></u>

The notes form part of these financial statements

ETHICAL FORESTRY LIMITED (REGISTERED NUMBER: 06455149)

**COMPANY BALANCE SHEET - continued
30 SEPTEMBER 2013**

	Notes	2013 £	2012 £
CAPITAL AND RESERVES			
Called up share capital	18	4,644,200	144,200
Profit and loss account	19	3,497,814	1,643,769
SHAREHOLDERS' FUNDS	21	<u>8,142,014</u>	<u>1,787,969</u>

The financial statements were approved by the Board of Directors on 27/1/14 and were signed on its behalf by:


.....
M Pickard - Director

The notes form part of these financial statements

ETHICAL FORESTRY LIMITED
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2013

		Year Ended 30.9.13 £	Period 1.1.12 to 30.9.12 £
Net cash inflow from operating activities	Notes 1	5,957,703	1,552,014
Returns on investments and servicing of finance	2	(1,987)	(445)
Taxation		(299,294)	(275,295)
Capital expenditure	2	(6,691,882)	(2,591,905)
		(1,035,460)	(1,315,631)
Financing	2	4,374,429	2,402,781
Increase in cash in the period		3,338,969	1,087,150
<hr/>			
Reconciliation of net cash flow to movement in net funds	3		
Increase in cash in the period		3,338,969	1,087,150
Cash inflow from increase in debt		(1,431,063)	-
Change in net funds resulting from cash flows		1,907,906	1,087,150
Movement in net funds in the period		1,907,906	1,087,150
Net funds at 1 October		1,336,897	249,747
Net funds at 30 September		3,244,803	1,336,897

The notes form part of these financial statements

ETHICAL FORESTRY LIMITED

**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2013**

1. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Year Ended 30.9.13 £	Period 1.1.12 to 30.9.12 £
Operating profit	2,473,532	1,221,000
Depreciation charges	321,488	202,286
Increase in stocks	(304,470)	-
Decrease/(increase) in debtors	512,915	(657,174)
Increase in creditors	2,954,238	785,902
Net cash inflow from operating activities	5,957,703	1,552,014

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	Year Ended 30.9.13 £	Period 1.1.12 to 30.9.12 £
Returns on investments and servicing of finance		
Interest received	1,161	-
Interest paid	(3,148)	(445)
Net cash outflow for returns on investments and servicing of finance	(1,987)	(445)
 Capital expenditure		
Purchase of tangible fixed assets	(6,940,247)	(2,591,905)
Sale of tangible fixed assets	248,365	-
Net cash outflow for capital expenditure	(6,691,882)	(2,591,905)

The notes form part of these financial statements

ETHICAL FORESTRY LIMITED

**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2013**

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT - continued

	Year Ended 30.9.13 £	Period 1.1.12 to 30.9.12 £
Financing		
Amount introduced by directors	498,250	2,258,781
Amount withdrawn by directors	(623,821)	-
Share issue	4,500,000	144,000
	<hr/>	<hr/>
Net cash inflow from financing	4,374,429	2,402,781
	<hr/>	<hr/>

3. ANALYSIS OF CHANGES IN NET FUNDS

	At 1.10.12 £	Cash flow £	At 30.9.13 £
Net cash:			
Cash at bank and in hand	1,336,897	3,338,969	4,675,866
	<hr/>	<hr/>	<hr/>
	1,336,897	3,338,969	4,675,866
	<hr/>	<hr/>	<hr/>
Debt:			
Debts falling due within one year	-	(1,431,063)	(1,431,063)
	<hr/>	<hr/>	<hr/>
	-	(1,431,063)	(1,431,063)
	<hr/>	<hr/>	<hr/>
Total	1,336,897	1,907,906	3,244,803
	<hr/>	<hr/>	<hr/>

The notes form part of these financial statements

ETHICAL FORESTRY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2013

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention.

Basis of consolidation

The consolidated accounts comprise the accounts of the parent company and all its subsidiaries.

Entities over which the group has the ability to exercise control are accounted for as subsidiaries.

The results and assets and liabilities of the associate were included in the consolidated accounts using the equity method of accounting.

The results of businesses acquired or disposed of in the year are consolidated from or up to the effective date of acquisition or disposal respectively. The net assets of businesses acquired are incorporated in the consolidated accounts at their fair values at the date of acquisition.

Transactions and balances between group companies are eliminated. No profit is taken on transactions between group companies and the group's share of profits on transactions with its associate was also eliminated.

In the parent company balance sheet, businesses acquired by the parent company from other group companies are incorporated at book value at the date of acquisition. Where the consideration given exceeds the book value of the net assets acquired this difference is accounted for as goodwill.

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Short leasehold	- land is not depreciated and leasehold written off over term of lease
Fixtures and fittings	- 33% on cost
Motor vehicles	- 33% on cost
Office equipment	- 33% on cost

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

ETHICAL FORESTRY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 30 SEPTEMBER 2013

1. ACCOUNTING POLICIES - continued

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Pension costs and other post-retirement benefits

The group operates a defined contribution pension scheme. Contributions payable to the group's pension scheme are charged to the profit and loss account in the period to which they relate.

Leased assets

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profit as incurred.

2. STAFF COSTS

	Year Ended 30.9.13 £	Period 1.1.12 to 30.9.12 £
Wages and salaries	15,474,469	7,369,651
Social security costs	495,528	269,132
Other pension costs	100,000	.
	<u>16,069,997</u>	<u>7,638,783</u>

The average monthly number of employees during the year was as follows:

	Year Ended 30.9.13	Period 1.1.12 to 30.9.12
UK	94	49
Costa Rica	408	150
	<u>502</u>	<u>199</u>

ETHICAL FORESTRY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 30 SEPTEMBER 2013

3. DIRECTORS' EMOLUMENTS

	Year Ended 30.9.13 £	Period 1.1.12 to 30.9.12 £
Directors' remuneration	<u>10,334,650</u>	<u>5,222,644</u>

Information regarding the highest paid director is as follows:

	Year Ended 30.9.13 £	Period 1.1.12 to 30.9.12 £
Emoluments etc	<u>6,011,550</u>	<u>2,847,548</u>

Included in the above total figure for directors is an amount paid to the directors of £10,300,000 (2012 - £5,200,000) in part consideration for the directors agreeing to subscribe for Class E, E1 and F shares.

4. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	Year Ended 30.9.13 £	Period 1.1.12 to 30.9.12 £
Depreciation - owned assets	319,988	202,287
Foreign exchange differences	<u>(18,969)</u>	<u>25</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	Year Ended 30.9.13 £	Period 1.1.12 to 30.9.12 £
Bank interest	3	26
Interest on late tax	<u>3,145</u>	<u>419</u>
	<u>3,148</u>	<u>445</u>

ETHICAL FORESTRY LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 SEPTEMBER 2013**

6. TAXATION

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows:

	Year Ended 30.9.13 £	Period 1.1.12 to 30.9.12 £
Current tax:		
UK corporation tax	592,454	299,523
Costa Rica taxation	67,678	.
	<hr/>	<hr/>
Tax on profit on ordinary activities	660,132	299,523
	<hr/>	<hr/>

7. PROFIT OF PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year was £1,854,045 (2012 - £819,126).

ETHICAL FORESTRY LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 SEPTEMBER 2013**

8. TANGIBLE FIXED ASSETS

Group

	Freehold property £	Short leasehold £	Plant and machinery £
COST			
At 1 October 2012	2,821,915	50,027	622,895
Additions	6,107,257	17,593	586,417
Disposals	(143,969)	-	(96,521)
Exchange differences	681	-	-
	<hr/>	<hr/>	<hr/>
At 30 September 2013	8,785,884	67,620	1,112,791
	<hr/>	<hr/>	<hr/>
DEPRECIATION			
At 1 October 2012	-	32,817	-
Charge for year	-	16,705	95,461
Eliminated on disposal	-	-	-
	<hr/>	<hr/>	<hr/>
At 30 September 2013	-	49,522	95,461
	<hr/>	<hr/>	<hr/>
NET BOOK VALUE			
At 30 September 2013	8,785,884	18,098	1,017,330
	<hr/>	<hr/>	<hr/>
At 30 September 2012	2,821,915	17,210	622,895
	<hr/>	<hr/>	<hr/>

ETHICAL FORESTRY LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 SEPTEMBER 2013**

8. TANGIBLE FIXED ASSETS - continued

Group

	Fixtures and fittings £	Motor vehicles £	Office equipment £	Totals £
COST				
At 1 October 2012	311,160	89,538	506,872	4,402,407
Additions	171,671	-	57,309	6,940,247
Disposals	-	(13,500)	-	(253,990)
Exchange differences	-	-	-	681
At 30 September 2013	482,831	76,038	564,181	11,089,345
DEPRECIATION				
At 1 October 2012	94,450	5,625	231,041	363,933
Charge for year	86,577	-	121,245	319,988
Eliminated on disposal	-	(5,625)	-	(5,625)
At 30 September 2013	181,027	-	352,286	678,296
NET BOOK VALUE				
At 30 September 2013	301,804	76,038	211,895	10,411,049
At 30 September 2012	216,710	83,913	275,831	4,038,474

ETHICAL FORESTRY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 30 SEPTEMBER 2013

8. TANGIBLE FIXED ASSETS - continued

Company

	Short leasehold £	Fixtures and fittings £	Motor vehicles £	Office equipment £	Totals £
COST					
At 1 October 2012	50,027	311,160	13,500	506,872	881,559
Additions	17,593	13,066	-	57,309	87,968
Disposals	-	-	(13,500)	-	(13,500)
At 30 September 2013	67,620	324,226	-	564,181	956,027
DEPRECIATION					
At 1 October 2012	32,817	94,450	5,625	231,041	363,933
Charge for year	16,705	86,577	-	121,245	224,527
Eliminated on disposal	-	-	(5,625)	-	(5,625)
At 30 September 2013	49,522	181,027	-	352,286	582,835
NET BOOK VALUE					
At 30 September 2013	18,098	143,199	-	211,895	373,192
At 30 September 2012	17,210	216,710	7,875	275,831	517,626

9. FIXED ASSET INVESTMENTS

Company

	Shares in group undertakings £
COST	
At 1 October 2012 and 30 September 2013	13
NET BOOK VALUE	
At 30 September 2013	13
At 30 September 2012	13

ETHICAL FORESTRY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 30 SEPTEMBER 2013

9. FIXED ASSET INVESTMENTS - continued

Ethical Forestry Limited holds 80% of the share capital in Ethical Forestry S.A, a company incorporated in Costa Rica operating as a holding company and providing group finance to its wholly owned subsidiaries listed below which are also incorporated in Costa Rica and provide forestry operations to Ethical Forestry Limited

The company's investment in the share capital of Ethical Forestry S.A was £13 (2012 - £13)

Company name	Activity	Capital	£
Ethical Forestry S.A	Holding company	10 shares of 1,000 Colones	13
Wholly owned subsidiary companies of Ethical Forestry S.A			
Plantaciones S.A	Plantation landowner	10 shares of 1,000 Colones	13
EF Operations & Payroll S.A	Labour supply business	1,000 shares of 1,000 Colones	1,282
EF Ethical Forestry UK & C.R S.A	Operational equipment leasing	10 shares of 1,000 Colones	13
Reforestacion Etica S.A	Plantation operations	1,000 shares of 1,000 Colones	1,282
Timber Exports S.A	Timber processing facilities	1,000 shares of 1,000 Colones	1,282

The subsidiary companies provides services within the group, and ultimately to Ethical Forestry Limited at cost. Other than insignificant timing differences no material profits or losses arose during the year and the capital of reserves of the individual companies at 30 September 2013 is the issued share capital in each case.

10. STOCKS

	Group	
	2013	2012
	£	£
Stocks	304,470	-

ETHICAL FORESTRY LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 SEPTEMBER 2013**

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Trade debtors	81,341	88,559	-	-
Amounts owed by group undertakings	-	-	9,137,559	3,538,056
Other debtors	361,505	109,883	143,797	52,670
Tax	5,809	5,817	5,809	5,817
VAT	57,798	7,117	53,283	11,914
Prepayments and accrued income	260,259	1,068,259	260,259	1,068,259
	<u>766,712</u>	<u>1,279,635</u>	<u>9,600,707</u>	<u>4,676,716</u>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Other loans (see note 14)	1,431,063	-	-	-
Trade creditors	145,467	297,677	145,469	216,859
Tax	659,392	298,562	592,454	298,562
Social security and other taxes	204,281	221,809	204,281	221,809
Other creditors	203,404	317,862	397	315
Directors' current accounts	1,288,752	1,414,323	1,288,752	1,414,323
Accruals and deferred income	1,785,757	2,076,205	1,785,757	2,076,205
	<u>5,718,116</u>	<u>4,626,438</u>	<u>4,017,110</u>	<u>4,228,073</u>

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Accruals and deferred income	<u>2,100,000</u>	<u>-</u>	<u>2,100,000</u>	<u>-</u>

ETHICAL FORESTRY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 30 SEPTEMBER 2013

14. LOANS

An analysis of the maturity of loans is given below:

	Group	
	2013	2012
	£	£
Amounts falling due within one year or on demand:		
Other loans	1,431,063	-

Other loans represent amounts remaining due on the purchase of plantations during the year that were deferred for a period of less than one year. Since the balance sheet date £319,689 (2012 - £nil) has been paid. The amounts due are not secured on the specific plantations to which they relate.

15. OPERATING LEASE COMMITMENTS

The following operating lease payments are committed to be paid within one year:

Company

	Land and buildings	
	2013	2012
	£	£
Expiring:		
In more than five years	68,050	68,050

The company entered into a new lease for a period of ten years however the lease is subject to a break clause at September 2016.

16. SECURED DEBTS

On 23 March 2012, a debenture was issued over all the assets of the company. This is a standard debenture for the business bank account and there are no liabilities due to the bank.

17. MINORITY INTERESTS

The minority interests relate to the 20% holding of share capital in Ethical Forestry SA, a company registered in Costa Rica.

ETHICAL FORESTRY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 30 SEPTEMBER 2013

18. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2013 £	2012 £
70	Ordinary 'A'	£1	70	70
60	Ordinary 'B'	£1	60	60
35	Ordinary 'C'	£1	35	35
35	Ordinary 'D'	£1	35	35
4,400,000	Ordinary 'E'	£1	4,400,000	44,000
10,000,000	Ordinary 'E1'	£1	100,000	100,000
14,400,000	Ordinary 'F'	£1	144,000	.
			<u>4,644,200</u>	<u>144,200</u>

On 18 October 2012 the company created and issued 14,400,000 Class F shares of £1 with an initial called up and paid up amount of one penny per share.

The company has structured its share capital to facilitate further injections of capital of up to £24,012,000 at 30 September 2013 by the shareholders should the company deem the issue of additional share capital appropriate.

Cash call on E securities shares

The directors, who are also shareholders, committed to provide this additional capital should the company make a call to do so. During November 2012 the company made such a call upon the director shareholders for a further £4,356,000 which has been fully paid by the directors out of amounts due to them.

The company's paid up share capital has as a result been increased since the 30 September 2012 to £4,644,200.

19. RESERVES

Group

	Profit and loss account £
At 1 October 2012	1,836,248
Profit for the year	1,811,413
Minority interest transfer	8,527
At 30 September 2013	<u>3,656,188</u>

ETHICAL FORESTRY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 30 SEPTEMBER 2013

19. RESERVES - continued

Company

	Profit and loss account £
At 1 October 2012	1,643,769
Profit for the year	1,854,045
	<hr/>
At 30 September 2013	3,497,814
	<hr/>

20. RELATED PARTY DISCLOSURES

The subsidiary companies referred to in Note 6 provide forestry services within the group, and ultimately through Ethical Forestry S.A to Ethical Forestry Limited at cost.

Transactions with group companies

During the period Ethical Forestry Limited has incurred costs from Ethical Forestry S.A. The total value of services provided during the year was £4,194,227 (2012 - £2,355,891). Other than insignificant timing differences no material profits or losses arose during the period. In addition during the period the Company provided loans to the group to acquire operational assets including plantation land, vehicles and to establish timber processing plant and facilities. The total amount advanced to Ethical Forestry S.A was £9,137,559 (2012 - £3,538,056); the loan was interest free and repayable on demand. As at the balance sheet date £9,137,559 (2012 - £3,538,056) is owed by Ethical Forestry S.A.

Transactions with non group companies

The company also advanced a loan of £79,400 to Grupo Las Cinco Rama CR S.A in 2011, a company controlled by the directors and also incorporated in Costa Rica to acquire plantation land not used in the operational activities of the Company. The loan was interest free and repayable on demand.

Transactions with directors

The Company entered into an agreement with the directors, in connection with the issue during the year of 14,400,000 Class F shares by the Company. The directors agreed immediately to subscribe for the shares with initial called up amount of 1p per share in consideration for a payment of £14,400,000, of which £14,256,000 is to be settled by credit to his account with the Company. The agreement was split as follows M Pickard 65%, P Laver 17.5% and S Greenaway 17.5%

ETHICAL FORESTRY LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 SEPTEMBER 2013**

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Group

	2013	2012
	£	£
Profit for the financial year	1,811,413	921,032
New share capital subscribed	4,500,000	144,000
Minority interests	8,527	(48,120)
Net addition to shareholders' funds	6,319,940	1,016,912
Opening shareholders' funds	1,980,448	963,536
Closing shareholders' funds	8,300,388	1,980,448

Company

	2013	2012
	£	£
Profit for the financial year	1,854,045	819,126
New share capital subscribed	4,500,000	144,000
Net addition to shareholders' funds	6,354,045	963,126
Opening shareholders' funds	1,787,969	824,843
Closing shareholders' funds	8,142,014	1,787,969