The Forest Company

Financial Statements
For the year ended
31 December 2022

Incorporated in Guernsey - Company Number: 47338

THE FOREST COMPANY LIMITED

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THE FOREST COMPANY LIMITED

GENERAL INFORMATION

Board of Directors
Rainer Häggblom (Non-executive Chairman)
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Field Griffith (Non-executive)
Jukka Reijonen (Non-executive)
John Enlow (Non-executive)

Investment Manager
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St Peter Port
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Guernsey

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São Paulo
Brazil

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GY1 2PF
Guernsey

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Wilmington
DE 19801
United States

For financial year 2021
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Auckland 1010
New Zealand

For financial period 2022
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United Kingdom

Independent Auditor
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United Kingdom

Identifiers
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Website: www.theforestcompany.se

THE FOREST COMPANY LIMITED
GLOSSARY

The Group: refers to The Forest Company Limited and its investments. Refer to pp. 60-61 for the list of investments

AB Florestal: AB Florestal Empreendimentos Imobiliários, Atividades Florestais e Participações Ltda

Administrator: Vistra Fund Services (Guernsey) Limited

AGM: Annual General Meeting

AIC: Association of Investment Companies

Aimara: Aimara Empreendimentos Imobiliários e Participações Ltda

Antioquia: Antioquia Wood Holdings Limited

Auditor: BDO LLP

Biocarbon: Solid material produced from biomass through carbonisation (also known as charcoal)

BioCarbono: BioCarbono Produção e Comércio de Carvão Ltda

Board: Directors of the Company

BRL: Brazilian real

CDI: Brazilian interbank interest rate

Charcoal: See 'biocarbon'

Class A ordinary shares: A redeemable ordinary share of USD 0.10 in the capital of the Company.

COFINS: Contribuição para o Financiamento da Seguridade Social, a social contribution tax in Brazil based on gross revenue

Company: The Forest Company Limited

Company secretary: Vistra Fund Services (Guernsey) Limited

COP: Colombian peso

Corrupt practice: The direct or indirect offering, giving, receiving or soliciting of anything of value to improperly influence the actions of another party

CSLL: Contribuição Social sobre o Lucro Líquido das Pessoas Jurídicas, a social contribution tax in Brazil based on net profit

Current adjusted NAV: the most recent adjusted net asset value preceding the date of payment

DCF: Discounted cash flow

Deferred tax: Tax payable or recoverable in a future period

Depletion: The fair value of harvested biological assets

El Guasimo: Reforestadora El Guasimo

Fair value: Defined in IFRS 13 as the price that is received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and it is the value by which all investments are held

FRC: Financial Reporting Council

Frondosa: Frondosa Empreendimentos Imobiliários, Atividades Florestais e Participações Ltda

FSC: The Forest Stewardship Council, an independent, internationally recognised non-profit forest management certification body established in 1993 to respond to global environmental concerns, especially as they pertain to deforestation

FSC certification: Obtained by organisations that comply with the principles and criteria set forth by the FSC through an independent annual audit carried out by accredited auditing bodies

GBP: Pounds sterling

Green Bond: Type of fixed-income instrument that is specifically earmarked to raise money for climate and environmental projects. These bonds are typically asset-linked and backed by the issuing entity's balance sheet.

Green Steel: Green steel is produced through a sustainable production, using only charcoal from eucalyptus forests as raw material.

Hadoque: Hadoque Propriedades Rurais e Participacoes Ltda

IAS: International Accounting Standards

IFRS: International Financial Reporting Standards

IMA: Investment Management Agreement

IMF: International Monetary Fund

THE FOREST COMPANY LIMITED
GLOSSARY

Investment manager: Timber Capital Limited (TCL)

IRR: Internal Rate of Return

ISAs (UK): International Standards on Auditing (UK)

Joint venture: A joint contractual arrangement involving two or more parties whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement

Klabin: Klabin S.A.

KPI: Key performance indicator

Law: Provisions of the Companies (Guernsey) Law, 2008 (as amended)

LLC: Limited liability company

LLP: Limited liability partnership

Lucro Presumido: Presumed profit tax regime in Brazil

Lucro Real: Actual profit tax regime in Brazil

Management share: Non-redeemable ordinary share of USD 1.00 each in the capital of the Company

Margules: Margules Groome Consulting Limited, which was appointed to independently assess and report the value of all the investees' forestry assets in accordance with the IFRS.

MDC: Volume-based unit of charcoal (approximately 200 kg)

MetLife: Metropolitan Life Insurance Company

Money laundering: the generic term used to describe the process by which the original ownership and control of the proceeds of illegal conduct are disguised to make such proceeds appear to have been derived from a legitimate source

MSTH: MS Timberland Holdings Ltd

Nature-based solutions: Solutions that are inspired and supported by nature, which are cost-effective, simultaneously provide environmental, social and economic benefits and help build resilience. Such solutions bring more, and more diverse, nature and natural features and processes into cities, landscapes and seascapes, through locally adapted, resource-efficient and systemic interventions.

NAV: Net Asset Value

The Company prepares two NAVs:

1. **IFRS NAV** – The value of all of the assets of the Company, less the liabilities to creditors of the Company where investments are stated at fair value determined in accordance with the valuation policy;

2. **Adjusted NAV** – The IFRS NAV adjusted, as below, for the purposes of reporting to the shareholders;

The adjusted NAV and adjusted NAV per share are currently calculated based on the IFRS and adjusted as follows:

1. A notional land lease charge over acquired planted land is removed. Whereas these notional land lease charges are included in the determination of the fair value of forest assets under the IFRS, for the purposes of the adjusted NAV, these costs are not included in the determination of the fair value of forest assets, because they are non-cash costs.

2. To reflect the capitalisation of costs associated with the Company's share capital issuances and original organisation costs. Whereas under the IFRS these costs are deducted from equity in the first accounting period, for adjusted measures, these costs are capitalised and amortised over a five-year period.

A reconciliation of the entity's NAV per share in accordance with these financial statements and the entity's adjusted NAV per share is disclosed in the Investment Manager Report.

Prior to the adoption of the Investment Entity Accounting treatment in previous years, the Company was adjusting for the deferred tax liability. From January 1st, 2020 onwards the Company has incorporated this adjustment in the fair value of the Company's investments and is, therefore, reflected in the IFRS NAV.

NAV per share: Net asset value per ordinary share

New shares: Shares issued following the election of shareholders to receive the declared dividend in fully paid shares of the Company (either ordinary shares or Class A ordinary shares)

NPV: Net Present Value

OCI: Other comprehensive expense

Ordinary share: A redeemable ordinary share of USD 0.10 in the capital of the Company

GLOSSARY

Pig iron: Crude iron first obtained from a smelting furnace

PIS: Programa de Integração Social, a social integration programme tax in Brazil

Prohibited investments: Investments with, or on behalf of, terrorists, terrorist organisations or narcotics traffickers, including transactions with, or on behalf of, those persons or entities that are included on any relevant lists maintained by the United Nations Security Council or its committees, pursuant to any resolution issued under Chapter VII of the United Nations Charter

REDD+: Reducing Emissions from Deforestation and Forest Degradation

Silverback: Silverback Ventures, which was appointed to independently assess and report the value of Silvotecnia, a forestry service company, in accordance with the IFRS.

Silvotecnia: Silvotecnia S.A.

SPV: Special purpose vehicles that hold the Company's investment portfolio of underlying forestry assets.

Surubim: Surubim Empreendimentos Imobiliários, Atividades Florestais e Participações Ltda

TCL: Timber Capital Limited (see also 'investment manager')

UK: The United Kingdom of Great Britain and Northern Ireland

USD: United States dollar

THE FOREST COMPANY LIMITED

Chairman's Statement

INTRODUCTION

The demand for the Company's products was very strong during 2022. We have demand for all our maturing wood that is ready for harvesting. We saw increased profitability in our added-value production in Brazil and our service business in Colombia. The increasing demand was reflected in a significant increase in the prices for our products in our markets. The increase compensated for the negative impact on our Adjusted NAV driven by increasing interest and consequently discount rates. As a result the Company's Adjusted NAV increased by 2.6%.

The Forest Company Investees in 2022

During 2022 the Company sold a total volume of 972,375 cubic metres of wood. This was less than in 2021 when the company sold 1,965,138 cubic metres of wood due to a large one-off sale to Klabin. The sale in 2022 generated an aggregated net operating cash flow for the investees of USD 18.0 million and an aggregated cash balance of USD 16.7 million at the end of the year. The Company continued its de-leveraging strategy with the final payment to the bondholders in Q1 2022. This means that the company has improved its cash position significantly during the year and reduced its outstanding debt. The deleveraging moves the Company towards a position where it can start paying dividend to its shareholders in future years. This is in line with the long-term strategy to bring value to shareholders by combining income yield, capital appreciation and significant social and environmental impact.

The Company's other added value businesses continue to add significant value to the tree crop with the charcoal business in Brazil generating a EBITDA of USD 5 million during 2022, an increase compared to 2021 of 167%. We are still seeing increases in demand and prices for charcoal, mainly driven by continuing high demand for green steel and large infrastructure investments. In addition, the reduced availability of Russian pig-iron on the global market has increased the demand for pig-iron from our Brazilian clients.

Further, the Company's service and consulting business in Colombia, Silvotecnia, continues to grow supported by strong demand for services in environmental compensation projects and nature-based solution projects. We believe these sectors will be increasingly important for Silvotecnia in the future as environmental restrictions encourage the development of nature-based solution projects. Sales increased by 10% compared to 2021.

Carbon Credits

During 2022 Company's investees issued 263,000 tonnes of carbon credits according to the standards of the Colombia national carbon market. The issued carbon credits have not been sold but are currently held in the name of the Company by the Colombian registrar for carbon credits issued under the Colombian carbon standards. Several discussions with potential buyers are on-going and the sale of the credits is foreseen to generate an income for the company of about USD 1 million during 2023. Revenues from sale of carbon credits will become an important revenue source for the company that will increase shareholder value going forward.

Strategic Partnerships

In 2021, The Forest Company entered into agreements to expand the partnership with Klabin to also include the existing pine plantations in Parana. During, 2022 the transaction was closed and the new joint venture between the Company and Klabin is now fully operational. The transaction has increased the value of the Company's pine assets in Parana as it will be included in the long-term wood supply agreement with Klabin, increasing the wood price and reducing counterpart risk. Further, the new partnership will provide The Forest Company with a solid platform for continuing growth in the Parana state of Brazil.

Dividend

The Company did not pay out a dividend in 2022. However, the company is committed to provide investors with an income yield through a dividend going forward. The fact that at the end of the year the Company had a healthy cash position and had repaid the Green Bond issued in 2019 by one of the Company's investees provides good support for future dividends as well the repayment of outstanding debt in 2023.

CHAIRMAN'S STATEMENT (CONTINUED)

Outlook for 2023 and beyond

We see increasing interest in forest investments as the fundamental drivers of the sector, such as providing protection against inflation, are key for long-term investors in today's high inflation environment. The Company's Adjusted NAV increased slightly in 2022 despite increasing interest rates driven by increasing inflation. This shows the ability of forest assets to provide investors with inflation protection and long-term real returns.

So, the fundamental drivers for forest investments are again attracting more attention. This combined with an emerging role in providing different benefits such a biodiversity and carbon sequestration, is providing a very positive outlook for forestry as an investment class. At the same time we are seeing increasingly strong interest from the forest sector to secure the future supply of sustainable sources of wood either through strategic partnerships and off-take agreements or by expanding its own wood resource through the acquisition of forest assets.

These developments will increase the role for forestry as an assets class and resource of sustainable material. The main strategic themes for 2023 in response to this change are outlined below:

- Long-term partnerships and offtake agreements with profitable forest-based industry companies to underpin long-term real returns
- Integrate ESG and Impact aspects in all our businesses and operations
- Continue to sell carbon credits from our projects

We see the strong positive trends in the forestry sector having a positive impact on all our group companies and support us in our growth and our effort to increase shareholder value.

Yours sincerely,

Rainer Häggblom
Chairman
Date: 11 May 2023

MAIN ACHIEVEMENTS

During 2022, the value of The Forest Company's assets increased by 4.9%, a USD 7.8 million uplift. In 2022 the projects generated a total aggregated sales of USD 31.2 million and the Company ended the period with a cash balance of USD 2.4 million at Topco and an aggregated balance including all investees of USD 16.7 million.

Following the implementation of the investee's strategic plan to improve operational performance and increase shareholder's value, the main achievements of the year are highlighted below and explained in more detail throughout the report:

- Entered into a MOU with Dexco in Colombia for the development of 6,000ha of eucalyptus plantations. The greenfield plantations will enable us, under a long-term supply agreement, to support Dexco's future industry expansion in Colombia. The land search phase has already started.
- Signed an MOU with potential buyer of 3 million carbon credits. The sale will finance the development of the Santa Ana carbon project in Colombia. The project will generate a total of 5.6 to 7.0 million carbon credits.
- The Colombian project has successfully issued carbon credits. A total of 285,000 tons of carbon credits to be sold in the Colombia market early in 2023 are expected to generate circa USD 1.2 million.
- The Company's Colombian investees were recognised as being among the most sustainable companies in Antioquia, Colombia by the public environmental entity (Corantioquia).
- Completed the process of expanding the long-term partnership with Klabin ("The Klabin transaction") by including the Kaa pine assets in Parana with definitive agreements signed in early September. A cash consideration of near USD 12 million has been paid by Klabin for the ownership of 50% of the new joint venture.
- Repaid the Green Bond in Brazil. The Bond was issued in 2019 and the proceeds were used to repay a credit line with Metlife. (the term loan with Metlife is due for repayment later this year). The final payment to the bondholders was made in Q1 2022.
- Increased the value per cubic metre of wood by 56% in comparison to 2021 average, mainly through increasing the price of added value products, such as charcoal.
- Entered into a new supply agreement in Minas Gerais for the delivery of 389,065 m3 during 2022. Total contract value of BRL 27.2 million.

RECENT UPDATES

BRAZIL MARKET UPDATE

The wood market continues to be strong in all regions of Brazil, but, with some deceleration in the second half of the year. This strength has mainly been due to the combined effect of increase on the demand side caused by the new production units driving both pulplogs and sawlogs consumption and reduced investment in plantations in recent years, reducing the supply and putting pressure on wood supply and demand balances. The race to secure wood supply in the medium-long term is evident and is putting the Company at a competitive advantage with increased bargaining power.

The wood-based panel and charcoal industries performed positively in 2022 compared to 2021, with exports growing by 14% and 8% respectively. Pulp industry exports also performed well in the year increasing by 22%. The exception was Brazilian pine and eucalyptus sawn wood industries with exports falling 9% impacted by a decrease in demand from US and other export markets.

Both in Minas Gerais and Paraná, the eucalyptus pulplog market maintains a good momentum, with high demand from the pulp and paper industry. The strong demand has driven up stumpage wood prices in the region. The pine market also showed strong demand and prices maintained an upward trend in year-on-year comparison, despite slower demand seen in the second half of the year .

The adverse and severe climate events that have been occurring with reduced precipitation since 2018, are impacting forest productivity. This has caused several companies to reduce projected woodflows, including the Company's Brazilian investees. Further, in recent years many pine plantations were replaced by agricultural crops, especially in the southern states of Brazil, leading to a reduction of the forest plantation area. Finally, the increase in silviculture costs such as fertilizers, has encouraged a more conservative or cautious investment approach which has reduced the annual planting in many regions. These factors all contributed to a tighter forecasted wood supply and demand balance.

The charcoal market in Minas Gerais performed strongly in 2022 with charcoal prices hitting a new record in Q4. The development has been driven by the high demand from several end uses such as pig-iron, metal alloy and silicon alloy. On average charcoal prices increased by 26% in 2022 compared to 2021. Prices are forecasted to have increased further during Q1 2023 as demand is strong from pig-iron and metal alloy producers. This will allow the Company to continue to add value to the Company's plantations assets through its charcoal production units.

The outlook for wood and charcoal prices is very positive. Demand outlook remains strong in The Forest Company's markets, driving future price development.

This means that it's key to continue to invest in increasing the current planted area in the short term while improving the efficiency of the operations to keep cost per hectare under control and mitigate the impact of the increased silviculture costs. Further, we note that large wood end-users in Brazil are looking to increase supply from their own plantations in order to guarantee their future fibre supply. This combined with strategies involving long-term offtake agreements and partnerships with financial institutions provides for interesting opportunities for The Forest Company in Brazil. We believe the Company is very well positioned to capture these opportunities as they arise.

COLOMBIA MARKET UPDATE

The Colombian wood market has performed well during 2022, mainly, driven by high demand from the construction sector. The Colombian construction industry is expected to have grown by 14.0% in 2022, after growing by 5.5% in 2021.

Local demand for wood products remains higher than local production, driving up prices and leading to higher wood imports, especially from Chile.

As in Brazil, climate related events are impacting forestry activities in Colombia, with heavy rains constraining efficiency in harvesting and transportation operations and increasing the need for roads maintenance. The combined effect has been an overall reduction of the delivery capacity and increased costs per m3 delivered. Differently from what we see in Brazil the increased precipitation benefits the growth rates which has a positive effect on the projected wood flows. This has been considered in the future wood flow of the Company's Colombian investee.

During 2022 the pulp sector in Colombia grew reinforcing its commitment to sustainable development. The paper industry has strongly invested in sustainability in recent years thanks to factors such as the modernization of processes, the efficient use of resources and the generation of positive impacts on the social development of the communities where it is present. This has not only made the sector one of the most committed to protecting the environment but has also been reflected in a substantial increase in productivity, exports, and paper consumption. In Colombia, the paper comes mainly from sustainable sources from forest plantations certified in responsible management like those owned by MST.

The consumption of sawlog in Colombia decreased by almost 9% in the year according to Colombia's forest industry association (FEDEMADERAS), the foregoing due to the persistent weakness in the construction sector, the record lowest since the hardest months of confinement in the pandemic. However, the end of 2022 saw renewed hope evidenced by a reactivation of the construction sector. The Colombian Chamber of Construction (Camacol), projects growth of over 11% for 2023, higher than in 2022 and 2021, compared to growth in GDP of around 10%. Currently there are almost 350,000 projects to start housing construction for 2023 increasing the consumption of sawlogs and small logs.

The government is focused on infrastructure investments and the continuity of programs that promote the development and financing of housing such as VIS (low-income housing) as well as non-VIS. Moreover, ongoing efforts to accelerate the completion of Colombia's fourth-generation (4G) road infrastructure program and push forward with plans for its fifth-generation (5G) concessions program should continue to drive the industry's growth in the quarters ahead.

The country's goal is to be seen as a power in commercial and sustainable forestry for which it is focused on the design of policies for the development of this sector, while fighting deforestation at the same time. Forestry is a strategic activity for the country.

The measures that will be put in place by the government to allow the sector to develop further will dictate the pace at which the forest base will grow and the time it will take until the right balance between demand and supply will be achieved. Until then the pressure on the wood prices is expected to continue.

The previous government plan for forestry development approved in 2020 with several actions to be implemented until 2025 was not successfully executed and is being reviewed. According to the executive Director of FEDEMADERAS, with an adequate public policy, Colombia may be able to increase its exports and by 2026 achieve a positive commercial balance, having eliminated the illegal logging activity which is still very significant currently.

We believe the Colombian projects are well positioned to take advantage of the current trend and momentum.

NET ASSET VALUE

	2H 2022 USD per share	2H 2022 USD million	2H 2021 USD per share	2H 2021 USD million
NAV	3.02	154.9	2.87	147.1
Adjustment for notional land lease charge	0.27	13.7	0.34	17.2
Adjusted NAV	3.29	168.6	3.21	164.3

ADJUSTED NET ASSET VALUE

	2H 2022	1H 2022	2H 2022 to 1H 2022%	2H 2021	2H 2022 to 2H 2021%
Adjusted NAV (USD million)	168.6	174.0	-3.1%	164.3	2.6%
Adjusted NAV per share (USD)	3.29	3.40	-3.1%	3.21	2.6%
Adjusted NAV adding back dividends per share since inception (USD)	4.95	5.05	-2.1%	4.86	1.8%

The Company's adjusted NAV is published semi-annually for the purposes of reporting to the shareholders. The movements in the Company's NAV reflect the changes in the value of the Company's investments. The reconciliation of the Company's fair value to the adjusted NAV as of 31 December 2022 is as follows:

The adjusted NAV increased from USD 164.3 million in 2H 2021 to USD 168.6 million in 2H 2022.

As of 31 December 2022, the adjusted NAV per share was USD 3.29 (2H 2021: USD 3.21). Adding back all previous dividends paid since inception, the adjusted NAV per share was USD 4.95 (2H 2021: USD 4.86).

The main impacts in 2022 compared to 2021 were driven by the following changes in the investee companies:

- A USD 1.1 million net decrease which includes a negative contribution of USD 7.9 million arising from the depreciation of the Colombian peso and a positive contribution resulting from the appreciation of the Brazilian real in the amount of USD 6.8 million;

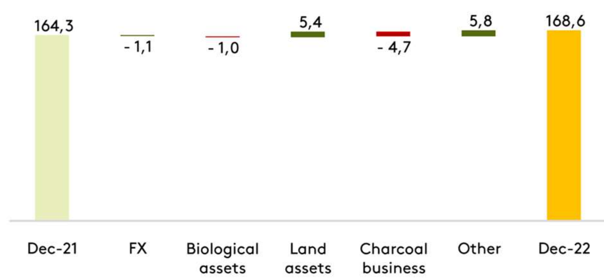
- A USD 1.0 million decrease in the fair value of investees' biological assets. The main reason for the decrease was the higher discount rate and lower forecasted wood volumes, which have offset the positive impact arising from the wood prices increase in the regions. In addition, the transaction executed with Klabin reduced the Company share of Kaa biological assets from 100% to 50%. The decrease in adjusted NAV due to reduced ownership in Kaa was compensated by the sales proceeds received from Klabin that increased the investee's cash balances;

- A USD 5.4 million increases in land value, driven mainly by an increase in MS Timberland assets;

- A decrease of USD 4.7 million in the valuation of the charcoal assets explained by reduction of available mature wood on the farms where BioCarbono has charcoal assets. BioCarbono has reduced the number of kilns operating to adjust for the availability of wood and this reduction has impacted the overall production capacity of the business;

- An increase of USD 5.8 million in other assets and liabilities mainly arising from an increase in the investees' cash-reserves generated through the Klabin transation.

ADJUSTED NAV BREAKDOWN
(USD MILLION)



The main movements and drivers for the biological asset value during the period were:

- USD 6.8 million decrease as a result of wood removals (volumes delivered) during the period;

- USD 10.6 million decrease owing to an increase in the discount rate;

- USD 1.5 million decrease due to higher costs assumed in the valuation model;

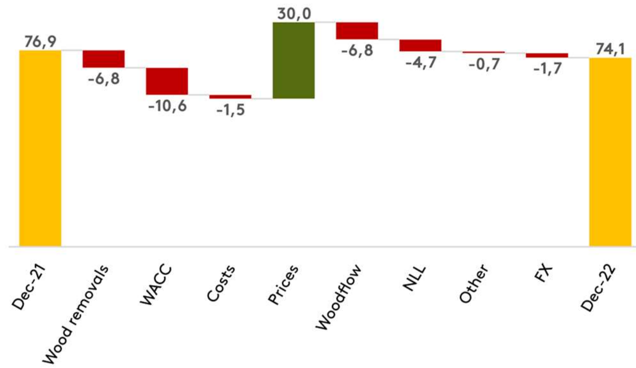
- USD 30 million increase owing to a change in wood prices in all projects;

- USD 6.8 million decrease in the estimated future wood flow driven by lower forecasted volume in the Brazilian projects, which were impacted by the recent drought;

- A USD 4.7 million decrease arising from assumed higher NLL compared to previous valuations;

- Changes in FX rates contributed to a decrease of USD 1.7 million in the biological asset value. During 2022, the BRL appreciated by 5.4% against the USD, while the COP depreciated by 15.0%

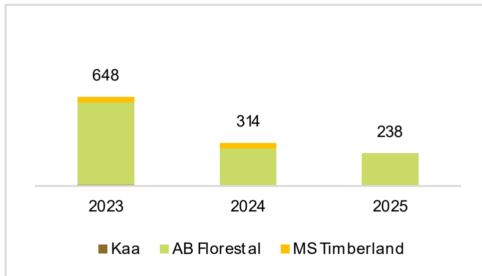
MOVEMENTS IN BIOLOGICAL ASSETS (USD MILLION)



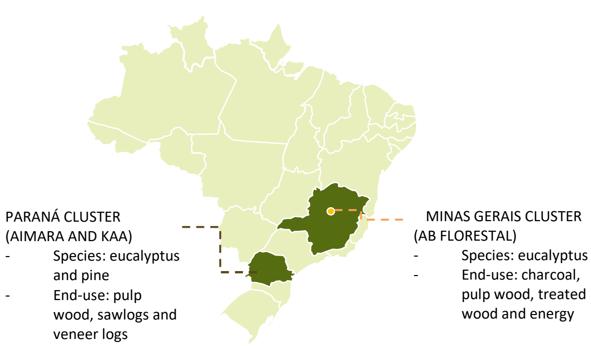
PROJECT OVERVIEW

During the year, a total of 972,375 m3 of wood (including volume carbonised through the charcoal operations) was sold by the Company's investees and a total of 175,654 MDC of charcoal. A total of 1.2 million m3 of wood is currently contracted to be delivered by the end of 2025.

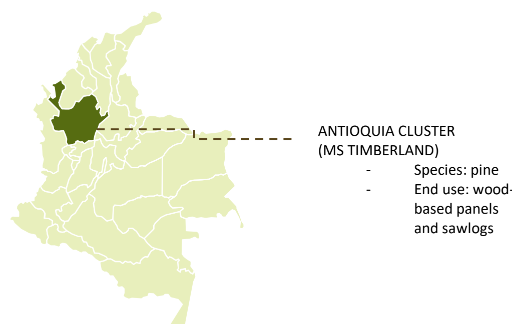
CURRENT CONTRACTED SALES ('000 M^3)



BRAZILIAN PROJECT LOCATIONS



COLOMBIAN PROJECT LOCATION



THE KLABIN TRANSACTION

In July 2021 the Investment Manager commenced discussions with Klabin regarding the expansion of the existing joint venture with Aimara ("The Klabin transaction"). On December 22nd, 2021, Klabin and The Forest Company entered into a new Joint Venture Agreement, with the purpose of formation of a Special Purpose Vehicle – named Cerejeira Reflorestadora S.A. ("Cerejeira"). Under the terms of this transaction, Klabin contributed cash and the The Forest Company contributed, the Aimara and Kaa's forest assets in exchange for shares in Cerejeira.

The long-term offtake agreement under which Klabin acquired the harvested timber from the expanded Joint Venture properties was amended to also include wood from the forest asset previously owned by the Kaa Project and was extended for a further 32 years.

Operationally, the transaction enables The Forest Company to include the Kaa and Aimara assets under the long-term wood supply agreement with Klabin. The long-term wood supply agreement with a major player of the pulp industry enhances the quality of the future cash flows as the company reduces current counterpart risk with local minor sawmills and instead increases volumes supplied to Klabin. Increasing the quality of the cash flows will have a positive impact on the future dividend capacity.

AB FLORESTAL

IRR after-tax since inception to 2022 (local currency): 6.9%

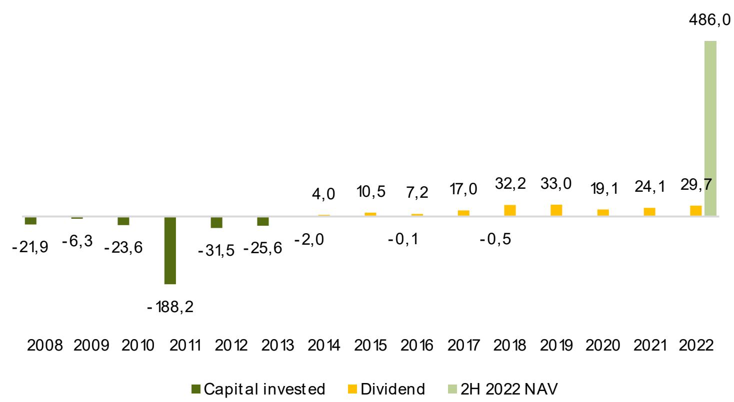
In total, AB Florestal sold 655,932 m^3 of standing wood during 2022, of which 44% was converted and sold as charcoal via the BioCarbono project.

During the year, a total of 175,657 cubic metres of charcoal was sold in Minas Gerais.

In 2022 AB Florestal paid dividends in the amount of BRL 29.7 million which compares to BRL 24.1 million paid in 2021, a 22% increase.

The IFRS NAV increased by 9.1% during 2022 to USD 85.0 million.

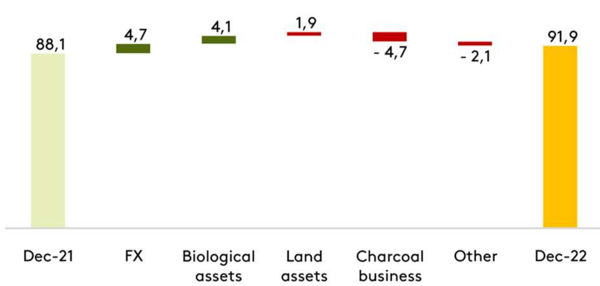
CAPITAL INVESTED, DIVIDENDS AND 2H 2022 ADJUSTED NAV (BRL MILLION)



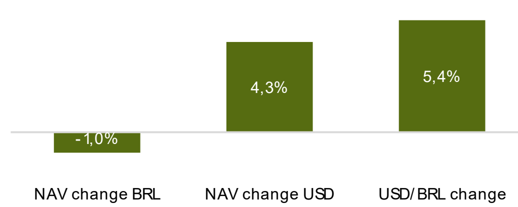
The adjusted NAV increased by 4.3% during 2022 to USD 91.9 million mainly driven by the appreciation of the Brazilian real against the dollar which compensated for the overall decrease in value of the investees' assets.

The biological asset value increased by 19.2% during 2022 in USD, driven by the appreciation of the local currency and higher wood prices. Land value increased by 4.0% in local currency and 9.6% in USD terms.

ADJUSTED NAV BREAKDOWN (USD MILLION)



ADJUSTED NAV AND USD/BRL CHANGES (2H 2022 VS 2H 2021)



AIMARA

IRR after-tax since inception to 2022 (local currency): 11.0%

Aimara invested in a joint venture with Klabin in 2008 under the terms of which it has rights to 80% of net distributions from the joint venture. The joint venture was the Company's first greenfield project. The first rotation was harvested in 2015 and 2016. All wood produced by the joint venture is sold to Klabin as part of a long-term off-take agreement.

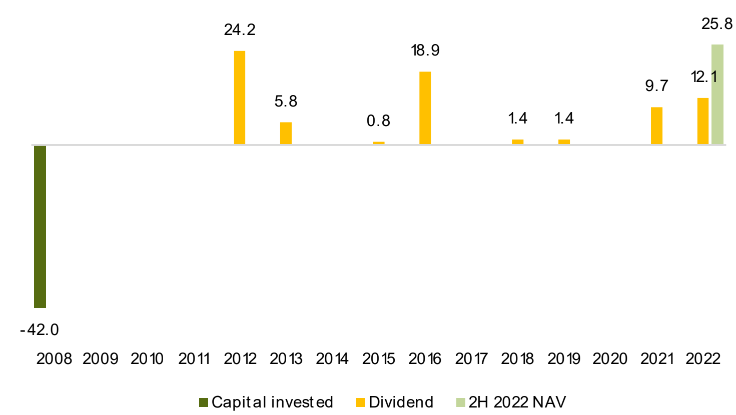
At the end of 2021, The Forest Company sold all eucalyptus standing trees (794,798 m^3) in the Aimara project, in Paraná, to Klabin, as the first step in expanding the long-term partnership

In September 2022 Aimara entered into a new joint venture agreement with Klabin, together with Kaa, contributing its land assets to a new jointly managed forestry project named Cerejeira.

Following the Klabin's transaction the IFRS NAV decreased from USD 6.5 million to USD 1.6 million.

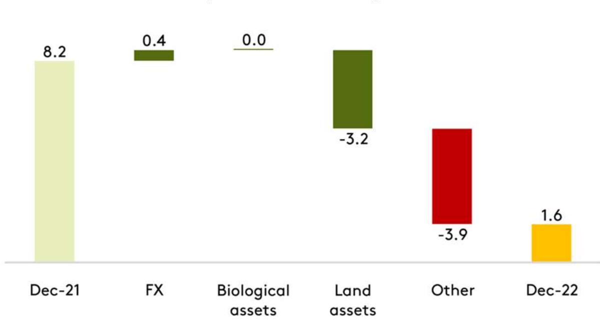
As no adjustment for nominal land lease is required, as the investee does not hold land, the IFRS NAV is equal to the Adjusted NAV.

CAPITAL INVESTED, DIVIDENDS AND 2H 2022 ADJUSTED NAV (BRL MILLION)

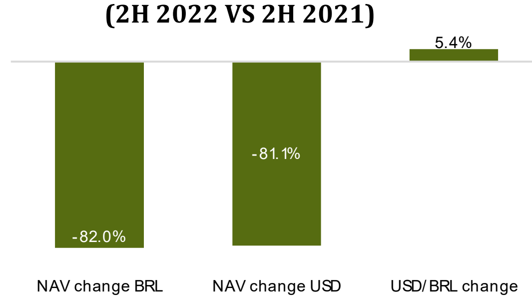


The adjusted NAV as at 31 December 2022 amounts to BRL 25.8 million, out of which BRL 17.6 million corresponds to the Cerejeira shares received following the Klabin transaction. The residual value of BRL 8.2 million (USD 1.6 million) is made up of other assets and liabilities but mainly cash.

ADJUSTED NAV BREAKDOWN* (USD MILLION)



ADJUSTED NAV AND USD/BRL CHANGES (2H 2022 VS 2H 2021)



(*) Excluding Cerejeira shares

KAA

IRR after-tax since inception to 2022 (local currency): 7.6%

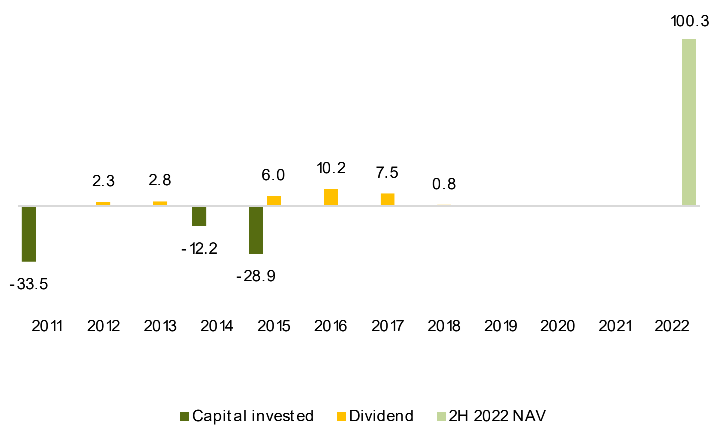
During 1H2022, The Company negotiated with Klabin to add KAA assets in the expansion of the existing joint venture between The Forest Company and Klabin, which previously had included Aimara's assets only. In September 2022 the new joint venture agreement was signed and Kaa's forestry assets (trees and land) were transferred to a new jointly managed forestry project named Cerejeira.

As no adjustment for nominal land lease is required, as the investee does not hold land, the IFRS NAV is equal to the Adjusted NAV.

As of 31 Dec 2022, Kaa's adjusted NAV amounts to BRL 100.3 million out of which BRL 58.0 million corresponds to the Cerejeira shares received following the Klabin transaction. The residual value of BRL 42.3 million (USD 8.0 million)is made up of the residual assets and liabilities, mainly cash.

Following the Klabin's transaction this investee's NAV decreased from USD 25.6 million to USD 8.0 million.

CAPITAL INVESTED, DIVIDENDS AND 2H 2022 ADJUSTED NAV (BRL MILLION)

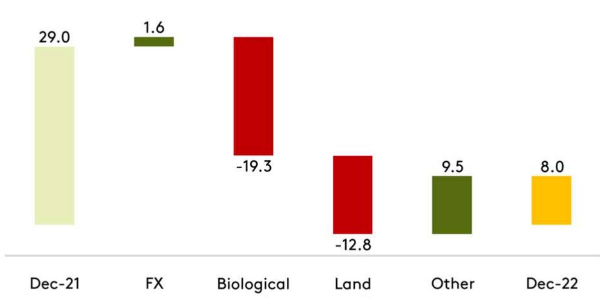


From 2019 to 2022, there was no additional capital invested in this project or any dividends paid out.

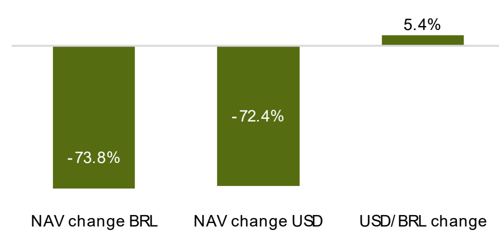
The adjusted NAV value decreased significantly in the year due to the asset's contribution to Cerejeira project.

The biological and land assets decrease is explained by their contribution to the Cerejeira project.

ADJUSTED NAV BREAKDOWN * (USD MILLION)



ADJUSTED NAV AND USD/BRL CHANGES (2H 2022 VS 2H 2021)



(*)Excluding Cerejeira shares

CEREJEIRA

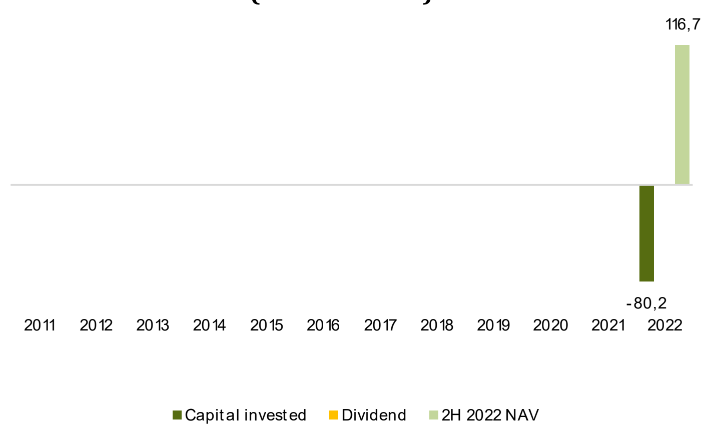
IRR after-tax since inception to 2022 (local currency): n.a.

Cerejeira is the new joint venture in place following the Klabin transaction in which The Forest Company has a 50% stake. This includes the land and biological assets of the Kaa and Aimara's projects that were contributed in exchanged for the shares of the new jointly managed project.

Under this new joint venture agreement, Cerejeira will be managing the pine and eucalyptus plantations whose wood volumes are intended to supply Klabin's pulp operation in the region.

This investee's NAV is presented as an investment for the first time at a fair value of USD 20.9 million (see note 5), most of it made up of Kaa and Aimara's assets that were transferred.

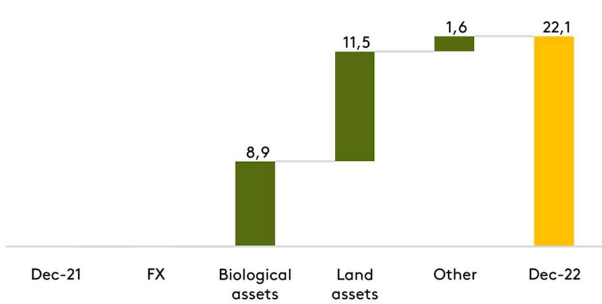
CAPITAL INVESTED, DIVIDENDS AND 2H 2022 ADJUSTED NAV (BRL MILLION)



The adjusted NAV as of 31 December 2022 for the 50% stake is of BRL 116.7 million following the contribution of forest assets and cash (working capital) valued at BRL 80.2 million.

The biological asset value is USD 8.9 million and the land value USD 11.5 million, which represents an overall increase of 23% in the value of these forest assets comparing to 31 December 2021. This is mainly due to land appreciation in the region and increase in the wood average prices.

ADJUSTED NAV BREAKDOWN (USD MILLION)



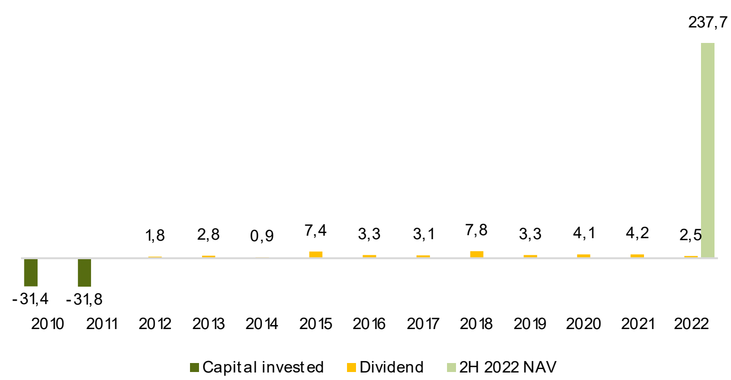
MS TIMBERLAND

IRR after-tax since inception to 2022 (local currency): 15.0%

In 1H 2022, MS Timberland entered into a MOU with Dexco for the development of 6,000 ha of eucalyptus greenfield plantations in Colombia. The plantations will be developed in a region jointly selected by Dexco and MST. MST will own and manage the plantations and sell all the wood generated under a long-term offtake agreement to Dexco. The project, once fully operational, will increase the sale of MST by about 200,000 m3 per year.

The IFRS NAV increased by 9.9% during 2022 to USD 43.5 million.

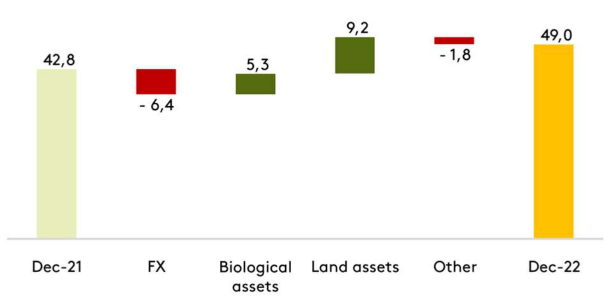
**CAPITAL INVESTED, DIVIDENDS AND 2H 2022 ADJUSTED NAV
(COP BILLION)**



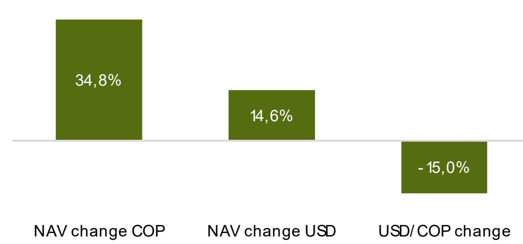
The adjusted NAV value increased by 14.6% during 2022 to USD 49.0 million.

The biological asset value increase by 3.1% in USD during the year and land value increased by 49.9%, despite the significant depreciation of the Colombian peso against the dollar.

**ADJUSTED NAV BREAKDOWN
(USD MILLION)**



**ADJUSTED NAV AND USD/BRL CHANGES
(2H 2022 VS 2H 2021)**

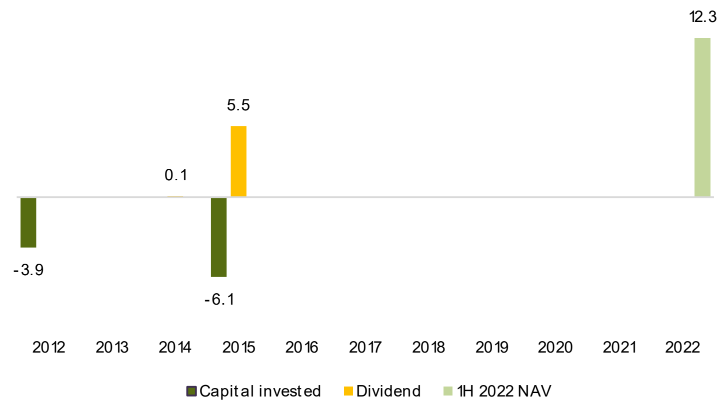


SILVOTECNIA

IRR after-tax since inception to 2022 (local currency): 10.6%

In 2022, Silvotecnia's sales increased by 10.0% to COP 22.3 billion with EBITDA margin rising from 5.3% (2021: 4.8).

CAPITAL INVESTED, DIVIDENDS AND 2H 2022 ADJUSTED NAV (COP BILLION)

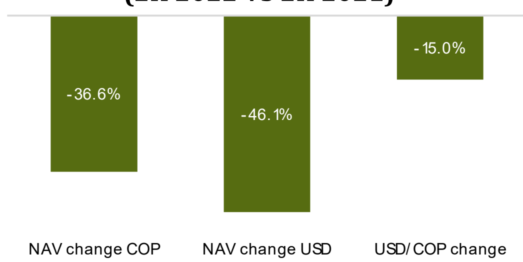


From 2016 to 2022, there was no additional capital invested instead profit has been reinvested into the expansion of the business.

The adjusted NAV value decreased by 46.1% during 2021 to USD 2.5 million driven by the currency depreciation and fair value adjustments. IFRS NAV for Silvotecnia is the same as adjusted NAV.

ADJUSTED NAV BREAKDOWN (USD MILLION)

ADJUSTED NAV AND USD/BRL CHANGES (2H 2022 VS 2H 2021)



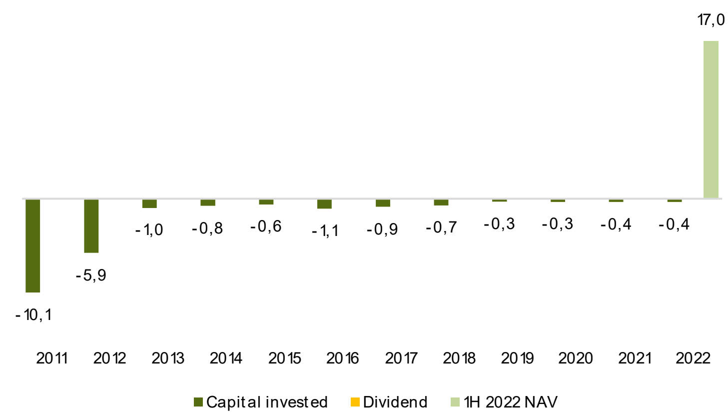
VICHADA

IRR after-tax since inception to 2022 (local currency): 2.0%

The Vichada project is part of a group of properties located in the Vichada department, Colombia. The properties cover an area of 13,576 ha, where The Forest Company is developing an R&D project.

During 2022, the Company is entered into an MoU with a potential buyer of 3 million credits. The sale will finance the development of the project. The development will start in Q3 2022 with the first tree foreseen to be planted in Q2 2023.

CAPITAL INVESTED, DIVIDENDS AND 2H 2022 ADJUSTED NAV (COP BILLION)

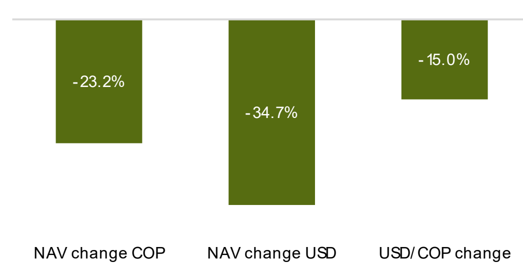


The adjusted NAV value decreased by 34.7% during 2022 to USD 3.5 million mainly driven by the Colombian peso depreciation against the dollar.

The project has not yet started commercial operations and, hence, is valued at cost. IFRS NAV for Vichada is the same as adjusted NAV.

ADJUSTED NAV BREAKDOWN (USD MILLION)

ADJUSTED NAV AND USD/BRL CHANGES (2H 2022 VS 2H 2021)



SALES PERFORMANCE

		2H 2022	2H 2021	%
	Wood sales (m^3)	975,375	1,965,138	-51%
Total for The Forest Company	Charcoal sales (MDC)	175,654	196,992	-11%
	Gross sales (USD)	31,217,688	39,708,501	-21%
	Wood sales (m^3)	224,745	849,794	-74%
Paraná (Pine and Eucalyptus)	Gross sales (BRL)	12,472,496	55,348,313	-77%
	Gross sales (USD)	2,530,241	9,921,364	-74%
	Wood sales (m^3)	655,932	1,016,120	-35%
Minas Gerais (Eucalyptus)	Gross sales (BRL)	38,615,545	53,584,965	-28%
	Gross sales (USD)	7,443,076	9,946,784	-25%
	Charcoal sales (MDC)	175,654	196,992	-11%
Minas Gerais (Charcoal)	Gross sales (BRL)	61,330,247	54,651,902	12%
	Gross sales (USD)	11,921,526	10,181,217	17%
	Wood sales (m^3)	91,699	99,224	-8%
Antioquia (Pine)	Gross sales ('000 COP)	17,267,581	15,827,811	9%
	Gross sales (USD)	4,060,120	4,228,447	-4%
Colombia (Forest Services)	Gross Sales (USD)	5,262,725	5,430,690	-3%

The aggregated revenues totalled USD 31.2 million, a decrease of 21% compared to 2021. Wood sales volume fell by 51%, driven by lower production in Minas Gerais and 2021 one-off sales of Aimara's biological assets to Klabin.

Paraná 2022 sales showing a significant decrease which is explained by the one-off sale to Klabin executed in December 2021, a total of near 800,000 m3 of wood at BRL 53.7 million.

Total charcoal delivered was 11% lower than in 2021, due to operational adjustments in the Company's production units. Total charcoal sales were however 12% higher in BRL and 17% higher in USD, driven by higher charcoal prices, which increased by 26% when compared to average 2021.

Wood sales in Minas Gerais decreased by 35% in BRL owing to lower sales volume resulting from lower consumption by the charcoal units and reduced harvesting volumes of the investees main client.

In Antioquia, 2022 total sales were 8% lower than in 2021 impacted by constrains in the delivery capacity caused by heavy rains in the region which reduced the transportation capacity . However, wood sales in COP increased by 9%, driven by an increase of 18% in wood prices.

Total sales from forest services in Colombia increased by 10% in COP but fell by 3% when measured in dollars due to the depreciation of the local currency.

CASH FLOW

Cash flow statement (USD '000)	2H 2022	1H 2022	2021
Net cash flow received from investees	5,383	4,132	6,678
Cash paid to suppliers	-4,674	-2,296	-5,604
Capital invested	-111	-39	-100
Net cash flow from operating activities	**598**	**1,797**	**974**
Net cash flow from investing activities	**2,856**		**-**
Net cash flow from financing activities	**-1,050**	**185**	**-998**
Net increase (decrease) in cash held	2,404	1,982	-24
Cash at beginning of period	22	22	46
Cash equivalents at end of period	2,426	2,004	22

CASH FLOW FROM OPERATIONS

The cash flow from operating activities was USD 0.5 million (2021: USD 1.0 million) with net cash flow received from investees decreasing by 19.4%.

CASH FLOW FROM INVESTING ACTIVITIES

In 2022 the Minas Gerais investee paid up USD 2,8 million by means of a capital reduction

CASH FLOW FROM FINANCING ACTIVITIES

The cash flow from financing activities was USD 1.1 million (2021: -USD 1.0 million) mainly explained by interest paid on the MetLife term loan.

The total debt outstanding on the MetLife loan amounts to USD 11.6 million as of 31 December 2022.

CASH FLOW FROM PROJECTS

Cash flow statement (USD '000)	AB Florestal	Aimara	Kaa	Cerejeira	MST	BioCarbono	Silvotecnia	Vichada	Total for projects
Net cash flow from operating activities	7,732	-1,188	9,444	-39	1,281	1,242	-61	-90	17,961
Net cash flow from investing activities	-1,929	-3	-83	-45	-854	-62	-364	-	-3,339
Net cash flow from financing activities	-2,571	908	-1,965	3,398	120	-280	445	85	80
Net cash flow before dividends	2,872	-282	7,396	3,254	547	900	20	-6	14,701
Dividends paid to TopCo	-3,295	-3,797	-	-	-621	-	-4	-	-7,716
Non-controlling interests	-	-	-	-	-69	-	-	-	-69
Net change in cash held	-423	-4,079	7,396	3,254	-143	900	17	-6	6,917
Cash at beginning of period	481	5,503	3	-	281	299	4	11	6,583
Effects of changes in FX	60	480	243	74	-9	-10	-18	-1	819
Cash at end of period	118	1,904	7,642	3,327	129	1,188	3	5	14,317

CASH FLOW FROM PROJECTS PER COUNTRY AND AGGREGATED

Cash flow statement (USD '000)	Brazil	Colombia	Guernsey (TopCo)	Aggregated
Net cash flow from operating activities	16,831	1,130	598	18,559
Net cash flow from investing activities	-2,122	-1,218	2,856	483
Net cash flow from financing activities	-570	650	-1,050	-970
Net cash flow before dividends	14,140	562	2,404	17,105
Dividends paid	-7,092	-625	-	-7,717
Non-controlling interests	-	-69	-	-69
Net increase (decrease) in cash held	7,048	-132	2,404	9,320
Cash at beginning of period	6,286	297	22	6,605
Effects of changes in FX	846	-27	-	819
Cash equivalents at end of period	14,180	137	2,426	16,743

REAL, POST-TAX WACC

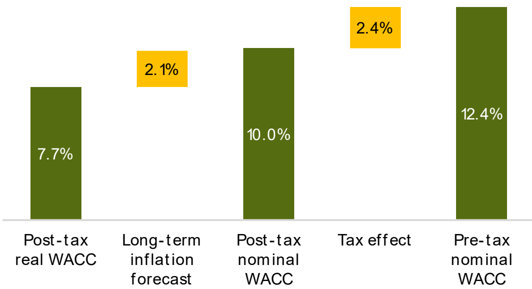
WACC assumptions for Biological Assets	2H 2022[1]	2021
Brazilian Projects		
WACC real post-tax	7.7%	5.4%
Inputs		
Risk-free rate	6.7%	5.2%
Beta	0.56	0.65
Market risk premium	5.9%	4.4%
USD inflation	2.1%	2.5%
Colombian Projects		
WACC real post-tax	9.4%	5.9%
Inputs		
Risk-free rate	9.1%	5.2%
Beta	0.56	0.65
Market risk premium	5.9%	4.4%
USD inflation	2.1%	2.5%

[1] Source: Risk-free rate (local government bond issued in USD), Beta (independent valuer's estimate), Market risk premium (Damodaran, KPMG analysis), Inflation (The Economist)

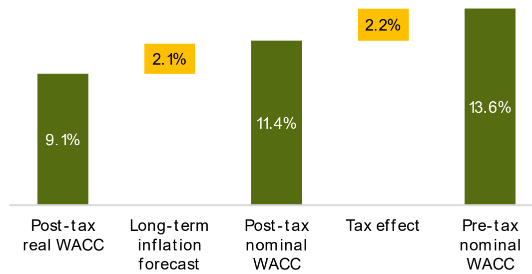
Real WACC post-tax for Brazilian forestry assets in 2H 2022 was 7.7% vs 5.4% in 2H 2021, and for Colombian assets 9.4% in 2H 2022 compared to 5.9% in 2H 2021. The main reason for higher discount rates is an increase in the yield of local government bonds issued in USD. Higher market risk premium and lower inflation forecasts have also contributed to higher discount rates.

Taking into account the long-term inflation forecast and the Brazilian tax regime, the valuation of The Forest Company's forest projects in Brazil is currently based on a USD nominal pre-tax discount rate of 12.4%. InColombia, the valuation of our forest projects is based on a USD nominal pre-tax discount rate of 13.6%.

BRAZIL: WACC REAL POST-TAX AND NOMINAL PRE-TAX IN USD



COLOMBIA: WACC REAL POST-TAX AND NOMINAL PRE-TAX IN USD

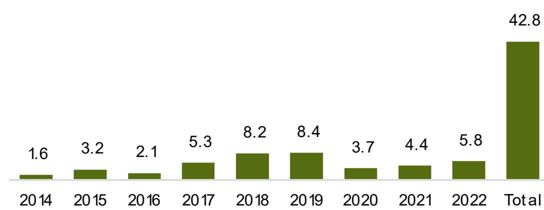


With regard to the fair valuation of the charcoal kilns a WACC real post tax of 10.5% was applied (2021: 13.5%) and for the Silvotecnia enterprise value assessment a WACC real post tax of 10.5% was applied 11.5% (2021: 9%).

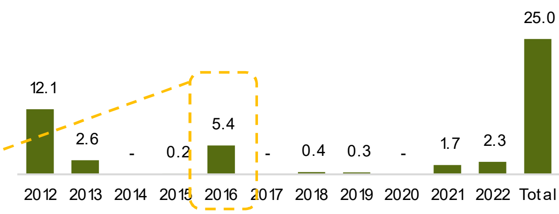
BRAZIL: DIVIDENDS PAID BY THE PROJECTS

In 2022, Brazilian projects generated a dividend yield of 3.5% on accumulated invested capital, in USD.

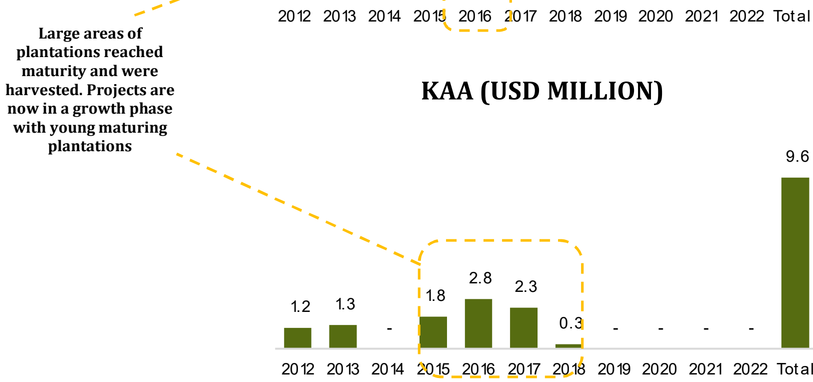
AB FLORESTAL (USD MILLION)



AIMARA (USD MILLION)



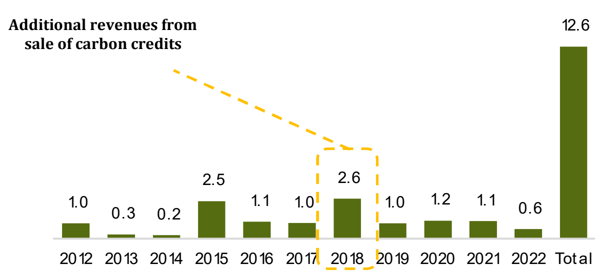
KAA (USD MILLION)



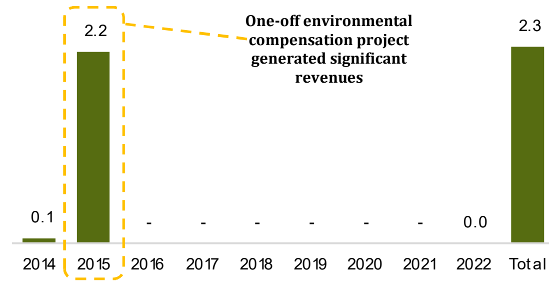
COLOMBIA: DIVIDENDS PAID BY THE PROJECTS

Colombian projects generated a dividend yield of 1.2% during 2022 on accumulated invested capital, in USD.

MS TIMBERLAND (USD MILLION)



SILVOTECNIA (USD MILLION)



IMPACT

THE FOREST COMPANY'S IMPACT STRATEGY

The Forest Company invests in sustainable, high-growth forest plantations, building a portfolio that combines income yield with capital appreciation. Through our investments, we make a positive impact on the local regions where we operate. Our impact is linked to the UN SDGs (a collection of 17 global goals designed by the UN to be a blueprint for achieving a better and more sustainable future), and measurements and monitoring are integrated into our day-to-day operations.

2H 2022 HIGHLIGHTS

The period for achievement of the company's first set of targets,from 2018 to 2022 has come to an end. Despite the challenges posed by the COVID-19 pandemic, the company has achieved most of its goals, except for empowering local communities that were affected by mobility restrictions during the period.

Regarding sustainable forestry practices, since 2011, our forest plantations and value chain have been certified by the Forest Stewardship Council (FSC). As of the second half of 2022, all our assets in Brazil and Colombia have been recertified. Additionally, the company has made efforts to raise awareness about biodiversity by investing in creative communication methods such as booklets, newspapers, lectures, and training.

Although we were unable to achieve our goal of empowering local communities, we continued to make progress in this area. In Colombia, we sustained our handicraft teaching program with 47 women, while in Brazil, we were able to make a positive impact on 12 residents through a home garden workshop aimed at improving their agricultural techniques and expanding their gardens.

To improve waste management, one of our assets has taken an important step by joining an organic waste collection program. The collected waste is sent for composting and used to supplement the nutrition of a family garden that provides sustenance for eight people.

The company has made significant efforts to prevent the deforestation of 51,000 hectares of forest by substituting illegally logged wood with sustainably sourced wood from managed forest plantations.

Impact theme	Impact goal	Target 2022	Actual 2022	2022 goal achievement
Protecting forests & biodiversity	**Natural forest:** Increase the area of natural forest under The Forest Company's protection to 22,400 ha by 2022	Total protected area 22,400 ha	Total protected area 24,891 ha	111%
	Biodiversity: Assess biodiversity, evaluate the status of endangered species in our areas of operations and raise awareness of 2,500 stakeholders about the fragility and relevance of those species in the region by 2022	Raise awareness of 500 stakeholders	Raised awareness of 7,192 stakeholders	288%
Promoting decent work for all	**Employee training:** 100% of employees will receive training every year by 2022	Percentage of employees receiving training Women: 100% Men: 100%	Percentage of employees that received training Women: 100% Men: 100%	100%
	Employee well-being: The well-being of our employees will be assessed and, where necessary, corrective measures must be taken by 2022	Promote employees' well-being by addressing five key-dimensions: our health, our team, our job, our development and our company	All employees participated in training or a programme related to well-being	100%
Empowering local communities	**Community income:** Support 1,500 people from the regions of operations to learn a skill that will help improve their income by 2022	Total people supported: 1,500	Total people supported: 1,222	81%
	Childhood and teenage education: Provide education to 5,000 children and teenagers, with a focus on environmental issues and cultural engagement, by 2022	Total children supported: 5,000	Total children supported: 4,501	90%
Improving waste management	**Waste management:** Provide education and training on waste management to 3,000 people from the rural communities by 2022	Total people supported: 3,000	Total people supported: 8,605	269%
	Waste management initiatives: Support 1,000 local people with initiatives for proper waste management and recycling by 2022	Total people supported: 1,000	Total people supported: 1,083	108%
Working for a better climate	**Carbon sequestration:** Sequester 7.8 million tCO_2e through The Forest Company's forest plantations by 2022	7.8 million tCO_2e	7.8 million tCO_2e	100%
	Avoiding forest degradation: Avoid forest degradation of 195,000 ha of natural tropical forests by supplying timber from sustainably managed forest plantations by 2022	Avoid deforestation of 195,000 ha	Avoided deforestation of 300,003 ha	154%

We are very proud of the goals we have achieved over the past five years. It was a very enriching journey as we could see how far we could go while gaining experience through the mistakes and difficulties we faced along the way. We were aware of the differences between our assets, and we have worked to have the most significant impacts accordingly in each context. Now, it is time to make new commitments that will further strengthen our sustainable path.

We have identified themes that are highly important to both The Forest Company and our stakeholders and have established six new impact goals to focus on from 2023 to 2027.

1. **Supporting gender equality -** we want to strengthen policies that support the female workforce and inclusion in our operations and regions of influence. We are aiming to support 50 women from the regions of operation to learn a skill that will help them in the labour market and ensure equal employment opportunities for men and women in administrative positions;
2. **Promoting responsible water practices -** forests play a critical role in the functioning of the water cycle. It is our responsibility as a forestry company to protect water bodies and increase awareness of their importance for forest health and human lives. Our goal will be to support and strengthen the participation of 100% of communities in our operations to protect water resources and guarantee that 100% of water bodies in areas of operation are protected by stream-side management areas in order to reduce risk of erosion or water pollution;
3. **Developing our Employees –** we believe in continuous improvement of our employees' safety, health, and well-being for a sustainable business. We want to develop not only a culture of security but promote economic, social, and human development in the company from a vision oriented to the principles of human rights. By 2027 we aim to have reduced the turnover rate of workers as well as accident rates compared with 2022 numbers;
4. **Ensuring responsible consumption and proper waste management -** consumption habits lead directly to the creation of environmental pressures. Our responsibility as a company is to continuously seek more production efficiency throughout our supply chain, promoting sustainable consumption and minimizing waste production. As such we will be focused on supporting 100% of the influenced communities with initiatives for responsible consumption and proper waste management and recycling, and to reducing resources consumption per activity in the operation while maintaining desirable production levels;
5. **Mitigating climate change -** as forests play a pivotal role in combating climate change, we are investing in the reforestation of degraded land, increasing carbon sequestration beyond our commercial plantations. Our goal in the forthcoming years is to support and invest in reforestation, afforestation, or land restoration of 20,000 hectares; and,
6. **Conserving biodiversity and managing forest health -** we believe that it is our role as a forestry company to implement sustainable management practices that promote biodiversity conservation and ensure the maintenance of healthy forests. As such, we will work towards increasing awareness of the importance of the conservation of natural areas and biodiversity for 100% of the communities in the areas of influence and groups of interests. We will also improve biodiversity monitoring measurements.

MACRO PERSPECTIVE

BRAZIL

Macro indicators	2016	2017	2018	2019	2020	2021	2022F[1]
GDP growth (%)	-3.3	1.3	1.8	1.2	-3.9	4.6	2.8
USD/BRL	3.3	3.3	3.9	4.0	5.2	5.6	5.3
Inflation (%)	6.3	2.9	3.7	4.3	4.5	10.1	5.8
Interest rate (%)	13.8	7.0	6.5	4.5	2.0	9.3	13.8

[1] Source: Itaú BBA as of February 2023

MACROECONOMIC AND POLITICAL OUTLOOK

A contracting economy during Q4 2022 resulted in a lower performance than expected in the year with GDP growth of 2.8%, significantly below 2021. However, the risk of a significant expansion of public spending following the transition constitutional amendment (PEC) is raising concerns of another cycle of lower growth, high inflation and high interest rates for 2023. Economic growth is expected to decelerate during 2023 but it will depend on the corrective actions put in place to avoid the increase of public debt.

The labour market is showing signs of decelerations with job creation in the private sector slowing down and hence increasing the expected unemployment rate to 8.2% in 2022 and likely higher next year.

At its meeting in December, the central bank's Monetary Policy Committee (Copom) decided to keep the Selic rate unchanged, at 13.75%p.a., highlighting an increased fiscal risk and uncertainty which will require cautious assessment of future steps, therefore reducing the likelihood of interest rate cuts in the short run. If the deterioration of inflation expectations continues, there is even risk of a new increase in interest rates.

During 2022, the BRL appreciated by about 5.4% against the USD.

COLOMBIA

Macro indicators	2016	2017	2018	2019	2020	2021	2022F[1]
GDP (%)	2.1	1.4	2.6	3.3	-6.8	10.7	8.0
USD/COP	3,002	2,932	3,254	3,287	3,428	4,070	4,850
Inflation (%)	5.8	4.1	3.2	3.8	1.6	5.6	13.1
Interest rate (%)	7.5	4.8	4.3	4.3	1.8	3.0	12.0

[1] Source: Itaú BBA as of February 2023

MACROECONOMIC AND POLITICAL OUTLOOK

In June 2022, Gustavo Petro, the former mayor of Bogota and an ex-rebel fighter, became Colombia's first left-wing president. Gustavo Petro seeks a tax reform to significantly raise fiscal revenue, revise the pension system and transform the energy matrix.

The outgoing Duque's administration leaves an improved fiscal outlook, with stronger economic growth and greater oil revenues leading to a lower fiscal deficit in 2022. Fitch maintained the long-term foreign-currency debt rating at 'BB+' (non-investment grade) with a stable outlook. The stabilization of the debt path or external imbalances are key.

During 2022, the Colombian Central Bank increased the benchmark interest rate by 900 bps to 12.0%. The continuation of the inflationary pressures and large twin deficits, triggered another increase in its January 27th meeting, by 75 bps to 12.75%. This follows the inflation increase above 13% in December, the highest since March of 1999. Policymakers believe that following this monetary policy should lead to a reduction of inflation towards the 3% target in the medium term. Fuel prices pressures may still lead to another adjustment of the benchmark interest rate during Q1 2023 (estimated increase to 13.25%). With this, it is likely that the rate increase cycle will have ended and that the rate should remain at its current level for some time, high enough to moderate inflation over the policy horizon and converge to the inflation target around 2024.

The COP depreciated by about 15% against the USD in 2022.

OUTLOOK

During 2022 The Forest Company and its investees generated an operating cash flow of USD 18.6 million, invested USD 3.3 million in planting and maintenance and ended the period with a cash balance of USD 16.7 million.

Interest rates increased significantly during the year which increased the discount rate, used when valuing the company's asset, by 230 bps for Brazil and 350 bps for Colombia. Despite the increase in discount rate, the Company's Adjusted NAV increased slightly by 2.6%,mainly due to significant increase in sales prices for the Company's products.

During the year the team continued to work to implement our strategy to increase shareholder value. A key element of the strategy is to expand and develop The Forest Company's strategic relationship with leading forest industry companies in Brazil and Colombia such as Klabin and Dexco. Strong relationship and commercial agreements enhance the quality of the Company's future cash flows and underpins dividends to the shareholders. The relationships that are formalised through the JV with Klabin and MOU and offtake agreement with Dexco provides a solid base for future growth for The Forest Company.

During 2023 the company will finalise the de-leveraging process that we have gone through during recentyears with the final principal repayment to Metlife. As we conclude this process the Company should again be able to start paying dividend to its shareholders, in accordance with the long-term strategy of the Company to provide income yield combined with capital appreciation and positive social and environmental impact in the regions where we operate.

Johan Larsson
CEO
Timber Capital Limited
Date: 11 May 2023

THE FOREST COMPANY LIMITED

INVESTMENT POLICY

INVESTMENT OBJECTIVE

The Company's objective is to provide shareholders with low-risk, high-quality, real long-term returns in the form of cash distributions and growth in net asset value through sustainable investments in forest assets. These investments include investments in biological assets, timberland-related assets and associated rural real estate activities.

INVESTMENT POLICY

The Directors have adopted the following investment policy to govern the investments made by the Company.

Certification — The Company fully intends for each of its forestry operations to be certified by the FSC, or, when relevant, another equally reputable forest management certification scheme. The Company will do this by implementing due diligence processes and requiring a forest audit based on international and regional standards to ensure that all assets acquired by the Company will be eligible to receive appropriate certification.

Minimum Investment Size — Each project should be substantial enough to require a capital commitment of at least USD 5 million from the Company in order to ensure cost-efficient management of investments.

Maximum Investment Size — The Company will seek to maintain a suitably diversified portfolio of investments in order to manage the Company's economic exposure to any counterparty, single project or separate legal entity.

Duration of Investment — The duration of investments will vary according to end markets, species and local requirements. The Company will aim, when possible and appropriate, to structure investments over periods in excess of 15 years. It is unlikely that the Company will seek early exits except for opportunistic reasons, portfolio rebalancing transactions or, if required, changes in regulatory conditions.

Target Returns — The Company will not seek to invest in a project unless the investment manager believes that the project has the possibility to generate a minimum real IRR of 8% per annum over the duration of the investment (on an unleveraged basis).

Diversification of End Markets — The Company will seek to invest in projects that serve different end markets and different value chains in order to reduce the Company's overall sensitivity to developments in the different value chains that consume wood produced by the Company.

Species Diversification — There are no set species diversification limits, but the Company aims to diversify its investments in different species in order to reduce its exposure to extreme weather, species-specific diseases and price movements in specific end markets.

Geographical Diversification — There are no set geographical diversification restrictions, but the Company will consider the benefits of geographical diversification in relation to its investments and management of its regulatory risk, currency risk, political risk, environmental policy risk and risk from adverse natural events.

Age Class Diversification — There are no set age class diversification limits, but the Company will seek to invest in projects with different levels of maturity and times to harvest in order to create early and smooth cash flows.

Investment Structure — Investments in forest assets will, where possible, be conducted through special purpose vehicles ("SPVs") via a structure of subsidiaries set up for each project. The Company intends to enter into agreements in which it either holds a controlling stake in the investment vehicle or in which it has a minority stake but has secured satisfactory protections for its stake. The Company may invest in partnership with a major wood-consuming industrial company, in partnership with an existing landowner or independently. The Company intends, when suitable, to enter into long-term wood sale agreements with leading companies as partners. However, long-term wood sale agreements will only represent a part of overall sales.

Borrowings — The Company may not incur debt at the company level without Board approval. The Company may, however, use overdraft and short-term borrowing facilities to satisfy short-term working capital needs, and the Board has approved entry into a short-term working capital facility. The Company may incur debt at the project level to the extent that the investment manager determines that a leveraged investment is in the best interests of the Company. However, the Board of the Company must approve drawdown of any debt financing at the project level that will result in total group leverage [debt/(debt + adjusted net asset value)] exceeding 20% at the time of such drawdown.

Hedging Policy — The Company will keep the majority of its cash in USD. When the Company has anticipated expenses or capital outlays denominated in a currency other than USD, the Company may enter into a foreign currency hedge to manage exposure to the currency of the outlay. The Company does not currently envisage using other types of futures contracts aside from currency hedges.

Investment Period and Realisation Period — During the period until 31 December 2027, the Company and investment manager will invest and reinvest the assets of the Company in accordance with the investment policy outlined above.

Beginning on 31 December 2027, the Company shall cease to make new investments, and the investment manager will be instructed to dispose of the Company's assets in an orderly realisation process over a period of two years (subject to a 12-month extension at the absolute discretion of the Board) and to distribute available distributable proceeds.

The precise mechanism for any return of cash to shareholders will depend upon the relevant factors at the time and will be at the discretion of the Board, but it may include a combination of capital distributions, share repurchases and redemptions. The amount and frequency of such distributions will be at the Company's absolute discretion.

APPLICATION OF THE INVESTMENT POLICY

The Company has outsourced investment management functions to TCL. Under the terms of the Investment Management Agreement, TCL must manage the assets of the Company in accordance with the above investment policy. Investment decisions are presented to and approved by the Investment Committee of TCL.

Should a proposed investment be equal to or exceed 40% of the Company's adjusted NAV (as calculated from time to time) at the time of investment, the Investment Committee of the Company will be required to give final approval for the investment, which involves reviewing the proposed investment and taking into account the commercial terms and attractiveness of the investment for the Company in light of the Company's investment policy.

THE FOREST COMPANY LIMITED
DIRECTORS' REPORT

Below, the Directors present their report and audited financial statements for the financial year ended 31 December 2022.

Incorporation and status

The Forest Company Limited is a Guernsey incorporated company with the registered number 47338. The Company, which is governed by the law, is limited by shares and is a Guernsey registered closed-ended collective investment scheme governed by the Registered Collective Investment Scheme Rules 2018 published by the Guernsey Financial Services Commission.

Principal activities

The Company was established to provide shareholders with both income and capital growth, combined with a relatively low-risk profile, through equity investments in companies (with a primary focus on Latin America) operating in the forestry sector and an asset base comprising new plantations, trees, timberland, timber-related assets and associated rural real estate activities across the world. So far, the Company holds investments in Brazil and Colombia.

Investment entity classification

Since the Company meets the definition of an investment entity, it has adopted the amendments to IFRS 10 – Consolidated Financial Statements and, therefore, does not consolidate its subsidiaries. Instead, those investments in subsidiaries are measured as financial assets at fair value through profit or loss in accordance with IFRS 9. Projects will be managed taking into consideration the Company's divestment phase starting at the end of 2027.

Review of the Company's activities

A review of the business as well as potential future developments is contained in the Chairman's Statement and the Investment Manager's Report. The Directors are satisfied with the performance of the investment manager during the financial year.

Results and dividend

The results for the financial year are set out in the statement of comprehensive income on pp. 46-47.

No dividend was paid during 2022 or the previous financial year.

The investment objective of the entity is to seek long-term capital appreciation combined with income yield and positive social and environmental impact, and pursuant to its dividend policy, the Company aims to pay an aggregate annual dividend of 3–5% of the adjusted NAV at the previous year end. The decision made by the Board of the Company regarding the dividend to be paid will be made with a view to optimising long-term total returns to shareholders, and will take into account harvestable wood volume, economic conditions in the markets in which the Company operates and the potential for redeploying available resources to generate attractive returns.

Going concern

Exchange rate and increase in interest rates are the main driver for volatility. During 2022, the BRL appreciated by 5.4% and the COP depreciated by 15%. This together with increasing interest rates has put pressure on the Company's treasury. The Directors and Investment Manager have reviewed detailed cashflow forecasts for each investee and assessed these forecasts with various stressed scenarios to conclude if the operating cash flow performance of the investees produces enough investment income to the Company; enabling it to meet its financial obligations during the forecasted period when they fall due. The refinancing of the MetLife loan is one of the key assumptions in the projections.

The Company currently has a healthy cash position. Even so, the Investment Manager is continuously exploring opportunities to increase cash flow generation in order to improve cash balances and provide funds for new investment or and dividend to shareholders. The materialisation of opportunities provides an upside for the Company and a cushion in case of negative developments in relation to cash flow generation. Potential negative effects are identified and regularly assessed in the Company's risk register.

Going concern (continued)

The Company has proven already the ability to mitigate the impact of negative effects that have arisen during the last 2 years. The Board is confident that the Company will have adequate resources to continue as a going concern for a period of at least 12 months from the date of signing these financial statements. The Company, therefore, continues to adopt the going concern basis for preparation of these financial statements but notes that there is a material uncertainty, which is disclosed in more detail in Note 2(a).

Statement of Directors' responsibilities in regard to the financial statements

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

The 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 the IFRS standards. Additionally, under the law, the Directors must not approve financial statements unless they are satisfied that they provide a true and fair view of the Company's state of affairs and profit or loss for that year. When preparing these financial statements, International Accounting Standard 1 requires that Directors:

- Select suitable accounting policies and then apply them consistently;
- Present information, including accounting policies, in a manner that ensures the information is relevant, reliable, comparable and understandable;
- Provide additional disclosures when compliance with specific requirements of IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions regarding the entity's financial position and financial performance; and
- Assess the Company's ability to continue as a going concern.

The Directors are responsible for keeping proper accounting records that sufficiently show and explain the Company's transactions and disclose the financial position of the Company at any time with reasonable accuracy and that enable them to ensure that the financial statements comply with the law. They are also responsible for safeguarding the assets of the Company and, hence, for taking reasonable steps to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to the auditor

The Directors confirm that they have complied with the above requirements when preparing the financial statements. They each also confirm that, as far as they are aware, there is no relevant audit information of which the Company's auditor is unaware and they have each taken all the steps they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given, and should be interpreted, in accordance with the provisions of Section 249 of the Law.

Subsequent events

Subsequent events are discussed in Note 19 to the financial statements.

Anti-bribery and anti-money laundering disclosures

The Directors have undertaken to operate the business in an honest and ethical manner and accordingly adopt a zero-tolerance approach to bribery and corruption. The key components of this approach are as follow:

- The Board is committed to acting professionally, fairly and with integrity in all its business dealings and relationships.
- The Company's approach applies wherever the Company operates throughout the world, and the Company will uphold all laws related to countering bribery and corruption in the relevant jurisdictions.
- The Company will implement and enforce effective procedures to counter bribery.
- The Company requires all its service providers, joint venture operations and business partners to adopt equivalent or similar principles and performs ongoing assessment of bribery risks throughout its business. It also seeks to ensure that such policies, operated by relevant service providers, meet best practice standards.

It is the policy of the Company and the investment manager that neither the Company nor any subsidiaries, employees or Directors commit or engage in any prohibited investments, corrupt practices, or money laundering with respect to any transaction or business.

Directors and Directors' interests

The Directors of the Company who served during the financial year 2022 and as of 31 December 2022 are shown on p. 3. Directors' interests and the biographies of the Directors who hold office on the date of signing for these financial statements are shown on p. 39 and p.40. Given the small size of the Board and the fact that all the Directors are independent and non-executive, it is considered unnecessary to appoint a senior independent director.

The Board has considered the need for a policy regarding tenure of office. However, the Board believes that any decisions regarding tenure should aim to balance between the need for continuity of knowledge and experience and the need to periodically refresh the Board's composition in terms of skills, age and length of service. The Board reviews the appointment of the Directors annually.

Independent auditor

BDO LLP have agreed to offer themselves for re-appointment as auditor of the Company, and resolutions proposing their re-appointment and authorisation of the Directors to determine their remuneration will be presented at the AGM.

Annual general meeting

An announcement regarding the annual general meeting will be made in due course.

On behalf of the Board,

Howard Myles FCA
Director
Date: 11 May 2023

Audit committee

The audit committee comprises Howard Myles (Chairman), Rainer Häggblom and Jukka Reijonen.

Howard Myles, Chairman of the Committee, is the designated financial expert. He is a Fellow of the Institute of Chartered Accountants in England and Wales.

See p. 39 and p.40 for biographical details of the Directors, including the current audit committee members.

Roles and responsibilities

The committee has written terms of reference, which are reviewed annually.

The main duties of the audit committee are:

- Monitoring the integrity of the Company's financial statements and any formal announcements relating to the Company's financial performance as well as reviewing significant financial reporting judgements contained therein;
- Reviewing the Company's quarterly accounts, cash flow forecasts and relevant sensitivities to those forecasts;
- Reviewing the Company's internal financial controls and, unless expressly addressed by the Board itself, the Company's internal control and risk management systems and mandatory effectiveness review;
- Making recommendations to the Board for resolutions to be put to shareholders for their approval in a general meeting, upon the appointment of the external auditor and approval of the remuneration and terms of engagement of the external auditor;
- Reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the auditor and audit process, taking into consideration relevant professional and regulatory requirements; and
- Developing and implementing a policy regarding the engagement of the external auditor in supplying non-audit services, taking into account relevant guidance regarding the provision of non-audit services by the external audit firm.

The audit committee is required to report its findings to the Board, identify any matters for which it believes that action or improvement are needed and make recommendations regarding the steps to be taken.

Audit committee agenda

The audit committee met on six occasions during the year, and the chief financial officer of the investment manager attended each meeting either in person or by telephone. The auditor and independent valuer were invited by the audit committee to attend meetings when appropriate.

At each meeting, the committee considered the relevant quarterly, interim or annual reports of the Company's financial results, forecast cash flows and risk management issues.

External audit

The audit committee has had regular contact with the investment manager and the auditor during the year-end audit process.

In addition, the audit committee has the opportunity, if it is deemed necessary, to hold a private session with the audit partner twice a year without the presence of representatives of the investment manager. Furthermore, the chairman of the audit committee meets with the audit partner or discusses matters on the telephone from time to time in order to provide opportunities for transparent communication and enable discussion about any concerns that either party may have about the audit process or matters impacting the Company.

Independent valuer

KPMG Corporate Finance Ltda.is the independent valuer appointed to value all the investees' forestry assets, as well as charcoal assets and the enterprise value of Silvotecnia.

Internal audit

At least once a year, the audit committee considers whether there is a need for an internal audit function. Currently, the audit committee does not consider there to be a need for an internal audit function, given that the Company outsources all management and administrative functions to managers and administrators, who have their own internal controls and procedures.

On behalf of the audit committee,

Howard Myles FCA
Chairman of the audit committee
Date: 11 May 2023

THE FOREST COMPANY LIMITED

DIRECTORS

Rainer Häggblom
Independent Non-Executive Chairman
Age: 66

Appointed: August 2008

Experience:
Rainer Häggblom has participated in strategy and investment planning as well as mergers and acquisitions assignments in more than 50 countries for a wide variety of companies. He is a director of United Bankers Oyj, Empower Oyj and Häggblom & Partners Ltd Oy. Formerly, he was chairman and CEO of Jaakko Pöyry Consulting Oy (later named Pöyry Forest Industry Consulting Oy), which he left in 2008 to establish his own independent advisory company, Häggblom & Partners. Mr Häggblom graduated from the University of Helsinki and Aalto University and has participated in management training at INSEAD, Harvard and the Helsinki School of Business Administration. He has chaired several international forestry, pulp and paper and business management conferences and has published numerous articles on issues related to forestry and the forest industry.

Last re-elected to the Board: August 2018
Committee membership:
Audit Committee

Shareholding in Company:
83,459

Howard Myles
Independent Non-Executive Director
Age: 73

Appointed: October 2016

Experience:
Howard Myles was a partner at Ernst & Young from 2001 to 2007 where he was responsible for the Investment Funds Corporate Advisory team, and was previously with UBS Warburg from 1987 to 2001. Mr Myles began his career in stockbroking in 1971 as an equity salesman. In 1975, he joined Touche Ross & Co, where he qualified as a chartered accountant. In 1978, he joined W. Greenwell and Co. on the corporate broking team, and, in 1987 moved to SG Warburg Securities. There he was involved in a wide range of commercial and industrial transactions in addition to leading Warburg's corporate finance function for investment funds. He is a fellow of the Institute of Chartered Accountants in England and Wales and of the Chartered Securities Institute. Currently, he is a non-executive director of Baker Steel Resources Trust Limited, Chelverton UK Dividend Trust PLC, Aberdeen Latin American Income Fund Limited and BBGI Global Infrastructure S.A.

Last re-elected to the Board: n/a

Committee membership:
Audit Committee (Chairman)

Shareholding in Company:
Nil

Field Griffith
Independent Non-Executive Director
Age: 69

Appointed: March 2017

Experience:
Field Griffith has been an institutional investor and director for the past 38 years, investing across a broad range of real asset categories. He was the Director of Real Assets Investments for the Virginia Retirement System from 2004-2016 where he was responsible for managing the System's global timberland, real estate, infrastructure and natural resource portfolios. Mr. Griffith was also a member of the management committee of the Virginia Retirement System. His prior employment included investment and portfolio management responsibilities for Gemini Rosemont Commercial Real Estate, UNUM Life Insurance Company and Phoenix Life Insurance Company. Mr. Griffith is a Chartered Financial Analyst and received a B.A. from Beloit College and an M.B.A. from the University of Washington. From 2007 to 2013, he served as a board member of the Pension Real Estate Association and from 2017 to 2021; he also served on the Board of Tedford Housing, Inc., a non-profit entity. From 2016 to present, Mr. Griffith has been an Independent Director on the Board of Blackstone Real Estate Income Trust where he serves as Chairman of the Compensation Committee.
Beginning in 2018, Mr. Griffith is also serving as a non-executive Board Director of Morgan Stanley's Prime Property Fund, LLC.

Last re-elected to the Board: n/a

Shareholding in Company:
28,996

THE FOREST COMPANY LIMITED

DIRECTORS (CONTINUED)

Jukka Reijoinen
Independent Non-Executive Director

Age: 59

Appointed: September 2019

Experience:
Jukka Reijonen is the Head of Private Equity, Debt and Infrastructure at IImarinen, with over 30 years of investment and finance industry experience. He was a director of Etera Real Investments from 2014 to 2018, where he was responsible for managing real assets, including real estate, loans, infrastructure, forecasts and other tangible assets. He has also worked for Royal Bank of Scotland, Kaupthing Bank, Municipality Finance plc and Postipannki Asset Management, where he served as senior executive management. Mr Jukka holds an MSc. (Technology) in Industrial Engineering and a Master's in Business Leadership. He has served as a board member at the following companies: Keliber OY, Fingrid Oy, Finsilva Oy, Metsämassi Oy, Tieyhtio Valtatie 7, Valtatie 7 Holding, Navidom Oy and Tornator Oyi.

Last re-elected to the Board: n/a

Committee membership:
Audit Committee

Shareholding in Company:
Nil

John Enlow
Independent Non-Executive Director

Age: 55

Appointed: June 2021

Experience:
John D. Enlow, Sr., has been a member of Keweenaw Land Association Limited Board of Directors since 2019. Mr. Enlow joined the Board of Directors of PRT Growing Services Limited in 2021. He is a Principal of Forest Resource Advisors, Inc., an investment advisory firm he co-founded in 2018 to help institutional investors, endowments, sovereign wealth funds, and private equity groups unlock value and maximise returns from forest resource investments. Previously, he was employed by Deltic Timber Corporation as President and Chief Executive Officer, and member of its Board of Directors and Executive Committee from 2017 to 2018. Prior to that, Mr. Enlow served as Vice President of Southern Timberlands and Real Estate for Weyerhaeuser Company, from 2014 to 2016. Prior to that, Mr. Enlow was employed by Rayonier Inc and Union Camp Corporation. Mr. Enlow received his B.S. in Forestry from Mississippi State University and his M.B.A. from Brenau University,

Last re-elected to the Board: n/a

Committee membership:
Audit Committee

Shareholding in Company:
Nil

Since 2020 that the Company no longer has a Nominations and Remunerations Committee or a Management Engagement Committee. The Board's view is that these committees are not necessary because of the small number of Directors all of whom are non-executive . The Board will consider at least annually any matters which would otherwise fall under the Nominations and Remunerations Committee and the Management Engagement Committee.

See Note 17 for information about the bonus performance scheme.

THE FOREST COMPANY LIMITED

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
THE FOREST COMPANY LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE FOREST COMPANY LIMITED

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

We have audited the financial statements of The Forest Company Limited ("the Company") for the year ended 31 December 2022 which comprise the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 2(a) in the financial statements, which indicates that the occurrence of a potential adverse event may constraint the ability of the investees to pay the Company enough dividends, in due time, for the repayment of its Metlife loan due in October 2023. As stated in note 2(a), these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies (Guernsey) Law, 2008 reporting

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the Company; or
- the financial statements are not in agreement with the accounting records; or
- we have failed to obtain all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

Responsibilities of Directors

As explained more fully in the Statement of Directors Responsibilities within the Directors' Report, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company. We determined that the most relevant laws and regulations related to company law, tax legislation, the financial reporting framework, applicable industry laws and environmental regulations;
- We understood how the Company is complying with those legal and regulatory frameworks by making enquires of management and those responsible for legal and compliance procedures. We corroborated our enquires through our review od Board minutes and review of the legal expenses account;

- Assessing the judgements made by management when making key accounting estimates and judgements, and challenging management on the appropriateness of those judgements;

- We assessed the susceptibility of the Company's financial statements to material misstatements, including how fraud might occur by discussing among the engagement team where fraud might occur such as audit areas involving management estimates and judgements and manual adjustments in the financial statements and any potential indicators of fraud. We made enquires of management and those charged with governance to understand where it is considered there was a susceptibility of fraud. We considered the controls that the Company has established to address each fraud risk identified, or that otherwise prevent, deter and detect fraud; and how those charged with governance monitors those controls. Where the risk was considered to be higher, we performed audit procedures to address each fraud risk identified. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free of fraud or error; and performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

- However, the primary responsibility for prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP
Chartered Accountants
London

Date: 11 May 2023

THE FOREST COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION

As of 31 December 2022

	Note	31 Dec 2022 USD '000	31 Dec 2021 USD '000
ASSETS			
Non-current assets			
Financial assets at fair value through profit or loss	**5**	164,991	159,631
Total non-current assets		164,991	159,631
Current assets			
Cash and cash equivalents			
Restricted	**9**	17	17
Unrestricted	**9**	2,409	5
Trade and other receivables	**10**	33	33
Total current assets		2,459	55
TOTAL ASSETS		167,450	159,686
Non-current liabilities			
Interest-bearing borrowings	**11**	-	(11,625)
Total non-current liabilities		-	(11,625)
Current liabilities			
Trade and other payables	**12**	(882)	(957)
Interest-bearing borrowings	**11**	(11,625)	-
Total current liabilities		(12,507)	(957)
TOTAL LIABILITIES		(12,507)	(12,582)
Net assets		154,943	147,104

THE FOREST COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION

As at 31 December 2022
(Continued)

	Note	31 Dec 2022 USD '000	31 Dec 2021 USD '000
Equity			
Share capital account	**15**	330,852	330,852
Share-based payment reserve	**17**	87	61
Accumulated loss		(175,996)	(183,809)
Equity attributable to holders of redeemable ordinary and Class A ordinary shares		154,943	147,104
Number of redeemable ordinary shares in issue at year end	**15**	26,407,391	26,407,391
Number of redeemable Class A ordinary shares in issue at year end	**15**	24,836,250	24,836,250
		51,243,641	51,243,641
Net asset value per redeemable ordinary and Class A ordinary share		$3.02	$2.87

The financial statements were approved by the Board of Directors on 11 May 2023 and signed on their behalf by:

Howard Myles FCA
Director
Date: 11 May 2023

The accompanying notes form an integral part of these financial statements.

THE FOREST COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2022

	Note	31 Dec 2022 USD'000	31 Dec 2021 USD '000
Income			
Other income		-	68
Investment income	**4**	7,219	4,810
Gross profit		7,219	4,878
Unrealised gain/(loss) on interco loan		3	(118)
Net gain/(loss) on financial assets at fair value through profit or loss	**5**	6,403	(12,165)
Exchange differences on other financial assets		(142)	(84)
		13,483	(7,489)
Operating expenses			
Administrative expenses	**6**	(4,659)	(4,253)
Total operating income/(expenses)		(4,659)	(4,253)
Operating loss		8,824	(11,742)
Interest expense—bank borrowings		(1,011)	(1,233)
Profit/(loss) before tax		7,813	(12,975)
Taxation	**7**	-	-
Profit/(loss) for the year from continuing operations		7,813	(12,975)
Profit/(loss) for the year		7,813	(12, 975)
Holders of redeemable ordinary shares and Class A ordinary shares		7,813	(12, 975)
		7,813	(12, 975)

THE FOREST COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022
(Continued)

	31 Dec 2022 USD'000	31 Dec 2021 USD '000
Profit/(loss) for the financial year	7,813	(12,975)
Other comprehensive profit for the financial year	-	-
Total comprehensive profit/(loss) for the financial year	7,813	(12,975)
Total comprehensive profit/(loss) attributable to:		
Holders of redeemable ordinary shares and Class A ordinary shares	7,813	(12,975)
Non-controlling interests		
	7,813	(12,975)
Total comprehensive profit/(loss) per share (US cents)*		
Holders of redeemable ordinary shares and Class A ordinary shares	15.26	(25.34)
Profit/(loss) per share—basic and diluted (US cents)		
From continuing operations	15.26	(25.34)

* Calculated using the weighted average number of shares as the denominator.

The accompanying notes form an integral part of these financial statements.

THE FOREST COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2022

2022	**Note**	**Share capital account USD '000**	**Share-based payment reserve USD '000**	**Accumulated loss USD '000**	**Total USD '000**
As at 1 January, 2022		330,852	61	(183,809)	147,104
Shares issued		-	-	-	-
Share-based payments	**17**	-	26	-	26
Profit for the financial year		-	-	7,813	7,822
As at 31 December, 2022		330,852	87	(175,996)	154,943

2021	**Note**	**Share capital account USD '000**	**Share-based payment reserve USD '000**	**Accumulated loss USD '000**	**Total USD '000**
As at 1 January, 2021		330,712	140	(170,834)	160,018
Shares issued		140	(140)	-	-
Share-based payments	**17**	-	61	-	61
Loss for the financial year		-	-	(12,975)	(12,975)
As at 31 December, 2021		330,852	61	(183,809)	147,104

The accompanying notes form an integral part of these financial statements.

THE FOREST COMPANY LIMITED

STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2022

	Note	31 Dec 2022 USD '000	31 Dec 2021 USD '000
Cash flows from operating activities			
Net cash flows received from investees		5,383	6,678
Cash paid to suppliers and employees		(4,674)	(5,604)
Capital contribution in investees		(111)	(100)
Cash flow from operating activities before financial items and taxes		598	974
Tax paid		-	-
Net cash from operating activities		598	974
Cash flow from investing activities			
Return of capital		2,856	-
Net cash generated from investing activities		2,856	-
Cash flow from financing activities			
Interest paid and other financial expenses		(1,050)	(998)
Net cash used in financing activities		(1,050)	(998)
Net increase/(decrease) in cash and cash equivalents during the financial year		2,404	(24)
Cash and cash equivalents at the beginning of the financial year		22	46
Cash and cash equivalents at the end of the financial year	**9**	2,426	22

The accompanying notes form an integral part of these financial statements.

THE FOREST COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

1. General information

The Forest Company in brief

The Forest Company is a closed-ended investment company that combines the objectives of long-term capital appreciation, income yield and significant social impact. The Company focuses on equity investments with forest plantations in areas with high biological growth rates, such as Brazil and Colombia.

The Company seeks to invest in forestry projects that are or will be certified by a reputable forest management certification scheme and does not acquire native forest for harvesting.

After seven years of being listed on TISE (formerly the Channel Islands Stock Exchange), the Company's listing was cancelled with effect from 23rd of October 2019, in accordance with the decision made by shareholders at the annual general meeting held in September of that same year.

With effect from 1st of January 2020, the Company has been considered as an investment entity, following the decision in November 2019 to adopt a limited life structure and changes in the Company's investment policy. Projects will be managed taking into consideration the Company's divestment phase starting at the end of 2027.

Following a shareholder vote, during 2021, where a high proportion of shareholders expressed a preference for a realisation or liquidity event for their shareholdings, the Board appointed Stifel Nicolaus Europe Limited ("Stifel"), an appropriately qualified independent financial firm with specialist expertise in the forestry sector, to assist the Company in exploring all means of achieving the highest possible value for Shareholders, as efficiently and as promptly as possible. All options in this regard remain under consideration and, without indicating any preference for or greater likelihood of this outcome, the Company is mindful that these options include a possible sale of the Company.

The Company is subject to the UK Takeover Code (the "Code") given that its shares were, until 23rd of October, 2019, admitted to trading on The International Stock Exchange.

On 22 November, 2021 the Company announced publicly that The Board has resolved to take advantage of certain regulatory dispensations available from the Code by initiating a "formal sale process" (as defined in the Code), but the Board wishes, however, to be clear that, as set out above, a sale of the Company is only one option that will be under consideration and there can be no certainty that any offer will be forthcoming or of the terms of any such offer.

On 9th of September 2022 the Company announced publicly the closing of a joint venture with Klabin. The Company contributed to the new joint venture its 80% stake in the Aimara project and 100% of the shares of KAA's. Klabin contributed its 20% stake in the Aimara project. In order to reach a 50%+2 stake in the new joint venture, Klabin acquired part of the Company's shares in the new joint venture. The new joint venture has a total area of 10,218 hectares, including 3,980 hectares of productive area and has entered into a long-term wood supply agreement with Klabin. The new joint venture will form a platform for future growth through acquisitions of land for greenfield or existing plantations in Parana state.

On 21st of October 2022 the Company announced publicly that the Company has received offers based on the marketing materials made available under the Sale Process, and phase II of the Sale Process has started. In this phase, selected bidders have gained access to additional information on the Company and its operations to complete a confirmatory due diligence.

Investment manager

The Forest Company has entered into an investment management agreement with the investment manager, Timber Capital Limited. Under this agreement, the investment manager is responsible for sourcing, evaluating, negotiating, completing and monitoring investments in compliance with the Company's investment policy and subject to the overall supervision of the Board. The investment manager will also advise the Board on proposed divestments and will be authorised to implement approved divestments.

2. Accounting policies

a) Basis of preparation

The financial statements have been prepared under the historical cost convention, except for investment in subsidiaries, which has been measured at fair value through profit or loss in conformity with IFRSs as adopted by the EU.

Changes in accounting policies

There are no changes in accounting policies for the financial year ended 31 December, 2022, affecting the financial statement presentation and accounting that require disclosure in this financial statement.

Investment entity

The Company became an investment entity as defined in paragraph 27 of IFRS 10, with effect from 1 January, 2020. In accordance with IFRS 10, an investment entity measures and evaluates performance of substantially all its investments on a fair value basis. Moreover, such entity shall measure its investments in subsidiaries at fair value through profit or loss, in accordance with IFRS 9 and IFRS 13 fair value being the price that would be received on the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Where an entity is an investment entity, IFRS 12 requires additional disclosure, including:

- The fact the entity is an investment entity;
- Information about significant judgements and assumptions it has made in determining that it is an investment entity, and specifically where the entity does not have one or more of the "typical characteristics" of an investment entity;
- Details of subsidiaries that have not been consolidated (name, place of business, ownership interests held);
- Details of the relationship and certain transactions between the investment entity and the subsidiary (e.g. restrictions on transfer of funds, commitments, support arrangements, contractual arrangements); and
- Information where an entity becomes, or ceases to be, an investment entity.

An entity making these disclosures is not required to provide various other disclosures required by IFRS 12. See note 5.

Following the classification of TFC as an investment entity with effect from 1 January 2020, and in accordance with IFRS 10, the Company measures and evaluates the performance of all its investments on a fair value basis. Investments in subsidiaries are measured as financial assets at fair value through profit or loss, in accordance with IFRS 9.

In a resolution approved in November 2019, the Board confirmed that it was satisfied that TFC meets the following criteria to be classified as an investment entity:

1. It obtains funds from one or more investors for the purpose of providing them with professional investment management services;

2. It commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and

3. It measures and evaluates the performance of all its investments on a fair value basis.

2. Accounting policies (continued)

a) Basis of preparation (continued)

Consolidation exemption: Investment entity

Since the Company meets the definition of an investment entity, it has adopted the amendments to IFRS 10 – Consolidated Financial Statements and, therefore, does not consolidate its subsidiaries. Instead, those investments in subsidiaries are measured as financial assets at fair value through profit or loss in accordance with IFRS 9.

Going concern

The company generates investment returns by way of dividends from its investees in order to pay its liabilities and service its debt obligation. The Board has reviewed and challenged each investee's free cash forecasts for the two-year period to 31st December 2024, including restricted cash, borrowings, covenants and refinancing of credit lines, and concluded on their ability to pay dividend to the Company. It has also reviewed and challenged both the Company's forecast expenditure in the forthcoming years and free cash flow being generated and distributed under various scenarios and assumptions.

The Company always considers the ongoing business (as it stands) as the most likely scenario with no additional investments or expansion projects factored in. Nevertheless, the Investment Manager continues to pursue market opportunities to sell the non-core and less productive farms of the investees in order to increase cash balances and provide funds for new investments.

The Company has not considered, in its projections, the refinancing of the MetLife loan expiring in October 2023, an outstanding debt of USD 11,625,000 to be repaid from existing cash balance at Company's investees. A potential re-financing of the MetLife loan would increase the Company's forecasted cash balance significantly.

However, it could be that the Company's cash resources may be constrained at times depending on development of the business and the economic environment resulting from market changes. Current inflation and interest rate pressure, combined with depreciating currencies, may result in lower cash flow generation by investees in dollar terms increasing pressure over the Company's ability to meet its obligations.

Stress testing of the base case scenario for the period to 31 December 2024 was undertaken to establish the conditions under which the Company would be required to take mitigating measures or access funds from alternative sources to continue operating, even if at a minimum level.

The tested stress scenarios for the investees' cash flow generation included (a) a deterioration in the exchange rates between the BRL and the COP against the USD by 15%, (b) a reduction in the selling price of charcoal by up to 50% and (c) a reduction in the volume of wood that can be sold in existing markets by up to 10%. The results of these stressed scenarios showed that the investees would have to reduce silviculture expenditure, consider the sale of land assets, amongst others, to cover funding needs if no additional financing facilities could be secured. The Company, therefore, would have to consider a reduction in its overhead costs to mitigate the impact of lower revenue arising from its investees in Brazil and Colombia.

The following have been identified as areas of concern that will continue to be monitored very closely:

1. Charcoal price – During 2021, the significant devaluation of the Brazilian Real was an important driver of the country's export volumes and has had the collateral effect of pushing charcoal market prices up to an unprecedented level. This trend continued during 2022 with charcoal prices reaching new peaks but remaining sensitive to the pressure arising from the inflation and successive Selic interest rates adjustments, which impact the exchange rates. Cash flow forecasts were prepared on the assumption that prices will continue to be at a high level even if subject to some adjustments or possible downturns, which are difficult to predict. Stress scenarios consider the impact of a more severe downturn in charcoal price. Given the sensitivity of the projections to the charcoal market, close monitoring is required, and diversification strategies are being pursued to mitigate the risk of a potential severe adverse impact arising from client or end-market concentration.

2. Accounting policies (continued)

a) Basis of preparation (continued)

Going concern (continued)

2. Wood demand — The Company's investees have significant volumes of wood that are already contracted for delivery from 2023 to 2024 in Brazil. Currently the Company's investees are experiencing strong demand for wood in all markets.

3. Client default events — Although the Company's investees have a significant portion of their sales paid in advance, credit risk is still relevant in the charcoal business and in the Colombian operations where many clients have slowed down operations and extended payment terms. Settlement agreements were put in place to address the accumulating overdue debt and investees' receivables continue to be monitored closely. At this time, no default events have been identified that raise concerns over the recoverability of the outstanding receivables.

4. Liquidity and credit downgrade — The Company's investees have financing facilities in place which are assessed on an on-going based in order to achieve the most favourable terms, to alleviate interest and capital obligations, as well as to better adjust them to working capital needs. The materialisation of any of the stressed scenarios will require additional funding and investees are likely to increase their leverage and offer assets as collateral to secure the additional credit facilities.

The Company's liquidity position is better than in previous years, which has resulted from the effect of increasing operating cash flow thereby increasing the dividends paid by the investees. The investees' performance and investments fair value development are under close control.

A more robust and diversified client base, with longer contracts for wood and charcoal supply, together with significant unencumbered assets, that can either be sold or used to secure further finance, are an important part of the mitigation strategy that the Company is exploring in case of a material drop in its ongoing ability to sustain a good liquidity position.

The Board has also considered the various stress testing scenarios described above and notes that adverse effects, such as a drop in charcoal price and reduction in sales receipts for wood over the next 12 months, could result in a cash deficit.

The Board is thereby conscious that the occurrence of a potential adverse event may constraint the ability of the investees to pay the Company enough dividends, in due time, for the repayment of the Metlife loan due in October 2023. We see this as an indication that a material uncertainty exists which may cast significant doubt upon the Company's ability to continue as a going concern. In such scenario the Company may be unable to realise its assets and discharge its liabilities in the ordinary course of business. These financial statements do not include the adjustments that would result if the Company is unable to continue as a going concern.

The Company has proven already the ability to mitigate the impact of negative effects that have arisen during the last 2 years. The Board is confident that the Company will have adequate resources to continue as a going concern for a period of at least 12 months from the date of signing these financial statements. The Company, therefore, continues to adopt the going concern basis for preparation of these financial statements.

b) Investment income

Investment income is accounted for on an accrual basis.

The Company receives dividend distributions from its investees, which are accounted for as investment income in the statement of comprehensive income.

Overseas dividends are included gross of any withholding tax.

2. Accounting policies (continued)
c) Financial assets at fair value through profit or loss

The Company's business is investing in financial assets with a view to gaining from their total return in the form of income and capital growth. The portfolio of financial assets is managed, and its performance evaluated on a fair value basis, in accordance with a documented investment strategy. Information is provided internally on that basis to the Company's Board of Directors.

The Forest Company's investments are all focused in the forestry sector and its related activities. Except for BioCarbono and Silvotecnia, the cashflows of all the other projects are generated mainly through the sales of biological assets (eucalyptus and pine) and through the sale of land. Silvotecnia is a Colombian forestry and agricultural consulting company and BioCarbono produces charcoal.

Accordingly, upon initial recognition, the investments are classified by the Company as "held at fair value through profit or loss". The initial fair value is taken to be their acquisition cost excluding expenses incidental to purchase. In accordance with the accounting standards adopted by the Company, the investment at fair value through profit or loss is stated at fair value as at the reporting date. Fair value is defined as the price that would be received on the sale of an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

The Company uses multiple techniques to determine the fair value of its investments, maximising the use of relevant observable inputs. Each component of the projects' net assets is valued to determine the fair value of the projects. The balance sheet of the projects is comprised of biological assets, land assets and other net assets. The Fair value of the projects results from the sum of the fair value of all the components.

The Company engages independent valuers to evaluate the fair value of the forest assets (land and biological assets), representing more than 90% of the projects' net assets, charcoal kilns and Silvotecnia's enterprise value.

Critical accounting estimates and judgements on valuation of financial assets

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial statements and disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods. More details have been disclosed in Note 3(b).

d) Expenses

All expenses are accounted for on an accrual basis and include fees and other expenses paid to the administrators, the investment manager and the Directors.

e) Functional and presentation currency

The primary activity of the Company is to invest in a portfolio of forestry projects in Brazil and Colombia. The performance of the Company is measured and reported to the investors in USD. The Board considers the USD as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in USD, which is also the Company's functional currency.

2. Accounting policies (continued)

f) Foreign currency translation

Transactions in foreign currencies are translated into USD at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into USD at the foreign exchange rate ruling at the reporting date. Foreign currency exchange differences arising on translation of realised gains and losses on the disposal or settlement of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into USD at the foreign currency exchange rates ruling at the date that the values were determined. Foreign currency exchange differences relating to monetary items are recognised in the statement of comprehensive income.

The exchange rates used in these financial statements relative to the USD are as follow:

	2022		**2021**	
Currency	***Closing rate***	***Average rate***	***Closing rate***	***Average rate***
Brazilian reais (BRL)	5.2870	5.1642	5.715	5.3929
Sterling (GBP)	0.8265	0.8180	0.7390	0.7100
Colombian pesos (COP)	4,848.7	4,260.0	4,122.6	3,745.7

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

g) Financial instruments

Financial assets

Fair value measurement and hierarchy
The Company has met the criteria within IFRS 10 to qualify as an investment entity. The Company has not prepared financial statements on a consolidated basis; rather, it accounts for its investment in the subsidiaries, as required under IFRS 10, at fair value through profit or loss in accordance with IFRS 9.

i. Classification

As noted above, the Company's investments in the equity of the underlying subsidiary companies are classified as financial assets rather than being consolidated, as the Company has met the IFRS 10 investment entity criteria. The investments are designated as financial assets at fair value through profit or loss on initial recognition as this is the way in which the Company manages and evaluates the performance of these assets. The Company has invested its funds into each underlying subsidiary with the principal objective of benefiting from gains arising from the subsidiary's activities.

ii. Recognition/derecognition

Purchases and sales of Investments were initially recognised on the trade date, the date on which the Company commits to purchase or sell the investment. Since the Company meets the IFRS 10 investment entity criteria, the Company was qualified as an investment entity and where changes in the investment value are recognised in the statement of comprehensive income as 'net loss on financial assets at fair value through profit or loss'.

2. Accounting policies (continued)

g) Financial instruments (continued)

Financial assets (continued)

iii. Measurement

All investments are classified as held at fair value through profit or loss, because they are held in a portfolio of assets managed on a fair value basis and no contractual cashflows are applicable as the Company is an investment entity. Investment transactions are accounted for on a trade date basis. Assets are derecognised at the trade date of the disposal. Proceeds are measured at fair value, which is regarded as the proceeds of sale less any transaction costs. The fair value of the financial instruments in the statement of financial position is based on their quoted bid price at the statement of financial position date, without deduction of the estimated future selling costs. Unquoted investments are valued by the Directors using primary valuation techniques such as earnings multiples, recent transactions and net assets.

Changes in the fair value of investments held at fair value through profit or loss and gains and losses on disposal are recognised in the statement of comprehensive income as 'net loss on financial assets at fair value through profit or loss'.

Fair value estimation

The value of the Company's investments is based on the net asset value (NAV) of the subsidiaries. NAV is a reasonable approximation of the fair value as the significant assets of the investee are independently valued using fair valuation techniques.

Financial assets at amortised cost

Financial assets arise principally from assets when the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and they are subsequently carried at amortised cost using the effective interest rate method, less provisions for impairment.

Trade receivables are measured upon initial recognition at the transaction price. Trade receivables and other receivables are subsequently measured at amortised cost using the effective interest rate method. For the year ended 31 December, 2022, there were no trade and other receivables.

The entity does not purchase or originate financial assets with a significant financing component or financial assets with significant credit impairment at recognition. Any changes in the loss allowance are recognised against the relevant income category in the statement of comprehensive income.

Cash and cash equivalents
Cash and cash equivalents are carried at cost. They comprise cash in hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Derecognition of financial assets
A financial asset (in whole or in part) is derecognised when the entity has substantially transferred all the risks and rewards of ownership, when it no longer has control over the asset or a portion of the asset or when the contractual right to receive cash flow from the asset has expired.

2. Accounting policies (continued)

g) Financial instruments (continued)

Financial liabilities
Financial liabilities at amortised cost
Trade payables and other short-term monetary liabilities are initially recognised at fair value.

Financial liabilities at amortised cost are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the amortisation process. Amortised cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate method.

Derecognition of financial liabilities
A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

h) Taxation

The entity has filed for and received tax-exempted status from the tax authorities in Guernsey under the provisions of the Income Tax (Exempt Bodies) (Guernsey) Ordinances, 1989, and is charged an annual exemption fee of GBP 1,200.

i) Provisions

Provisions are recognised when the entity has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and the size of the transfer can be reasonably estimated.

j) Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity).

The Company's investments which have been classified at fair value through profit or loss are based in different geographical regions. More details have been disclosed in Note 5.

3. Critical accounting estimates and judgements made in applying the entity's accounting policies

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial statements and disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

a) Classification of entity

The Board considered that the entity meets the definition of an investment entity under IFRS 10 as a result of the implementation of a new investment policy, including limited life. In accordance with IFRS 10, an investment entity is required to apply the exception to consolidation and instead account for its investment in a subsidiary at fair value through profit or loss. With effect from 1 January 2020, the Company classifies its investments in subsidiaries as financial assets at fair value through profit or loss.

3. Critical accounting estimates and judgements made in applying the entity's accounting policies (continued)

b) Valuation of investment

In accordance with the accounting standards adopted by the Company, the investment at fair value through profit or loss is stated at fair value as at the reporting date. Fair value is defined as the price that would be received on the sale of an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

The Company uses multiple techniques to determine the total fair value of its investments, maximising the use of relevant observable inputs. Each component of the projects' net assets is valued to determine the total fair value of the projects. The balance sheet of the projects is composed of biological assets, land assets, working capital and net debt. The fair value of the projects results from the sum of the fair value of all the components.

As there is not an active market for the investments, the Directors have assessed fair value using the adjusted net asset value per investment. NAV is a reasonable approximation of the fair value as the significant assets of the investees, investment property, are independently valued using a fair valuation approach as per IFRS 13.

When assessing the fair value of the investments, the fair value of the investment's assets and liabilities are considered. The fair values of the investment property, planted land, forest assets and carbonisation assets for the investments are based on their current market valuations provided by the independent valuer engaged by the Company. The valuations were made based on the assumption that the owner sells the assets in the open market without a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement that could affect the value of the assets. The valuations are also based on certain estimates of the investees concerning discount rates, rotations/production cycles, growth rates, prices, forecast wood flow, the market and its capacity to absorb the wood flow, costs and future eligibility for the current tax regimes and rates of the Company, and they are sensitive to changes in these assumptions. When preparing their valuations, the valuers are required to consider other recent transactions in the market to ensure that these assumptions are reasonable and that potential purchasers of the Company's investments would make comparable assumptions.

4. Investment income

As a result of the adoption of the investment entity accounting treatment, the Company no longer recognises revenue for the year beginning 1 January, 2020. The source of income for the Company for the year beginning 1 January, 2020 was derived from investment income.

Investment income consists of dividends received for the year as follows:

	31 Dec 2022 USD '000	31 Dec 2021 USD '000
Frondosa Participações Ltda	1,107	3,821
MS Timberland Holdings Limited	638	989
TFC do Brasil Participações Ltda	5,473	-
	7,219	4,810

5. Financial assets at fair value through profit or loss

The movement in financial assets held at fair value through profit or loss can be analysed as follows:

Description	2022 Total USD'000	2021 Total USD'000
Opening balance	**159,631**	**173,927**
Fair value movement	8,892	5,267
Exchange differences	(2,489)	(17,432)
Net gain/(loss) on financial assets at fair value through profit or loss	**6,403**	**(12,165)**
Additional capital paid in	112	100
Return of capital	(2,856)	(2,397)
Intercompany loan movements	1,701	166
Return of investment		-
Net deductions	**(1,043)**	**(2,131)**
Closing balance	**164,991**	**159,631**

The financial assets breakdown per investment for the financial year ended 31 December, 2022, can be analysed as follows:

Project	**Country**	**FV as of 31 Dec 2021 USD '000**	**FV adjustment USD '000**	**Other adjustment USD '000**	**Exchange differences USD '000**	**FV as of 31 Dec 2022 USD '000**
AB Florestal	Brazil	77,858	5,749	(2,856)	4,223	84,974
Kaa	Brazil	25,641	(19,030)	-	1,391	8,002
Aimara	Brazil	6,534	(7,120)	1,701	448	1,563
Cerejeira	Brazil	-	20,958	-	-	20,958
MS Timberland	Colombia	39,530	11,707	-	(7,786)	43,451
Vichada	Colombia	5,357	(1,324)	112	(647)	3,498
Antioquia	Colombia	4,698	(2,048)	-	(118)	2,532
Other equity investments	Guernsey	13	-	-	-	13
		159,631	8,892	(1,043)	(2,489)	164,991

5. Financial assets at fair value through profit or loss (continued)

The financial assets breakdown per investment for the financial year ended 31 December, 2021, can be analysed as follows:

Project	Country	FV as of 31 Dec 2020	FV adjustment	Other adjustment	Exchange differences	FV as of 31 Dec 2021
		USD '000	USD '000	USD '000	USD '000	USD '000
AB Florestal	Brazil	81,407	3,525	(1,713)	(5,361)	77,858
Kaa	Brazil	20,951	5,318	1,180	(1,808)	25,641
Aimara	Brazil	7,755	969	(1,698)	(492)	6,534
MS Timberland	Colombia	52,813	(4,700)	-	(8,583)	39,530
Vichada	Colombia	5,548	738	100	(1,029)	5,357
Antioquia	Colombia	5,440	(583)	-	(159)	4,698
Other equity investments	Guernsey	13	-	-	-	13
		173,927	5,267	(2,131)	(17,432)	159,631

AB Florestal project includes all entities with operations in Minas Gerais (Brazil) region, which are the AB Florestal, BioCarbono and Ibiraçu projects.

Previously, on a consolidated basis, Aimara and MS Timberland were being treated as joint ventures and The Forest Company share of profit recognised in the statement of comprehensive income.

The following projects/investments are those which have been classified at fair value through profit or loss:

Name	Place of incorporation and operation	Ownership interest %	Voting power held %
TFC II Limited*	Guernsey	100	100
TFC do Brasil Participações Ltda	Brazil	100	100
Aimara Project			
Aimara Empreendimentos Imobiliários e Participações Ltda#	Brazil	100	100
Kaa Project	Brazil	100	100
Kaa Emp. Imobiliários e Part. Ltda#	Brazil	100	100
Cerejeira Project			
Cerejeira Reflorestadora, S.A.***	Brazil	50	50
Ibiracu Project			
Ibiraçú Emp. Imobiliários, Atividades Florestais e Part. Ltda#	Brazil	100	100
BioCarbono Project			
Rio Verde Participações Ltda	Brazil	100	100
Biocarbono Produção e Comércio de Carvão Ltda#	Brazil	100	100
Frondosa Siderurgica Ltda#	Brazil	100	100

5. Financial assets at fair value through profit or loss (continued)

Name	Place of incorporation and operation	Ownership interest %	Voting power held %
AB Florestal Project			
SP Timberland Holdings*	BVI		
SP Timberland Holdings LLC*	Delaware	100	100
SP Timberland LLC*	Delaware	100	100
Frondosa Empreendimentos Imobiliários, Atividades, Florestais e Participações Ltda#	Brazil	100	100
Surubim Emp. Imobiliários, Atividades Florestais e Part. Ltda#	Brazil	100	100
AB Florestal Participações Ltda#	Brazil	100	100
Hadoque Propriedades Rurais e Participações Ltda#	Brazil	100	100
Piava Florestal Participações Ltda#	Brazil	100	100
Antioquia Project			
Antioquia Wood Holdings Limited	BVI	100	100
Silvotecnia S.A.**	Colombia	58.4	81.2
Vichada Project			
Timberland Holdings Limited	BVI	100	100
La Esperenza Timberland Holdings Limited	BVI	100	100
Potosi Timberland Holdings Limited	BVI	100	100
La Diana Timberland Holdings Limited	BVI	100	100
Las Ventas Timberland Holdings Limited	BVI	100	100
Santa Ana Florestal Limited	BVI	100	100
Canaguay Wood Holdings Limited	BVI	100	100
La Esperenza Wood Holdings Limited	BVI	100	100
La Libertad Wood Holdings Limited	BVI	100	100
La Paz Wood Holdings Limited	BVI	100	100
Paraiso Wood Holdings Limited	BVI	100	100
El Amparo Wood Holdings Limited	BVI	100	100
El Gavan Wood Holdings Limited	BVI	100	100
El Morichal Wood Holdings Limited	BVI	100	100
MS Timberland			
MS Timberland Holdings Limited	BVI	90	90
MS Timberland Holdings (Colombian Company Branch)	Colombia	90	90
Reforestadora el Guasimo SA	Colombia	90	90

*Entities were liquidated during the year 2022
** Voting rights of 81.2% with nominal ownership of 58.4%
*** Partnership with Klabin which owns 50% + 2 shares

Other than the investment in Cerejeira the comparatives 2021 ownership interest were the same as per financial year end 2022.

5. Financial assets at fair value through profit or loss (continued)

There are no restrictions on the transfer of funds between the Company and subsidiaries. There are no other commitments, support arrangements, or contractual arrangements between the Company and subsidiaries.

Investee company Ibiraçu has been involved in a lawsuit as a claimant against E. S Reflorestamento. In 2009, Ibiraçu engaged with E. S. Reflorestamento to perform certain silviculture services, including soil preparation and plantation of some areas. In Ibiraçu's view, these services were not rendered to a satisfactory standard, causing the company to incur significant losses as the rate of survival of the newly planted trees was very low. The company had to engage another service supplier to replant the area. Ibiraçu, therefore, claimed for the recovery of payments made to E. S. Reflorestamento for the silviculture services, plus interest and legal costs, totalling BRL 12.4 million (USD 2.3 million).

During 2018, the court of first instance ruled against E. S. Reflorestamento, which appealed that decision. At the beginning of 2019, the court rejected the appeal from E. S. Reflorestamento. Ibiraçu has already identified an asset belonging to E.S. Reflorestamento and which can be pledged to guarantee its right to receive the above-mentioned indemnification as per the judicial decision. However, other third parties also have a pledge on that same asset with priority over Ibiraçu, which will have to wait for them to release it so as to proceed with execution of the pledge. Collection of the indemnity is not certain in time or value as of the date of release of this report and, therefore, no impact of this lawsuit was taken into consideration for the Company's assessment of this investee's fair valuation.

There were no developments in regard to the above disclosed contingent situation during the period.

6. Administrative expenses

	31 Dec 2022 USD '000	31 Dec 2021 USD '000
Investment management fees*	2,538	2,600
Legal and professional fees	599	356
Administration fees	336	401
Directors' fees and expenses	427	430
Marketing and investors relation expenses	16	(4)
Valuation fees	150	125
Travel expenses	51	25
Audit fees	247	187
Consultancy fees	82	73
Performance bonus**	107	-
Other administrative expenses	106	60
	4,659	**4,253**

*More disclosures on investment management fees in Note 8.
**More disclosures on performance bonus in Note 16

Overall, administrative expenses increased by 9% in comparison to previous year, driven by a significant increase in the marketing, legal and professional fees, travel expenses, performance fees and other administrative fees.

The remuneration due to Directors for the year was USD 401,000 (2021: USD 366,500) directors fees and USD 17,250 (2021: USD 61,250) share based payment (see note 17). No bonus was paid to the Directors for the year (2021: nil).

Other administrative expenses include bank charges, regulatory fees and insurance costs.

7. Taxation

The Company is exempt from Guernsey taxation under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989, and an annual exemption fee of GBP 1,200 is charged by the States of Guernsey in respect of this exemption.

It is the intention of the Directors to conduct the affairs of the Company to ensure that it continues to qualify for exempt company status for the purposes of Guernsey taxation.

8. Investment management fee and performance fee

Investment management fee

Pursuant to the entity's revised investment management agreement, which was amended on 19 November, 2019, the investment manager is paid an annual management fee, payable quarterly in advance, equal to (i) one quarter of 1.5% of the adjusted net asset value or (ii) one quarter of 1.0% of the capital raised since inception, whichever is lower for the relevant quarter. Prior to the amendment of the agreement, the manager was paid an annual management fee, payable quarterly in advance, equal to (i) one quarter of 1.5% of the adjusted net asset value.

For the financial year ended 31 December, 2022, the Company incurred investment management fees of USD 2.54 million (2021: USD 2.60 million), with an outstanding balance of USD 205,214 at the end of the year (2021: USD 205,214).

Performance fee share

Under the terms of the amended investment manager's agreement, dated 19 November, 2019, 90% of distributable amounts in excess of the hurdle amount (if any) shall be paid to the investment manager until the cumulative amounts paid and payable to the investment manager up to and including the relevant date equal 10% of the sum of (i) all distributable amounts allocated for distribution to shareholders up to the relevant date and (ii) cumulative payments made to the manager. Once the 10% level is reached, the manager performance fee share reduces to 10% of the distributable amounts in excess of the hurdle amount. The hurdle rate is zero from 31 December, 2018, until the trigger date — the date on which the adjusted NAV per share first equals or exceeds USD 10.50 per share. Once this is met, the hurdle shall then be an annual compounding amount of 8% per annum.

For the financial year ended 31 December, 2022, the Company has not accrued any performance fees (2021: Nil).

9. Cash and cash equivalents

Cash and cash equivalents comprise cash held by the entity and short-term bank deposits available on demand. The carrying amounts of these assets approximate to their fair value. The table below provides a breakdown of cash and cash equivalents that are considered to be restricted and unrestricted as of 31 December, 2022.

	31 Dec 2022 USD '000	**31 Dec 2021 USD '000**
Restricted		
Amounts held in escrow	17	17
	17	17
Unrestricted	2,409	5
	2,426	22

10. Trade and other receivables

	31 Dec 2022 USD '000	31 Dec 2021 USD '000
Prepayments	33	33
	33	33

Prepayments relates to insurance fees for the period 1st January, 2023 to 15th May, 2023.

11. Interest-bearing borrowings

In 2020, the MetLife loan in SP Timberland LLC was restructured and the borrower obligations were transferred to the Company amounting to USD 11,625,000 with a fixed interest rate of 8.59% and maturity on 1 October 2023. The Company recognised interest of USD 1,011,083 (2021: USD 997,223) in relation to this loan in the statement of comprehensive income.

12. Trade and other payables

	31 Dec 2022 USD '000	31 Dec 2021 USD '000
Trade payables	265	306
Accruals	350	343
Other payables	267	308
	882	957

Trade payables as at 31 December, 2022, include an outstanding balance of USD 205,214 payable to the investment manager (2021: USD 205,214) and related to a 2020 re-charge of marketing expenses.

Accruals include administrative fees, audit fees, valuation fees and service fees.

Other payables mainly include MetLife loan interest payable amounting to USD 249,647 (2021: USD 249,647) and corresponding to the period from latest interest charged until the year-end, i.e., from October 1st to December 31st, 2022.

13. Financial instruments and associated risks

Financial risk management objectives

The Company is exposed to various types of risk associated with the financial instruments in which it invests. The most important types of financial risk to which the Company is exposed are market risk, liquidity risk and credit risk. Market risk includes price risk, foreign currency risk and interest rate risk. The nature and extent of the financial instruments outstanding at the year-end date and the risk management policies employed by the Company are discussed below.

Categories of financial instruments

At the year-end date, the Company's financial instruments could be categorised as follows. The comparative figures have been categorised in accordance with IFRS 9.

	31 Dec 2022 USD '000	31 Dec 2021 USD '000
Financial assets		
Financial assets at fair value through profit or loss		
Financial assets at fair value through profit or loss	164,991	159,631
Financial assets at amortised cost		
Cash and cash equivalents	2,426	22
Trade and other receivables	33	33

13. Financial instruments and associated risks (continued)

Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables	882	957
Interest-bearing borrowings	11,625	11,625

At the reporting date, the investments were designated at fair value through profit or loss, while cash and cash equivalents and trade and other payables were measured at amortised cost. The amounts reflected above represent the Company's maximum exposure to credit risk for financial assets.

The investment manager and the administrator provide advice to the Company, respectively, which allows the Board to monitor and manage financial risks related to the Company's operations through internal risk reports that analyse exposure by degree and magnitude of risk. The investment manager and administrator report to the Board on a quarterly basis.

Market risk

Price risk
Price risk arises from uncertainty about the future market prices of financial instruments. It represents the potential gains or losses to which the Company might be exposed by holding financial instruments whose market prices fluctuate. As at 31 December, 2021, the Company's financial assets at fair value through profit or loss were based on the net asset fair value assessment of the investees since they are all unlisted companies Therefore, net asset value of the Company may change subject to fluctuations of the net assets of the investments held.

An increase of 10% in the net assets of the company's investment in investees, with all other variables held constant at the reporting date, would result in an increase of USD 16 million (2021: USD 16 million) in the net asset value of the Company. A decrease of 10% in the net assets of the investment in subsidiaries at the reporting date would result in an equivalent decrease in the net asset value of the Company.

Foreign currency risk
The Company holds assets denominated in currencies other than USD, the reporting currency of the Company. The Company is, therefore, exposed to currency risk, as the value of assets denominated in other currencies will fluctuate due to changes in exchange rates. As of 31 December, 2022, the Company's assets denominated in other currencies were principally held in BRL and COP, with other balances in GBP.

The closing financial asset and liability positions denominated in currencies other than USD as of 31 December, 2022, were as follow.

2022	**COP USD '000**	**BRL USD '000**	**GBP USD '000**	**EUR USD '000**	**SEK USD '000**	**Total USD '000**
Financial assets at fair value through profit or loss	49,481	115,497	-	-	-	164,978
Trade and other payables	-	-	(49)	-	-	(49)
Net exposure	49,481	115,497	(49)	-	-	164,929

2021	**COP USD '000**	**BRL USD '000**	**GBP USD '000**	**EUR USD '000**	**SEK USD '000**	**Total USD '000**
Financial assets at fair value through profit or loss	49,585	110,033	-	-	-	159,618
Trade and other payables	-	-	(52)	-	-	(52)
Net exposure	49,585	110,033	(52)	-	-	159,566

13. Financial instruments and associated risks (continued)

Market risk (continued)

Foreign currency risk (continued)
The bulk of the currency risk to which the Company's financial instruments are exposed relates to the underlying financial instruments in Colombia, and exposure to other currencies is minimal.

For BRL-denominated financial assets and liabilities, the analysis was prepared on the assumption that the amount of assets outstanding at the reporting date would be outstanding for the whole year. Management assesses that a 20% increase or decrease in foreign exchange rates is reasonably possible, although previous years' average is below 10%.

If the USD strengthened by 10% against the above currencies and all other variables held constant, the Company's net asset value would have decreased by USD 16 million (2021: USD 16 million). A 10% weakening of the USD against the above currencies would have had an equal but opposite effect on the Company's net asset value.

As the Company's investments are held in Brazil and Colombia, any currency movements between the underlying currencies and the reporting currency will have an impact on the Company's results. Although management has not directly mitigated the foreign exchange risk by hedging exposure, they expect that, in the long term, foreign exchange exposure may be offset by appreciation in the value of the investments at the level of the Company.

Interest rate risk

The majority of the Company's financial assets and liabilities are held in financial assets at fair value through profit or loss and cash and cash equivalents. As a result, the Company is subject to risk due to fluctuations in the prevailing market interest rates. Any excess cash and cash equivalents are invested at short-term market interest rates. The Company's exposures to interest rates for financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

As at 31 December, 2022, the Company was charged with interest on the MetLife loan at a fixed interest rate of 8.59%. The Company is not subject to any floating rate financial assets and liabilities.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors.

Liquidity risk is defined as the risk that the Company may not be able to settle or meet its obligations on time or at a reasonable price. The Company prepares budgets and cash flow forecasts under various scenarios to assess the liquidity risk and ensure that it maintains sufficient cash reserves to meet its obligations. The Company also maintains sufficient cash reserves to meet its current investment commitments. Financial liabilities consist of trade and other payables, all of which are due within one year.

The following table details a maturity analysis that shows remaining contractual maturities for both derivative and non-derivative financial liabilities.

2022	**Gross contractual cash flows USD '000**	**Less than 1 year USD '000**	**1-5 years USD '000**	**5+ years USD '000**
Trade and other payables	-	-	-	-
Interest-bearing borrowings	(12,385)	(12,385)	-	-
	(12,385)	(12,385)	-	-

13. Financial instruments and associated risks (continued)

Liquidity risk (continued)

2021	**Gross contractual cash flows USD '000**	**Less than 1 year USD '000**	**1-5 years USD '000**	**5+ years USD '000**
Trade and other payables	(957)	(957)	-	-
Interest-bearing borrowings	(13,397)	(1,012)	(12,385)	-
	(14,354)	(1,969)	(12,385)	-

Fair value

The fair values of financial instruments that are traded in active markets are based on prices obtained directly from an exchange on which the instruments are traded or obtained from a broker that provides an unadjusted quoted price from an active market for identical instruments. As at 31 December, 2022, cash and cash equivalents, interest-bearing borrowings and trade and other payables were measured at amortised cost, which approximates their fair values.

The Company uses multiple techniques to determine the total fair value of the projects in which it has investments, maximising the use of relevant observable inputs. Each component of the projects' net assets is valued to determine the total fair value of the projects. The balance sheet of the projects is composed of biological assets, land assets and other net assets. The fair value of the projects results from the sum of the fair value of all the components.

Fair value hierarchy

The fair value measurement hierarchy categories are as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

Where there is not an active market for the investment, the Directors have assessed fair value using the net asset value per investment. NAV is a reasonable approximation of the fair value as the significant assets of the investees, investment property, are independently valued using a fair valuation approach as per IFRS 13. This falls under Level 3 for fair value measurement in accordance with the standard.

13. Financial instruments and associated risks (continued)

Fair value (continued)

Fair value hierarchy analysis

The table below analyses financial instruments measured at fair value at the reporting date into which the fair value measurement is categorised.

31 December, 2022	**USD '000 Level 1**	**USD '000 Level 2**	**USD '000 Level 3**	**USD '000 Total**
Financial assets at fair value through profit or loss	-	-	164,991	164,991
31 December, 2021	**USD '000 Level 1**	**USD '000 Level 2**	**USD '000 Level 3**	**USD '000 Total**
Financial assets at fair value through profit or loss	-	-	159,631	159,631

The table below analyses the sensitivity of the fair value of the financial assets.

Variable	**Unobservable inputs impact USD '000**	**Financial Assets at FV through profit or loss USD '000**	**Financial Assets at FV through profit or loss sensitivity %**
As at 31 December, 2022		164,991	
FX			
Depreciation of local currency relative to USD by 10%	(16,498)	148,493	-10.00%
Appreciation of local currency relative to USD by 10%	16,498	181,489	10.00%
Discount rate			
100 bp decrease in discount rate	4,853	169,844	2.94%
100 bp increase in discount rate	(4,352)	160,639	-2.64%
Wood prices			
10% decrease	(9,335)	155,656	-5.66%
10% increase	9,335	174,326	5.66%
Charcoal prices			
10% decrease	(1,881)	163,110	-1.14%
10% increase	1,881	166,872	1.14%

13. Financial instruments and associated risks (continued)

Variable	Unobservable inputs impact USD '000	Financial Assets at FV through profit or loss USD '000	Financial Assets at FV through profit or loss sensitivity %
As at 31 December, 2021		159,631	
FX			
Depreciation of local currency relative to USD by 10%	(15,962)	143,669	-10.00%
Appreciation of local currency relative to USD by 10%	15,962	175,592	10.00%
Discount rate			
100 bp decrease in discount rate	5,865	165,496	3.67%
100 bp increase in discount rate	(5,215)	154,416	-3.27%
Wood prices			
10% decrease	(11,260)	148,370	-7.05%
10% increase	11,277	170,908	7.06%
Charcoal prices			
10% decrease	(3,233)	156,398	-2.03%
10% increase	3,233	162,863	2.03%

14. Capital management

The entity manages its capital to ensure that it can continue as a going concern while maximising the return to shareholders through investment in the equity of its subsidiaries. The capital structure of the entity consists of equity attributable to the equity holders of the Company, which comprises issued share capital and accumulated profit or loss, as disclosed in the statement of financial position. The entity seeks to maintain a suitably diversified portfolio of investments in order to manage the entity's economic exposure to any counterparty, single project or separate legal entity.

The investment objective of the entity is to seek long-term capital appreciation, and pursuant to its dividend policy, the Company aims to pay an aggregate annual dividend of 3–5% of the adjusted NAV at the previous year end. The Company currently meets its day-to-day operating capital requirements through the receipt of dividend income. The Company's policy is to maintain an appropriate cash balance to meet future cash demands and has strict cost controls in place to maximise distributions to investors. The decision made by the Board of the Company regarding the dividend to be paid will be made with a view to optimising long-term total returns to shareholders and will take into account forecasts of the future results of the investee companies.

With effect from 1 January, 2020, the Company has been considered as an investment entity, following the decision in November 2019 to adopt a limited life structure and changes in the Company's investment policy. Those investments in subsidiaries are measured as financial assets at fair value through profit or loss in accordance with IFRS 9. Projects will be managed taking into consideration the Company's divestment phase starting at the end of 2027.

15. Share capital account

Externally imposed capital requirements

There are no external capital requirements imposed on the entity.

As at 31 December, 2022, the authorised share capital of the Company was USD 20,000,002 (2021: USD 20,000,002), divided into 100,000,000 (2021: 100,000,000) redeemable ordinary shares of USD 0.10 each, 100,000,000 (2021: 100,000,000) redeemable Class A ordinary shares of USD 0.10 each and two (2021: USD 2) non-redeemable management shares of USD 1.00 each. Redemption is at the sole discretion of the Directors.

The management shares do not carry any rights to dividends and, in a winding up, rank only for a return of the amount of paid capital on such shares after a return of capital on all other shares in the Company.

The holders of ordinary shares and Class A ordinary shares, which are both classified as equity, shall have the following rights:

i) Dividends
Holders of ordinary shares and Class A ordinary shares are entitled on a *pari passu* basis to receive, and participate in, any dividends or other distributions resolved for any accounting period or other income or right to participate therein.

ii) Winding up
In a winding up, the holders of ordinary shares and Class A ordinary shares shall be entitled, on a *pari passu* basis, to the surplus assets remaining after payment of (i) all the creditors of the Company and (ii) the holders of management shares, in accordance with the Company's Articles of Association.

iii) Voting
The holders of ordinary shares and Class A ordinary shares shall have the right to receive notice of and to attend and vote at general meetings of the Company. At these meetings, each holder of an ordinary share or Class A ordinary share who is present in person, by proxy or by a duly authorised representative (if a corporation) shall, upon a show of hands, have one vote. Upon a poll, each such holder present in person, by proxy or by a duly authorised representative (if a corporation) shall have one vote for each ordinary share or Class A ordinary share (as the case may be) held by him.

The Class A ordinary shares rank *pari passu* in all respects (particularly in relation to redemption, entitlement to dividends and the return of capital upon a winding up of the Company) with ordinary shares and are subject to the same rights, obligations and entitlements, but neither class is listed or traded on any share exchange.

During the year ended 31 December, 2022, the Company issued no new shares to the Directors (2021: 21,261) – see Note 17.

16. Related party transactions and Directors' remuneration

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the party when making financial or operational decisions.

Mr Rainer Häggblom, a Director of the Company, held 83,459 (2021: 83,459) redeemable ordinary shares in the Company, as of 31 December, 2022.

Mr Field Griffith, a Director of the Company, held 28,996 (2021: 28,996) redeemable ordinary shares in the Company, as of 31 December, 2022.

16. Related party transactions and Directors' remuneration (continued)

Mr Johan Larsson, CEO of TCL, held 2,242 (2021: 2,242) redeemable ordinary shares in the Company as of 31 December, 2022.

During the year a performance bonus of $107,000 was paid to Mr Johan Larsson, CEO of TCL, by the company on successful completion of the Klabin transaction.

The two management shares were issued upon incorporation and are registered in the names of HG Nominees 1 Limited and HG Nominees 2 Limited. Both shares are held for and on behalf of the Lennox Trust, of which Mr John Harald Örneberg is a beneficiary. Mr John Harald Örneberg, Chairman of TCL, also held 1,109,043 (2021: 1,109,043) redeemable ordinary shares in the Company as at 31 December, 2022.

The Company is not considered to have an ultimate controlling party.

17. Share-based payments

Part of the Directors' compensation is structured as a multi-year retention package. The plan has an effective aggregate monetary value of USD 70,000 per annum for Mr Rainer Häggblom, Mr Howard Myles, Mr Field Griffith and Mr Jukka Reijonen and $17,500 per annum for Mr John Enlow.

This is to be paid in newly issued redeemable ordinary shares of the Company and based on division of the monetary value of the plan for the year by the adjusted NAV at the end of each financial year. The ordinary shares are held by an escrow agent and are not transferred to the Directors until the vesting conditions are met.

The vesting conditions require Directors to have been appointed continuously during the appointment period, which runs to 31 December, 2020 for Mr Field Griffith, 31 December 2021 for Mr Rainer Häggblom, Mr Howard Myles, and Mr Jukka Reijonen, and 31 December 2024 for Mr John Enlow. In certain circumstances, it is at the Company's discretion to provide the *pro rata* award earlier, such as when a director is forced to resign due to ill health. Should the vesting conditions not be met by the director, the shares will be cancelled for nil consideration.

This plan is accounted for as an equity-settled share-based payment plan, as the Company does not have the choice to pay cash unless the issuance of shares would be to the detriment of the Company or its shareholders, a circumstance that is not likely to arise. The fair value of the shares to be issued under the plan was estimated at the grant date to be equal to the total monetary value of the plan for the appointment period, as any share price fluctuations will be compensated for by changes in the number of shares awarded and the effect of discounting is not considered material. This fair value is recognised on a straight-line basis as a cost over the appointment period, adjusted for the estimated number of awards likely to vest.

The share-based payment plan for Mr. John Enlow is USD 17,500 per annum. The vesting conditions require Mr Enlow to have been appointed continuously during the appointment period, which runs to 31 December 2024.

The expense recognised in the year was USD 26,250 (2021: USD 61,250).

17. Share-based payments (continued)

	2022 Redeemable Ordinary Shares of USD 0.10 each	**2021 Redeemable Ordinary Shares of USD 0.10 each**
Shares held by escrow agent on 1 January	31,415	39,150
Shares issued at USD 3.30/share	-	21,261
Deduction of F. Grifith's shares issued	-	(28,996)
Shares held by escrow agent on 31 December	**31,415**	**31,415**

18. Contingent assets and liabilities

As of 31 December, 2022, no contingent assets and liabilities were identified for the Company.

19. Subsequent events

Since the reporting date and up to the date of signing this report, no subsequent events have occurred.