Foresight Sustainable Forestry Company PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD FROM 31 AUGUST 2021 (INCORPORATION) TO 30 SEPTEMBER 2022

Foresight

FOR A SMARTER FUTURE

ABOUT US

Foresight Sustainable Forestry Company Plc ("FSF", the "Fund" or the "Company") is the first and only UK listed investment trust focused on UK forestry, afforestation and natural capital.

The Company raised £130 million at IPO on 24 November 2021. Following a further £45 million equity raise in June 2022 the Company has now raised a total of £175 million.[1]

The Company has 172,056,075 Ordinary Shares in issue, all of which are listed on the Premium Segment of the Official List and traded on the London Stock Exchange ("LSE") Main Market. FSF is managed by Foresight Group LLP (the "Investment Manager" or "Foresight").

OUR PURPOSE

Investing into the commercial aspects of UK forestry with the added benefits of access to voluntary carbon credits, fighting climate change and preventing biodiversity loss.

INVESTMENT OBJECTIVES

Real returns and capital appreciation

Value creation through afforestation

Sustainable timber supply

Combat climate change and biodiversity loss

Access to voluntary carbon credits

GREEN ECONOMY
LONDON STOCK EXCHANGE

VOLUNTARY CARBON MARKET
LONDON STOCK EXCHANGE

The first fund to be accredited with the Voluntary Carbon Market designation

1. Before costs of IPO and June 2022 equity raise of £2.4 million and £0.8 million respectively.

Front cover image
Fordie Estate

HIGHLIGHTS

Key Performance Indicators ("KPIs")

AS AT 30 SEPTEMBER 2022

£180.6m

NET ASSET VALUE ("NAV")

5.0%

TOTAL NAV RETURN SINCE IPO

105.0p

NAV PER SHARE

9,618 hectares

IN THE PORTFOLIO

c.26,000 tonnes

TIMBER IN 2022 HARVESTING PROGRAMME

3,917 hectares

TOTAL LAND IN AFFORESTATION DEVELOPMENT

c.514,000

TREES PLANTED IN 2022

£0.6m

VALUE ASCRIBED TO PROGRESS TOWARDS CREATION OF CARBON CREDITS

CONTENTS

INVESTMENT CASE

The Company is targeting sustainable impact through investment in sustainably managed commercial forestry and afforestation assets.

The Company creates natural capital alpha through its proprietary sustainable forestry management practices. The impact combines sustainable financial returns with natural capital services output, including carbon sequestration, biodiversity enhancements and local socio-ecological benefits. This is the focus of the Company, supported by its business model (read more on pages 12 and 13). With this approach, the Company is making a direct contribution to mitigating climate change and UK biodiversity loss, which are at the core of the Company's values.

Fight against climate change and biodiversity loss

The Company will make a direct contribution to the twin fights of climate change and biodiversity loss

27

afforestation schemes covering 3,917 hectares

c.514,000

trees planted

READ MORE
See pages 29 to 35

Strong pipeline

Identification of and access to a proprietary pipeline of directly originated on and off-market forestry opportunities

c.860,000

hectares

4,500

specific properties

READ MORE
See page 16

Statistics as at 30 September 2022.

Portfolio diversification

UK forestry has negative correlations to traditional and alternative assets (including UK power prices) underpinned by biological tree growth which occurs regardless of economic cycle

First UK-listed Investment Trust focused on natural capital

9,618

hectares managed

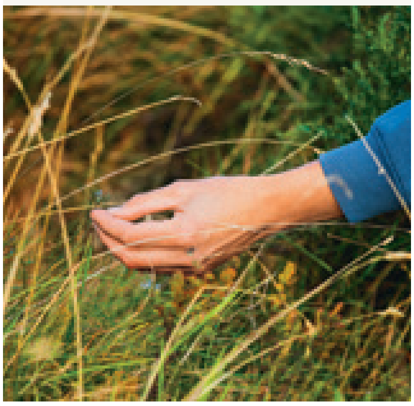
READ MORE
See pages 16 to 18

Attractive asset class

UK commercial forestry has historically outperformed the Consumer Price Index ("CPI") on a long-term basis. Until now, it has had high barriers to entry

Outperformed and uncorrelated to equities and bonds since inception

17.5% FSF share price out performance of FTSE All Share since IPO



Inflation protection

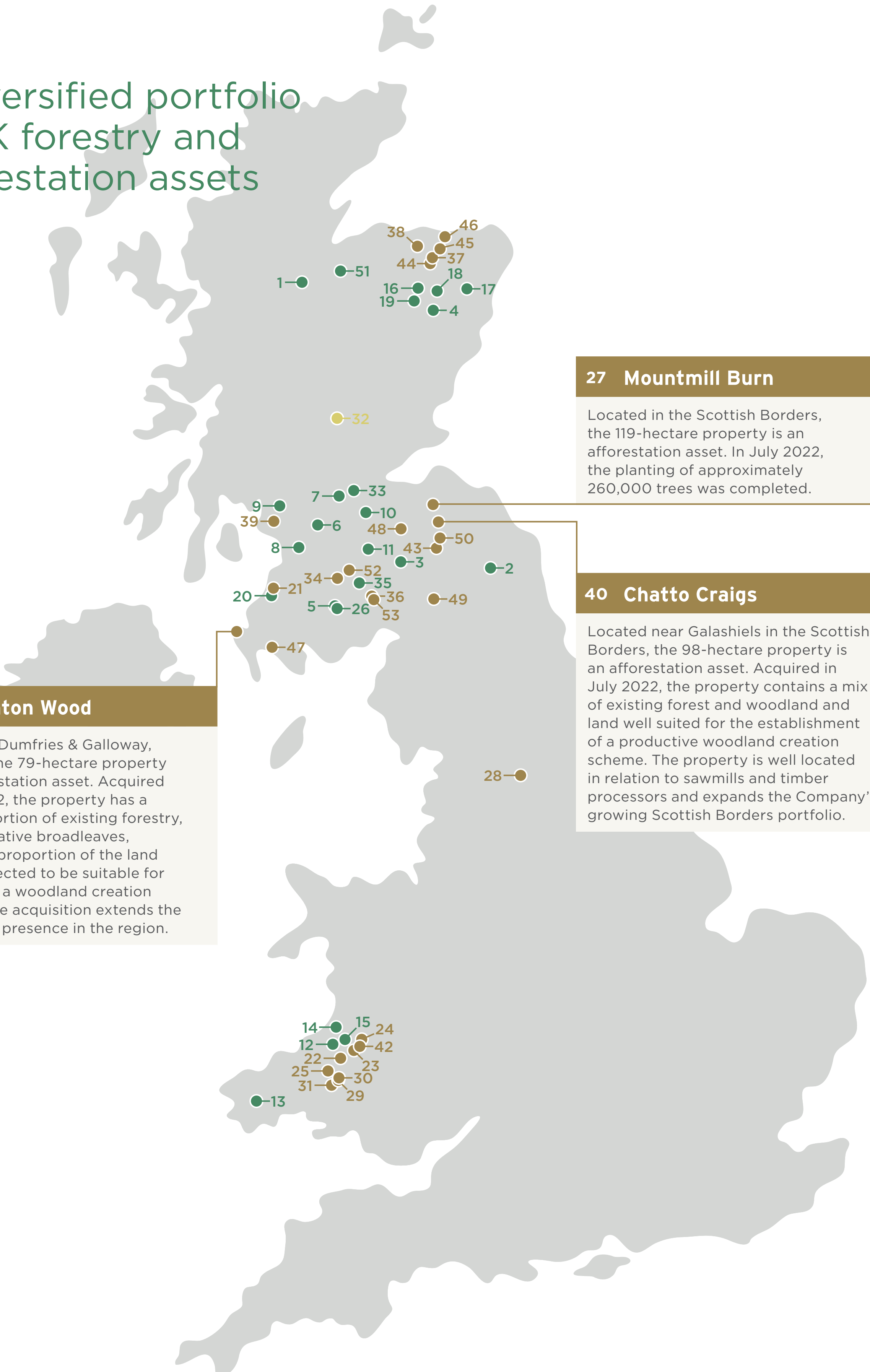
UK commercial forestry has strong inflation-beating characteristics for both expected and unexpected inflation

Target return delivered once substantially invested

CPI+5%

GEOGRAPHIC FOOTPRINT

A diversified portfolio of UK forestry and afforestation assets



27 Mountmill Burn

Located in the Scottish Borders, the 119-hectare property is an afforestation asset. In July 2022, the planting of approximately 260,000 trees was completed.

40 Chatto Craigs

Located near Galashiels in the Scottish Borders, the 98-hectare property is an afforestation asset. Acquired in July 2022, the property contains a mix of existing forest and woodland and land well suited for the establishment of a productive woodland creation scheme. The property is well located in relation to sawmills and timber processors and expands the Company's growing Scottish Borders portfolio.

41 Pilanton Wood

Located in Dumfries & Galloway, Scotland, the 79-hectare property is an afforestation asset. Acquired in July 2022, the property has a small proportion of existing forestry, including native broadleaves, and a high proportion of the land area is expected to be suitable for inclusion in a woodland creation scheme. The acquisition extends the Company's presence in the region.

Map not to scale.
The exact position of assets may differ.

53 properties[1]

Key:
- Afforestation
- Forestry
- Mixed

1. Aberarder
2. Whiteburn
3. Shorthope
4. Coull
5. W&C

Central Scotland Portfolio

6. East Browncastle
7. Berrieswalls
8. Barkip
9. Over Auchentiber
10. Crofthead
11. Camps Woodlands
12. Derry Lodge
13. South Dairy
14. Bronnant
15. Waun Maenllyd

Donside Forestry Collection

16. Bogforlea
17. Harthills
18. Kirkwood
19. Tom Na Wan
20. Craigwell Wood
21. Auchensoul
22. Frongoch
23. Brynglas
24. Esgair Hir
25. Banc Farm
26. Upper Barr
27. Mountmill Burn
28. Nor Hill
29. Pistyll South
30. Maescastell
31. Cwmban Fawr Farm
32. Fordie Estate
33. Drumelzie
34. Lambs Craig
35. Glass Rigg
36. Rory Hill
37. Red Craig & Glen Burn
38. Burn of Bellyhack
39. Dove Hill
40. Chatto Craigs
41. Pilanton Wood
42. Coed Doethie
43. Droveroad Wood
44. Ness Bogie
45. Reams Hill
46. Brown Hill
47. Knock Fell
48. Windylaws
49. Liddel Water
50. Cheterknowes Wood

Acquisitions post-period end

51. Bogbain Wood[2]
52. Glendyne Wood[3]
53. Burnside[4]

1. Including three properties acquired post-period end.
2. On 12 October 2022, the acquisition of a stocked UK forestry project, Bogbain Wood, was completed.
3. On 17 October 2022, the acquisition of an afforestation project, Glendyne Wood, was completed.
4. On 31 October 2022, the acquisition of an afforestation project, Burnside, was completed.

CHAIR'S STATEMENT

As Shareholders have recognised, FSF offers a unique proposition amongst UK listed vehicles.

Richard Davidson
Chair

On behalf of the Board, I am pleased to present the first Annual Report of Foresight Sustainable Forestry Company Plc for the period to 30 September 2022, a period which covers our IPO, follow-on fundraising and multiple forest and land acquisitions.

As Shareholders have recognised, FSF offers a unique proposition amongst UK listed vehicles – an investment into the commercial aspects of UK forestry with the added benefits of fighting climate change and biodiversity loss through new forestry planting. This combination of attributes has helped our share price move to and retain a premium to NAV despite the challenging stock market conditions of 2022.

The first period of trading has been busy on many fronts. Here are the highlights:

Capital raising

Following the £130 million equity raise which culminated in the Company's successful IPO on 24 November 2021, a subsequent issue raised £45 million at a price of 107.0 pence per Share on 24 June 2022[1]. In market conditions which have been and remain challenging for the whole sector, the Board and I are delighted with our fundraising achieved to date and have ambitions to raise more equity when market conditions allow and existing capital is substantially deployed. After an initial dip to below 90 pence in post-IPO trading, our share price followed a steady upwards trend to May 2022 and at its peak reached 116 pence. Pleasingly, despite discounts widening across the investment trust sector, FSF shares traded at a premium to NAV from 14 April 2022 to period-end.

In August 2022, the Company finalised the arrangement of a Revolving Credit Facility ("RCF"). At the time of writing, no funds have been drawn under the RCF and therefore FSF currently has no direct exposure to rising interest rates. Whilst the RCF provides FSF with access to flexible capital to grow the portfolio, a prudent and opportunistic approach will be taken to its use.

Acquisitions

FSF soon established itself in the UK forestry market through acquisitions from the seed asset portfolio. The two seed asset transactions occurred through the purchase of Blackmead Forestry Limited ("BFL") and Blackmead Forestry II Limited ("BFL II") from Foresight Inheritance Tax Fund. Concluding in March 2022, the transactions added 36 properties to the portfolio and utilised 87% of IPO proceeds.

The additional 14 properties acquired were mainly transacted through the Investment Manager's successful direct origination campaign. This is an off-market and proprietary process covering the sourcing and negotiation of properties that meet our afforestation criteria. This approach has proved highly valuable to the Company and we continue to seek afforestation opportunities using this method.

At 30 September 2022, the total portfolio covered 9,618 hectares across 50 properties. The Investment Manager continues to source an attractive pipeline of investments for the Company.

1. Before costs of IPO and June 2022 equity raise of £2.4 million and £0.8 million respectively.

One of our IPO objectives was to invest between 40-50% of the portfolio by value in afforestation (new forestry planting) properties. Afforestation assets by value now stand at 40% of the portfolio, a 1,175 hectare increase from 31 March 2022. In addition to the climate and biodiversity benefits of new forestry planting, afforestation investments can also boost NAV as woodland creation schemes reach key development milestones.

Forest operations

Having the correct tree species mix and forest designs is a core part of our investment strategy. We believe it allows the Company to successfully deliver a blend of cash flows. Throughout the period, approximately 514,000 trees have been planted across two properties. An estimated 6.4 million trees are currently planned to be planted over 2023 and 2024 at 28 properties; which is expected to create additional value for Shareholders through land appreciation and creation of voluntary carbon credits.

Due to their nature, commercial timber assets allow the owner to make an informed decision about when to harvest. Timber is not a perishable asset that has to be cut in any one season and can be left to grow in periods of price or demand weakness.

Over the course of 2022, we have seen a softening of timber prices due to additional supply caused by extreme weather events, such as Storm Arwen, and sawmill destocking driven by economic caution. As a result, we have delayed harvesting plans at a number of properties to ensure we maximise value by bringing the Company's timber to market when prices are more favourable in the future. Despite these partial delays, FSF harvested approximately 26,000 tonnes of sustainable timber in the period and, over the next five years, we expect to have in the region of 213,000 tonnes of fully FSC and PEFC certified timber available for harvest.

Key financials

In the period to 30 September 2022, the NAV per Ordinary Share increased to 105.0 pence (31 March 2022: 104.2 pence). Over the period since IPO, our NAV total return has been 5.0%. The key driver of this gain was a 16.9% upwards revaluation of our afforestation sites, driven by rising prices for land suitable for afforestation development, securing of grants and planting permissions, and the completion of planting. Valuations for established forest properties have remained relatively muted during the period, reflecting relative softness in the timber market. The second half of the period has seen substantial investment into the afforestation assets as well as getting new debt and equity capital in place, and the related costs of that. We are very encouraged that the two afforestation properties that were planted during the period achieved a 42% valuation increase (contributing strongly to the overall uplift for afforestation assets) before any consideration of the value of voluntary carbon units.

With up to 25 further assets in the afforestation development pipeline due to reach the planted milestone in the next two financial years, we expect to see the hard work and capital investment continue to deliver development returns going forward. Recognition of the value of voluntary carbon credits in the Company's NAV is also an exciting development.

Sustainability and Environmental, Social and Governance

In the sustainability and ESG section of this report you will find the environmental and natural capital highlights that the Company has achieved. We create natural capital alpha through our proprietary sustainable forestry management practices. We balance UK timber production, carbon sequestration, biodiversity and positive social impacts, amongst other considerations, for each of our afforestation sites. As well as commercial trees, this will include the planting of significant hectarage of native broadleaf trees and reinstating wetlands and reducing grazing levels on large areas of open ground, which increases positive carbon impacts and creates additional biodiverse ecosystems.

Particular achievements during the reporting period include 28,873 tCO_2e of arboreal carbon sequestration achieved and material progress with the data collection for establishing the ecology and biodiversity baseline of the portfolio.

The launch of FSF's Forestry Skills Training Programme in Wales has been a particularly notable development. All four candidates on the pilot scheme graduated from the course and we look forward to the scale-up and roll-out of the training programme as part of a UK-wide expansion plan to add valuable skills in the rural communities where we operate.

Awards

Recently we were delighted to be awarded the Most Innovative Sustainable Fund Launch at the Investment Week Sustainable Investment Awards. This was followed by the award of Infrastructure Finance Initiative of the Year at the National Sustainability Awards. These awards recognise the mix of our commercial model with sustainability goals, which lies at the heart of our investment approach.

Market outlook

Shareholders will know only too well the backdrop of the last year, featuring rising interest rates, falling stock markets, global political instability, an energy crisis and currency volatility. Despite these significant headwinds, UK forest property prices have exhibited their historic low correlation to other assets and have held up well. This resilience may not always be the case, particularly if other assets were to continue to deflate in the face of rising interest rates. However, we would highlight the following potential factors that may serve to offset this risk:

- The UK imports 80% of its timber and therefore a weak GBP makes domestic timber more competitive
- Sanctions on Russian and Belarusian timber will have an additional benefit for UK growers
- Historically there has been limited debt involved in UK forestry purchases due to its inheritance tax protected status and it not being a mainstream asset class for banks, meaning less risk of a debt-driven unwind of holdings

- Sustainable timber remains a product in a long-term demand uptrend in the UK and globally
- Government support for new forestry planting across the UK remains significant in both policy and grant terms
- New planting trends are largely unaffected by market volatility
- The global decarbonisation agenda continues to accelerate; corporate net zero pledges are becoming increasingly common practice with many looking to achieve this feat between 2030 and 2050

FSF is well placed to benefit from a future increase in timber and voluntary carbon credit prices and remains focused on a significant amount of new forestry planting. We will continue to deploy our capital advantageously.

Voluntary Carbon Market designation

On 5 December 2022, the Company announced that it had become the first company to officially receive the LSE's Voluntary Carbon Market ("VCM") designation. I would like to take this opportunity to reflect on what is a material post-period announcement, and that we believe is a milestone for capital markets and the Company.

The VCM was launched by the LSE on 10 October 2022 and has been created to facilitate financing at scale into projects that mitigate climate change. The VCM designation will be applied to funds or operating companies that are admitted to the LSE's Main Market or AIM and which are intent on investing into climate change mitigation projects that are expected to yield voluntary carbon credits.

Annual General Meeting

We look forward to meeting Shareholders at the Company's Annual General Meeting ("AGM") on 23 February 2023 at 1:00pm. Details of how Shareholders may participate are set out in the Notice of Annual General Meeting published in this report.

Summary

I would like to thank the Fund Managers, advisers, Shareholders and other members of the Board for contributing to what has been a very busy and successful period. We are proud of what we have achieved so far and very much look forward to continuing the growth of the Company.

Richard Davidson

Chair

14 December 2022

PERIOD AT A GLANCE

PERIOD FROM INCORPORATION TO 30 SEPTEMBER 2022

November 2021

Listed on the Premium Segment of the Main Market of the London Stock Exchange, raising £130.0 million.

The Company was the first and is the only UK listed investment trust focused on UK forestry, afforestation and natural capital and was awarded the LSE Green Economy Mark at IPO.

March 2022

Rapidly completed seed asset portfolio transactions four months after the Company's IPO and secured 36 properties at a cost of £113 million (inclusive of tax and other transaction costs) and resulting in the IPO proceeds being substantially deployed.

March 2022

Company Half Year

March 2022

Completed the planting of approximately 250,000 saplings at the 150-hectare property Banc Farm in Carmarthenshire, Wales.

June 2022

Announced successful full deployment of IPO proceeds within eight months of listing and ahead of plan.

June 2022

Successful placing raised total gross proceeds of £45 million with a further 38,002,022 new Ordinary Shares issued. This increased the Company's total equity raised to £175 million.

The net proceeds of the issue will be used to acquire further assets within the Company's imminent pipeline of opportunities.

June 2022

Announced Interim results

As at 31 March 2022 the Company's unaudited NAV was £135.5 million. Over the period, NAV per Ordinary Share increased to 104.2 pence.

August 2022

Delivered key IPO objective of achieving a 40-50% portfolio allocation to afforestation projects.

August 2022

Signed an agreement for a three-year committed £30 million RCF and uncommitted accordion facility of up to an additional £30 million, providing a flexible source of funding outside equity raising.

August 2022

Completed planting at Mountmill Burn, an afforestation project located in the Scottish Borders, with c.260,000 trees planted. The planting design also incorporated rare and endangered tree species, such as Black Poplar and Holm Oak.

September 2022

FSF wins Most Innovative Fund Launch at the Investment Week Sustainable Investment Awards.

September 2022

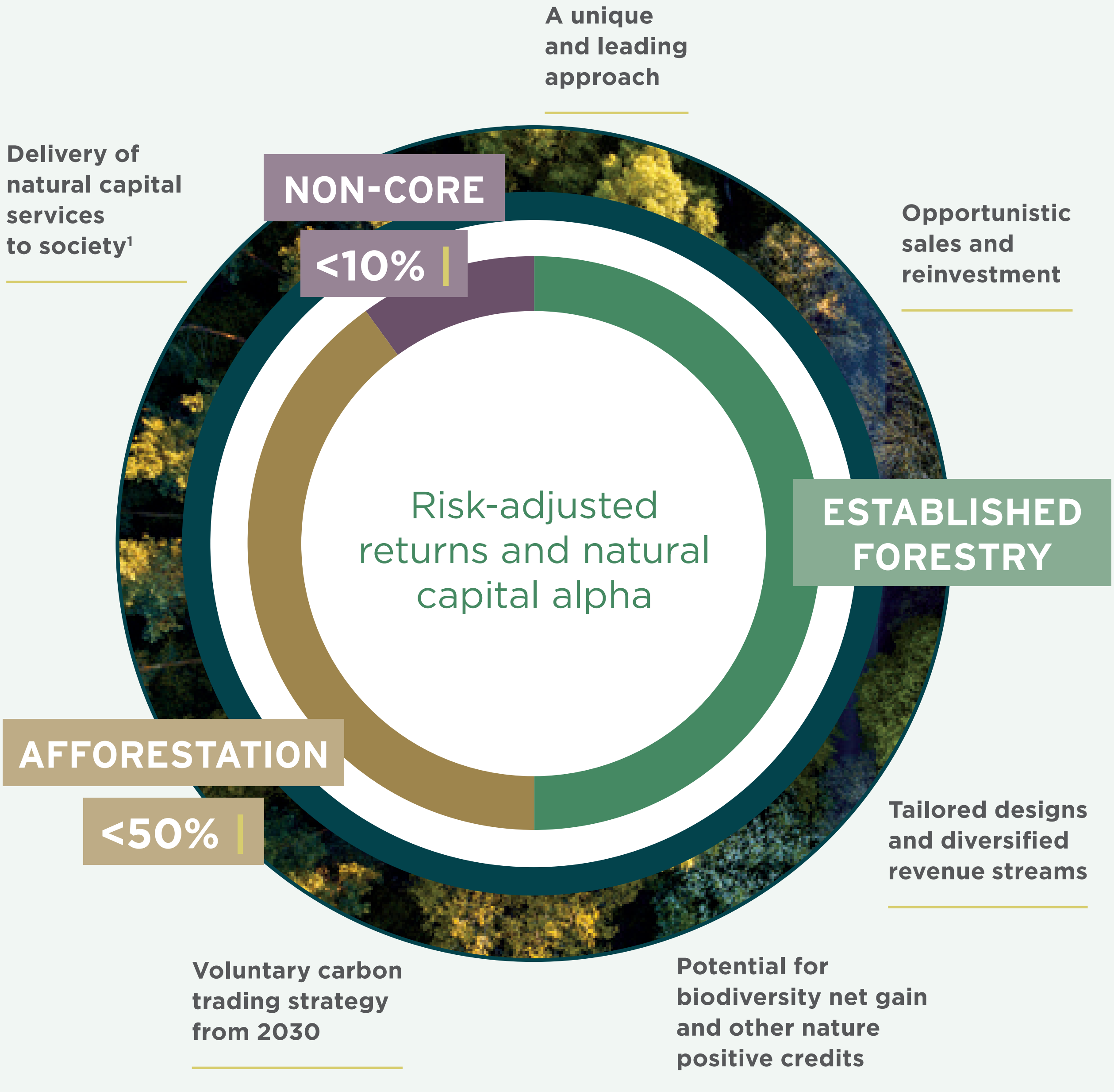
Commenced Foresight Sustainable Forestry Skills Training Programme pilot, providing four motivated and enthusiastic candidates in Wales with fully funded three-weekly training sessions which cover the fundamentals of forestry-related activities.

September 2022

Company Full Year

BUSINESS MODEL

Target allocation (by value as % of Gross Asset Value)



Underpinned by

Risk management

Read more about risk management on pages 40 to 43.

ESTABLISHED FORESTRY

Stable returns and cash flow generation

- Buy and hold
- Manage on rotational basis for timber revenues
- Improve forests through continual re-design, investment and proactive management
- Continuous re-stocking and replenishment

Outputs
- Sustainable UK timber supply
- Forestry skills training
- Social and recreational services

AFFORESTATION

Development returns and securing nature-based units

- Acquire suitable land
- Secure permits and grants
- Plant and establish trees
- Sell developed assets circa years 5 - 10
- Recycle capital into new projects

Outputs
- Community engagement
- Natural capital services[1]
- Voluntary carbon units

NON-CORE

Optimised and managed or disposed of to recycle capital into additional forestry or afforestation assets

- Hold, manage and optimise, integrating with core assets

OR

- Dispose and recycle capital into core assets

Outputs
- Jobs
- Education
- Recreation
- Eco-tourism
- Renewable energy
- Capital for recycling

Strong governance

Read more about governance on pages 48 to 78.

1. Examples include, but are not limited to, atmospheric carbon sequestration, flood prevention and air purification.

EXECUTIVE REVIEW

We are proud to have delivered our business plan and financial performance targets for the Company in the reported period.

Robert Guest
Managing Director,
Foresight Group
Co-Lead, Foresight Sustainable Forestry Company

Richard Kelly
Managing Director,
Foresight Group
Co-Lead, Foresight Sustainable Forestry Company

Executive summary

In its first period, FSF, the London Stock Exchange's first listed natural capital investment company, delivered a particularly positive performance during a year of such significant political and financial market volatility. During the period, the Company demonstrated the success of its business model. This was clearly shown by valuation uplifts, increase of NAV per share and a total NAV return since IPO of 5.0%.

In aggregate, the Company's NAV increased by £50.6 million between IPO on 24 November 2021 and 30 September 2022.

This was predominantly due to FSF's successful £45 million equity raise in June 2022 but also aided by a £11.5 million (up to 9.1%) valuation gain of fixed assets in the period.

The NAV per share increase in the period to 30 September 2022 has been impacted by transaction costs from the high volume of afforestation acquisitions, the commencement of development activities on multiple afforestation properties, and costs related to securing new equity and debt capital. The benefits of investing in development projects and increasing the Company's available capital base for deployment are becoming apparent in the very strong valuation uplifts delivered by the first two afforestation assets where planting has been completed.

Successful afforestation development and the securing of the related voluntary carbon credits is a core part of the Company's business model and the value recognition received on the first two afforestation properties validates this strategy.

Overall, we are proud to have delivered on our business plan and financial performance targets for the Company in our first year. Alongside this, the measurable sustainability and ESG impacts of FSF are increasing whilst the regulatory risk management frameworks and end markets for voluntary carbon units, nature positive units and other methods for quantified provision of natural capital services are rapidly emerging and taking shape.

We are excited to keep progressing our afforestation development programme and project pipeline and to deliver continued "natural capital alpha" (the combination of outperforming sustainable financial returns with sustainable timber production, carbon sequestration, biodiversity and positive social impacts, through sustainable forestry management practices) for our Shareholders in the Company's financial year.

Looking to the next year, we are particularly excited to continue to increase the Company's exposure to afforestation via new acquisitions and to commence and complete tree planting activities on the pipeline of afforestation schemes within the existing portfolio that are currently in development.

PORTFOLIO

Acquisitions

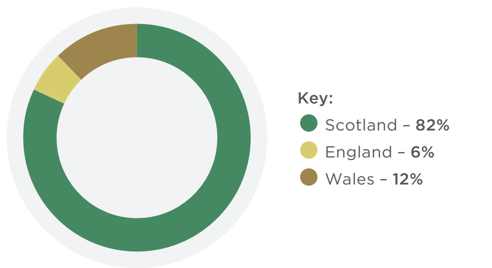
The pace of deployment has been strong throughout the period. Since inception, FSF has deployed £133.3 million into a portfolio of 50 forestry and afforestation properties across the UK. In the first six months since FSF's IPO, the investment focus was on negotiating and completing the acquisition of seed assets portfolio to ensure IPO proceeds were rapidly deployed to minimise the impact of cash drag.

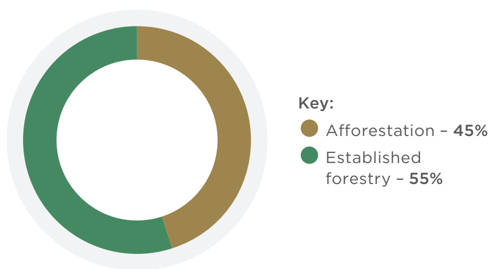
Looking forward to the next year, the Investment Manager will be looking to further enhance FSF's exposure to afforestation assets and maintaining investment discipline as we continue to search for high quality assets to add to the portfolio.

Foresight sources deals and acquisition opportunities via selling agents, on-market bids, bilateral deals and direct origination for both established forestry and afforestation assets. Approximately 4,500 specific properties, extending over c.860,000 hectares, have been identified as highly suitable for afforestation and are specifically targeted with our direct origination system. The Company has full priority rights over any acquisition opportunities sourced from the direct origination system and other Foresight forestry opportunities that are within the Company's mandate in accordance with the Prospectus.

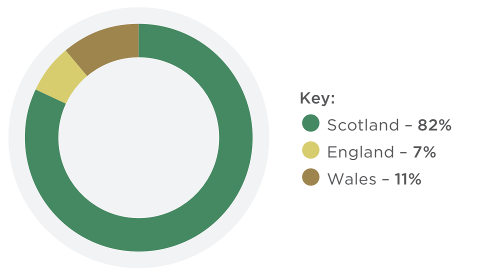
In the next year, we expect to increasingly deploy capital into attractive forestry properties as we approach FSF's maximum 50% afforestation allocation. Whilst forestry properties generally offer lower returns than afforestation, they play an important cash generation role within the Fund. Given how resilient FSF's share price has been during recent market volatility, we expect to come back to equity markets, conditions and pipeline allowing, in 2023 to expand FSF's capital base.

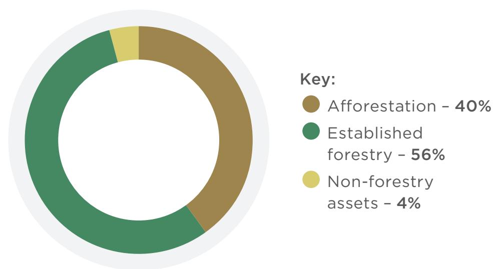
Portfolio by area





Portfolio by value





In the build-up to that we will remain focused on securing an attractive and well-developed pipeline that the proceeds can be deployed into.

Portfolio

The primary acquisition strategy in the latter part of the period was to increase FSF's allocation to afforestation opportunities. In our IPO objectives, we stated that afforestation properties would make up (by value) between 40-50% of the portfolio. We were delighted to report in August 2022 that FSF had achieved this objective.

As at 30 September 2022, the Company's portfolio comprised 50 assets covering a total area of 9,618 hectares. An overview of the portfolio is provided on pages 4 and 5 and the split of hectares by country and by afforestation/forestry is illustrated on page 16.

The portfolio's allocation continues to be weighted towards Scotland (82% of FSF's portfolio by land area), which is the most forested of the UK countries and the closest to achieving its annual tree planting targets. Deployment into Scottish properties is also aided by the larger property parcel sizes. We expect deployment in 2023 to be weighted towards Scottish properties.

Wales (12% of FSF's portfolio by land area) is the second largest country allocation within FSF's portfolio and government targets for afforestation in Wales are significant.

However, properties and parcel sizes tend to be smaller than in Scotland, particularly for afforestation properties, which limits opportunities to deploy at scale. We are also seeking opportunities in Northern England to slightly increase the allocation, but we note that this is a relatively more challenging regulatory environment with England yet to fulfil its annual planting targets. We expect 2023 deployment into England to remain a relatively low proportion of total deployment, versus both Scotland and Wales.

Portfolio valuation

PORTFOLIO CONTINUED

Portfolio continued

Following the release of the Interim Report, the Investment Manager has carried out a detailed review of allocation to non-forestry assets. The information now includes non-forestry assets as a reporting metric in the portfolio allocation calculation, as is illustrated on page 16. In future, the allocation to afforestation, forestry and non-forestry assets will be reported, monitored and measured on this basis.

Portfolio valuation

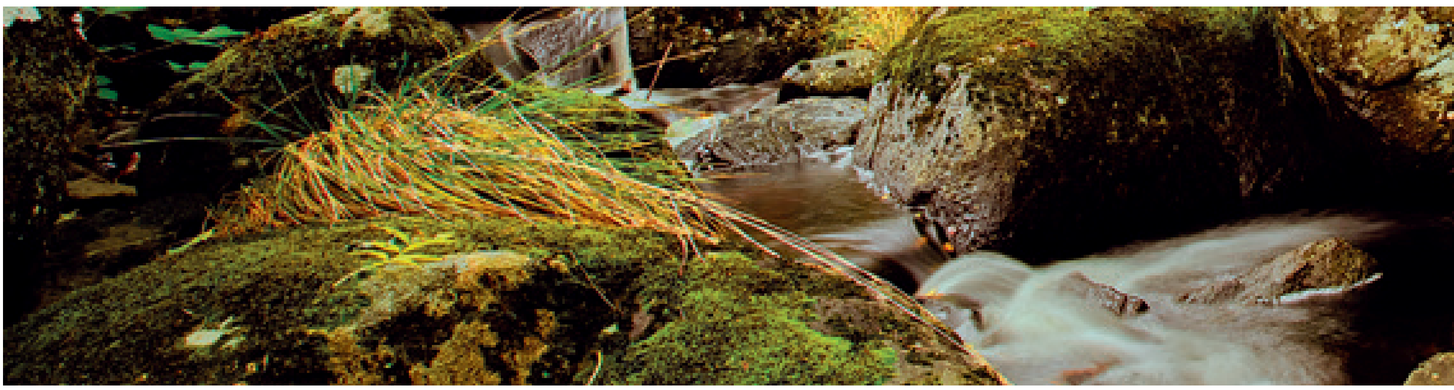
As at 30 September 2022, the forestry portfolio held through SPVs as described on page 110, was valued at £144.8 million. Since IPO, the portfolio delivered a valuation gain of £11.5 million in the period.

Afforestation properties delivered gains of £7.5 million. The largest percentage valuation increases were from two planted afforestation properties, Mountmill Burn and Banc Farm.

Using Mountmill Burn as an example of what occurs when development milestones are reached, the property was originally valued at £1.4 million at acquisition. At that time, Mountmill Burn was an afforestation scheme still in development and unplanted. A year later, Mountmill Burn has been fully planted and the saplings are establishing well. Mountmill Burn was valued in September 2022, as part of FSF's portfolio valuation, at £2.5 million, an increase of approximately £1.1 million equivalent to a 74% increase on a year earlier. In addition, Mountmill Burn has seen a further £340k of value ascribed to progress towards creation of 19,466 carbon credits to the property's valuation, taking total returns delivered on Mountmill Burn to £1.4 million, an increase of 97%.

Both planted properties demonstrate the capital appreciation potential of afforestation sites once development milestones are met. The Company has a further 25 afforestation properties as part of a series of development activities which is estimated to see the creation of approximately 800,000 voluntary carbon credits. This estimate takes into consideration the verifier's 20% buffer to ensure that the number of units offset or traded is conservative versus the estimated carbon actually sequestered.

Afforestation properties remain the engine room of performance and the Company is looking to increase the portfolio allocation to this asset type in the coming year. Successful afforestation development and the securing of the related voluntary carbon credits is a core part of the Company's business model and the value recognition received on the first two afforestation projects validates this strategy.



Standing forestry properties delivered gains of £1.2 million from acquisition to 30 September 2022. Valuations for established forest properties have remained relatively stable.

Mixed forestry and afforestation properties, a category dominated by the Fordie Estate, delivered an 18.4% increase from acquisition to 30 September 2022, a £2.2 million uplift. The Fordie Estate development, which includes an afforestation scheme of material scale, continues to progress well.

Debt financing

As mentioned by the Chair, the Company completed the arrangement of a £30 million RCF and an uncommitted accordion facility of up to an additional £30 million on favourable margins. The RCF gives FSF a committed source of flexible funding outside equity raisings.

Once drawn, the facility is expected to be paid down periodically using the proceeds of subsequent equity issues.

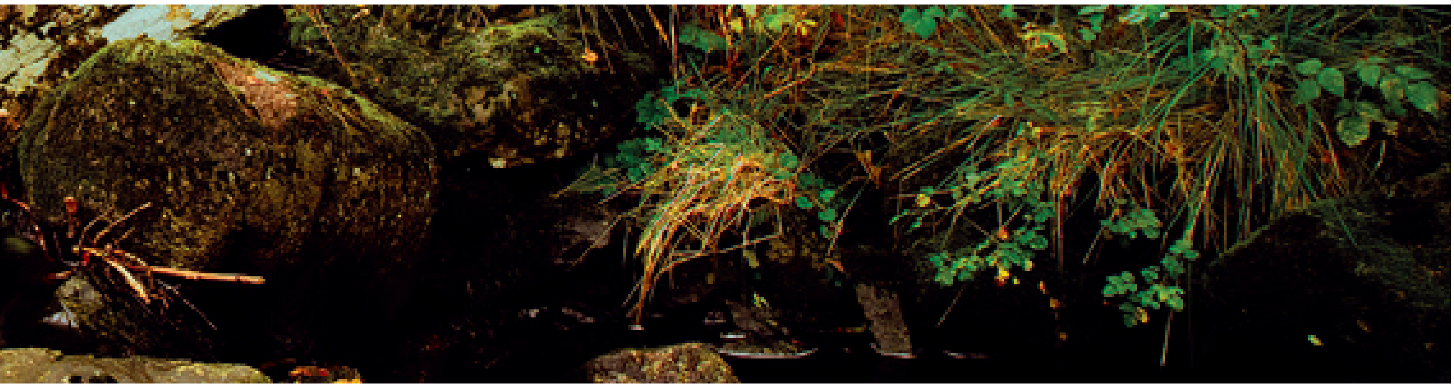
This enables FSF to make new investments with certainty of funding and on a timely basis, reducing cash drag associated with holding cash balances.

Pleasingly, the interest margin chargeable on the RCF is linked to the Company's sustainability and ESG ("S & ESG") performance, with FSF incurring a premium or discount to its margin based on its performance against defined targets. These S & ESG targets are:

- A year-on-year increase in the total number of hectares of land acquired for carbon sequestering activities (including afforestation, peatland restoration and voluntary carbon credit acquisition)
- A year-on-year increase in the total number of people completing FSF's Forestry Skills Training Programme

Performance against these targets will be measured annually, with the interest cost of the RCF being amended accordingly in the following year. The lender is Virgin Money and the interest margin can vary between 200 bps and 220 bps over SONIA (Sterling Overnight Index Average), depending on performance against the Company's S & ESG targets.

Since arranging the facility, no drawdowns of the RCF have been made and the potential utilisation of the facility will be carefully considered by the Investment Manager in the context of rising interest rates and market conditions. However, having the RCF available gives the Company significant manoeuvrability for strategic purchases and enhances growth prospects for the future. Looking forward, we hope to deploy the proceeds of the RCF opportunistically into favourably priced properties.



OPERATIONS

Established forestry

Of the Company's established forestry, 3,495 hectares is stocked and 48% is dedicated to native broadleaves, rare and endangered trees and open ground.

Planting

Excitingly, during FSF's first year, planting completion was reached on two afforestation projects (Banc Farm and Mountmill Burn), which has seen approximately 514,000 trees planted and establishing well.

The Company has also been developing its other 26 properties where afforestation activity is possible. Sixteen sites have formally completed planting designs and are now busy gaining permits, grants and admission to the Woodland Carbon Code ("WCC") register. The ten other afforestation properties are expected to complete planting designs in the first half of FY23.

The total portfolio will see the development of 3,917 hectares and 6.4 million trees are expected to be planted throughout 2023 and 2024. Current development plans see 52% of the total area dedicated to commercial conifers, alongside 16% of land area with native broadleaves, rare and endangered trees, alongside 32% dedicated to open ground.

Afforestation asset development progress

Twenty-seven afforestation properties and one mixed afforestation and forestry property were being developed at the year-end date. The status of each property at the year end was as follows:

Property name	Forest design completed	Permits and grants secured, admitted to WCC register	Planting completed	Final WCC validation completed	Trees fully established
Banc Farm	🌳	🌳	🌳	–	–
Mountmill Burn	🌳	🌳	🌳	–	–
Upper Barr	🌳	–	–	–	–
Auchensoul	🌳	–	–	–	–
Cwmban Fawr Farm	🌳	–	–	–	–
Frongoch	🌳	–	–	–	–
Brynglas	🌳	–	–	–	–
Esgair Hir	🌳	–	–	–	–
Pistyll South	🌳	–	–	–	–
Ellenber Farm	🌳	–	–	–	–
Fordie	🌳	–	–	–	–
Rory Hill	🌳	–	–	–	–
Lamb Craigs	🌳	–	–	–	–
Maescastell	🌳	–	–	–	–
Red Craig & Glen Burn	🌳	–	–	–	–
Burn of Bellyhack	🌳	–	–	–	–
Dove Hill	–	–	–	–	–
Chatto Craigs	–	–	–	–	–
Pilanton Wood	–	–	–	–	–
Coed Doethie	–	–	–	–	–
Droveroad Wood	–	–	–	–	–
Ness Bogie	–	–	–	–	–
Reams Hill	–	–	–	–	–
Brown Hill	–	–	–	–	–
Knock Fell	–	–	–	–	–
Windylaws	–	–	–	–	–
Liddel Water	–	–	–	–	–
Chesterknowes Wood	–	–	–	–	–

OPERATIONS CONTINUED

Harvesting

The Investment Manager took the opportunity during the period to commence harvesting at two forests at good pricing levels. Two other forests have proceeded as planned this winter to clear up wind blow from Storm Arwen. In total, this is expected to yield c.26,000 tonnes of timber harvesting. There will also be a thinning operation carried out at two sites in order to comply with Statutory Plant Health Notices ("SPHNs"); this is expected to yield a further c.4,000 tonnes of timber. Both SPHNs that have been issued are in relation to infected Larch. Larch trees are known to be more susceptible to the Phythopthora Ramorum disease that is currently prevalent, and, provided the SPHN felling is carried out, this poses no further risk to the wider forests. The timber from the Larch trees harvested can still be sold in the usual way to sawmills, so there is no loss in revenue associated with the process.

However, timber pricing was generally weaker during the year. As a result of an increase of timber supply following the end of COVID-19 restrictions and related timber demand surge, and higher-than-normal timber supply inflows following Storm Arwen in November 2021, planned harvesting at ten FSF properties of harvestable age was postponed. In total, c.100,000 tonnes of timber within the portfolio have reached maturity and is in a five-to-ten-year optimum harvesting window.

The Company has set aside sufficient working capital and forecast future capital expenditure to provide the Company with flexibility to adjust and postpone the timing of commencing harvesting on these sites.

The Company also enjoys significant income from woodland creation grants, which offset a large portion of the capital expenditure invested into planting afforestation sites.

The Company is well capitalised and pursues a total return, rather than a dividend yield strategy, providing it with the ability to be flexible with its harvesting programme, when supply and/or demand variances indicate that it is beneficial to do so. The timber will remain "on the stump" and continue to enjoy biological growth until harvesting is deemed beneficial to the Company's NAV. A harvesting programme for 2023 that ensures maximum value is captured for any of the Company's mature timber is being reviewed. All relevant felling permits have been secured and FSF is able to mobilise at short notice when market conditions improve.

Health and safety ("H&S")

H&S is a priority for the Company. No near misses or RIDDORs (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) have been reported since the Company's establishment.

The Company continues to invest in enhancing its H&S reporting processes. At the time of writing, Quadriga, an H&S specialist adviser, have been re-engaged to carry out an H&S audit on a second forest manager, following their review of the first manager in the first half of the financial year.

Following the advice of the first Quadriga report carried out during the period, the H&S reporting process has been expanded. There is a flow of H&S information from the forest managers to the Company Directors on a monthly basis. This allows any H&S incidents to be discussed and appropriately responded to. This information then flows through to the Company Board on a quarterly basis as part of the Board report.

One initiative implemented by FSF during period is introducing the requirement for all operatives to carry a lone working device when working in the forest; thus ensuring they are always able to contact someone in the event of an emergency. Foresight Asset Management continue to look at ways to ensure FSF remain ahead of the industry in relation to H&S and will continue to work with E.J. Downs Forestry and the forest managers in order to do so. E.J. Downs Forestry have significant experience in the forestry management space and advise FSF on silvicultural decisions.

FSC and PEFC accreditation

The Company aims to achieve both the Forest Stewardship Council ("FSC") and Programme for the Endorsement of Forest Certification ("PEFC") accreditation for each property within 12 months of acquisition. As at 30 September 2022, the Company had received dual accreditation for 30 properties.

OPERATIONAL CASE STUDY

COULL WOODLANDS ABERDEENSHIRE, SCOTLAND

Coull Woodlands ("Coull") is a 370-hectare, dual FSC and PEFC certified commercial forestry project in Aberdeenshire, Scotland. It is a highly productive commercial forestry asset, with a diverse age profile due to the harvesting that has been carried out on several coupes of the first rotation. Coull was purchased by FSF as part of the initial seed asset transaction in March 2022.

Since acquisition, E.J. Downs Forestry worked closely with the underlying forest manager, RTS, and the Foresight Asset Management team to develop a plan to remove weeds and replant these compartments, continuing to use Sitka Spruce as the main restock crop. These reparative works have been carried out to a high standard and a minimal beat up[1] was required of these new crops, once again demonstrating the highly fertile nature of the woodland.

The Long-Term Forest Plan ("LTFP") outlines plans to continue restructuring the forest, removing the mature crops and restocking these areas with Spruce. The mature pine is well-thinned and of a generally good quality for Scots Pine.

Near-term plans are for the removal of approximately 4,500 tonnes of timber in a single harvesting coupe, crystallising some of the value of these compartments. As has previously been done at Coull, these areas will be restocked with Sitka Spruce as the main species alongside a mix of Norway Spruce and Scots Pine to diversify the compartments.

In addition to the commercial areas of Coull, there is also 34.5 hectares of mixed broadleaves and open ground. Under the LTFP, this ground will be maintained in line with silvicultural best practice, maximising the value add to the site from an ecological and amenity perspective in line with the Investment Manager's sustainable investment strategy.

In general, Coull offers excellent commercial and community value providing high-quality timber into the UK timber market in the immediate term and re-stocking the harvested areas with high-yielding Spruce and Pine crops with the goal of longer-term yields. Through these restructuring works FSF believes that the financial, community and environmental value of Coull will flourish.

1. The process of counting and replanting trees that have died shortly after planting.

Investment overview

Property location	Aberdeenshire, Scotland
Asset type	Forestry
Project size	370 hectares
Acquisition date	March 2022

OUR MARKETS

Voluntary Carbon Market

The Investment Manager has been working in close collaboration with the London Stock Exchange ("LSE") in relation to their new Voluntary Carbon Market ("VCM") designation. This allows market participants to easily identify listed investment companies that are contributing positively to the establishment and scale-up of voluntary carbon markets. FSF qualifies under all of the criteria and is the first VCM designated company on the LSE. As part of this, FSF intends to give investors the choice to receive cash dividends from the net proceeds of the sale of voluntary carbon credits, or to elect to receive in-specie voluntary carbon credit dividends. If credits are received in-specie they can be directly utilised by the recipient for its own net zero offsetting or onward carbon trading strategy. The designation enables investors to:

- Secure a supply of voluntary carbon credits for net zero commitments or trading purposes
- Hedge against the risk of rapidly rising voluntary carbon credit prices
- Generate an attractive risk adjusted return from otherwise uninvested balance sheet cash, with flexibility to adjust carbon credit yield requirements in a daily traded manner

On the demand side, according to Trove Research, at the end of calendar Q3 2022 a total of 3,729 companies globally had put Science Based Target initiatives ("SBTi") in place, or had committed to one. Positively, this represented a 142% increase from the commitment levels in Q3 2021.

On the supply side, over the same period, the number of new voluntary carbon credits issued each quarter has fallen for four consecutive quarters, declining at a rate of 16% CAGR since Q4 2021. It is unclear what has driven this decline. In the same period, the retirement of units decreased by 14% CAGR but regained 9% from Q2 to Q3 2022. The market surplus rose by 2% to a new peak of 667 Mt in Q3 2022. Foresight expects to see a reducing surplus lifetime trend in 2023 as supply increasingly tightens.

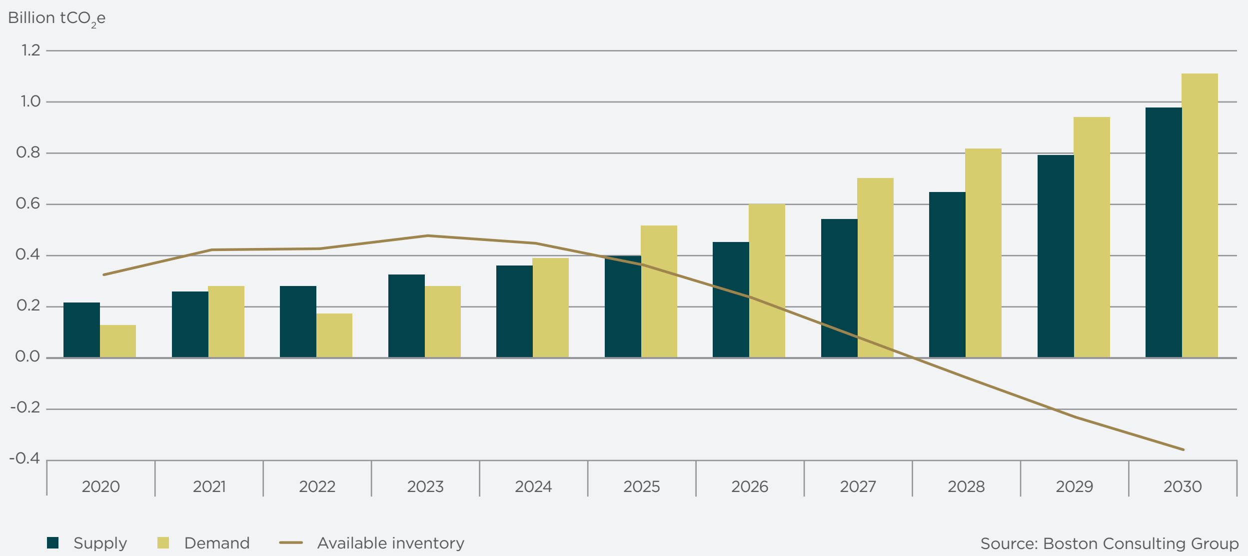
As part of the process for ascribing carbon unit value to the Banc Farm and Mountmill Burn afforestation properties, the Investment Manager and the Company's auditor have reviewed evidence of completed transactions for purchases of UK voluntary carbon units, with the price of pending issuance units ("PIUs") sold ranging between £14 and £35 per credit. Within the calendar year, there is an upward pricing trajectory in prices paid. It is worth noting that the value of individual carbon credits is influenced by the location of the project (with those close to populated areas attracting a premium price), the status of the carbon credit (with woodland carbon units ("WCUs") that are capable of retirement for offsetting purposes trading at a significant premium over PIUs that have yet to mature to become WCUs) and the project's specific co-benefits beyond just carbon sequestration (with projects that have strong nature positive co-benefits, such as biodiversity, trading at premiums). The outlook for voluntary carbon markets remains strong. Foresight is encouraged by the level of new SBTi net zero pledges made by companies in the period. Whilst voluntary carbon prices are down from their January peak, the annual pricing trend remains positive. Foresight believes that we are likely to see sustained price volatility, an increasingly tight supply and increasing prices for nature-based voluntary carbon credits over the coming years. This view is supported by research published by Boston Consulting Group which forecasts that there will be an insufficient inventory of voluntary carbon credits to meet forecast demand by 2028.

Immediately following the end of the reporting period (1 October 2022) the WCC released a new financial additionality test methodology which affects a number of FSF's assets. The principle of additionality looks to test that a positive carbon sequestration/mitigation activity, development or intervention would not have occurred in the absence of the incentive created by carbon credit revenues. In other words, if the activity, development or intervention would likely happen anyway with or without carbon credit revenues then a project is not defined as an additional contributor to net zero goals.

Banc Farm and Mountmill Burn fall under the old regime and for new pipeline assets the known adjustments are being incorporated into the prices offered. However, 19 of FSF's afforestation assets are affected and Foresight is currently evaluating the impact, which is most likely to manifest itself in a reduction in grants taken and/or allocation to commercial forestry within scheme designs in order to achieve financial additionality.

Foresight is also working closely with industry body Confor and other market participants to provide constructive feedback to the WCC regarding various aspects of the methodology. The consultation is ongoing, with the WCC already having acknowledged some of the points made and adjusting the methodology accordingly, which has a positive impact for the Company and the wider afforestation market. Further updates will be provided once conclusions have been reached and further analysis has been carried out by Foresight regarding impacts.

Outlook for supply, demand and available inventory of carbon offsets



Source: Boston Consulting Group

OUR MARKETS CONTINUED

Timber uses

Timber outputs are broken down into three categories depending on the top diameter:

- Sawlog, with a top diameter of 18cm and above, is the primary timber product and fetches the highest price. This timber can be used for construction and is often used for fencing posts and other home improvements
- Small Roundwood, with a top diameter between 6-14cm, is sometimes referred to as fencing wood. This is largely used in fencing panels and pallet construction. It is processed at a separate mill to sawlog, that is specifically designed to process the smaller pieces of timber
- Chipwood, with a minimum top diameter of 6cm, is essentially too small or not straight enough to be processed in a saw or fencing mill. This product is chipped, rather than sawn, and used in pulp mills to make paper products or biomass plants, generating power and heat

UK timber market

After a period of unprecedented demand and high timber pricing due to COVID-19 during 2020 and 2021, the combination of Storm Arwen and the cost-of-living crisis have left UK sawmills with excess stock during 2022 and UK sawlog and medium-sized roundwood prices have fallen accordingly through the year.

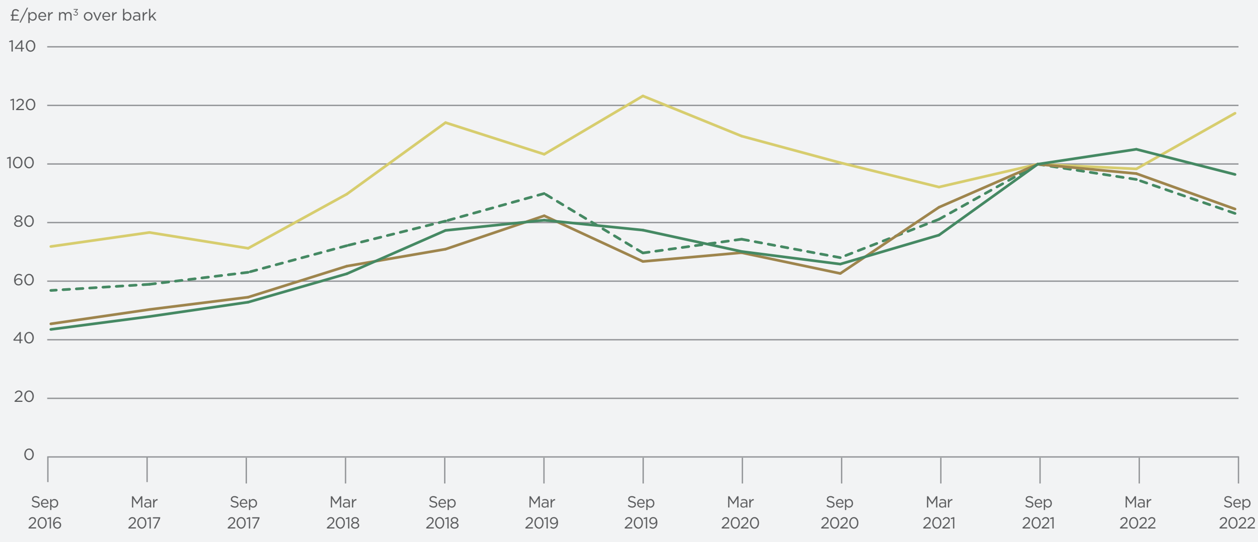
Storm Arwen is estimated to have brought forward early supply of 1 million cubic metres of wind-blown timber. However, in a country that imports c.80% per annum, market practitioners are generally of the view that the impact will likely have been fully absorbed by the market by early 2023.

Trees that were wind-blown before reaching prime age for harvesting will only result in a tighter UK timber supply in future years.

Foresight understands that the high inventory levels held as a result of COVID-19 by the sawmills are re-balancing as many UK forest owners, like FSF, have chosen to leave value 'on the stump', by postponing harvesting and looking forward to how 2023 order books shape up.

As the financial implications of the COVID-19 pandemic, the outbreak of war in Ukraine and the recent political and financial actions taken by the Bank of England and the UK Government take effect, most forecasters are anticipating a slowing of growth in the UK economy and a period of shallow recession over the next year.

UK timber market prices



Source: https://cdn.forestresearch.gov.uk/2022/11/TPI_Sep_22.pdf


Image: courtesy of James Jones & Sons Ltd sawmills.

It is likely that such an economic environment will result in decreased demand for UK sustainable timber. The construction products industry currently continues to forecast growth in overall demand during 2022 and 2023 in anticipation that large warehouse and major infrastructure construction projects will go ahead but with downgrades to the previous estimates, driven by an expected slowdown in the private housing and repair, maintenance and improvement ("RM&I") markets. The UK S&P Global Construction Purchasing Managers Index ("PMI") has declined approximately 17% from just prior to the Russian invasion of Ukraine (February 2022) to August 2022.

However, a weak GBP makes imported timber relatively less attractive versus home-grown UK timber and the government may choose to boost its 'build back better' efforts to offset recessionary pressures, which may partially offset reduced demand elsewhere.

The Investment Manager remains of the view that the embedded UK timber supply deficit and the qualities of timber as a sustainable material for construction and other uses provides a significant opportunity if the harvesting strategy for the Company's timber is pursued in the correct manner.

European and global timber market

Inflationary and economic pressures in Europe are not anticipated to increase demand either, with the latest available construction confidence indicators reporting decreases.

In China, new government rules limiting gearing levels for housing development have caused serious debt servicing issues for major property developers and unwanted knock-on effects further down the supply chain. Property makes up a large part of the Chinese economy and the debt restructuring required is dramatic. This has had a substantial negative effect on house prices and construction in China, although the underlying demand for new housing still prevails and it seems likely that the government will take action to stabilise the situation and continue to incentivise infrastructure projects as part of that.

On the supply side there are forces moving in the opposite direction, mainly stemming from Russia's war in Ukraine, to create shortages of and competition for material.

Russian, Belarusian and Ukrainian timber is all now considered as conflict timber by the FSC and PEFC. With timber from those geographies representing a significant amount of global and European timber demand, this creates an intense supply shortage of certified timber globally.

It is understood that volumes of both certified and uncertified harvested timber have increased elsewhere to make up for some of the shortfall. For instance, Finland is expected to boost harvesting volumes by 3% for each of the next two years, turning Finland's forests into a net carbon emitter. Another example is Estonia, which has announced a relaxation of its logging restrictions on state-owned land, accounting for roughly half of the country's forests. As a result, harvesting is expected to increase. Further, satellite imagery of Ukraine illustrates extensive forest fire damage caused by the conflict, further reducing European supplies. This sort of drastic action demonstrates the intensity of the current shortages.

OUR MARKETS CONTINUED

War in Ukraine impacts on UK timber market

In the near term, it is forecast that imports of Russian timber to the UK will have fallen to near zero. Wood pellets, plywood and sawn softwood imports will be the most impacted. According to Forest Research, in 2017, imported Russian wood pellets accounted for 4% of total UK imported wood pellets, Russian plywood accounted for 8% of total UK imported plywood and Russian sawn softwood accounted for 7% of total UK sawn softwood imports. We have now started to observe the tightening supply of timber translate through to imported timber prices, with the TDUK Structural Timber Imported Price Index increasing by c.9% from immediately prior to the Russian invasion to April 2022.

The European energy crisis is also having an impact. With Russia materially reducing gas supplies and Europe keen to quickly become less reliant on Russian energy, parts of Europe have warned of the risk of rolling blackouts and energy rationing this winter. Europe is already the largest consumer of wood pellets, used for bioenergy generation, globally.

Although there is not always uniform consensus regarding the detailed rules and regulations relating to bioenergy generation, the current status in Europe is that wood chips and wood pellets are considered a renewable energy resource. With the combined effects of lower certified timber supply and very high natural gas prices, the value of chipwood, small roundwood and medium roundwood is already experiencing upward pricing pressures in the UK and Foresight believes this is likely to be sustained for at least the rest of 2022 and the first half of 2023. Further, over the medium and longer term, the accelerated harvesting of timber elsewhere is likely to reduce overall supplies, and increase the relative value of standing timber.

Strong relationships with offtakers

Through the Investment Manager, the Board and its network of advisers, FSF has existing relationships with the major timber and wood processors in the UK. At two sites within the FSF portfolio during the period, harvesting agreements have been put in place.

The Company sells timber in both standing (offtaker arranges all harvesting and haulage) and delivered (FSF harvests and delivers to mill) formats. The Company sells timber via both tender sales and bilateral sales processes, depending on site-specifics and market conditions. The sales arrangements made during the period are a demonstration of strong relationships between FSF and its customers, who rely on it for supply of UK softwood timber.

Timber market conclusion

With the overall weaker UK and global economic outlook, Foresight's view is that UK timber demand will reduce in the short term. However, with the effects of Storm Arwen now largely absorbed by the market, mill inventories re-balancing, weak GBP making imports less attractive in relative terms and material supply-side issues as a result of the conflict in Ukraine, the Investment Manager will continue to explore opportunities to achieve good value for the Company's timber stock in 2023. Given the fundamental structural supply shortages for timber in the UK and globally, Foresight remains of the view that the medium and long-term prospects for UK forest owners are strong.

SUSTAINABILITY AND ESG

The UK, and the world more broadly, are in the midst of both a climate and a biodiversity crisis.

Meanwhile, the UK's high reliance on timber imports, with current import levels constituting c.80% of total national demand, is a limiting factor in its ability to adopt more sustainable building and manufacturing practices. Through an integrated approach to sustainable forest management, FSF is uniquely placed to meaningfully address all three areas of concern.

A focus on enhancing commercial productivity increases the portfolio's capacity for direct sequestration of CO_2, while a purposeful approach to nurturing both natural habitat and species diversity helps build resilience against ever-changing and unpredictable environmental conditions.

Both are seen as key drivers of portfolio value as the notions of self-reliance and nature recovery become ever-more prevalent.

The FSF unaudited Interim Report for 2022 clearly outlined the Fund's sustainability and ESG objectives. These act as the guiding principles for everything the Fund hopes to achieve in terms of its contribution to both the national and international sustainability agenda.

Alongside regulated reporting requirements, these objectives provide the focus for the sustainability and ESG data presented within this report. A standalone Sustainability and ESG Report, due to be released in 2023, will provide added detail and case studies of how these objectives are being achieved.

Sustainability and ESG ("S & ESG") objectives

- To deliver and increase the supply of home-grown UK timber to reduce the country's reliance on imports.
- To do so in a way that combines sustainable financial returns with carbon sequestration, biodiversity gain and other positive environmental and social impacts.
- To be a sustainability leader in the UK forestry industry whilst delivering both traditional commercial timber products and innovative natural capital services.

SUSTAINABILITY AND ESG CONTINUED

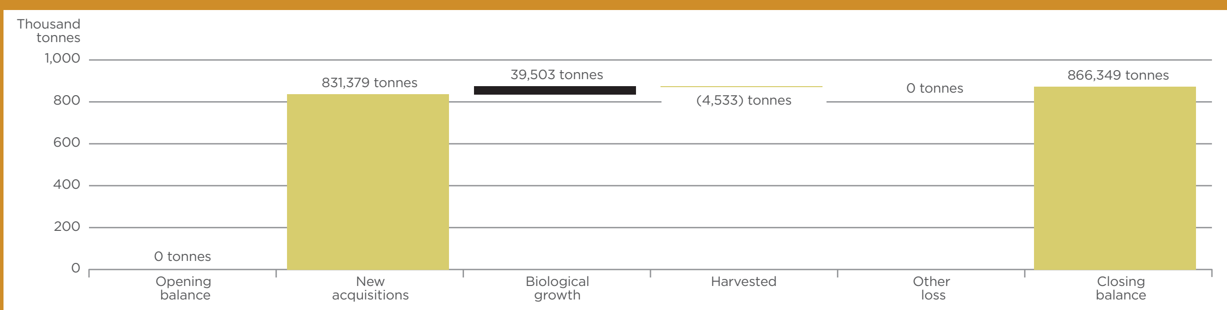
Sustainable Development Goals ("SDG") impact reporting

Demonstrating FSF's commitment to sustainability is the Company's ability to report against the UN Sustainable Development Goals ("SDGs"). The SDGs, which were adopted by all United Nations member states in 2015, comprise the most urgent economic, social and environmental issues to be addressed for peace and prosperity for people and the planet.

To be achieved by 2030, they recognise that ending poverty must go hand-in-hand with strategies that build economic growth and address a range of social needs including education, health, social protection and job opportunities, while tackling climate change and environmental protection. The following table represents the Company's contribution to the SDGs:

Timber

Goal	SDG Target	Contribution
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	**12.2** Achieve the sustainable management and efficient use of natural resources.	**Number of tonnes** of sustainably grown, standing timber. **Percentage** of commercial forestry projects that are **dual FSC and PEFC certified** within 12 months of acquisition.



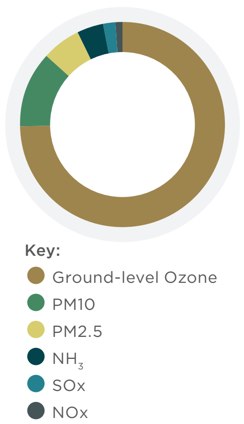
866,349
tonnes of standing commercial timber

100%
existing forestry dual FSC and PEFC certified

Environmental impact

Goal	SDG Target	Contribution
3 GOOD HEALTH AND WELL-BEING	**3.9** Substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination.	**Number of tonnes of pollutants[1] removed** from the atmosphere, including: NOx (Nitrous Oxide), SOx (Sulphur Dioxide), PM10 (µm10 Particulate Matter), PM2.5 (µm2.5 Particulate Matter), Ground-level Ozone, NH_3 (Ammonia)

Pollutant removals



293,770 kg
of pollutants removed from the atmosphere

217,390 kg
of Ground-level Ozone

35,253 kg
of PM10 (µm10 Particulate Matter)

11,751 kg
of NH_3 (Ammonia)

5,875 kg
of SOx (Sulphur Dioxide)

17,626 kg
of PM2.5 (µm2.5 Particulate Matter)

2,938 kg
of NOx (Nitrous Oxide)

Goal	SDG Target	Contribution
6 CLEAN WATER AND SANITATION	**6.6** Protect and restore water-related ecosystems, including mountains, forests, wetlands, rivers, aquifers and lakes.	**Number of kilometres of sustainably managed watercourses**

Sustainably managed watercourses

285[2]
kilometres of sustainably managed watercourses

1. Office for National Statistics, Woodland natural capital accounts, UK 2020.
2. Includes all permanent water courses and larger drains whether wholly inside the property boundaries or located on the property boundary with a shared responsibility for watercourse management.

Sustainable Development Goals ("SDG") impact reporting continued

Environmental impact continued

Goal	SDG Target	Contribution
13 CLIMATE ACTION	**13.3** Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.	**Total annual portfolio sequestration** (tCO_2e/annum) **Average annual sequestration** per stocked ha (tCO_2e/stocked ha) **Average annual sequestration** per gross ha

Carbon removals[1]

28,873 tCO_2e
annual arboreal sequestration achieved over the reporting period within the portfolio

8 tCO_2e / stocked ha
average annual arboreal sequestration on a per stocked ha basis (commercial + non-commercial)

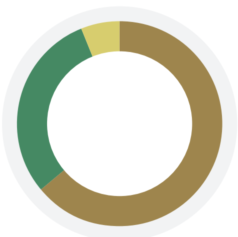
3 tCO_2e / ha
average annual arboreal sequestration per gross hectare/ha

1. Based on estimates of terrestrial tree growth. Currently excludes sub-subterranean (e.g. soil) and understory sequestration profile.

Natural capital services

Goal	SDG Target	Contribution
15 LIFE ON LAND	**15.2** By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantiatlly increase afforestation and reforestation globally.	**Number of hectares of sustainably managed forests** Of which: • **Number of hectares that are long-term, mixed broadleaf carbon sinks**; and • **Number of hectares that are SSSI/SAC**[2,3].

Biodiversity



Key:
- Open ground – **64%**
- Commercial forestry – **30%**
- Native broadleaves/ long-term carbon sink – **6%**

9,650
total hectarage of portfolio (inc. forests and open ground)

2,880 ha
of which total hectarage of sustainably managed commercial forests

617 ha
of which total hectarage of long-term, mixed broadleaf carbon sinks

6,152 ha
of open ground

744 ha
of which total hectarage of SSSI[2]/SAC[3]

2. Site of Special Scientific Interest.
3. Special Area of Conservation.

Natural capital services continued

Biodiversity measurement and management

In accordance with the Prospectus, the Company seeks to preserve and proactively enhance natural capital and biodiversity across its portfolio. As with all biodiversity management initiatives, the first step in this process is to baseline the types and levels of biodiversity across the Company's various forestry and afforestation sites.

The Company has engaged SLR Consulting, a global leader in environmental advisory services, to conduct this baselining work. The primary aim of the study is to provide a consistent biodiversity baseline across the portfolio of forestry and afforestation sites for the purposes of future monitoring and assessment against biodiversity standards. This may also include a predicted performance assessment, using habitat type, habitat condition and other factors to generate an overall estimation on future biodiversity levels.

Work to complete the baselining surveys and predicted performance reviews are ongoing. The results from these assessments and a more comprehensive update will be shared in 2023.

Carbon credits

Carbon credits generated:

PIUs held on balance	47,997
PIUs sold	–
PIUs pipeline	753,134
WCUs held on balance	–
WCUs sold	–
Total carbon credits held on balance	47,997
Total carbon credits sold	–

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES ("TCFD")

The Company recognises climate change as one of the defining challenges of our time and is supportive of the framework established by the Task Force on Climate-related Financial Disclosures ("TCFD"). TCFD creates a uniform approach for organisations to report on how they expect climate-related risks and opportunities to impact upon their business over time.

The Company has sought to ensure that the consideration of climate-related matters is appropriately embedded throughout its governance, strategy and risk management processes. The Company will provide a comprehensive response to all 11 of the recommended disclosures within the Sustainability and ESG Report in 2023, but recognises that its TCFD reporting will continue to develop and be further enhanced in the future.

For the purposes of this Annual Report, the TCFD core metrics are presented as a basis for comparison against other asset classes and peer funds.

TCFD core metrics

The Company's focus for quantitative reporting of exposure to climate-related risk is achieved using the universally accepted core metrics, as recommended by the TCFD, including:

- Weighted average carbon intensity
- Total carbon emissions
- Carbon footprint
- Carbon intensity
- Exposure to carbon-related assets

In line with current FCA guidance, the calculation of these metrics will be performed using scope 1 and scope 2 emissions only, with scope 3 emissions to be incorporated in future reports. The Investment Manager is currently working with external consultants to better understand and prepare to report on scope 3 emissions.

In using these core metrics, the Company is not only able to compare performance amongst its own assets but against those of its wider peer group, further incentivising the decarbonisation of the Company's portfolio. Data drawn from the calculation of the core metrics will be used as an aid to driving decarbonisation across the portfolio and to highlight carbon hotspots in specific business areas as a means of influencing decision-making across the business.

TCFD core metrics				
Weighted average carbon intensity (tCO_2e/£m revenue)	**Total carbon emissions (tCO_2e)**	**Carbon footprint (tCO_2e/£m invested)**	**Carbon intensity (tCO_2e/£m revenue)**	**Exposure to carbon-related assets (%)**
The portfolio's measure of carbon emissions normalised by revenues, expressed in tonnes CO_2e/£m revenue	The absolute greenhouse gas emissions associated with the portfolio, expressed in tonnes CO_2e.	Total carbon emissions for a portfolio normalised by the market value of the portfolio, expressed in tonnes CO_2e/£m invested	Volume of carbon emissions per £m of revenue (carbon efficiency of a portfolio), expressed in tonnes CO_2e/£m revenue	The amount or percentage of carbon-related assets in the portfolio, expressed in £m or percentage of the current portfolio value
151.2	135.0	0.7	149.3	—

Calculation methodologies taken from TCFD website.

SFDR

The Sustainable Finance Disclosure Regulation ("SFDR") is a framework designed to increase transparency on sustainability reporting with a view to facilitating sustainable investment practices and to aid the understanding of sustainability credentials as published by funds and/or companies.

FSF considers itself an Article 9 fund and the SFDR Product Disclosure for the Fund can be located at **fsfc.foresightgroup.eu**.

Furthermore, as an Article 9 fund, FSF is required to report on the 14 Principal Adverse Impact indicators as prescribed in the Regulatory Technical Standards. This table can be found published on the Company's website alongside the Annual Report.

EU Taxonomy

Under SFDR, Article 9 funds must report on their level of alignment to the EU Taxonomy for Sustainable Activities ("EU Taxonomy").

The aim of the EU Taxonomy is to create security for investors, protect private investors from greenwashing, help companies to become more climate-friendly, mitigate market fragmentation and help move capital to where it is most needed.

The Company has set the objective of having all of its assets compliant with the EU Taxonomy's pre-determined screening criteria. As such, based on internal assessment, FSF believes 100% of its assets to be aligned to the EU Taxonomy.

Absolute emissions

Scope 1	Scope 2	Scope 3
104.9 tCO_2e	**30.1** tCO_2e	**293.9** tCO_2e

SECTION 172 AND STAKEHOLDERS

Section 172

The Directors consider that in conducting the business of the Company over the course of the period they have complied with Section 172(1) of the Companies Act 2006 (the "Act") by fulfilling their duty to promote the success of the Company and to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of the members as a whole, whilst also considering the broad range of stakeholders who interact with and are impacted by the Company's business, especially with regard to major decisions.

Since the Company's inception in 2021, the Board has taken its responsibilities towards all the Company's stakeholders as an utmost consideration in every scheduled Board meeting as well as at the inaugural Management Engagement Committee meeting where relationships with all the stakeholder groups were considered in detail.

The purpose of the Company is to act as an investment vehicle to provide financial returns to its Shareholders over time. Investment vehicles are long-term and are typically externally managed, have no employees and are overseen by an independent non-executive Board of Directors. The role of the Investment Manager is particularly important in engaging with stakeholders in the Company and reporting on developments to the Board.

COMMUNITY ENGAGEMENT

The Foresight Sustainable Forest Management approach is applied across the Company's afforestation projects as well as its established forest and woodland assets. Some additional examples, not already highlighted in the Executive Summary section above, are provided below of where this approach has been pro-actively pursued during the period, with a particular focus on community engagement and our drive to unlock positive natural capital service and societal benefits:

- Consultation and engagement with local communities has been carried out, at the appropriate moment, as part of the design and application stage of each of the Company's in-progress afforestation schemes.
- Opportunities to enhance connectivity between local communities and the Company's forests and woodlands (e.g. signposts, walking paths, mountain bike trails, car parks, gates/styles, donations of land) have been initiated as part of the design process on the Company's afforestation schemes.
- The Company has sold and/or leased land that is not suitable for afforestation to local farmers.
- The Company has provided root balls from windthrown trees to contribute to bank revetment works in the Comrie Flood Defence Project.
- The Company has hosted a planting day at Banc Farm and Mountmill Burn for local school children, educated them on the benefits of forestry as well as providing the opportunity for the children to plant their own trees.
- In addition to the planting days, seed collection days have been carried out at Upper Barr and Fordie Estate. The Upper Barr event was attended by members of the local community, while the Fordie day was attended by members of the estate staff and the Foresight team.
- A business case has been successfully demonstrated where one of the forests in the Company's portfolio has carried out thinning. This harvesting site sits within a SSSI for igneous rock formations and so a sensitive approach was preferred. The site manager engaged a local contractor to drag the trees by horse to a work-area, minimising ground disturbance and so protecting the SSSI. The timber was subsequently sawn and processed on-site and then sold. The products are highly specialised, bespoke timber pieces that are used by local businesses.

Stakeholders

Role of the Board

The Board retains responsibility for taking all decisions relating to the Company's corporate governance, strategy and for monitoring the performance of the Company's service providers. As laid out in the Prospectus, the Investment Manager has discretion over investment decisions within the Investment Policy; the Board has oversight and ultimate control. The Board is engaged with the activities of the Company and all Board members have relevant direct experience for supporting the activities of the Company, including substantial experience on other listed and non-listed entities.

The Board aims to ensure that the Company operates in a transparent manner where all parties are treated with respect and provided with the opportunity to offer practical challenge and participate in positive debate which is focused on the aim of achieving the expectations of Shareholders and other stakeholders alike. The Board, with the assistance of the Management Engagement Committee, reviews the culture and manner in which the Investment Manager operates at its scheduled meetings and through its annual performance review. Regular reporting and feedback from other key service providers is also sought and reviewed by the Management Engagement Committee on an annual basis.

The Board is conscious of the ways it promotes the Company's culture and ensures that, as part of its regular oversight, the integrity of the Company's affairs is central to the way in which the Company's activities are managed and promoted. The Board works closely with the Investment Manager and the Company Secretary in reviewing how stakeholder issues are handled, ensuring good governance and responsibility in managing the Company's affairs, as well as visibility and openness in how these are conducted.

As the Company is externally managed and has no employees, the Board considers the key stakeholders to be Shareholders, local communities closely linked to the portfolio, customers and agents of the Company, including the Investment Manager.

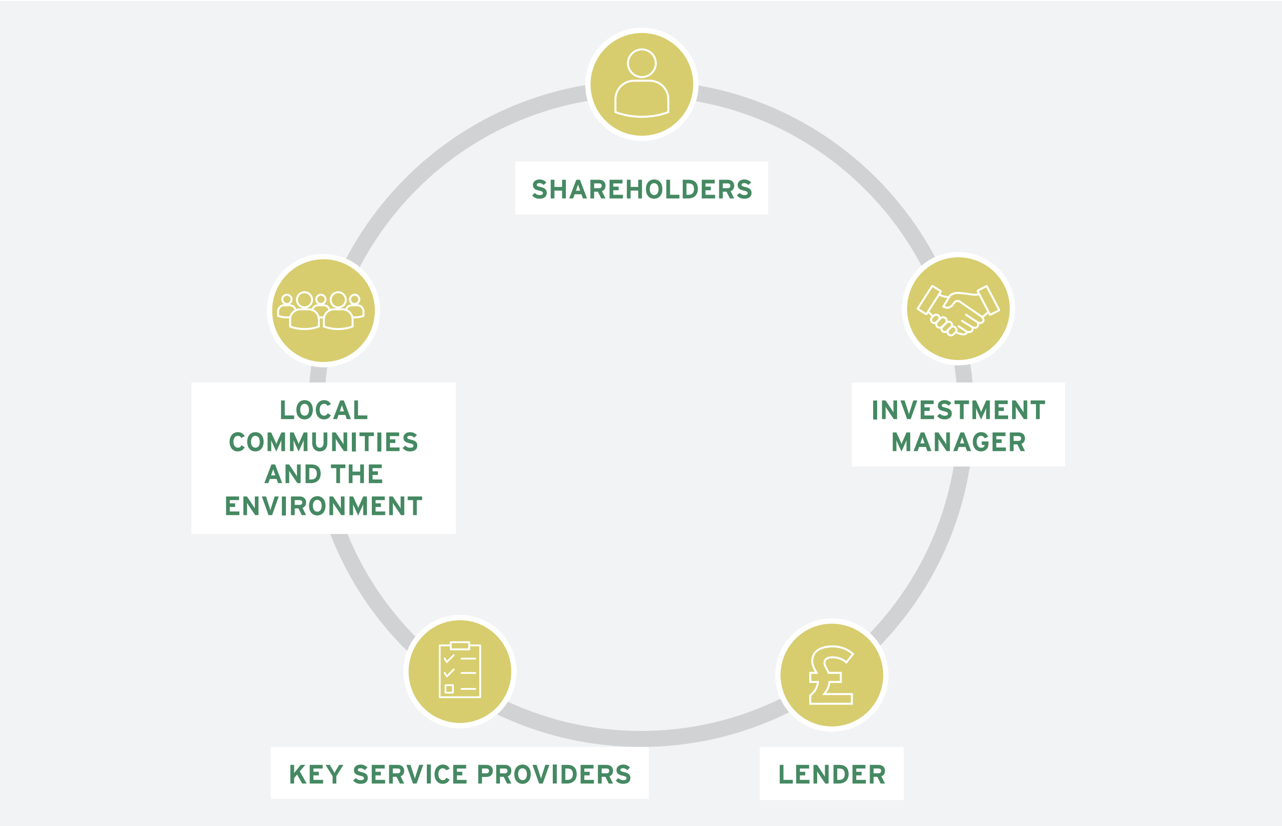
The Board is acutely aware of its responsibilities to all the stakeholders in the Company and has taken into account the following:

- The likely consequences of any decision in the long term
- The need to foster and retain the Company's business relationships with suppliers, customers and others
- The impact of the Company's operations on the community and the environment
- The desirability of the Company maintaining a reputation for high standards of business conduct
- The need to act fairly towards and ensure equal treatment of members of the Company

The Company regularly interacts with a variety of stakeholders important to its success and strives to strike the right balance between communication and direct engagement and is entirely open to contact with stakeholders where there are issues to discuss.

As the Company grows, the Board intends to continue visiting forestry assets. The Board makes detailed enquiries on the assets in the portfolio and has periodic meetings with key stakeholders on matters of particular importance.

Understanding stakeholders' views influences the Company's investment strategy, including its focus on acquiring and managing assets in a way that promotes capital growth. The Board is also mindful of how Shareholders are affected by the secondary market liquidity in the Company's shares and how the shares are rated relative to its Net Asset Value ("NAV"). The Board, through the Company's broker, promotes secondary market interest in the Company's shares as part of its ongoing commitment to existing and future Shareholders.



Engagement with Shareholders

As a public company listed on the London Stock Exchange, the Company is subject to the Listing Rules and the Disclosure Guidance and Transparency Rules. The Listing Rules include a principle that a listed company must ensure that it treats all holders of the same class of shares that are in the same position equally in respect of the rights attaching to such shares. With the assistance of regular discussions with and the formal advice from the Company's legal counsel, Company Secretary and corporate broker, the Board abides by the Listing Rules, as it does with other statutory provisions. Likewise, the Board is kept appraised of developments in corporate governance guidance, reporting standards and other non-statutory provisions and does its best to comply or explain why it does not comply.

The Investment Manager has developed relationships with key Shareholders and prospective investors. It is in regular contact with investors and reports back to the Board. During discussions, Shareholders often ask for additional information around certain aspects of the Company. Where it is appropriate to do so, the Investment Manager will provide this detail. For example, additional requests for information have been made on ESG matters, which are covered in more detail in the Directors' report, and on progress with deployment and acquisitions.

The Company will continue to engage with Shareholders in the future to ensure that there is an understanding of stakeholders' views on investment strategy, corporate developments, governance and other issues such as the importance of sustainable income, asset enhancement potential and ESG.

The Company has routine engagement with Shareholders and prospective investors through the publication of interim and annual accounts, the Annual General Meeting ("AGM") and regular news and bi-annual NAV updates, all published on the Company's website.

Engagement with the Investment Manager

The Investment Manager is responsible for the implementation of the investment strategy and the day-to-day investment decisions, including identifying assets for acquisition. The Board engages constructively with the Investment Manager to ensure the expectations of Shareholders are being met and it is aware of the challenges being faced, including meeting the long-term objectives for the Company's growth.

The Board and the Investment Manager maintain an ongoing, open dialogue on key issues facing the Company. This open dialogue takes the form of regular Board meetings and very regular but more informal contact, as appropriate, including additional ad hoc Board and Committee meetings. This ensures that the Company and the Investment Manager have aligned interests to safeguard the Company's position and to try and ensure the future success of the Company.

The Board regularly reviews the Company's performance against its investment objectives and holds an annual strategy review meeting to ensure that the Company is positioned well for the future delivery of its objective for its Shareholders. The Board receives presentations from the Investment Manager at every Board meeting to help it to exercise effective oversight of the Company's strategy and the performance of the Investment Manager. The Board, through the Management Engagement Committee, reviews formally the performance of the Investment Manager, at least annually.

Engagement with lender

The Company has a Revolving Credit Facility with Clydesdale Bank Plc ("Clydesdale"). This facility is subject to covenants and lender consent may be required on certain business decisions. The Investment Manager is in regular contact with Clydesdale to keep it appraised of ongoing portfolio matters and general market updates so that they have a full understanding of the Company and how it is performing.

Engagement with key service providers

The Board seeks to maintain constructive relationships with the Company's suppliers, either directly or through the Investment Manager, with regular communications and meetings. The Management Engagement Committee conducts an annual review of the performance and terms and conditions of the Company's main service providers to ensure that they are performing their responsibilities in line with Board expectations and providing value for money.

Engagement with local communities and the environment

The Board and Investment Manager are committed to investing in a responsible manner and the Investment Manager embeds the requirements of Article 9 into its investment decision-making process. The Board also formally constituted a Sustainability and ESG Committee during the year, to focus on embedding ESG into the Company's strategy and objectives. Further detail on the work of this Committee can be found on pages 65 and 66.

In 2021, the AIC launched an option for individual investment company ESG disclosures to be published on its website. The Company has complied with this request and submitted a summary ESG strategy and this is now publicly available on the Company's page on the AIC website.

The Company was awarded the London Stock Exchange's Green Economy Mark upon its IPO, which recognises London-listed companies and funds that derive more than 50% of their revenues from products and services that are contributing to environmental objectives such as climate change mitigation and adaptation, waste and pollution reduction, and the circular economy.

The Company aims to maximise its social and community contribution to the markets in which it operates. In partnership with Tilhill Forestry Limited, the UK's leading forest management, timber harvesting and landscaping company, the Company launched a Forestry Skills Training Programme during the year. Initially focused in Wales, the programme is targeted to extend to Scotland and England in due course. The initiative aims to directly help rural farming communities adapt to afforestation-related land use change by providing local community members with the skills, training, qualifications and safety equipment required to seek employment in the forestry sector.

The Board is also committed to ensuring that it operates in a responsible and sustainable manner, having regard for the Company's suppliers, local communities and the environment. In order to achieve this, the Board has placed ESG factors at the heart of its investment objectives to guide the way it operates.

RISK AND RISK MANAGEMENT

FSF has a comprehensive risk management framework overseen by the Audit Committee, comprising the Independent Non-Executive Directors.

Risk is the potential for events to occur that may result in damage, liability or loss. Such occurrences could adversely impact the Company's business model, reputation or financial standing. Alternatively, under a well-formed risk management framework, potential risks can be identified in advance and can either be mitigated or possibly converted into opportunities.

Pages 40 to 43 of this report detail the principal risks that the Directors consider are material. Given that the Company delegates certain activities to the Investment Manager, reliance is also placed on the controls of the Company's service providers. The purpose of the Company's risk management policies and procedures is not to eliminate risk completely, rather it is to reduce the likelihood of occurrence and to ensure that the Company is adequately prepared to deal with risks so as to minimise their impact should they materialise.

The Company's risk register covers seven main areas of risk:

- Financial
- Market
- Forestry
- Legal and regulatory
- Operational
- Economic
- Investment

See more in the TCFD report on pages 34 to 35.

Each of these areas, together with the principal risks within that category, are summarised in the table below, followed by a detailed discussion of the mitigating factors.

Risk	Potential Impact	Mitigation
Financial risks		
Equity	The Company would be unable to access sufficient funding to complete its operations.	• The Company's broker conducts, and will continue to conduct, market research ahead of any funding rounds to gauge demand from existing and new investors. • The Investment Manager and the Board have also set budgets in such a way that a working capital buffer is held. These budgets include forecasts of timber and grant income streams that are expected in the next 18 months.
Liquidity	The Company would be unable to meet its financial obligations as they fall due.	• The Company has consistently held sufficient cash across its operating accounts to meet its working capital needs throughout its first year of listing and will continue to do so. • Cash flow forecasts are prepared on a quarterly basis to assist in the ongoing analysis of daily cash flow. • The Company has put a Revolving Credit Facility ("RCF") in place which will provide another liquidity option. The facility includes a payment-in-kind ("PIK") feature that enables interest to be rolled up, rather than paid in cash.

Risk	Potential Impact	Mitigation
Financial risks continued		
Valuation	There is a risk of the valuations being prepared incorrectly either by the Investment Manager or Savills, leading to a publicly stated NAV that is not representative of the value of the portfolio held through the SPVs. The probability of this risk occurring is considered to be low, however the impact would be significant if it did.	• Savills are highly experienced in forestry valuations and valued over £1 billion of UK forestry assets in 2021. • Savills uses the Royal Institute of Chartered Surveyors ("RICS") Red Book valuation approach to ensure valuations are conducted using a consistent and well recognised methodology. • The Savills valuation agreement leaves it with a liability exposure of c.4% of the valuation figure and the Company would have recourse up to that amount in the event of a manifest error.
Market risks		
Demand for timber	A reduction in demand from the purchasers of timber would negatively impact the Company's profitability.	• The fundamental under-supply of standing timber in the UK and globally in the context of strong increasing demand reduces market risk for the sale of the Company's key product and revenue stream and which affects the underlying asset values. Demand over the medium to long term has historically created real terms pricing growth and, in the context of a global under-supply and increasing demand, this risk is reduced if a medium to long-term investment view is applied.
Demand for carbon units	A reduction in demand from the users of carbon credits would negatively impact profitability.	• The demand for carbon credit is expected to materially increase in the run-up to 2030 and 2050, driving carbon price increases. Decreases in prices paid and issues with supply of volume of carbon credits are more likely to be driven by regulatory challenges than by overriding supply and demand dynamics.
Forestry risks		
Reputational	The Company could be perceived negatively in the market due to resistance to change of land use in the market generating negative PR.	• During the due diligence phase of afforestation investments, the Investment Manager commissions an independent community risk assessment. This element of due diligence is intended to ensure that afforestation only takes place in lower community risk areas, where tree planting is considered unlikely to be contentious and the expected likelihood of community resistance is considered low. • The Investment Manager has launched its forestry skills training programme that will directly enable rural farming communities to adapt to afforestation-related land use change, by providing local community members with the skills, training, qualifications and safety equipment required to commence in the work and jobs created by the Company's afforestation schemes. • The Investment Manager is engaging with industry bodies such as Confor and Timber Development UK to promote the merits of increased sustainable UK timber supply.

RISK AND RISK MANAGEMENT CONTINUED

Risk	Potential Impact	Mitigation
Forestry risks continued		
Harvesting	A reduction in timber prices may delay the Company's harvesting and felling programme. Long-term off-take agreements are rare in the UK forestry sector, which exposes the Company to merchant risk.	• Should merchant timber prices not be attractive at the point of felling, the Investment Manager has the option to delay felling until such time that timber prices recover. • The Investment Manager will continue to investigate suitable off-take agreements that might become attractive in future and will continue to cultivate relationships with key off-takers.
Storm damage	Particularly strong winds may damage trees, or possibly uproot them entirely, at the Company's asset sites.	• The Company has taken out windblow insurance, where appropriate, to cover possible storm damage. • Appropriate silvicultural management will also protect against wind risk. • The Company's diverse portfolio of forests across the UK creates natural resilience.
Disease	Disease may infiltrate one or multiple of the Company's forests, damaging the trees or otherwise endangering the health of the forest.	• Whilst insurance against disease is not readily available in the current insurance market, there are no known diseases that would incapacitate a UK commercial conifer forest with a focus on Sitka spruce. • Larch trees are known to be susceptible to a disease called Phytophthora ramorum. However, the proportion of larch in the Company's forests is immaterial and any issues are identified during the Investment Manager's due diligence process and are manageable post-acquisition. • The Company's diverse portfolio of forests across the UK creates natural resistance.

Legal and regulatory risks		
Regulation change	The Company is required to comply with certain regulations, as a London Stock Exchange listed entity. A significant change in legal or regulatory frameworks could impact the ways in which the Company and/or Foresight Group operates. Failure to comply with emerging regulations could result in a negative reputational or financial impact on the Company.	• The Company Secretary keeps on top of any changes in regulation or legislation relevant to the Company and provides an update on this to the Board on a quarterly basis. • Foresight Group has close relationships with industry-leading legal and governance professionals whom it can seek advice from if required.

Operational risks		
Supply chain risk	Shortages of key materials and resources required for the Company's sites could lead to a delay in production and/or development (in the case of afforestation sites). This has been exacerbated by the Russian invasion of Ukraine, which impacts the flow of goods and commodities that are important in the global economy.	• The Investment Manager, on behalf of the Company, is placing orders for saplings up to 12 months in advance and aggregating orders across multiple afforestation sites in one place. • The Company is a large player in the market with a pipeline of multiple orders. When combined with relationships, contractors are more likely to prioritise the Company as a key client. • The Company has launched a forestry skills training programme, which is directly increasing the pool of qualified labour available to work on the Company's portfolio.

Risk	Potential Impact	Mitigation
Economic risks		
Macroeconomic changes	Changes in economic, technological, political or regulatory environment, as well as inflation and market sentiment, can impact the returns expected from the assets in the Company's portfolio.	• Diversity of revenue streams is targeted where possible, preventing over-concentration to specific risks. • The Company invests in forestry markets that have displayed long-term political regulatory stability. • The Investment Manager participates in industry forums linked to the carbon markets and the related regulation. • In the current high inflation environment there is greater uncertainty than previously.
Interest rates	The Company has some interest rate exposure, through its own cash deposits and bank funding (the RCF) as well as those within the projects themselves. Interest rates have risen during the period under review and are forecast to rise further to combat inflation.	• The Company manages the cost of borrowing by using fixed rate instruments and/or by overlaying interest rate derivatives against the Company's debt portfolio. • The Investment Manager ensures there is a sufficient margin between the expected rate of return on the investment portfolio and the cost of any borrowing, to ensure there is a buffer before rising interest rates become dilutive to overall NAV. • The Investment Manager undertakes interest rate scenario analysis to inform the level of borrowing the Company is comfortable taking.
Investment risks		
Competitive market	Increased competition for appropriate investment opportunities could lead to the Company being unable to source investments that satisfy its investment criteria and meet its return objectives.	• The Investment Manager has to date observed a significant annual opportunity deal flow and demonstrated that it can compete for market share in competitive bidding processes. • The Investment Manager's strong relationships with a large network of advisers, well-established reputation and track record mean that there is scope for a high number of bilateral transactions. • Following the success of the Investment Manager's direct origination campaigns, the number of properties that have been included in scope of the campaign has been increased to 4,500 specific properties, extending over c.1 million hectares.
Financial crime	There is a risk that the Company could suffer a detrimental impact to its investment value caused by fraud, legal consequences or fines as the result of inadequate Know Your Customer ("KYC") and Anti-Money Laundering ("AML") measures. Reputational damage could be associated with the outcome of such breaches.	• KYC and AML diligence is a key foundation of the Company's investment and disposals review process. • Comprehensive desk-top studies are undertaken on counterparties as appropriate and in line with Foresight Group's KYC and AML protocols, which are also used on more complex counterparties or jurisdictions.

FINANCIAL REVIEW

Analysis of financial results

The financial statements of the Company from incorporation on 31 August 2021 to 30 September 2022 are set out on pages 80 to 109.

The Company prepared the financial statements from the date of incorporation to 30 September 2022 in accordance with the UK adopted International Accounting Standards as applicable to companies reporting under those standards. The Company applies IFRS 10 Investment Entities: Amendments to IFRS 10, IFRS 12 and measures all their subsidiaries that are themselves investment entities at fair value. The Company accounts for its interest in its wholly owned direct subsidiary FSFC Holdings Limited as an investment at fair value through profit or loss in accordance with IFRS 13 Fair Value Measurement.

The primary impact of this application, in comparison to consolidating subsidiaries, is that the cash balance before taxes, the working capital balances and borrowings in the intermediate holding companies are presented as part of the Company's fair value of investments.

The Company's intermediate holding companies provide services that relate to the Company's investment activities on behalf of the parent which are incidental to the management of the portfolio.

The Company, its subsidiaries FSFC Holdings Limited and FSFC Holdings 2 Limited (together the "Group"), hold investments in portfolio assets which intend to make distributions in the form of interest on loans and dividends on equity as well as loan repayments and equity redemptions.

For more information on the basis of accounting and Company structure, please refer to the notes to the financial statements starting on pages 92 to 108.

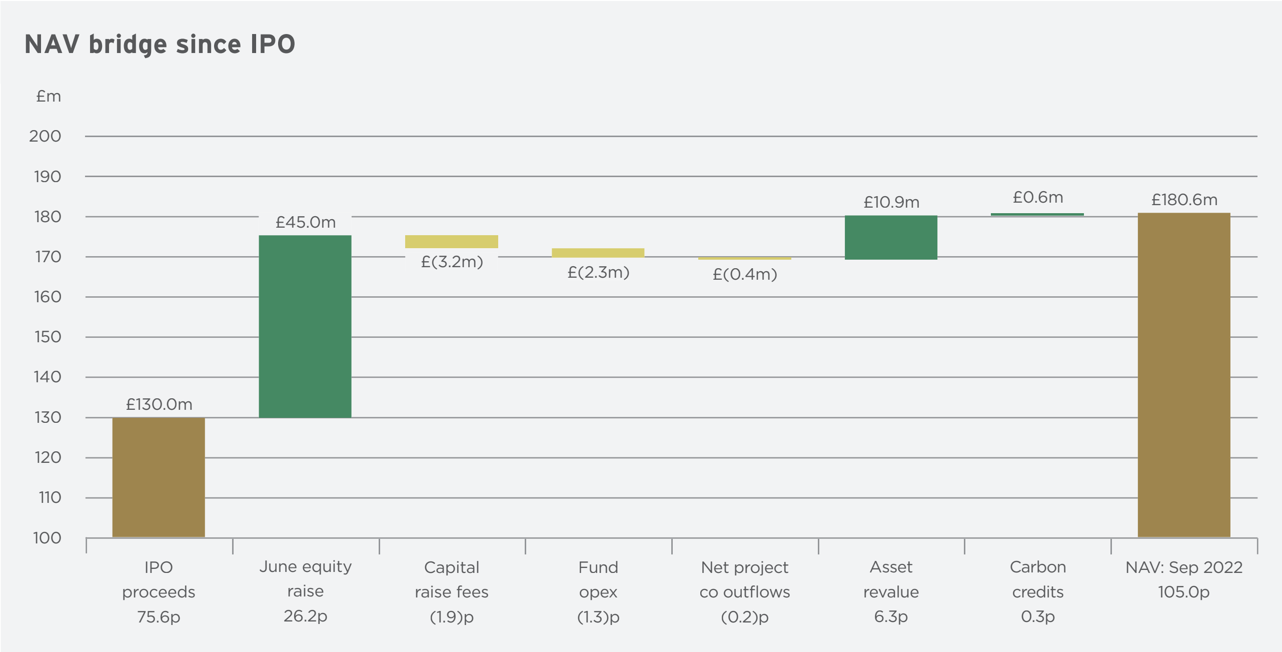
Net assets

The Net Asset Value ("NAV") at 30 September 2022 was £180.6 million and comprised £144.2 million portfolio value of forestry and afforestation assets, with an additional £0.6 million carbon credit valuation, cash balances of £36.3 million. The cash balances are made up of £34.3 million in the Company and £2.0 million in the project companies, offset by £0.5 million of other net liabilities (£0.5 million of other liabilities in the project companies). The Gross Asset Value ("GAV") is equal to the sum of the NAV and the outstanding debt as described in the alternative performance measures table on page 109. The GAV as at 30 September 2022 was £180.6 million.

Analysis of the Company's net assets at 30 September 2022

All amounts presented in £million (except as noted)	As at 30 September 2022
Portfolio value (Red Book valuation)[1]	144.2
Carbon credits valuation[2]	0.6
Project companies' cash	2.0
Project companies' other net liabilities	(0.5)
Investments at fair value through profit or loss	**146.3**
Company's cash	34.3
Company's other net liabilities	—
Net Asset Value	**180.6**
Number of shares	172.1
Net Asset Value per share (pence)	**105.0**

1. Classified as the fair value of the underlying forestry assets held through the SPVs.
2. The carbon credit valuation noted is based on value ascribed to progress towards creation of carbon credits.



Net Asset Value bridge

During the period the Company raised a total of £175.0 million (£130.0 million at IPO in November 2021 and £45.0 million in June 2022). This was offset by cumulative capital raise fees of £3.2 million.

The £10.9 million fair value increase of the afforestation and forestry assets held by the Group has been offset by operating costs of £2.7 million (£2.3 million of Fund operating costs for the Company, £0.4 million of project companies' outflows.)

The 36,116 carbon credits yet to be realised but attributed to the two underlying afforestation assets where planting has completed have also been valued at £0.6 million, resulting in a Net Asset Value of £180.6 million at 30 September 2022.

Company performance

Profit and loss

The Company's profit before tax for the period ending 30 September 2022 was £8.8 million (6.2 pence per share).

For the same period to 30 September 2022, the total return on investments was £11.0 million, which relates to £0.9 million of interest on the FSFC Holdings loan notes and £10.1 million net gains on investments at fair value. The interest income is from the Company's Shareholder loan to FSFC Holdings Limited. The net gain on investment is generated by the net fair value movement on the Company's investment in FSFC Holdings Limited.

Operating expenses included in the income statement for the period were £2.2 million, in line with expectations. These comprise investment management fees of £1.1 million and £1.1 million of operating expenses. The details on how the investment management fees are charged are set out in note 5 to the financial statements.

All amounts presented in £million (except as noted)	Period from incorporation on 31 August 2021 to 30 September 2022
Interest received on FSFC Holdings loan notes	**0.9**
Net gain on investments at fair value	**10.1**
Total return on investment	**11.0**
Operating expenses	**(2.2)**
Profit before tax	**8.8**
Earnings per share (pence)	**6.2p**

FINANCIAL REVIEW CONTINUED

Ongoing charges

The "ongoing charges" ratio is an indicator of the costs incurred in the day-to-day management of the Fund. FSF uses the AIC-recommended methodology for calculating this ratio, which is an annual figure.

The ongoing charges ratio percentage from incorporation on 31 August 2021 to 30 September 2022 was 1.4%. The ongoing charges have been calculated, in accordance with AIC guidance, as annualised ongoing charges i.e. excluding acquisition costs and other non-recurring items) divided by the average published unaudited Net Asset Value in the period. The ongoing charges percentage has been calculated on the consolidated basis and therefore takes into consideration the expenses of FSF Holdings as well as the Company.

The Investment Manager believed this to be competitive for the market in which FSF operates and the stage of development and size of the Fund, demonstrating that management of the Fund is efficient with minimal expense incurred in its ordinary operation.

Cash flow

The Company held cash balances at 30 September 2022 of £34.3 million. This amount excludes cash held in subsidiaries. The breakdown of the movements in cash during the period is shown below.

Cash flows of the Company for the period from incorporation on 31 August 2021 to 30 September 2022 (£million)

	Period from incorporation to 30 September 2022
Cash balance at incorporation	—
Gross proceeds from fundraising	175.0
Share issuance costs	(3.2)
Investment in FSFC Holdings Limited (equity and loan notes)	(136.2)
Group movements in working capital	0.9
Directors' fees and expenses	(0.1)
Investment management fees	(1.1)
Administrative expenses	(1.0)
Company's cash balance at 30 September 2022	**34.3**

Cash flows of the Group for the period from incorporation on 31 August 2021 to 30 September 2022 (£million)

The Group is defined as the Company and its two intermediate holding companies. The cash flows for the Group of £34.8 million include £0.5 million in FSF Holdings 2 Ltd.

Portfolio valuation

Methodology

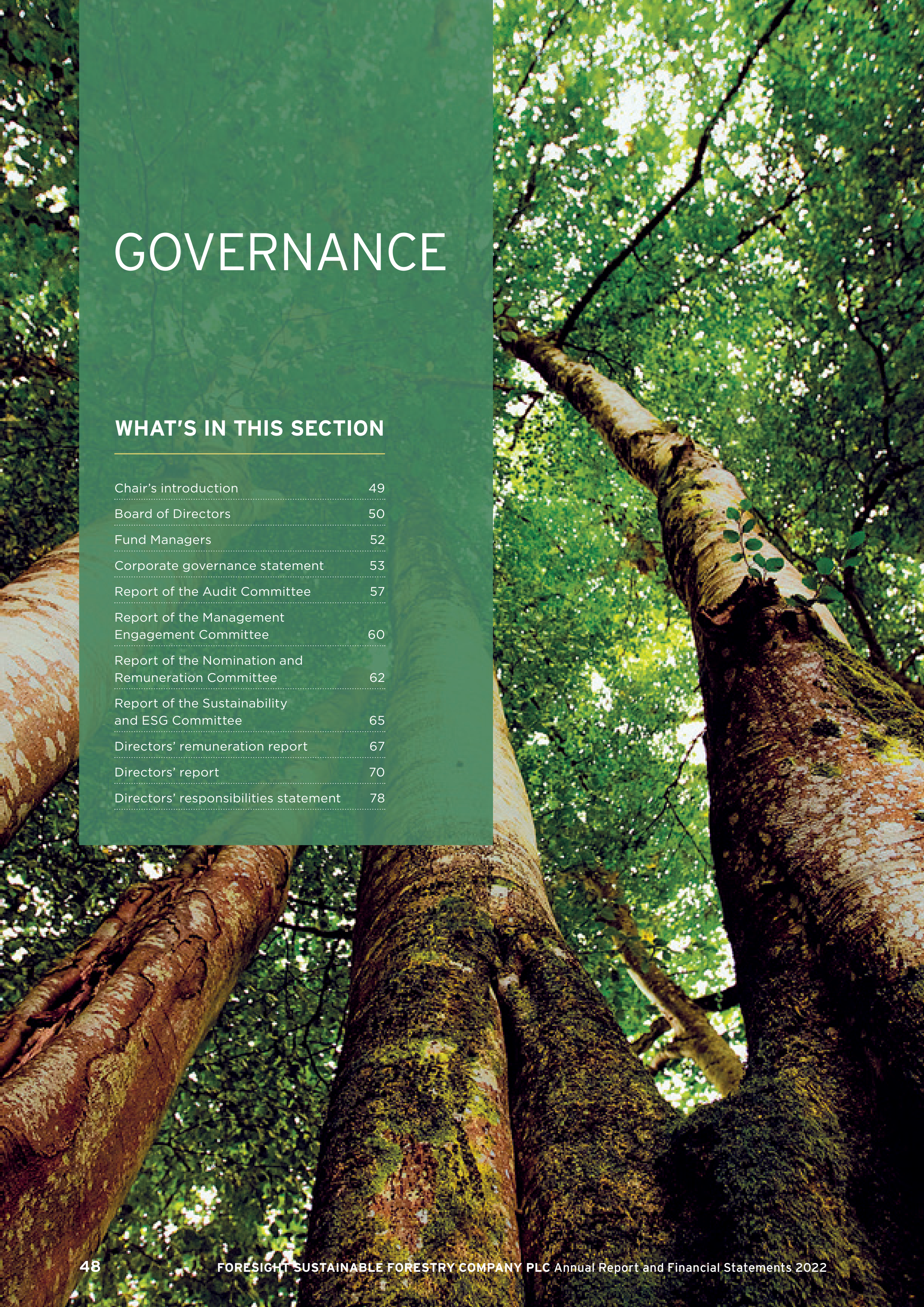
Savills Advisory Services Limited ("Savills") is engaged by the Company to provide a fair value valuation of the underlying forestry assets held through the SPVs in accordance with the Royal Institution of Chartered Surveyors ("RICS") Valuation – Global Standards July 2017 (the "Red Book").

The Red Book valuation is compliant with the UK adopted International Accounting Standards as part of the International Valuation Standards which requires investment properties to be considered on the basis of fair value at the balance sheet date. IFRS 13 outlines the principles for fair value measurement which Savills' valuation is consistent with. The Red Book valuations are undertaken on an asset-by-asset basis and will be completed semi-annually.

The fair value assessment of the assets has been completed by Savills on a comparable basis by looking at transactions of similar assets. Afforestation land comparables include the rights to voluntary carbon unit creation. However, the Red Book valuation approach is largely backward-looking and thus the Investment Manager is of the view that the valuations are likely to be conservative in relation to the potential future value of the voluntary carbon units that could be generated.

The Manager believes the Red Book valuation does not include any value in relation to progress in units ("PIUs") as at 30 September 2022 and has therefore calculated an estimated value on the progress made on obtaining the rights to PIUs as to date no PIUs have been authorised by the Woodland Trust.

The Red Book methodology considers a number of additional factors impacting the valuation. A reasonable view of the potential for afforestation sites' value uplift over time is considered rather than valuing the land in its current state. Savills also consider the stage of each site within the forestry grant application process and may make reassessments as to the value of a site when a new developmental milestone occurs. Additionally, as the assets under ownership are located across the UK (Scotland, North England and Wales), the external valuer accounts for the potential differences in market interest and demand at the different locations. On a case-by-case basis Savills will also assess the extent of damage suffered by sites due to any extreme windblow incidents. Where damage is extensive, Savills will make prudent adjustments to the value of the site, if it is evident that some of the affected timber may be challenging to recover.



GOVERNANCE

WHAT'S IN THIS SECTION

CHAIR'S INTRODUCTION

The Board is committed to maintaining a high-quality governance framework.

Richard Davidson
Chair

Good governance is at the heart of the Board's efforts to ensure that the Company continues to meet the expectations of its Shareholders, as well as implementing the strategy and investment objectives established for the Company. Corporate governance has consistently been a focus on matters such as engagement with stakeholders, Board succession and ESG issues.

The Board is committed to maintaining a high-quality corporate governance framework, meeting the requirements of the AIC Code of Corporate Governance ("AIC Code"). The following statement reports on how the Board, supported by the Committees that it has established, has achieved this over the course of the period.

The Board has considered the Principles and Provisions of the AIC Code, which addresses the Principles and Provisions set out in the UK Corporate Governance Code (the "UK Code"), as well as setting out additional Provisions on issues that are of specific relevance to the Company. The Board considers that reporting against the Principles and Provisions of the AIC Code provides more relevant information to Shareholders. The Company has complied with the Principles and Provisions of the AIC Code.

Richard Davidson
Chair

14 December 2022

BOARD OF DIRECTORS

Richard Davidson
Chair of the Board

Background

Richard has a near 20-year track record of investing in UK forestry and has been heavily involved in the management of his own Scottish forestry investments, including the planning and design of several new planting projects. He is a Partner in TFP, one of the UK's largest private forestry owners, and was previously the chair of the investment committee for Gresham House Forestry.

Richard was formerly a Managing Director and Investment Strategist at Morgan Stanley, where he worked for 15 years. He was also previously a Partner of Lansdowne Partners, running the macro fund. Richard chairs the University of Edinburgh investment committee, overseeing the University's endowment.

External directorships

- Aberforth Smaller Companies Trust Plc
- MIGO Opportunities Trust

A N M S

Josephine Bush
Non-Executive Director

Background

Josephine was a senior Partner at EY for 14 years, specialising in the renewable energy sector. She is a qualified solicitor and chartered tax adviser, as well as earning the CFA ESG investing qualification and a sustainable finance certification. She is a fellow of the Royal Geographic Society.

External directorships

- Net Zero Now Limited
- NextEnergy Solar Fund Limited
- JRB Consulting Limited
- Vulcan Energy Resources
- Sustineri Strategy Ltd

A N M S

Sarika Patel
Non-Executive Director

Background
Sarika has nearly 30 years' experience in a mixture of public and private organisations. She is a Chartered Accountant and a Chartered Marketer. Sarika is also currently Chair of Action for Children and is a Board Member of the Office for Nuclear Regulation, where she chairs the Audit, Risk and Assurance Committee.

External directorships
- SDCL Energy Efficiency Income Trust Plc
- Aberdeen Standard Equity Income Trust
- Action for Children
- London General Surgery Ltd
- Office for Nuclear Regulation
- Sequoia Economic Infrastructure Income Fund Limited

A N M S

Christopher Sutton
Non-Executive Director

Background
Christopher was a Director of James Latham plc, one of the UK's largest independent trade distributors of timber, panels and decorative surfaces, for 14 years. He is currently the Chairman of Timber Development UK, a non-executive commercial Director of UNWASTED and acts as a commercial Board adviser to, and ambassador for, the National Forest Company.

External directorships
- Timber Development UK Limited
- CDS Consultants Limited

A N M S

Committee Membership Key
A Audit Committee
N Nomination and Remuneration Committee
M Management Engagement Committee
S Sustainability and ESG Committee
Chair

FUND MANAGERS

Robert Guest
Managing Director, Foresight Group
Co-Lead, Foresight Sustainable Forestry Company

Background
Robert joined Foresight in 2015 and is a Managing Director with a focus on sustainable real estate and infrastructure.

Robert co-founded Foresight's forestry team in 2018 and has overseen c.£170 million of investment into the sector across more than 50 transactions. He is primarily responsible for portfolio construction and uses his strong network of forestry contacts to originate bilateral investment opportunities.

He has over 16 years' experience in finance, with more than 13 of those in sustainable real assets investment and development, was a key team member on the launch of Bioenergy Infrastructure Group ("BIG") and launched a biogas aggregation platform on behalf of a pension fund client.

Prior to Foresight, Robert worked as a Finance Executive at Helius Energy PLC, focusing on the biomass sector, and at Noble & Company in the corporate finance team.

Richard Kelly
Managing Director, Foresight Group
Co-Lead, Foresight Sustainable Forestry Company

Background
Richard joined Foresight in 2015 and is a Managing Director focused on sustainable real estate.

Richard co-founded Foresight's forestry team in 2018 and has overseen c.£170 million of investment into the sector across more than 50 transactions. He is primarily responsible for investment strategy and has spearheaded the direct origination campaign for off-market afforestation land.

He has over 16 years' experience in finance. Prior to co-founding Foresight's forestry team, Richard was responsible for the origination, development and launch of innovative investment products and new business divisions. He has successfully originated and launched four innovative new fund strategies (that have to date attracted c.£1.5 billion of investment) and founded three new business divisions.

Prior to Foresight, Richard worked at Accenture as a Strategy Manager where he focused on merger and acquisition strategy across a variety of industries.

CORPORATE GOVERNANCE STATEMENT

Board

The Board consists solely of Non-Executive Directors under the chairmanship of Richard Davidson. All the Directors are considered by the Board to be independent of the Investment Manager. In acknowledgement of all Directors having the same appointment date, the Board has begun to consider the length of tenure in relation to the constitutional, statutory and governance requirements concerning retirement by rotation and Committee composition. When considering orderly succession, consideration will be given to the skills represented on the Board in addition to diversity.

The Board considers the other activities of non-executive Board members to ensure that there are no conflicts of interest, and that Directors are able to apply the appropriate amount of time and skill to the activities of a small and highly engaged Board and are not "over-boarded". In the year, there were no changes to the Board's composition other than a change of Nomination and Remuneration Committee chair.

Chair

The Chair is Richard Davidson, who was independent on appointment and is still considered to be independent. The Chair was appointed on 31 August 2021 and his skills and experience of investing in UK forestry are considered to add significantly to the strength of the Board. The Company is subject to the AIC Code and therefore there is no requirement for a limit on the Chair's tenure, as approved by the FRC. The Chair is responsible for setting the agendas for Board meetings, managing the meeting timetable and facilitating open and constructive dialogue during the meetings.

Non-Executive Directors

The other three Non-Executive Directors on the Board, Sarika Patel, Josephine Bush and Christopher Sutton, also appointed on 31 August 2021, have Committee responsibilities as set out below and are engaged in the activities of the Company, working closely with the Chair and Foresight in fulfilling their responsibilities.

Board Committees

The Board has established four Committees to focus on the specific activities of the Company, under the chairmanship of different members of the Board and ultimately all reporting to the full Board. The activities of these Committees are set out in their specific reports later in this section.

Purpose and culture

The Company has a clear and consistent purpose, which forms the foundation of its strategic objectives. The Company's culture, which underpins the achievement of this purpose, is informed by a number of factors, including its focus on long-term net total return through targeting sustainable impact investments and openness and transparency with stakeholders. This attitude is at the heart of how the Directors fulfil their duty under Section 172 of the Companies Act 2006 and the Board feels strongly that its policies, practices and behaviours contribute effectively to the success of the Company and all of its stakeholders.

Operational structure

The basis on which the Company aims to generate value over the longer term is set out in its investment objective and investment policy as contained on pages 71 and 72.

Foresight Group LLP acts as the Company's Alternative Investment Fund Manager ("AIFM") and provides portfolio and risk management services, ensuring compliance with the Company's investment policy and the requirements of the Alternative Investment Fund Managers Directive, pursuant to the Investment Management Agreement. The Investment Management Agreement sets out the matters over which the Investment Manager has authority and the limits beyond which Board approval must be sought. All other matters, including corporate strategy, risk management and corporate governance procedures, are reserved for the approval of the Board. The Board receives full information on the Company's investment performance, assets, liabilities, projected cash flow and other relevant information in advance of its quarterly Board meetings.

Foresight Group LLP acts as the Company's Administrator and Company Secretary and its responsibilities are set out in the Investment Management Agreement, details of which are provided on page 96. The Company also consults other advisers such as its corporate broker and legal adviser.

The AIC Code 2019

Statement of compliance with AIC Code

The Listing Rules require the Board to report on compliance with the AIC Code provisions throughout the accounting period. With the exception of the items outlined below, the Company has complied throughout the accounting period ended 30 September 2022 with the provisions set out in Sections 5 to 9 of the AIC Code:

- The need for an internal audit function
- Appointment of a senior independent director

For the reasons commented on in the relevant sections of this corporate governance statement, the Board considers these provisions are not relevant given the nature of the Company as an Investment Trust and has therefore not reported in respect of these provisions.

BOARD LEADERSHIP AND PURPOSE		DIVISION OF RESPONSIBILITIES	
A.	The Company is led by an effective Board, whose focus is to promote the long-term sustainable success of the Company, generate value for Shareholders and have a positive impact on society. **Pages 36 to 39**	**F.**	The Chair leads an effective Board and encourages constructive relations in an objective manner. In addition, the Chair facilitates a culture of openness and debate, the effective contribution of all Non-Executive Directors, and ensures that Directors receive accurate, timely and clear information. **Pages 62 to 64**
B.	Purpose, values and strategy are set by the Board and align with the Company's culture. All Directors act with integrity, lead by example and promote the desired culture. **Page 53**	**G.**	The Board comprises an appropriate combination of Non-Executive and Executive Directors, with a clear division of responsibilities. No one individual dominates the Board's decision making. **Page 53**
C.	The Board ensures that the necessary resources are in place for the Company to meet its objectives and measure performance against them. A framework of controls enables the assessment and management of risk. **Pages 40 to 43**	**H.**	Non-Executive Directors commit appropriate time in line with their role. **Page 56**
D.	Engagement with Shareholders and stakeholders is prioritised by the Board and participation from these parties is encouraged. **Pages 36 to 39**	**I.**	The Company Secretary, along with the correct processes, information, time and resources, supports the Board in functioning effectively and efficiently. **Pages 70 to 77**
E.	Intentionally left blank.		

COMPOSITION, SUCCESSION AND EVALUATION

J. There is a policy for Board appointments and succession plans which recognises merit and promotes diversity.

Pages 62 to 64

K. There is a combination of skills, experience and knowledge across the Board and its Committees.

Pages 50 and 51

L. The annual Board evaluation process considers composition, diversity and how effectively members work together to achieve objectives. Individual evaluations are based around whether each Director continues to contribute effectively.

Pages 62 to 64

AUDIT, RISK AND INTERNAL CONTROL

M. Formal and transparent policies and procedures have been established to ensure the independence and effectiveness of external audit functions.

Pages 57 to 59

N. A fair, balanced and understandable assessment of the Company's position and prospects is presented.

Pages 57 to 59

O. Procedures are in place to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the Company is willing to take in order to achieve its long-term strategic objectives.

Pages 40 to 43

REMUNERATION

P. Remuneration policies and practices are designed to support strategy and promote long-term sustainable success.

Pages 67 to 69

Q. A formal and transparent procedure for developing policy on remuneration is used.

Pages 67 to 69

R. Directors exercise independent judgement and discretion when authorising remuneration outcomes, taking account of the relative wider context.

Pages 67 to 69

CORPORATE GOVERNANCE STATEMENT CONTINUED

Meetings and attendance

The Board meets formally on a quarterly basis and, in addition, holds a strategy event every year. There are also ad hoc meetings, e.g. to approve the half-yearly Net Asset Value, receive trading updates and other general corporate matters. The Company Secretary attends all of the scheduled meetings, whilst representatives of the Investment Manager, the external auditor and other advisers are invited to attend as required.

In addition to the scheduled Board and Committee meetings, there were a further nine Board meetings held during the period. Attendance at all scheduled meetings can be seen in the table below.

	Richard Davidson	Sarika Patel	Josephine Bush	Christopher Sutton
Quarterly Board meetings	4/4	4/4	4/4	4/4
Audit Committee meetings	2/2	2/2	2/2	2/2
Nomination and Remuneration Committee meetings	1/1	1/1	1/1	1/1
Management Engagement Committee meetings	1/1	1/1	1/1	1/1
Sustainability and ESG Committee meetings	1/1	1/1	1/1	1/1

Going concern

Under the AIC Code, the Board needs to consider whether it is appropriate to adopt the going concern basis of accounting in preparing the financial statements. The Board continues to adopt the going concern basis and the detailed consideration is contained on pages 76 and 77.

Viability statement

The viability statement, under which the Directors assess the prospects of the Company over a longer period, is contained on page 77.

Assessment of principal and emerging risks

The Board undertook a robust assessment of the Company's emerging and principal risks during the year. Particular focus was given to those risks the Board felt posed a threat to the Company's future performance, ability to carry on business as an Investment Trust and the liquidity of the Company's assets and subsidiaries. Further details can be found on pages 40 to 43.

Relations with stakeholders

The Board welcomes the views of the Company's Shareholders and places great importance on communication with them. The Investment Manager takes a leading role in day-to-day communications with Shareholders, however all Board members are available to meet Shareholders to discuss any significant issues and to address any concerns or queries they may have.

The Board encourages Shareholders to vote on the resolutions to be proposed at the Annual General Meeting to be held on 23 February 2023. An increase in the number of investors who exercise their right to vote will help the Company reflect the views of its widening shareholder base.

The Board also recognises the importance of its relationships with other key stakeholders, in particular service providers, customers and the wider community impacted by its ongoing investment activities. Understanding the views of these stakeholders has influenced the Company's investment strategy and specific examples can be found in the Section 172 Statement on pages 36 to 39.

REPORT OF THE AUDIT COMMITTEE

The role of the Audit Committee is to ensure the financial and other reporting of the Company is accurate, complete and appropriately audited and reported thereon.

Sarika Patel
Chair of the Audit Committee

Composition

The Audit Committee comprises the full Board and is chaired by Sarika Patel. Due to the size of the Board and the independent non-executive nature of the Directors, the Board considers it appropriate for all of the Directors to be members of the Committee. The Committee's terms of reference were reviewed and updated during the year and are available on the Company's website.

The Board is satisfied that, in line with the recommendations of the AIC Code, at least one member of the Audit Committee has recent and relevant financial experience, and that the Committee as a whole has experience relevant to the sector in which the Company operates. As the Chair of the Board was independent on appointment, it is considered appropriate for him to be a member of the Audit Committee and to bring his considerable forestry sector experience to bear on its activities.

Responsibilities

The role of the Audit Committee is to ensure the financial and other reporting of the Company is accurate, complete, and appropriately audited and reported thereon.

The Committee reviews internal procedures of its advisers and agents to ensure that the Company's significant risks have been identified and that suitable steps have been taken to ensure that the controls in place appropriately mitigate these risks.

The duties of the Audit Committee are, inter alia:

- To monitor the integrity of the financial statements of the Company, including its annual and interim reports and any other formal announcements relating to its financial performance, and review and report to the Board on significant financial reporting issues and judgements which those statements contain having regard to matters communicated to it by the auditor
- To review the content of the Annual Report and accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's position and performance, business model and strategy and whether it informs the Board's statement in the Annual Report on these matters that is required under the AIC Code
- To review the Company's internal financial controls and review the adequacy and effectiveness of the Company's internal control and risk management systems and monitor the proposed implementation of such controls
- To review the adequacy and effectiveness of the Company's compliance, whistleblowing and fraud-related processes and procedures
- To consider and make recommendations to the Board, to be put to Shareholders for approval at the Company's Annual General Meeting, in relation to the appointment, reappointment and removal of the Company's auditor

Responsibilities continued

- The Company's Chair is a member of the Audit Committee given his independence on appointment and that he has continued to meet this condition throughout his term of service. We recognise it is a breach of the UK Corporate Governance Code but compliant with the AIC Code. Given the size of the Board and the relevant experience of the Chairman in matters related to valuation and risk management, his membership of this committee is considered appropriate
- To assess annually the auditor's independence and objectivity, taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including any threats to the auditor's independence and the safeguards applied to mitigate those threats and the provision of any non-audit services

Activities during the year

At its first meeting, the Committee undertook a detailed review of the Company's risk register prepared during its Initial Public Offering ("IPO"). The risk register was updated to reflect, amongst other things, the lessening impact of the COVID-19 pandemic, the ongoing conflict between Russia and Ukraine, increased inflation and interest rates, and the general macroeconomic challenges in the market.

The Committee reviewed and updated its terms of reference during the year and made various changes to reflect the specific activities that the Committee undertakes on an annual basis. These include seeking assurances from the Company's key service providers, in particular the Investment Manager, that they have appropriate internal controls in place; and reviewing any non-audit services provided by the auditor for approval by the Board. The revised terms of reference were approved by the Board and are available on the Company's website.

During the year, the Audit Committee has sought assurances as to the resilience of the reporting and control systems in place for both the management of the portfolio and for the Company's other operations. The Committee will continue to evaluate and challenge the resilience of all key agents to the Company.

Meetings

The Committee met twice formally during the year and attendance is set out on page 56. The meetings allowed sufficient time to enable the Committee to consider all the matters of importance and the Committee was satisfied that it received full information in a timely manner to allow it to fulfil its obligations. The formal Audit Committee meetings were also attended by representatives of the Investment Manager and the Company Secretary.

Risk management and internal controls

Risks

The Board has ultimate responsibility for the effective management of risk for the Company, including determining its risk appetite and identifying key strategic and emerging risks. The Audit Committee serves as a governance body to oversee, review and challenge the risk management processes. The Committee has conducted a robust assessment of the principal risks faced by the Group and was satisfied on the adequacy and effectiveness of the Company's risk management systems with appropriate operational and assurance reporting from third parties. A description of these risks, including procedures employed to manage or mitigate them, is included in the strategic report on pages 40 to 43.

Internal controls

The Board is responsible for the internal financial control systems of the Company and for reviewing their effectiveness. It has contractually delegated these services to third parties, but the Directors annually review the internal control framework established by the Investment Manager and Administrator to satisfy themselves on the effectiveness of internal financial control.

The Directors receive and consider quarterly reports from the Investment Manager, giving full details of the portfolio and of all aspects of the financial position of the Company. Additional ad hoc reports are received as required and Directors have access at all times to the advice and services of the Company Secretary, which is responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

The Committee discussed the need for an internal audit function, with input from the Investment Manager and the auditor. The Committee was satisfied that the current levels of internal controls and risk management were adequate and effective.

The auditor

As part of the review of auditor independence and effectiveness, Ernst & Young LLP ("EY") has confirmed that they are independent of the Company and have complied with the relevant auditing standards. In evaluation of EY's performance, the Audit Committee has taken into consideration the skills and experience of the firm and of the audit team.

The Committee assessed the effectiveness of the audit process through the quality of the audit planning reports it received from EY, together with the contribution which EY made to the discussion of any matters raised in these reports or by Committee members. The Committee also took into account any relevant observations made by the Investment Manager and Company Secretary. The Committee is satisfied that EY provides an effective independent challenge in carrying out its responsibilities.

EY was appointed as the Company's auditor and having considered the effectiveness of the audit, the Audit Committee has recommended the continuing appointment of EY to the Board. EY's performance will continue to be reviewed annually, taking into account all relevant guidance and best practice.

All non-audit work to be carried out by EY must be approved in advance by the Audit Committee to avoid compromising the independence of EY as auditor. To this effect, EY resigned as the Company's tax adviser following the IPO. Therefore, no non-audit fees were incurred during the period from 24 November 2021 (IPO date) to 30 September 2022.

Service provided (excluding VAT)	2022 fee
Audit services	£118,250
Non-audit services	—
Total	**£118,250**

Annual Report and financial statements

The Audit Committee has concluded that the Annual Report and financial statements for the period ended 30 September 2022, taken as a whole, are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Company's business model, strategy and performance.

This conclusion was reached through knowledge of the Company and its activities, a detailed review of this document and enquiries of the various parties involved in the preparation of the Annual Report and financial statements. The Audit Committee has reported to, and agreed its conclusions with, the Board of Directors.

Committee evaluation

A detailed and rigorous evaluation of the Committee was undertaken as part of the Board's annual performance evaluation. The skills and experience of the members, including recent and relevant financial experience and industry experience, were found to be appropriate. The Committee was found to be functioning effectively and all Committee members were satisfied with the overall workings of the Committee. Through the Nomination and Remuneration Committee, there was also consideration of succession planning and the continued independence of all the members of the Committee.

Sarika Patel
Chair of the Audit Committee

14 December 2022

REPORT OF THE MANAGEMENT ENGAGEMENT COMMITTEE

The Committee is responsible for reviewing the performance of the Investment Manager and key service providers to ensure that the Company is effectively supported.

Richard Davidson
Chair of the Management Engagement Committee

Composition of the Management Engagement Committee

The Management Engagement Committee comprises the full Board with Richard Davidson as Chair. The Committee's terms of reference were reviewed during the year and are available on the Company's website.

Responsibilities of the Management Engagement Committee

The duty of the Management Engagement Committee is to review the terms of appointment of, and the performance by, the Investment Manager, the Administrator and the other key service providers appointed by the Company and to decide whether it is in the best interests of Shareholders for those appointments to continue. The Company's auditor is not included in this review as their appointment falls under the remit of the Audit Committee.

The following are considered particular areas of focus for the Committee:

- Monitor and evaluate the Investment Manager's performance (and, if necessary, provide appropriate guidance) and compliance by the Investment Manager with the Investment Management Agreement
- Reasonably satisfy itself that the Investment Management Agreement is fair and that the terms thereof comply with all regulatory requirements, conform with market and industry practice and remain in the best interests of Shareholders
- Reasonably satisfy itself that systems put in place by the Investment Manager in respect of the Company are adequate to meet relevant legal and regulatory requirements
- Reasonably satisfy itself that matters of compliance are under proper review
- Regularly review the composition and performance of the key personnel performing the services on behalf of the investment manager and consider whether the continuing appointments of the Investment Manager, on the terms of the Investment Management Agreement, are in the interests of Shareholders as a whole, and make recommendations to the Board thereon together with a statement of the reasons for this view
- Consider and review the level and method of remuneration of the Investment Manager pursuant to the terms of the Investment Management Agreement, including the methodology of calculation of the annual fee and any performance fee
- Review the performance and services provided by the Company's other service providers and consider whether the continuing appointment of such service providers under the terms of their agreements are in the interests of Shareholders as a whole, and make recommendations to the Board thereon together with a statement of the reasons for their view

In addition to the Committee members drawing upon their own experiences of working with the service providers, the Committee also had Foresight Group complete assessments of the performance of the other service providers. This feedback was carefully reviewed and discussed by the Committee.

Activities during the year

Investment Manager

The day-to-day management of the Company, and in particular the management of its forestry and afforestation portfolio, is delegated to the Investment Manager.
The Committee carried out a robust assessment of the Investment Manager during the year, including fee levels. The feedback was positive, with particular praise for the growth to the Company's portfolio during its first year of operation. Some additional suggestions were made in relation to the delegation of roles between the various teams at Foresight Group, to ensure maximum possible efficiency and sufficient oversight and understanding by the Board.

The Committee remains firmly of the view that the Investment Manager demonstrates the skills and commitment to perform its role. The Committee recommended the Investment Manager's continued appointment to the Board, and it was unanimously agreed that this is in the best interests of Shareholders.

Administrator and Company Secretary

Foresight Group LLP serves as Administrator and Company Secretary to the Company following its IPO in November 2021.

Under the terms of the Investment Management Agreement, Foresight Group is entitled to an annual fee in respect of administration and company secretarial services which is calculated quarterly in arrears at 0.85% of NAV per annum up to £500 million and 0.75% per annum in excess of £500 million. No additional fees were paid to the Administrator and Company Secretary during the period.

Following the Committee's recommendation, the Board agreed that the continued appointment of the Administrator and Company Secretary is in the best interests of the Company and its Shareholders.

Other service providers

During the year, the Management Engagement Committee conducted a review of the Company's other key service providers, as listed on page 116 at the back of this report. The Committee reviewed the performance as well as the fees charged by each service provider and instructed the Investment Manager to provide feedback to those providers where it was deemed appropriate.

Committee evaluation

As the Company has only been in operation for one year, the activities of the Management Engagement Committee were more limited than is expected for future years. Therefore, a decision was taken not to undertake a formal evaluation of the Committee during this financial year. However, the Board is confident that the Committee is functioning well, and the experience of its members is considered appropriate.

Richard Davidson

Chair of the Management Engagement Committee

14 December 2022

REPORT OF THE NOMINATION AND REMUNERATION COMMITTEE

The Committee assists the Board in ensuring its composition is optimal for effectiveness and able to operate in the best interests of Shareholders.

Christopher Sutton
Chair of the Nomination and Remuneration Committee

Composition of the Nomination and Remuneration Committee

The Nomination and Remuneration Committee comprises the full Board and is chaired by Christopher Sutton. During the period, the Committee was re-constituted from a Nomination Committee to a Nomination and Remuneration Committee, in acknowledgement of the recommendations of the AIC Code. The Board considers that, given its size, it would be unnecessarily burdensome to establish a Nomination and/or Remuneration Committee which did not include the entire Board and believes that this enables all Directors to be kept fully informed of any issues that arise on the Board. The Committee's terms of reference were updated during the year to reflect the addition of remuneration matters to the Committee's remit and these are available on the Company's website.

Responsibilities of the Nomination and Remuneration Committee

The role of the Nomination and Remuneration Committee is to ensure that there is a rigorous, formal and transparent procedure for appointments to the Board and determining Directors' remuneration levels. The Committee assists the Board in ensuring its composition is optimal for effectiveness and able to operate in the best interests of Shareholders.

The Committee has various functions, the most important of which are:

- Regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board as a whole and make recommendations to the Board with regard to any changes
- Give full consideration to succession planning for Directors in the course of its work, taking into account the challenges and opportunities facing the Company, and the skills and expertise needed on the Board in the future
- Prepare a policy on the tenure of the Chair of the Board and the Board
- Keep up to date and fully informed about strategic issues and commercial changes affecting the Company and the market in which it operates
- Be responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise
- Prepare and maintain the Company's diversity policy
- Review the results of the Board performance evaluation process that relate to the composition of the Board
- Review annually the time required from Non-Executive Directors
- Review any proposed changes to the remuneration of the Directors of the Company, in accordance with the Principles and Provisions of the AIC Code
- Design remuneration policies and practices to support strategy and promote long-term sustainable success and review the ongoing appropriateness and relevance of the remuneration policy

Meetings

The Nomination and Remuneration Committee meets formally at least once a year and also when required. At this meeting, the Committee discusses succession planning and also reviews the results of the annual evaluation of the effectiveness of the Board and the Audit Committee. The Company Secretary attends the meetings as Secretary to the Committee and representatives of the Investment Manager are invited to attend as required.

Activities during the year

Succession planning

The Committee adopted a policy for succession planning and Board tenure during the year. Succession planning was considered by the Committee, with due regard being given to the early stage of the Company. The Board acknowledges its responsibility to plan ahead with regard to Director rotation, as all current Directors have the same appointment date. Each Director has indicated their preferences and intentions with regard to their length of service on the Board, with consideration being given to the AIC Code's recommendation of a maximum term of nine years. In the event that all current Directors are still in place within the next few years, the Board will agree provisional timings for the recruitment of new Board members. Any new Board members who will replace the Chair of the Board or the Chair of the Audit Committee will be appointed prior to the existing Director's resignation to ensure an effective handover is delivered. There are no expected Board changes for the year ending 30 September 2023.

Diversity

The Board supports the recommendations issued by the FTSE Women Leaders Review (building on the work of the former Hampton-Alexander and Davies Reviews), the Parker Review and the Listing Rule requirement introduced in April 2022 for listed companies to target at least 40% female Board representation and at least one member of the Board from an ethnic minority background by December 2024. This information is set out in the tables below.

	Number of Board members	Percentage of the Board	Number of senior positions on the Board
Men	2	50%	N/A[1]
Women	2	50%	N/A[1]
Other categories	None	None	N/A[1]

	Number of Board members	Percentage of the Board	Number of senior positions on the Board
White British or other White (including minority white groups)	3	75%	N/A[1]
Mixed/multiple ethnic groups	None	None	N/A[1]
Asian/Asian British	1	25%	N/A[1]
Black/African/Caribbean/Black British	None	None	N/A[1]
Other ethnic group	None	None	N/A[1]

1. Inapplicable as the Company is externally managed and does not have executive management functions, including the roles of CEO and CFO.

The Board recognises the benefits that diversity brings. Diversity includes and makes good use of differences in knowledge and understanding of diverse geographies, peoples and their background including race or ethnic origin, sexual orientation, gender, age, disability or religion. Any future appointments to the Board will be based on merit and objective criteria and in accordance with the Equality Act 2010. All current Board members have been drawn from diverse working and social experience with no prior connections between the individual Board members.

Board evaluation

During the year, a formal and rigorous evaluation of the performance of the Board, the Audit Committee and the individual Directors was carried out through an assessment process led by the Nomination and Remuneration Committee Chair. The process was conducted through the completion of questionnaires tailored to suit the nature of the Company. A number of topics were raised and discussed and, overall, the Board was found to be functioning well. Areas of particular strength included the balance of skills on the Board and the level of engagement and commitment shown by all members. The Board's close working relationship with the Investment Manager and detailed knowledge of the Company's strategy and the issues the Company faces were also noted.

REPORT OF THE NOMINATION AND REMUNERATION COMMITTEE CONTINUED

Activities during the year continued

Board evaluation continued

Potential areas for consideration, post this initial period, included a preference for increased direct interaction with the Company's Shareholders, to ensure the Board was not overly reliant on feedback from the Investment Manager and the Company's broker. The Board would like to take this opportunity to encourage all Shareholders to attend the Company's first AGM in February 2023 and emphasise that all Board members remain open to discussions with Shareholders at any time. The Committee also acknowledged that succession planning will need more focused attention in future years as the Company develops.

The Nomination and Remuneration Committee recognised the Chair's extensive knowledge of the forestry sector and the way that this benefited the Company. The Directors' feedback also showed that the Chair effectively promoted a culture of openness and debate, facilitated constructive Board relations and ensured all Board members contributed effectively.

The Committee acknowledges the AIC Code's recommendation for an independent Board evaluation to be carried out every three years. As the Company has only been operating for one year and no significant concerns were raised during the Board evaluation process, it is the Board's view that an external evaluation is not currently required. However, this will be kept under review throughout the upcoming year.

Remuneration policy

The Company's remuneration policy can be found in the Directors' remuneration report on page 67. The remuneration policy will be put to a vote at the Company's first AGM in February 2023 and every three years thereafter.

During the period, the Committee reviewed and formally adopted the remuneration policy. The Committee is satisfied that this policy is appropriate to support the Company's strategy and its long-term sustainable success. Principles P and Q of the AIC Code, which require remuneration policies and practices to focus on strategy and long-term success, have been applied appropriately.

Board remuneration

A detailed review of Board emolument levels was undertaken by the Committee during the year, supported by a fee analysis report prepared by the Company Secretary and taking into account the time commitment required of the Directors. Also considering peer group analysis and inflation, the Board decided to increase its base remuneration by £3,000 effective 1 October 2022. Further, additional fees of £3,000 and £2,500 per annum were awarded to Josephine Bush and Christopher Sutton for their additional roles in chairing the Sustainability and ESG and Nomination and Remuneration Committees respectively. Additional fees for the roles of Chair of the Board and Audit Committee Chair remain unchanged. Full Directors' salary details can be found in the Directors' remuneration report on page 67.

Committee evaluation

As the Company has only been in operation for a year, the activities of the Nomination and Remuneration Committee were more limited than is expected for future years. Therefore, a decision was taken not to undertake a formal evaluation of the Committee during this financial year. However, the Board is confident that the Committee is functioning well, and the experience of its members is considered appropriate.

Christopher Sutton

Chair of the Nomination and Remuneration Committee

14 December 2022

REPORT OF THE SUSTAINABILITY AND ESG COMMITTEE

Responsible for reviewing the Company's ESG strategy and ensuring this is in line with the aims and objectives agreed by the Board and the Investment Manager.

Josephine Bush
Chair of the Sustainability and ESG Committee

Composition of the Sustainability and ESG Committee

The Sustainability and ESG Committee comprises the full Board and is chaired by Josephine Bush. It is considered appropriate that all Directors are members of the Committee due to the size of the Company and importance of all Board members remaining up to date with sustainability and ESG matters. The Committee's terms of reference were approved during the year and are available on the Company's website.

Responsibilities of the Sustainability and ESG Committee

The Sustainability and ESG Committee is responsible for reviewing the Company's ESG strategy and ensuring this is in line with the aims and objectives agreed by the Board and the Investment Manager.

The duties of the Sustainability and ESG Committee are to, inter alia:

- Guide, supervise and support the Investment Manager in drafting and periodically reviewing the sustainability and ESG strategy which sets out the guiding principles, objectives, strategic actions and policies with respect to ESG matters
- Have oversight of the overall ESG strategy of the Company, including agreeing the Company's key ESG objectives and agreeing the key performance indicators linked to each of the Company's chosen ESG objectives, and monitoring progress against each of these key performance indicators
- Assess and prioritise ESG risks and opportunities for the Company, such assessment to be carried out in alignment with chosen reporting frameworks, including assessment of climate change risks, and with relevant input from the Audit Committee
- Receive reports and keep abreast of notable developments in ESG-related regulation and industry trends relevant to the Company and the sector(s) in which it operates
- Monitor the Company's adherence to ESG objectives and KPIs and work with the Audit Committee to oversee the reporting of these objectives and KPIs
- Oversee the selection of non-financial reporting/ESG disclosure frameworks by the Company
- Oversee the engagement of any external service providers or consultants retained for the purpose of auditing the Company's performance in relation to ESG matters
- Identify relevant ESG training and opportunities and advise the Board and/or the Company's key service providers accordingly

REPORT OF THE SUSTAINABILITY AND ESG COMMITTEE CONTINUED

Meetings

The Sustainability and ESG Committee met once during the year to discuss the Company's ESG strategy, set KPIs and assess the disclosures to make in this report. The Sustainability and ESG Committee Chair also met with representatives of the Investment Manager throughout the year to discuss relevant market trends and positioning. The Company Secretary attends the meetings as Secretary to the Committee. In addition, representatives of the Investment Manager are also invited to attend.

Activities during the year

ESG strategy

In the last year, the Company has evolved its ESG commitments into a series of sustainable business initiatives, measures and targets, with the core aim of generating "natural capital alpha" through sustainable forestry management practice. A summary of this approach and impact, which was initiated by the Board at the Company's strategy day and refined by the Committee at its inaugural meeting later in the year, is set out in the Sustainability and ESG report on page 29.

The Sustainability and ESG Committee Chair has also partaken in investment discussions throughout the year to ensure these are incorporated into the evolution of the strategy. The Company looks forward to providing a full sustainability report to Shareholders in early 2023.

Sustainability and ESG report

In recognition of the increasing importance of ESG credentials to Shareholders, the Committee has taken the decision that a separate Sustainability and ESG report will be prepared and published subsequent to this report. The Sustainability and ESG report aims to provide additional detail on the narrative surrounding the statistics set out on pages 29 to 35. The information contained in the Sustainability and ESG report will also form part of the Investment Manager's presentation at the Company's AGM in February 2023.

Committee evaluation

As the Committee was formally constituted mid-way through the 2022 financial year, its activities have been more limited than is expected for future years. Therefore, a decision was taken not to undertake a formal evaluation of the Committee during this financial year. However, the Board is confident that the Committee is functioning well and that its approach to ESG is appropriate for the Company.

Josephine Bush
Chair of the Sustainability and ESG Committee

14 December 2022

DIRECTORS' REMUNERATION REPORT

Christopher Sutton
Chair of the Nomination and Remuneration Committee

The Board considers annually the level of fees paid to each Director. This review takes into account the individual responsibilities of each Board member under the Committee structure, anticipated input required to oversee the Company's activities in the future and how Board remuneration is structured for the Company's peers.

Whilst the Board has final determination of the level of Directors' fees, the Nomination and Remuneration Committee is responsible for assessing whether the current fee levels are appropriate. The Nomination and Remuneration Committee will take external input where required in its assessment and also takes into account the results of Directors' evaluation and Board succession issues. The Nomination and Remuneration Committee's report can be found on page 62.

Board remuneration

Remuneration policy

The Company's policy is that the remuneration of Directors should be determined with due regard to the experience of the Board as a whole, the time commitment required and to be fair and comparable to that of other Non-Executive Directors of similar companies. The Company may also periodically choose to benchmark Directors' fees with an independent review to ensure they remain competitive, fair and reasonable.

The fees for the Directors are determined within the limits set out in the Company's Articles of Association, which states that the Directors' remuneration for their services in the office of Director shall, in the aggregate, not exceed £300,000 per annum or such higher figure as the Company, by ordinary resolution, determines. The Directors may elect to apply the cash amount equal to their annual fee to subscribe for or to purchase Ordinary Shares. Directors' fees will be reviewed at least annually.

The Directors are entitled only to their annual fee and to be reimbursed for any expenses properly and reasonably incurred by them in and about the business of the Company or in the discharge of his or her duties as a Director.

Any Director who performs services, which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, may be paid such reasonable additional remuneration to be determined by the Directors or any Committee appointed by the Directors and such additional remuneration shall be in addition to any remuneration provided for by way of their annual fee and their reasonable expenses.

No element of the Directors' remuneration is performance related, nor does any Director have any entitlement to pensions, share options or any long-term incentive plans from the Company.

The Directors hold their office in accordance with the Articles of Association and their appointment letters. No Director has a service contract with the Company, nor is any such contract proposed. The Directors' appointments can be terminated in accordance with the Articles and without compensation.

The law requires the Company's Auditor to audit certain of the disclosures provided in this report. Where disclosures have been audited, they are indicated as such.

Directors' emoluments for the period (audited)

The Directors who served during the period received the following emoluments (excluding employers' National Insurance contributions) in the form of fees:

	Taxable benefits	Basic fees	Committee Chair fee	Additional fees[1]	Total fees (inc. taxable benefits)
Richard Davidson (Chair)	—	£45,000	—	£15,000	£60,000
Sarika Patel	—	£30,000	£7,500	£12,500	£50,000
Josephine Bush[2]	£515	£30,000	£1,250	£10,000	£41,765
Christopher Sutton	£354	£30,000	—	£10,000	£40,354
Total	**£869**	**£135,000**	**£8,750**	**£47,500**	**£192,119**

1. Each Board member received an additional fee for the work conducted ahead of the Company's IPO.
2. Josephine Bush received an additional fee of £3,000 per annum, pro-rated accordingly, for her role as Chair of the Sustainability and ESG Committee from 1 May 2022.

Note – members of the Board were reimbursed for travel and accommodation expenses incurred in connection with their duties for the Company, which in aggregate amounted to £869.

Future Board emoluments (audited)

As detailed in the Nomination and Remuneration Committee Report, the Board has elected to increase Directors' fees by £3,000 per annum, plus an additional fee of £2,500 for Christopher Sutton for his role as Chair of the Nomination and Remuneration Committee, effective 1 October 2022. In addition, an additional fee of £2,500 per Director was paid subsequent to the financial year end in acknowledgement of the time commitment required of Board members surrounding the placing programme undertaken in June 2022. Based on this, and the Directors appointed as at the date of this report, Board remuneration for the year ending 30 September 2023 is expected to be as follows:

	Basic fees 2022	Committee Chair fee 2022	Additional fees 2022	Total fees 2022
Richard Davidson (Chair)	£48,000	—	£2,500	£50,500
Sarika Patel	£33,000	£7,500	£2,500	£43,000
Josephine Bush	£33,000	£3,000	£2,500	£38,500
Christopher Sutton	£33,000	£2,500	£2,500	£38,000
Total	**£147,000**	**£13,000**	**£10,000**	**£170,000**

Relative importance of spend on pay

The table below shows the actual expenditure during the period in relation to Directors' remuneration and Shareholder distributions in the financial period:

	Total 2022
Aggregate Directors' remuneration	£143,750
Aggregate dividends paid to Shareholders	—

Management shareholdings

Although not forming part of this report, it is also noted that the senior personnel of the Investment Manager held in aggregate 78,804 Ordinary Shares of the Company as at 30 September 2022. As at 13 December 2022, these aggregate holdings were 78,804 Ordinary Shares.

In addition, Blackmead Infrastructure Limited, an Inheritance Tax Fund also managed by the Investment Manager, holds 51,503,762 (29.93%) of the Company's shares.

Voting at Annual General Meeting

An ordinary resolution for the approval of the Directors' remuneration policy is proposed every three years and will therefore be put to Shareholders at the Company's first AGM to be held in February 2023. An ordinary resolution for the approval of this Directors' remuneration report will be put to Shareholders at the forthcoming AGM.

On behalf of the Board

Christopher Sutton

Chair of the Nomination and Remuneration Committee

14 December 2022

DIRECTORS' REPORT

Information contained elsewhere in the Annual Report

Information required to be part of this Directors' report can be found elsewhere in the Annual Report as indicated below and is incorporated into this report by reference:

Key performance indicators	Page 1
Principal risks and risk management	Pages 40 to 43
Board of Directors	Pages 50 and 51
Report of the Audit Committee	Pages 57 to 59
Report of the Management Engagement Committee	Pages 60 and 61
Report of the Nomination and Remuneration Committee	Pages 62 to 64
Report of the Sustainability and ESG Committee	Pages 65 and 66
Remuneration report	Pages 67 to 69

The Directors present their Annual Report and financial statements of the Company for the period to 30 September 2022. The corporate governance statement on pages 53 to 56 forms part of their report.

Principal activities and status

Foresight Sustainable Forestry Company Plc (the "Company") is registered as a public limited company in terms of the Companies Act 2006 (number: 13594181). It is an investment company as defined by Section 833 of the Companies Act 2006.

The Company was incorporated on 31 August 2021 and listed on the Premium Segment of the Official List for trading on the London Stock Exchange's Main Market on 24 November 2021. The Company has a single share class of Ordinary Shares in issue.

The Company is a member of the Association of Investment Companies ("AIC").

Dividend policy

The Company invests in forestry assets with cash flow typically reinvested for further accretive growth.

The Company intends to pay dividends in order to satisfy the ongoing requirements under the Investment Trust (Approved Company) (Tax) Regulations 2011 save that, in the medium term, the Company's forestry assets may also generate free cash flow which the Company may decide not to reinvest. In such case(s), the Company currently intends to distribute these amounts to Shareholders.

Distributions made by the Company may take either the form of dividend income or may be designated as interest distributions for UK tax purposes. The UK tax treatment of the Company's distributions may vary for a Shareholder depending on the classification of such distributions. In accordance with regulation 19 of the Investment Trust (Approved Company) (Tax) Regulations 2011, the Company will not (except to the extent permitted by those regulations) retain more than 15% of its income (as calculated for UK tax purposes) in respect of an accounting period.

In addition, the Company intends in the future to explore the possible distribution of carbon credits "in specie" to Shareholders.

Investors should note that references in this paragraph to "dividends" and "distributions" are intended to cover both dividend income and income which is designated as an interest distribution for UK tax purposes and therefore subject to the interest streaming regime applicable to investment trusts.

In accordance with the above policy, there have been no dividends paid to Shareholders during the year and the Directors are not recommending a final dividend.

Investment objective

The Company will seek to generate an attractive net total return for Shareholders over the longer term, comprising capital growth and aperiodic dividends, targeting sustainable impact through investment predominantly in sustainably managed forestry assets (including standing forests and afforestation assets). The Company will seek to make a direct contribution in the fight against climate change through forestry and afforestation carbon sequestration initiatives.

The Company will seek to preserve and proactively enhance natural capital and biodiversity across its portfolio. It is expected that the Company will achieve, and aim to exceed, the requirements of compliance with the EU Green Taxonomy and Article 9 of the Sustainable Finance Disclosure Regulation ("SFDR").

Investment policy

The Company intends to achieve its investment objective by predominantly investing in a diversified portfolio of sustainable forestry assets, predominantly located in the UK.

The Company will seek to acquire a mixture of cash flow generating sustainable forestry assets representing a mixture of standing forests (of varying age classes) together with land suitable for afforestation projects (representing both commercial forestry projects and non-commercial forestry projects) to achieve a balanced portfolio with an optimal harvesting and capital growth profile.

Diversification within the Company's portfolio will be achieved by:

(a) Investing in a range of individual underlying forestry assets, each of which will be capable of separate disposal

(b) Investing in different types of forestry assets (both standing forests and afforestation projects) with a range of age classes and harvesting profiles

(c) Where possible, seeking diversification in tree species and a blend of commercial forestry and non-commercial forestry (including native woodland and open ground) across the overall portfolio

(d) Engaging with a range of different off-takers for the Company's harvested timber

(e) Achieving a geographic spread across the underlying forestry assets

Although the Company's revenues will primarily be generated by the sale of harvested timber and, in due course, the sale of carbon credits, where appropriate and practicable the Company will also seek to generate ancillary non-core revenue streams from its forestry assets, including, but not limited to, the leasing or licensing of land to third parties for agricultural, sporting and tourism activities, the leasing of land to third parties for renewable energy and/or energy storage and/or telecommunications development projects (such as the erection of wind turbines or mobile telecommunication towers) and, if a future market develops, the sale of biodiversity credits.

The Company will gain exposure to forestry assets indirectly through its holding of equity interests in underlying asset holding companies. The Company will invest via equity or debt interests in such asset holding companies. The asset holding companies will use the funds received by the Company to acquire forestry assets directly or indirectly through intermediate holding companies.

Returns generated by the asset holding companies (either from the sale of harvested timber, the sale of carbon credits or from ancillary non-core revenue sources) will either be retained by the relevant asset holding companies and reinvested or paid to the Company in the form of dividend distributions or the payment of interest on intra-group debt.

Investment policy continued

The Company may acquire freehold or leasehold interests in forestry assets or may acquire the shares in corporate entities holding such forestry assets.

Investments in forestry assets will typically entail 100% ownership by the Company. The Company may, however, enter into joint venture arrangements alongside one or more co-investors where the Investment Manager, in consultation with the Board, believes it is in the Company's best interests to do so (such as where an investment opportunity is too large for the resources of the Company on its own, to share risk or where a joint venture arrangement will optimise returns for the Company). In the case of such co-investments, the Company will target retaining a control position, where this is possible, or, where this is not possible, will have strong minority investor protections and governance rights.

In addition, as part of a transaction to acquire forestry assets, the Company may end up owning ancillary non-forestry related assets, including, but not limited to, residential land and buildings, vehicles, equipment, agricultural outbuildings and small-scale renewable energy assets (together "non-core assets"). Where appropriate and beneficial to the overall strategy, the Company will look to realise the value of any non-core assets over time for the benefit of the Shareholders.

The Investment Manager will have overall responsibility for asset managing the Company's forestry assets (including any ancillary non-core revenue streams) and non-core assets. The Company will also appoint appropriate specialist third-party forestry management companies which will be responsible for the day-to-day physical management of the Company's forestry assets, including harvesting and planting activity.

Investment restrictions

The Company will invest and manage its assets with the objective of spreading risk and, in doing so, will maintain the following investment restrictions:

- No single forestry asset will represent more than 15% of Gross Asset Value (with two or more forestry assets which are directly adjacent being treated as a single asset), save that the Board may approve the increase of this limit up to 25% of Gross Asset Value on an exceptional basis where considered appropriate to cater for a larger-scale strategic forestry asset investment
- At least 90% of Gross Asset Value shall be invested in forestry assets located in the United Kingdom
- No more than 10% of Gross Asset Value may be invested in forestry assets located in EEA countries
- The maximum exposure to afforestation projects will not exceed, in aggregate, 50% of Gross Asset Value
- The maximum exposure to non-core assets will not exceed, in aggregate, 10% of Gross Asset Value
- The Company will not invest in other listed investment companies

In accordance with the requirements of the Listing Rules, the Company will not undertake any trading activity which is material in the context of the Company as a whole.

Compliance with the above investment limits is measured at the time of investment and non-compliance resulting from changes in the price or value of assets following investment will not be considered as a breach of the investment limits.

Financial risk management

Details of the financial risk management objectives and policies followed by the Directors can be found on pages 104 and 105.

Future developments

The likely future developments of the Company are contained in the strategic report on pages 1 to 47.

Directors

Biographical details of the Directors, all of whom are non-executive, can be found on pages 50 and 51.

The Directors do not have service contracts, but each new Director is provided with a letter of appointment. The Directors' letters of appointment are available on request at the Company's registered office during business hours.

The Articles of Association require that each Director retires by rotation and be re-elected every three years. The Board has agreed that, in accordance with governance best practice and the provisions of the AIC Code, Directors will stand for election annually at each AGM. The Directors' appointment dates are shown below:

	Date of original appointment
Richard Davidson (Chair)	31 August 2021
Sarika Patel	31 August 2021
Josephine Bush	31 August 2021
Christopher Sutton	31 August 2021

The Directors believe that the Board has an appropriate balance of skills, experience, independence and knowledge of the Company and the sector in which it operates to enable it to provide effective strategic leadership and proper guidance to the Company. The Board confirms that, following the evaluation process set out in the report of the Nomination and Remuneration Committee on page 63, the performance of each Director is and continues to be effective and demonstrates commitment to the role. The Board believes, therefore, that it is in the interests of Shareholders that each of the Directors be re-elected.

Conflicts of interest

Under the Companies Act 2006 a Director must avoid a situation where he or she has, or could have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. This could also apply where a Director becomes a Director of another company or trustee of another organisation. The Companies Act 2006 allows Directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the Articles of Association contain a provision to this effect. The Company's Articles of Association give the Directors authority to approve such situations.

The Company maintains a register of Directors' conflicts of interest which have been disclosed and approved by the other Directors. This register is kept up to date and the Directors are required to disclose to the Company Secretary any changes to conflicts or any potential new conflicts.

DIRECTORS' REPORT CONTINUED

Investment Manager

The Company's Investment Manager, Foresight Group LLP, is responsible for the acquisition and management of the Company's assets, including the sourcing and structuring of new acquisitions and advising on the Company's borrowing strategy. Foresight Group is authorised and regulated by the Financial Conduct Authority.

Foresight Group was founded in 1984 and is a leading listed infrastructure and private equity investment manager. With a long-established focus on ESG and sustainability-led strategies, it aims to provide attractive returns to its institutional and private investors from hard-to-access private markets.

Foresight manages over 350 infrastructure assets with a focus on solar and onshore wind assets, bioenergy and waste, as well as renewable energy enabling projects, energy efficiency management solutions, social and core infrastructure projects and sustainable forestry assets.

Its private equity team manages ten regionally focused investment funds across the UK and an SME impact fund supporting Irish SMEs. This team reviews over 2,500 business plans each year and currently supports more than 250 investments in SMEs. Foresight Capital Management manages four strategies across six investment vehicles with an AUM of over £1.5 billion.

Foresight operates across seven countries in Europe and Australia with AUM of £12.5 billion. Foresight Group Holdings Limited listed on the Main Market of the London Stock Exchange in February 2021.

Foresight's infrastructure team consisted of 163 full-time employees as at 30 September 2022. The team is comprised of:

1. An investment management team of professionals responsible for originating, assessing and pricing assets, managing due diligence and executing transactions
2. A portfolio management team with expertise across electrical and civil engineering, finance and legal disciplines

The Foresight Group infrastructure team has substantial experience in sourcing and executing all required elements of the capital structure of an investment across geographies, including project-level debt finance and other required forms of finance.

The key strengths of the infrastructure investment team include:

(a) Sourcing and execution of asset acquisitions
(b) Experience of pricing complex revenue streams
(c) Pricing wholesale power exposure
(d) Managing construction projects
(e) Finance and structuring, including bank debt and project finance

The in-house portfolio management team consists of individuals with engineering, accountancy, consulting and operations backgrounds and are responsible for the process of "on-boarding", managing and reporting on the acquired assets. Members of these teams work closely with the investment team together throughout the investment lifecycle.

The portfolio management services provided ensure the day-to-day operation of the forestry assets is robust, with commercial and strategic decisions clearly communicated to the various counterparties involved. The services also include:

- Health and safety compliance
- Oversight of third-party asset managers and forest managers
- Portfolio optimisation including negotiation of project contracts, harvesting, insurance policies, and evaluation of innovative technologies to enhance forestry assets
- Accounting and financial management from SPV to Fund level
- Management of in-house portfolio management platforms
- Providing a focus on ESG and upside opportunities across the forestry assets
- Contractual compliance of all contracts

Alternative Investment Fund Management Directive ("AIFMD")

The AIFMD, which was implemented across the EU on 22 July 2013, aims to harmonise the regulation of Alternative Investment Fund Managers ("AIFMs") and imposes obligations on managers who manage or distribute Alternative Investment Funds ("AIFs") in the EU or who market shares in such funds to EU investors. Foresight Group LLP acts as AIFM to the Company and ensures compliance with regulation under the UK AIFMD and the UK National Private Placement Regime.

Substantial interests in share capital

As at 30 September 2022, the Company had received notification of the following holdings of voting rights (under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules):

	30 September 2022	
Investor	Number of Ordinary Shares held	Percentage held[1]
Blackmead Infrastructure	51,503,762	29.93
Aviva Investors	14,493,900	8.40
East Riding of Yorkshire	13,238,318	7.69
Rathbones	12,347,373	7.15
Equilibrium Asset Management	11,802,000	6.86
West Yorkshire PF	11,000,000	6.39
Cantor Fitzgerald Ireland	9,072,505	5.27
Privium Fund Management	7,896,299	4.59
Hargreaves Lansdown stockbrokers (EO)	6,631,223	3.85

1. Based on 172,056,075 Ordinary Shares in issue as at 30 September 2022. The Company has only one class of share.

Share capital

Information on the Company's share capital can be found in note 13 to the financial statements.

As at 30 September 2022, there are 172,056,075 Ordinary Shares ("Shares") in issue of nil par value.

There have been no changes notified to the Company in respect of the above holdings, and no other new holdings notified, since the year end.

Related party transactions

Related party transactions during the period to 30 September 2022 can be found in note 22 to the financial statements.

Directors' shareholdings

Information on the Directors' shareholdings as at 30 September 2022 can be found in the Directors' remuneration report on page 67.

Other Companies Act 2006 disclosures

- There are no significant restrictions concerning the transfer of securities in the Company (other than certain restrictions imposed by laws and regulations such as insider trading laws); no agreements known to the Company concerning restrictions on the transfer of securities in the Company or on voting rights; and no special rights with regard to control attached to securities.
- There are no significant agreements which the Company is a party to that might be affected by a change of control of the Company following a takeover bid.
- There are no agreements between the Company and the Directors providing for compensation for loss of office that occurs because of a takeover bid or other corporate events.

Articles of Association

These are available on the Company's website or by application to the Company Secretary. Any amendment to the Company's Articles of Association may only be made by passing a special resolution of the Shareholders of the Company.

Branches outside the UK

The Company does not have any branches outside the UK.

Political donations

No political donations were made during the year.

Employees

The Company has no employees and therefore no employee share scheme or policies for the employment of disabled persons or employee engagement.

DIRECTORS' REPORT CONTINUED

2023 AGM

Shareholders are invited to attend the Company's AGM to be held at The Shard, 32 London Bridge Street, London SE1 9SG on 23 February 2023. The AGM notice is set out on pages 112 to 115.

Those Shareholders who are unable to attend the AGM in person are encouraged to raise any questions in advance with the Company Secretary at fsfc@foresightgroup.eu (please include "FSF AGM" in the subject heading). Questions must be received by 5.30pm on 9 February 2023. Any questions received will be replied to by either the Investment Manager or the Board via the Company Secretary before the AGM. A Shareholder presentation will be made on the day and later made available on the Company's website updating Shareholders on the activities of the year.

Resolutions to be proposed at the AGM

Ordinary Resolutions

Resolution One

To receive the Annual Report and Accounts of the Company for the year ended 30 September 2022.

Resolution Two

To approve the Directors' Remuneration Policy included in the Annual Report for the year ended 30 September 2022.

Resolution Three

To approve the Directors' Remuneration Report included in the Annual Report for the year ended 30 September 2022.

Resolution Four

To elect Richard Davidson as a Director of the Company.

Resolution Five

To elect Sarika Patel as a Director of the Company.

Resolution Six

To elect Christopher Sutton as a Director of the Company.

Resolution Seven

To elect Josephine Bush as a Director of the Company.

Resolution Eight

To appoint Ernst & Young LLP as auditor to the Company.

Resolution Nine

To authorise the Directors to fix the auditor's remuneration until the conclusion of the next Annual General Meeting of the Company.

Resolution Ten

That, in addition to all existing authorities, the Directors be generally and unconditionally authorised to allot shares in the Company. Read more on page 111.

Special Resolutions

Resolution Eleven

That the Directors be and are empowered to allot equity securities. Read more on page 112.

Resolution Twelve

That, in addition to all existing authorities, the Directors be generally and unconditionally authorised to allot shares in the Company. Read more on page 112.

Resolution Thirteen

That, a general meeting, other than an AGM, may be called on not less than 14 clear days' notice.

Recommendation on resolutions to be proposed at the AGM

The Directors consider the passing of the resolutions to be proposed at the AGM to be in the best interests of the Company and its Shareholders and likely to promote the success of the Company for the benefit of its Shareholders as a whole. Accordingly, the Directors unanimously recommend that Shareholders should vote in favour of the resolutions, as they intend to in respect of their own beneficial shareholdings.

Business ethics

As an investment vehicle, the Company does not provide goods or services in the normal course of business and does not have customers. Accordingly, the Directors consider that the Company does not fall within the scope of the Modern Slavery Act 2015 and is not, therefore, obliged to make a slavery and human trafficking statement. In any event, the Company considers its supply chains to be low risk.

In line with the requirements of The Criminal Finances Act 2017, the Directors confirm that the Company has a commitment to zero tolerance towards the criminal facilitation of tax evasion.

In order to ensure compliance with the UK Bribery Act 2010, the Directors confirm that the Company has zero tolerance towards bribery and a commitment to carry out business openly, honestly and fairly.

In considering the appointment of Directors, the Company will continue to show no bias for age, gender, race, sexual orientation, marital status, religion, nationality, ethnic or national origins, or disability.

Going concern

The Directors consider that the Company has adequate resources to meet its financial commitments for a period of 12 months from the date of approval of the accounts.

The Board regularly monitors the Company's ability to continue as a going concern. The strategic report describes in detail the financial position, income and debt facilities as at 30 September 2022. The Board believes that the Company remains well placed to navigate effectively through a prolonged period of economic uncertainty and to mitigate the risks presented by it. The Company has a robust balance sheet and a high-quality portfolio of diverse forestry and afforestation assets.

The Directors have taken into consideration the current economic situation, the principal risks facing the Company, the RCF and liquidity position. The Directors have also considered scenario analysis on the impact of different levels of harvesting across the portfolio, over varying timescales, on the Company's financial position and the Company's ability to reduce outflows were liquid resources to be required. The Company and the Investment Manager have been able to ensure the operational and trading integrity of the Company and that it has sufficient cash resources to continue its operations and remain compliant with its loan covenants for a period of at least 12 months from the date of approval of the accounts. Sensitivity analysis and financial modelling has been undertaken to support this.

With this information and considering the nature of the Company's business and assets, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for the going concern assessment period and have therefore prepared the Financial Statements on a going concern basis.

Viability statement

In accordance with the UK Corporate Governance Code, the Board of Directors has assessed the viability of the Company over the five-year period to 30 September 2027, taking account of the Company's current position, the long-term nature of the assets in the portfolio and the potential impact of the principal risks documented on pages 40 to 43. Based on this assessment, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to September 2027.

In making this statement, the Directors have considered and challenged the reports of the Investment Manager in relation to the resilience of the Company, taking into account its current position, the principal risks facing it in severe but reasonable scenarios, the effectiveness of any mitigating actions and the Company's risk appetite. The Board also considers the ability of the Company to raise debt and equity and deploy capital. As part of this process, the Board of Directors has also considered the ongoing viability of the Company's long-term and short-term debt strategies. In August 2022, a three-year £30 million RCF with two one-year extension options was signed by one of the Company's subsidiaries, increasing the liquidity of the Company, of which a proportion can be deployed as working capital. There is also an accordion feature that allows for another £30 million.

Sensitivity analysis has also been undertaken to consider the potential impact of principal and emerging risks that could threaten the business model, future performance, solvency and liquidity over the period.

In particular, this has considered the inability to access sufficient funding in the debt and equity markets and deploy capital to complete growth expectations, the level of future timber prices and a reduction in demand for users of timber, continued government support for the voluntary carbon credits market and the impact of a proportion of the portfolio not harvesting due to adverse weather conditions.

The Directors have determined that a five-year look-forward to September 2027 is an appropriate period over which to provide its viability statement. This is consistent with the outlook period used in economic and other medium-term forecasts regularly prepared for the Board by the Investment Manager and the discussion of any new strategies undertaken by the Board in its normal course of business.

These reviews consider both the market opportunity and the associated risks, principally the ability to raise third-party funds and invest capital, or mitigating actions taken, such as a reduction of dividends paid to Shareholders or utilisation of additional borrowings available under the RCF.

The Board of Directors concentrated its effort on the major factors which affect the economic, regulatory and political environment. The Board confirms that it has a reasonable expectation that the Company will be able to continue its operations and meet its liabilities as the fall due over the five-year period to September 2027.

Disclosure of information to the auditor

The Directors confirm that:

- So far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware
- The Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information

Requirements of the Listing Rules

Listing Rule 9.8.4 requires the Company to include specified information in a single identifiable section of the Annual Report or a cross-reference table indicating where the information is set out. The Directors confirm that there are no disclosures required in relation to Listing Rule 9.8.4.

By order of the Board

Foresight Group LLP

Company Secretary

14 December 2022

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the strategic report, the Directors' report, the Directors' remuneration report and the financial statements in accordance with applicable laws and regulations.

These financial statements have been prepared in accordance with International Accounting Standards ("IAS") in conformity with the requirements of the Companies Act 2006 and in accordance with UK adopted International Accounting Standards ("IAS") adopted pursuant to (EU Exit) Regulations 2019. Company law requires the Directors to prepare financial statements for each financial year. Under this law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and accounting estimates that are reasonable and prudent
- State whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements and the Directors' remuneration report comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Directors' responsibility statement in respect of the Annual Report and financial statements

The Directors are responsible for preparing the Annual Report in accordance with applicable law and regulations. The Directors consider the Annual Report and financial statements, taken as a whole, provide the information necessary to assess the Company's performance, business model and strategy and are fair, balanced and understandable.

Directors' responsibility statement under the Disclosure Guidance and Transparency Rules

To the best of our knowledge:

- The Company's financial statements, prepared in accordance with UK adopted International Accounting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole
- The Annual Report, including the strategic report and the Directors' report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face

Richard Davidson

Chair

14 December 2022

FINANCIAL STATEMENTS

WHAT'S IN THIS SECTION

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FORESIGHT SUSTAINABLE FORESTRY COMPANY PLC

Opinion

We have audited the financial statements of Foresight Sustainable Forestry Company Plc (the "Company") for the period from 31 August 2021 (incorporation date) to 30 September 2022 which comprise the Income Statement, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 30 September 2022 and of its profit for the period then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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.

Independence

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 as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting the audit.

Conclusions relating to going concern

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 evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Confirmation of our understanding of the Company's going concern assessment process and engaged with the Directors and the Company Secretary to determine if all key factors were considered in their assessment.
- Inspection of the Directors' assessment of going concern, including the cash flow forecast, for the period to 31 March 2024 which is at least twelve months from the date these financial statements were authorised for issue. In preparing the revenue forecast, the Company has concluded that it is able to continue to meet its ongoing costs as they fall due.
- Review of the factors and assumptions, including the impact of the current economic environment and other significant events that could give rise to market volatility, as applied to the cash flow forecast. We considered the appropriateness of the methods used to calculate the cash flow forecast and determined, through testing of the methodology and calculations, that the methods, inputs and assumptions utilised were appropriate to be able to make an assessment for the Company.
- Consideration of the mitigating factors included in the cash flow forecast that are within the control of the Company. We reviewed the Company's assessment of the liquidity of investments held and evaluated the Company's ability to sell those investments in order to cover working capital requirements should revenue decline significantly.
- Consideration of the commitments that have been made with respect to the purchase of unquoted investments and made sure that these have been appropriately taken account of when preparing the cash flow forecast.
- Review of the Company's going concern disclosures included in the annual report in order to assess whether the disclosures were appropriate and in conformity with the reporting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the period covered by the Directors to 31 March 2024.

In relation to the Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Overview of our audit approach	
Key audit matters	Risk of inaccurate valuation of investments
Materiality	Overall materiality of £1.81 million which represents 1% of net assets

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team which included our valuation specialists.

Climate change

There has been increasing interest from stakeholders as to how climate change will impact companies. The Company has determined that the impact of climate change could affect the Company's investments and their valuations. This is explained in the principal risk section on page 41 which forms part of the "Other Information" rather than the audited financial statements. Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

Our audit effort in considering climate change was focused on the adequacy of the Company's disclosures in the financial statements as set out in note 2(a) and conclusion that there was no material impact of climate change on the valuation of investments. We also challenged the Directors' considerations of climate change in their assessment of going concern and viability and associated disclosures.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Inaccurate valuation of investments held through profit and loss Refer to the Audit Committee Report (pages 57 to 59); Accounting policies (pages 86 to 89); and Notes 10 and 17 of the Financial Statements. The value of the investments held through profit and loss as at 30 September 2022 was £146.29 million consisting of forestry assets held through special purpose vehicles ('SPVs') amounting to £145.66 million and £0.63 million of value ascribed to the progress towards creation of carbon credits. The Company has seven subsidiary undertakings held at fair value under IFRS 10, which invest into forestry assets. The valuation of the underlying forestry assets held through SPVs is the key driver of the Company's net asset value and total return. Incorrect valuation of the forestry assets, or a failure to maintain proper legal title to the forestry assets held through the SPVs could have a significant impact on the portfolio valuation and the return generated for shareholders.	We performed the following procedures: We obtained an understanding of and evaluated the design and implementation of processes and controls around the underlying forestry asset valuations by performing a walkthrough. We engaged our team of EY valuation specialists to review the valuations of a sample of underlying forestry assets and this included completing the following procedures: • Obtained and reviewed the valuation papers prepared by Savills for the period to 30 September 2022 to gain an understanding of the valuation methodologies and assumptions used; • Determined whether the valuations have been performed in line with the general valuation approaches as set out in IFRS 13 and the Red Book guidelines; • Assessed the appropriateness of data inputs and assumptions used to support the valuations for the selected sample of underlying forestry assets held through the SPVs;	The results of our procedures identified no material misstatements in relation to the risk of incorrect valuation of investments held through profit and loss.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Inaccurate valuation of investments held through profit and loss continued The underlying forestry assets are valued at fair value by the Directors following a detailed review and appropriate challenge of the valuations proposed by Savills Advisory Services Limited ("Savills"). The investment policy applies methodologies consistent with the Royal Institution of Chartered Surveyors ("RICS") Valuation – Global Standards July 2017 ("the Red Book"). The value ascribed to the reflect the progress towards carbon credits is not material. The valuation of the underlying forestry assets held through the SPVs, and the resultant impact on the unrealised gains/(losses), is the area requiring the most significant judgement and estimation in the preparation of the financial statements and has been classified as an area of fraud risk as highlighted below on page 84.	• Assessed other facts and circumstances, such as other comparative market transactions, afforestation, carbon credit potential, winter storm vulnerability, seasonality, geographical location and developmental milestones that may have an impact on the fair market value of the underlying forestry assets; and • Held discussions with Savills to understand the valuation methodologies and assumptions used. • Recalculated the unrealised gains/losses on the investments held through profit and loss as at the period-end using the book-cost reconciliation • Assessed the adequacy of the disclosures of estimates and valuation assumptions that were made in accordance with IFRS 13 – Fair Value Measurement. For all underlying forestry asset purchases made during the period, we obtained supporting documents from the Investment Manager such as land registry title deeds and purchase contracts and agreed these to the purchase cost per the accounting records and to bank statements.	

INDEPENDENT AUDITOR'S REPORT CONTINUED
TO THE MEMBERS OF FORESIGHT SUSTAINABLE FORESTRY COMPANY PLC

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be £1.81 million, which is 1% of net assets. We believe that net assets provides us with the most important financial metric on which shareholders would judge the performance of the Company.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 50% of our planning materiality, namely £0.90 million. We have set performance materiality at this percentage due to this being the first period of operations for the Company and therefore our first audit.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.09 million, which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report, including the Strategic report and Governance section set out on pages 1 to 78, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or Directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Corporate Governance Statement

We have reviewed the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 77;
- Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on page 76;
- Director's statement on whether it has a reasonable expectation that the Company will be able to continue in operation and meets its liabilities set out on page 77;
- Directors' statement on fair, balanced and understandable set out on page 78;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 56;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 58; and;
- The section describing the work of the audit committee set out on page 58.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 78, 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.

Explanation as to what extent the audit was considered 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 irregularities, including fraud. 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 or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those that relate to the reporting framework (UK adopted international accounting standards, the Companies Act 2006, the Listing Rules, the Association of Investment Companies Code of Corporate Governance, The Association of Investment Companies Statement of Recommended Practice, the Companies (Miscellaneous Reporting) Regulations 2018) and Section 1158 of the Corporation Tax Act 2010.
- We understood how the Company is complying with those frameworks through discussions with the Audit Committee and Company Secretary, review of board minutes and the Company's documented policies and procedures.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements. We identified a fraud risk with respect to inaccurate valuation of investments. Further discussion of our approach is set out in the key audit matter above.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the Company Secretary's reporting to the Directors with respect to the application of the documented policies and procedures and review of the financial statements to ensure compliance with the reporting requirements of the Company.

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

Other matters we are required to address

- Following the recommendation from the Audit Committee, we were appointed by the Company on 24 November 2021 to audit the financial statements for the period ending 30 September 2022 and subsequent financial periods.

  The period of total uninterrupted engagement including previous renewals and reappointments is 1 year, covering the period ended 30 September 2022

- The audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Mike Gaylor

(Senior statutory auditor)

for and on behalf of
Ernst & Young LLP, Statutory Auditor

London

14 December 2022

INCOME STATEMENT

FOR THE PERIOD FROM 31 AUGUST 2021 (INCORPORATION) TO 30 SEPTEMBER 2022

	Notes	Revenue £'000	Capital £'000	Total £'000
Return on investment	4	904	10,120	11,024
Total income		904	10,120	11,024
Investment management fees	5	(1,071)	—	(1,071)
Other expenses	6	(1,166)	—	(1,166)
Total expenses		(2,237)	—	(2,237)
Profit/(loss) before tax		(1,333)	10,120	8,787
Tax	8	—	—	—
Profit/(loss) for the period		(1,333)	10,120	8,787
Earnings/(losses) per share (pence)	9	(0.9)	7.1	6.2

All results are derived from continuing operations.

The supplementary revenue and capital columns are presented for information purposes in accordance with the Statement of Recommended Practice issue by The Association of Investment Companies ("AIC").

There are no items of other comprehensive income in the current period, other than the profit for the period, and therefore no separate statement of comprehensive income has been presented.

The accompanying notes on pages 92 to 109 form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2022

	Notes	30 September 2022 £'000
Non-current assets		
Investments at fair value through profit or loss	10	**146,291**
Total non-current assets		**146,291**
Current assets		
Trade and other receivables	11	**852**
Cash and cash equivalents	16	**34,326**
Total current assets		**35,178**
Total assets		**181,469**
Current liabilities		
Trade and other payables	12	**(886)**
Total current liabilities		**(886)**
Total liabilities		**(886)**
Net assets		**180,583**
Equity		
Called up share capital	13	**1,721**
Share premium	13	**170,075**
Revenue reserve	14	**(1,333)**
Capital reserve	14	**10,120**
Total Shareholders' funds		**180,583**
Net assets per share (pence per share)	15	**105.0**

The financial statements were approved and authorised for issue by the Board of Directors on 14 December 2022.

They were signed on its behalf by:

Richard Davidson
Chair

The accompanying notes on pages 92 to 109 form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD FROM 31 AUGUST 2021 (INCORPORATION) TO 30 SEPTEMBER 2022

	Called up share capital £'000	Share premium £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at incorporation	—	—	—	—	—
Gross proceeds from share issue	1,721	173,279	—	—	175,000
Share issue costs	—	(3,204)	—	—	(3,204)
Total comprehensive income for the period	—	—	10,120	(1,333)	8,787
Net assets attributable to Shareholders at 30 September 2022	1,721	170,075	10,120	(1,333)	180,583

The accompanying notes on pages 92 to 109 form an integral part of the financial statements.

The Company's distributable reserves consist of the capital reserve attributable to fair value unrealised gains on the Fund portfolio's valuation.

STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM 31 AUGUST 2021 (INCORPORATION) TO 30 SEPTEMBER 2022

	For the period ended 30 September 2022 £'000
Profit for the period	**8,787**
Adjustments for:	
Net profit on investments at fair value through profit and loss	**(10,120)**
Operating cash flows before movements in working capital	**(1,333)**
Cash flows from operating activities	
(Increase) in Trade and other receivables	**(852)**
Increase in Trade and other payables	**886**
Net cash inflow from operating activities	**(1,299)**
Cash flows from investing activities	
Purchase of investments	**(136,171)**
Net cash used in investing activities	**(136,171)**
Cash flows from financing activities	
Gross proceeds from share issue	**175,000**
Share issue costs	**(3,204)**
Net cash inflow from financing activities	**171,796**
Net increase in cash and cash equivalents	**34,326**
Cash and cash equivalents at beginning of period	**—**
Cash and cash equivalents at end of period	**34,326**

The accompanying notes on pages 92 to 109 form an integral part of the financial statements.

NOTES TO THE AUDITED FINANCIAL STATEMENTS

FOR THE PERIOD FROM 31 AUGUST 2021 (INCORPORATION) TO 30 SEPTEMBER 2022

1. General information

(a) Statutory Information

Foresight Sustainable Forestry Company Plc (the "Company" or "FSF"), a public limited company limited by shares, was incorporated and registered in England and Wales on 31 August 2021 with registered number 13594181 pursuant to the Companies Act 2006. The Company's registered address is C/O Foresight Group, The Shard, 32 London Bridge Street, London, United Kingdom, SE1 9SG.

(b) Corporate structure

The Company has one investment, FSFC Holdings Limited, and FSFC Holdings Limited in turn has one investment, FSFC Holdings 2 Limited; together this is the "Group".

FSFC Holdings 2 Limited has three investments: FSFC Company 1 Limited, Blackmead Forestry Limited and Blackmead Forestry II Limited. Blackmead Forestry Limited has two investments: Coull Forestry Limited and Fordie Estates Limited. These five entities together are the special purpose vehicles or "SPVs".

The Group's principal activity is investing in UK forestry, afforestation and natural capital assets.

The audited financial statements of the Company are for the period from incorporation on 31 August 2021 to 30 September 2022 and have been prepared on the basis of the accounting policies set out below. The financial statements comprise only the results of the Company, as its direct investments in FSFC Holdings Limited, FSFC Holdings 2 Limited, and all underlying SPVs thereafter, are measured at fair value as detailed in the significant accounting policies below.

2. Significant accounting policies

(a) Basis of preparation

The set of financial statements has been prepared in accordance with UK adopted International Accounting Standards. The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets and on a going concern basis. The accounting policies set out below have, unless otherwise stated, been applied consistently to the period presented in these financial statements.

These financial statements have also been prepared in accordance with the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ("SORP") issued in April 2021 by the Association of Investment Companies ("AIC").

There are several amendments and standards that have been issued and will be effective in future periods however, none of these are expected to have a material effect.

The following standards became effective during the period and did not have a material impact on the Company's reported results:

- Reference to the Conceptual Framework – Amendments to IFRS 3 (applicable for annual periods beginning on or after 1 January 2022);
- Property, Plant and Equipment: Proceeds Before Intended Use – Amendments to IAS 16 (applicable for annual periods beginning on or after 1 January 2022);
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 (applicable for annual periods beginning on or after 1 January 2022);
- AIP IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a First-time Adopter (applicable for annual periods beginning on or after 1 January 2022);
- AIP IFRS 9 Financial Instruments – Fees in the "10 per cent" Test for Derecognition of Financial Liabilities (applicable for annual periods beginning on or after 1 January 2022);
- AIP IAS 41 Agriculture – Taxation in Fair Value Measurements (applicable for annual periods beginning on or after 1 January 2022); and
- Annual improvements to IFRS standards 2018-2020 Cycle (effective for annual periods beginning on or after 1 January 2022).

IFRS 10 Consolidated Financial Statements

IFRS 10 requires an entity that controls (meaning it is exposed, or has rights, to variable returns from its involvement with the investee entity and has the ability to affect those returns through its power over the investee) one or more other entities, to present consolidated financial statements. Consolidated financial statements consist of assets, liabilities, equity, income, expenses and cash flows of a parent and its subsidiaries as those of a single economic entity. Notwithstanding the application of IFRS 10 in establishing the Fund as an investment entity, the standard has not been adopted in full in as far as presenting consolidated financial statements, as the Fund has presented these financial statements on a fair value basis instead, pursuant to IFRS 13.

IFRS 16 Leases

IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. Lessor accounting is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. The standard requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019, however early adoption is permitted. The Fund is neither a lessor nor lessee, thus has not adopted this standard.

These financial statements are presented in sterling (£) and rounded to the nearest thousand unless otherwise stated. They have been prepared on accounting policies, significant judgements, key assumptions and estimates set out below.

These financial statements constitute statutory accounts as defined in Section 434(3) of the Companies Act 2006 as they are audited. The financial statements include all information and disclosures required in annual audited financial statements.

The audited financial statements incorporate the financial statements of the Company only.

Any estimates and underlying assumptions are reviewed on a regular basis and revisions to accounting estimates are recognised in the period when they occur and in any future period affected. The significant estimates, judgements or assumptions are set out on pages 92 and 93.

This is the Company's first accounting period, so there are no comparatives.

(b) Going concern

The Directors have adopted the going concern basis in preparing the Annual Report. In their assessment of going concern they have reviewed comprehensive cash flow forecasts prepared by the Investment Manager and believe based on the forecasts and an assessment of the Company's cash position and liquidity of the investment portfolio that the Company will continue in operational existence for at least 12 months from the date of approval of the financial statements and therefore consider it appropriate to prepare the financial statements on a going concern basis. As at 30 September 2022, the Company had net assets of £180.6 million including £34.3 million of cash which are sufficient to meet current obligations as they fall due.

The Directors have also assessed the impact of significant potential risks to the operations of the Company since incorporation and the principal risks in the UK forestry and afforestation markets including the various risk mitigation measures in place and do not consider this to have a material impact on the assessment of the Company as a going concern.

Market risk

The Company has assessed its potential exposure to being negatively impacted by a sudden loss of revenue stream. The relevance of this risk has been significant given the recent impacts made by the COVID-19 pandemic and the Ukraine-Russia conflict. The Company has assessed these risks alongside the potential risk of similar events having a negative impact on revenue recoverability. The potential impacts of such market risks include, but are not limited to:

(i) Material reductions in timber prices recoverable from the SPVs

(ii) Material reductions in demand for timber in the United Kingdom

(iii) Material reductions in forecasted revenues earned from the sale of carbon credits

(iv) Change to the UK Woodlands Grant scheme

Each of the above potential impacts could have a direct influence on the amount that can be distributed to the Company by its subsidiaries. Foresight has reviewed the portfolio's exposure to these risks and has concluded that if, even in the unlikely case, these adverse impacts on revenue recoverability are material, the Company should still have sufficient funds to continue operations for the foreseeable future. If such impacts were to continue on a long-term basis, continued monitoring processes would need to be actioned.

2. Significant accounting policies continued

(b) Going concern continued

Liquidity risk

Due to the nature of the Company's operation and deployment strategy, there could be potential exposure to liquidity risk, whereby the entity would encounter difficulties in paying its financial liabilities. The Directors have considered this risk and are satisfied that FSF has adequate financial resources to settle its recurring expenses for the foreseeable future, based on evidence provided from cash flow forecasting and sensitivity testing to satisfy both the Investment Manager and the Directors that the Company has sufficient funds available.

The Directors are satisfied that FSF has sufficient resources to continue to operate for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they have adopted the going concern basis in preparation of these financial statements.

(c) Segmental reporting

The Directors are of the opinion that the Company is engaged in a single segment of business, being investment in UK forestry and afforestation assets, to generate real returns for investors as well as capital appreciation. The financial information used by the Board to allocate resources and manage the Company presents the business as a single segment comprising a homogeneous portfolio.

(d) Key judgements

Fair valuation of investment assets

The market value of the Company's underlying investment portfolio held through its SPVs consisting of Forestry, Afforestation and Non-core assets (investment portfolio/properties) is determined by an external valuer (see note 10) to be the estimated amount for which an asset should exchange on the date of the valuation in an arm's-length transaction. Properties have been valued on an individual basis. The external valuer prepares their valuations in accordance with the RICS Valuation – Global Standards July 2017 (the "Red Book"). Factors reflected comprise current market conditions including the comparable market value of similar freehold forestry assets, the potential uplift in land value above current in-use value (relevant to planting land), the location and situation of individual assets, potential vulnerability to winter storms and the developmental status of properties (if afforestation). The market conditions stated are assessed on a bi-annual basis. The significant methods and assumptions used by the external valuers in estimating the fair value of investment assets are set out in note 10. The carbon credits valuation are not determined by an external valuer and are subject to Directors' judgement and estimation.

(e) Taxation

Income taxes

Income taxes represent the sum of the tax currently payable, withholding taxes suffered and deferred tax. Tax is charged or credited in the statement of comprehensive income, except where it relates to items charged or credited directly to equity, in which case the tax is also dealt with in equity.

The tax currently payable is based on the taxable profit for the year. This may differ from the profit included in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. To enable the tax charge to be based on the profit for the year, deferred tax is provided in full on temporary timing differences, at the rates of tax expected to apply when these differences crystallise.

Deferred tax assets are recognised only to the extent that it is probable that sufficient taxable profits will be available against which temporary differences can be set off. In practice, some assets that are likely to give rise to timing differences will be treated as capital for tax purposes. Given capital items are exempt from tax under the Investment Trust Company rules, deferred tax is not expected to be recognised on these balances.

All deferred tax liabilities are offset against deferred tax assets, where appropriate, in accordance with the provisions of IAS 12. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

3. Basis of consolidation

The Company's objective is to invest in UK forestry and afforestation assets through its holding companies, which will typically issue equity and loans to finance the investments.

Assessment as an investment entity

IFRS 10 Consolidated Financial Statements sets out the following essential criteria, necessary for a company to be considered as an investment entity.

Definition of an investment entity/trust:

- It must obtain funds from multiple investors for the purpose of providing its investment management services to those investors
- It must commit to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both. Similarly, the entity must ensure there is also an exit strategy for such investments
- It must measure and evaluate the performance of its investments on a fair value basis

In assessing whether the Company meets the definition of an investment entity set out in IFRS 10, the Directors note that:

- The Company is an investment company that invests funds obtained from multiple investors in a diversified portfolio of UK forestry and afforestation assets and has appointed Foresight Group as the Investment Manager to manage the Company's investments
- The Company's purpose is to invest funds with the intention of providing real returns to investors and capital appreciation driven by global demand for timber. The Company's exit strategy will depend on factors of portfolio balance and/or profit
- The Board evaluates the performance of the Company's investments on a fair value basis as part of the quarterly management accounts review and the Company values its investments on a fair value basis driven by a RICS valuation provided by Savills (the "external valuer") using various assumptions to reflect current market conditions. This includes, amongst other factors, the comparable market value of similar freehold forestry assets. These fair value assessments happen on a bi-annual basis and are included in the Company's annual and interim financial statements, with the movement in the valuations taken to the statement of comprehensive income and is therefore measured within its earnings

The Directors have concluded that the Company meets the definition of an investment entity in accordance with IFRS 10 after evaluation of the relevant criteria.

The Directors continue to consider the Company demonstrates the characteristics and meets the requirements to be considered an investment entity.

IFRS 10 states that investment entities are required to hold subsidiaries at fair value through profit or loss rather than consolidation on a line-by-line basis; this means that the Group's cash, debt and working capital balances are included in the fair value of the investment instead of in the Company's assets and liabilities. The Company has one investee, namely FSFC Holdings Limited, which invests the funds of the FSF investors on its behalf and is effectively performing investment management services on behalf of several unrelated beneficiary investors.

NOTES TO THE AUDITED FINANCIAL STATEMENTS CONTINUED

FOR THE PERIOD FROM 31 AUGUST 2021 (INCORPORATION) TO 30 SEPTEMBER 2022

4. Return on investment and interest income

	Period from incorporation on 31 August 2021 to 30 September 2022 £'000
Unrealised fair value movement of investments	10,120
Interest Income – Loans to direct subsidiary	852
Interest Income – Bank	52
Total	**11,024**

5. Investment management fees

	Period from incorporation on 31 August 2021 to 30 September 2022 £'000
Investment management fee	1,071
Total	**1,071**

Foresight Group LLP was appointed as the Investment Manager for the Company under an Investment Management Agreement. Under the terms of the agreement, the Investment Manager is entitled to a management fee from the Company, which is calculated quarterly in arrears at 0.85% of NAV per annum up to £500 million and 0.75% per annum in excess of £500 million.

The Company paid £687,218 during the period. Investment management fees of £384,092 were billed at the period end and remained to be paid to Foresight Group LLP.

6. Operating expenses

	Period from incorporation on 31 August 2021 to 30 September 2022 £'000
Director fees and expenses	140
Administration fees	104
Legal costs	120
Audit fees	118
Other expenses	684
Total	**1,166**

Other expenses include adviser fees, independent valuer fees, broker fees, depository fees and other company-related costs.

The Company had no employees during the period (30 September 2022: nil). There was no Directors' remuneration for the period other than the fees detailed in note 19.

Included within other expenses is an amount of £118,250 to Ernst & Young LLP for the audit of the Company for the period ended 30 September 2022.

Details of Directors' fees are set out in note 22.

7. Dividends

The Company did not pay any dividends in the period from incorporation to 30 September 2022.

8. Taxation

The Company received notice on 11 November 2021 confirming it is an approved Investment Trust for accounting periods commencing on or after 23 November 2021. The approval is subject to the Company continuing to meet the eligibility conditions of Section 1158 of the Corporation Taxes Act 2010. Furthermore, there are also ongoing requirements for approved companies in Chapter 3 of Part 2 Investment Trust (Approved Company) (Tax) Regulations 2011 (Statutory Instrument 2011/2999). To maintain its ITC status, the Company must adhere to the following conditions throughout an accounting period:

(i) The Company must not be a closed company at any time in an accounting period

(ii) An investment trust must not retain in respect of an accounting period an amount which is greater than 15% of its income for the accounting period and the relevant distribution must be distributed before the filing date for the investment trust's company tax return for the period

(iii) An investment trust must notify HMRC of a revised investment policy before the filing date for its tax return for the accounting period in which the investment policy was revised

(iv) An investment trust must notify HMRC in writing of a breach of any of the conditions in Section 1158 or any of the requirements in the regulations as soon as possible after the investment trust becomes aware of the breach

The Company regularly monitors the conditions required to maintain ITC status.

	Current year ended 30 September 2022 £'000
Current taxes	
Current year	—
Total income tax charge in the statement of comprehensive income	—

Current year ended 30 September 2022	Revenue reserve £'000	Capital reserve £'000	Total as at 30 September 2022 £'000
Profit before tax	(1,333)	10,120	8,787
Profit before tax multiplied by rate of corporation tax in the UK of 19% (2021: 19%)	(253)	1,923	1,670
Effects of:			
Non-taxable capital profits due to UK approved investment trust company status	—	(1,923)	(1,923)
Non-taxable dividend income	—	—	—
Dividends designated as interest distributions	—	—	—
Temporary differences on which deferred tax is not recognised	253	—	253
Total income tax charge in the statement of comprehensive income	—	—	—

8. Taxation continued

Analysis of tax expense

There was no corporation tax payable during the period from incorporation on 31 August 2021 to 30 September 2022. As a result, the tax charge for the period is £nil. Investment gains are exempt from tax owing to the Company's status as an investment trust.

Reconciliation of income taxes in the statement of comprehensive income

The tax charge for the period is different from the standard rate of corporation tax in the UK, currently 19% (2021: 19%), and the difference is explained below:

Factors that may affect future total tax charges

Following the March 2022 Budget, the corporation tax rate will increase from 19% to 25% with effect from April 2023. The Company is recognised as an ITC for this interim accounting period and is taxed at the current main rate of 19%.

At the period end, there is a potential deferred tax asset of £253,194 in relation to excess management expenses carried forward. The deferred tax asset is unrecognised at the period end in line with the Company's stated accounting policy.

9. Earnings per share

	Capital reserve	Revenue reserve	Total
Revenue and capital profit attributable to equity holders of the Company (£'000)	10,120	(1,333)	8,787
Average number of Ordinary Shares issued ('000)	142,847	142,847	142,847
Profit per share at 30 September 2022 (pence)	7.1	(0.9)	6.2

10. Investments at fair value through profit and loss

	Period from incorporation on 31 August 2021 to 30 September 2022 £'000
Fair value at start of the period	–
Loans to intermediate holding companies	21,821
Equity investment in holding companies	114,350
Unrealised gain on investments at fair value	10,120
Total	146,291

There is a loan between FSF and FSFC Holdings Limited for £21,821,094. The rate of interest on the loan is 7% per annum. Interest accrued at the period end and outstanding at the reporting date was £852,198.

The Company owns 11,435,005,921 shares in FSFC Holdings Limited that were purchased for a consideration of £0.01 per share.

Fair value investments

The Investment Manager has carried out fair value market valuations of the underlying SPV investments as at 30 September 2022 on a RICS basis, as performed by Savills. The Directors have approved the methodology used, as well as confirming their understanding of all underlying key assumptions applicable. All SPV investments are at fair value through profit or loss and are valued using the IFRS 13 framework for fair value measurement.

Savills includes all investments under ownership by FSF in their portfolio valuation, for both afforestation and forestry properties. The valuations have been prepared in accordance with the RICS Valuation – Global Standards July 2017 (the "Red Book") and incorporate the recommendations of the International Valuation Standards, which are consistent with the principles set out in IFRS 13.

Savills, in forming its opinion, makes various assumptions on the basis of current market conditions; the following are the key assumptions are made:

- Fair value of assets
  - Savills employs a "comparable approach" by analysing comparable market value(s) of similar freehold forestry and afforestation assets from recent transactions, when assessing what fair value is reasonable to attribute to assets with similar features, held by subsidiaries of FSF
- Planting land value
  - Savills includes a reasonable view of the potential for afforestation sites' value uplift over time, rather than viewing the current value of these sites as only attributable to their current use as grazing land
  - Savills takes account of the relevant stage each site is currently at of the forestry grant application process when reaching a judgement
- Location and situation
  - Due to the assets under ownership being located across the UK (Scotland, North England and Wales), Savills accounts for the potential differences in market interest associated in different locations
- Winter storm vulnerability
  - Savills makes assessments on the basis of the extent of damage suffered by sites due to extreme windblow incidents. Where damage is extensive, Savills will make prudent adjustments to the value of the site, if it is evident that some of the affected timber may be challenging to recover
- Developmental status of afforestation sites
  - Due to the nature of operations for the afforestation assets, Savills applies reassessments as to the value of an asset when a new developmental milestone occurs

In addition, the Investment Manager believes the Red Book valuation does not include any value in relation to progress in units ("PIUs") as at 30 September 2022 and has therefore calculated an estimated value on the progress made on obtaining the rights to PIUs as to date no PIUs have been authorised by the Woodland Trust.

Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole – these levels are defined, as per IFRS 13, below:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The Company considers that all of its investments fall within Level 3 of the fair value hierarchy as defined by IFRS 13.

There have been no transfers between Level 1 and Level 2 during any of the periods, nor have there been any transfers between Level 2 and Level 3 during any of the periods.

The valuations have been prepared on the basis of market value, which is defined in the RICS Valuation Standards as: "The estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

Market value as defined in the RICS Valuation Standards meets the requirements of fair value defined under IFRS.

NOTES TO THE AUDITED FINANCIAL STATEMENTS CONTINUED

FOR THE PERIOD FROM 31 AUGUST 2021 (INCORPORATION) TO 30 SEPTEMBER 2022

11. Trade and other receivables

	Period from incorporation on 31 August 2021 to 30 September 2022 £'000
Interest receivable from subsidiaries	852
Total	**852**

12. Trade and other payables

	Period from incorporation on 31 August 2021 to 30 September 2022 £'000
Creditors	477
Accruals	385
Intercompany account	24
Total	**886**

The total for creditors as at 30 September 2022 includes an amount of £384,092 relating to investment management fees charged by Foresight Group LLP to services provided during the period. Similarly, an amount of £31,373 relating to administration services fees has also been charged by Foresight Group LLP.

13. Share capital

	Number of shares
Allotted share capital, issued and fully paid:	
Opening balance at incorporation on 31 August 2021	—
Allotted upon incorporation	
Issue of Ordinary Shares at 1 pence per share (31 August 2021)	1
Allotted since incorporation	
Issue of management shares at 1 pence per share (12 October 2021)	50,000
Allotted/redeemed following admission to London Stock Exchange	
Ordinary Shares issued at Initial Public Offering (19 November 2021)	130,000,000
Management shares redeemed	(50,000)
Ordinary Shares issued on 28 June 2022	42,056,074
Total number of Ordinary Shares at 30 September 2022	**172,056,075**

	Share capital £'000	Share premium £'000	Period from incorporation on 31 August 2021 to 30 September 2022 £'000
Opening balance (at incorporation)	—	—	—
Shares issued at IPO	1,721	173,279	175,000
Costs associated with IPO	—	(3,204)	(3,204)
Total	**1,721**	**170,075**	**171,796**

Prior to IPO, one Ordinary Share was in issue, owned by Foresight Group LLP. The initial placing of 130,000,000 Ordinary Shares took place on 24 November 2021, raising gross proceeds of £130,000,000. Each Ordinary Share has equal rights to dividends and has equal rights to participate in a distribution arising from a winding-up of the Company.

The second placing of 42,056,074 Ordinary Shares took place on 28 June 2022, raising gross proceeds of £44,999,999. Each Ordinary Share has equal rights to dividends and has equal rights to participate in a distribution arising from a winding-up of the Company.

The total number of Ordinary Shares in issue as at 30 September 2022 was 172,056,075. The Company has not issued any further Ordinary Shares.

The issue costs of £3,204,130 relating to fundraising throughout the period were offset against the share premium account.

14. Retained earnings

	Revenue £'000	Capital £'000	30 September 2022 £'000
Opening balance	—	—	—
Profit/(loss) for the period	(1,333)	10,120	8,787
Special distributable reserve	—	—	—
Dividends paid	—	—	—
Closing balance	(1,333)	10,120	8,787

15. Net Asset Value per Ordinary Share

The total net asset per Ordinary Share is based on the net assets attributable to equity Shareholders as at 30 September 2022 of £180.6 million and Ordinary Shares in issue of 172,056,075.

	30 September 2022
NAV (£m)	180.6
Number of Ordinary Shares issued (million)	172.1
Net Asset Value per share (pence)	105.0

16. Cash and cash equivalents

At period end, the Company held cash and cash equivalents of £34.3 million. This balance was held by HSBC Bank plc.

	30 September 2022 £'000
Cash and cash equivalents:	
HSBC Bank plc – Current Account	4,283
HSBC Bank plc – Liquidity Fund	30,043
Total cash and cash equivalents	34,326

17. Financial instruments

Financial instruments by category

The Company held the following financial instruments at 30 September 2022. There have been no transfers of financial instruments between levels of the fair value hierarchy. There are no non-recurring fair value measurements.

	Cash and bank balances £'000	Financial assets held at amortised cost £'000	Financial assets at fair value through profit or loss £'000	Financial liabilities at amortised cost £'000	Total £'000
Non-current assets					
Investments at fair value through profit or loss (Level 3)	—	—	146,291	—	146,291
Current assets					
Trade and other receivables	—	852	—	—	852
Cash and cash equivalents	34,326	—	—	—	34,326
Total financial assets	34,326	852	146,291	—	181,469
Current liabilities					
Trade and other payables	—	—	—	(886)	(886)
Total financial liabilities	—	—	—	(886)	(886)
Net financial instruments	34,326	852	146,291	(886)	180,583

The Company holds its portfolio of assets at fair value. These assets are held through the Company's underlying subsidiaries/intermediate holding companies ("the Group"). The assets in the Group are valued in accordance with RICS Valuation – Global Standards July 2017 (the "Red Book") methodology, with inspections conducted by an independent valuer ("Savills") at the end of the period.

Savills' fair value assessment of the assets has been completed on a comparable basis by looking at recent transactions of similar assets, to assess current market value, outlined in note 10. As a management review control, the Investment Manager applies discounted cash flow approach ("DCF") to value the assets, to provide a precision level for validation of the fair value presented by Savills. Whilst the two methodologies differ, the Investment Manager has recorded an immaterial difference between the respective portfolio valuation results in both the interim period and the year-end period.

The Directors consider the DCF methodology used by the Investment Manager to validate the Red Book valuation to be appropriate. The Board and Investment Manager annually review the valuation inputs and, where possible, make use of observable market data to ensure valuations reflect fair value of the assets. A broad range of assumptions are used in the valuation which are based on long-term forecasts and are not affected by short-term fluctuations in inputs, be it economic or operational.

For management control purposes of comparing the two valuations on a like for like basis, neither the DCF valuation nor RICS valuation conducted by Savills include explicit recognition of Verified Carbon ("VC") value. The Manager has therefore calculated an estimated value on the progress made on obtaining the rights to PIUs as to date no PIUs have been authorised by the Woodland Trust.

Sensitivity analysis of the portfolio

The sensitivity of the portfolio to changes in mature forestry asset valuation is as follows:

The portfolio valuation of mature forestry and afforestation assets is based on the RICS Red Book valuation approach. The Directors consider the Red Book market value of the assets which is a combination of several factors, including timber growth rates, weighted age distribution and yield class to be the most important unobservable input underpinning the valuation methodology described on page 47. The Directors believe that the provision of market value sensitivity analysis of mature forestry, afforestation and mixed forestry and afforestation assets is appropriate to align with the Company's portfolio composition.

Mature forestry asset valuation

The sensitivity of the portfolio to changes in mature forestry asset valuation is as follows:

The independent valuer conducts inspections of all mature forestry assets on a semi-annual basis, then provides a valuation based on RICS methodology. The base case used for forestry asset value as at 30 September 2022 was £72.6 million. Due to this asset class forming significantly more than 10% of the current portfolio valuation, this was deemed an appropriate sensitivity to sample.

Forestry assets sensitivity	Changes in portfolio valuation	Changes in NAV per share
Forestry assets value increases by 10%	+£7.25m/+4.0%	+4.2p
Forestry assets value decreases by 10%	-£7.25m/-4.0%	-4.2p

Afforestation asset valuation

The sensitivity of the portfolio to changes in afforestation asset valuation is as follows:

The independent valuer conducts inspections of all afforestation assets on a semi-annual basis, then provides a valuation based on RICS methodology. The base case used for afforestation asset value as at 30 September 2022 was £52.1 million. Due to this asset class forming more than 10% of the current portfolio valuation, this was deemed an appropriate sensitivity to sample.

Afforestation assets sensitivity	Changes in portfolio valuation	Changes in NAV per share
Afforestation assets value increases by 10%	+£5.21m/+2.9%	+3.0p
Afforestation assets value decreases by 10%	-£5.21m/-2.9%	-3.0p

Mixed forestry and afforestation asset valuation

The sensitivity of the portfolio to changes in mixed forestry and afforestation asset valuation is as follows:

The independent valuer conducts inspections of all mixed assets on a semi-annual basis, then provides a valuation based on RICS methodology. The base case used for the asset value of mixed forestry and afforestation assets as at 30 September 2022 was £14.7 million. Due to this asset class forming more than 10% of the current portfolio valuation, this was deemed an appropriate sensitivity to sample.

Mixed forestry and afforestation assets sensitivity	Changes in portfolio valuation	Changes in NAV per share
Mixed assets value increases by 10%	+£1.47m/+0.8%	+0.9p
Mixed assets value decreases by 10%	-£1.47m/-0.8%	-0.9p

Non-core asset valuation

Due to the relatively small size of the non-core assets in the Company's valuation, the sensitivity to movement in this part of the portfolio is deemed immaterial, so no sensitivity analysis has been conducted.

17. Financial instruments continued

Capital risk management

Capital management

The Group, which comprises the Company and its non-consolidated subsidiaries, manages its capital to ensure that it will be able to continue as a going concern while maximising the return to Shareholders through the optimisation of the debt and equity balances. The capital structure of the Group principally consists of the share capital account and retained earnings as detailed in notes 13 and 14. The Group aims to deliver its objective by investing available cash and using leverage whilst maintaining sufficient liquidity to meet ongoing expenses.

Gearing ratio

The Company's Investment Manager reviews the capital structure of the Company and the Group on a semi-annual basis. The Company and its subsidiaries intend to make prudent use of leverage for financing acquisitions of investments and working capital purposes. Under the Company's Articles, and in accordance with the Company's investment policy, the Company's outstanding borrowings, excluding the debts of underlying assets, will be limited to 30% of the Company's Net Asset Value.

As at 30 September 2022, the Company had no outstanding debt. The Company's subsidiary FSFC Holdings 2 Limited has a £30.0 million Revolving Credit Facility, which was undrawn at 30 September 2022.

Financial risk management

The Group's activities expose it to a variety of financial risks: capital risk, liquidity risk, market risk (including interest rate risk, inflation risk and power price risk) and credit risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

For the Company and the intermediate holding companies, financial risks are managed by the Investment Manager, which operates within the Board-approved policies. All risks continue to be managed by the Investment Manager. The various types of financial risk are managed as follows:

Financial risk management – Company only

The Company accounts for its investments in its subsidiaries at fair value. Accordingly, to the extent there are changes as a result of the risks set out below, these may impact the fair value of the Company's investments.

Capital risk

The Company has implemented an efficient financing structure that enables it to manage its capital effectively. The Company's capital structure comprises equity only (refer to the statement of changes in equity). As at 30 September 2022, the Company had no recourse to debt, although as set out above, the Company's subsidiary FSFC Holdings Limited is a guarantor for the Revolving Credit Facility of FSFC Holdings 2 Limited.

Liquidity risk

The Directors monitor the Company's liquidity requirements to ensure there is sufficient cash to meet the Company's operating needs. The Company's liquidity management policy involves projecting cash flows and forecasting the level of liquid assets necessary to meet these. Due to the nature of its investments, the timing of cash outflows is reasonably predictable and, therefore, is not a major risk to the Company. The Company was in a net cash position and had no outstanding debt at the balance sheet date.

Market risk – foreign currency exchange rate risk

All the cash flows and investments are denominated in pounds sterling.

Financial risk management – Company and non-consolidated subsidiaries

The following risks impact the Company's subsidiaries and in turn may impact the fair value of investments held by the Company.

Market risk – interest rate risk

Interest rate risk arises in the Company's subsidiaries on the Revolving Credit Facility borrowings and floating rate deposits. Borrowings issued at variable rates expose those entities to variability of interest payment cash flows. Interest rate hedging may be carried out to seek to provide protection against increasing costs of servicing debt drawn down by the holding company as part of its Revolving Credit Facility. This may involve the use of interest rate derivatives and similar derivative instruments.

Each investment hedges their interest rate risk at the inception of a project. This will either be done by issuing fixed rate debt or variable rate debt which will be swapped into fixed rate by the use of interest rate swaps.

Market risk – inflation risk

Some of the Company's investments will have part of their revenue and some of their costs linked to a specific inflation index at inception of the project. In most cases this creates a natural hedge, meaning a derivative does not need to be entered into in order to mitigate inflation risk.

Market risk – timber price risk

Timber revenue forms a significant majority of forecasted revenues for the Company's investments. Whilst projections suggest a steady income flow through the sale of timber, there is a risk that timber prices will drop due to market forces and minimise the revenues the Fund will receive. This risk is mitigated by the ability of the Company and underlying investments to sustain its liquidity, even in the event of withholding from timber sales, given sub-optimal pricing.

Credit risk

Credit risk is the risk that a counterparty of the Company or its subsidiaries will default on its contractual obligations it entered into with the Company or its subsidiaries. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers.

The Company and its subsidiaries place cash in authorised deposit takers and is therefore potentially at risk from the failure of such institutions. In respect of credit risk arising from other financial assets and liabilities, which mainly comprise of cash and cash equivalents, exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying amounts of these instruments. In order to mitigate such risks, cash is maintained with major international financial institutions. During the year and at the reporting date, the Company maintained relationships with HSBC Bank plc.

	Moody's credit rating	30 September 2022 £'000
HSBC Bank plc	P1	34,326
Total cash and cash equivalents		**34,326**

18. Subsidiaries

The following subsidiaries have not been consolidated in these financial statements as a result of applying the requirements of "Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10)". The Company is not contractually obligated to provide financial support to the subsidiaries and there are no restrictions in place in passing monies up the structure.

Name	Direct or indirect holding	Country of incorporation	Registered address	Principal activity	Proportion of shares and voting rights held
FSFC Holdings Limited	Direct	UK	C/O Foresight Group LLP, The Shard, 32 London Bridge Street, London, England, SE1 9SG	Holding company	100%
FSFC Holdings 2 Limited	Indirect	UK	C/O Foresight Group LLP, The Shard, 32 London Bridge Street, London, England, SE1 9SG	Holding company	100%
FSFC Company 1 Limited	Indirect	UK	C/O Foresight Group LLP, The Shard, 32 London Bridge Street, London, England, SE1 9SG	SPV	100%
Blackmead Forestry Limited	Indirect	UK	C/O Foresight Group LLP, The Shard, 32 London Bridge Street, London, England, SE1 9SG	SPV	100%
Blackmead Forestry II Limited	Indirect	UK	C/O Foresight Group LLP, The Shard, 32 London Bridge Street, London, England, SE1 9SG	SPV	100%
Coull Forestry Limited	Indirect	UK	C/O Foresight Group LLP, The Shard, 32 London Bridge Street, London, England, SE1 9SG	SPV	100%
Fordie Estates Limited	Indirect	UK	C/O Foresight Group LLP, Clarence House, 133 George Street, Edinburgh, Scotland, EH2 4JS	SPV	100%

19. Employees and Directors

The Company is governed by an independent and non-executive Board of Directors. There are four Non-Executive Directors. Please refer to the Directors' remuneration report, for details as to Directors' emoluments.

20. Contingencies and commitments

The Company has no guarantees or significant capital commitments as at 30 September 2022.

21. Events after the balance sheet date

The Directors have evaluated the need for disclosures and/or adjustments resulting from post balance sheet events through to the date the financial statements were available to be issued. These include:

- On 12 October 2022, the acquisition of a stocked UK forestry project (Bogbain Wood) for £1 million was completed
- On 17 October 2022, the acquisition of an afforestation project (Auchentaggart) for £1.6 million was completed
- On 31 October 2022, the acquisition of an afforestation project (Burnside) for £1.7 million was completed

There are no other significant events since the period end which would require to be disclosed. There were no adjusting post balance sheet events and as such no adjustments have been made to the valuation of assets and liabilities as at 30 September.

22. Related party transactions

Following admission of the Ordinary Shares (refer to note 13), the Company and the Directors are not aware of any person who, directly or indirectly, jointly, or severally, exercises or could exercise control over the Company. The Company does not have an ultimate controlling party.

The transactions between the Company and its subsidiaries which are related parties of the Company and fair values are disclosed in note 10. Details of transactions between the Company and related parties are disclosed below.

This note also details the terms of the Company's engagement with Foresight Group LLP, the Investment Manager.

Transactions with the Investment Manager

The Investment Manager, Foresight Group LLP, is entitled to a base fee on the following basis:

(a) 0.85% per annum of the Net Asset Value of the Fund up to and including £500.0 million

(b) 0.75% per annum of the Net Asset Value of the Fund in excess of £500.0 million

The investment management fees incurred during the period to 30 September 2022 were £1,071,310, of which £384,092 remained unpaid as at 30 September 2022.

Additionally, the Company incurred fees during the period to 30 September 2022 of £103,813, which related to Administration services provided by the Investment Manager, in its capacity as Administrator for the Company.

Seed asset acquisition

As mentioned in the Company's Prospectus dated 28 October 2021, FSF had entered into an option agreement to acquire from Blackmead Infrastructure Limited, a company within the Foresight Inheritance Tax Solutions, a seed asset portfolio of c.11,000 hectares of forestry and afforestation assets in the UK. This seed asset acquisition represented a conflict of interest as the Investment Manager provided investment management services to both the Company and FITF.

The Investment Manager implemented its conflict management policy as part of its process to mitigate the identified conflict, including: disclosures of the relevant conflicts to the independent boards of both FSF and FITF; due care was taken to keep the buy side and sell side of the investment team separate; appointment of independent external legal advisers; and a fairness opinion, addressed to the Company on the valuation of the assets to be acquired, was sought from an independent expert.

NOTES TO THE AUDITED FINANCIAL STATEMENTS CONTINUED

FOR THE PERIOD FROM 31 AUGUST 2021 (INCORPORATION) TO 30 SEPTEMBER 2022

Other transactions with related parties

The amount incurred in respect of Directors' fees during the period to 30 September 2022 was £143,750. The Directors also received £47,500 in relation to activities prior to IPO. These amounts had been fully paid as at 30 September 2022. The amounts paid to individual Directors were as follows:

Director	Basic and Committee fees £	Pre-IPO expenses £	Total £
Richard Davidson (Chair)	45,000	15,000	60,000
Sarika Patel	37,500	12,500	50,000
Christopher Sutton	30,000	10,000	40,000
Josephine Bush	31,250	10,000	41,250
Total	143,750	47,500	191,250

The Directors held the following shares in the Company:

Director/PDMR/PCA	Number of Ordinary Shares	% of issued Ordinary Share capital
Richard Davidson (Chair)	100,000	0.06
Sarika Patel	24,000	0.01
Christopher Sutton	25,000	0.01
Josephine Bush	19,000	0.01

The above transactions were undertaken on an arm's length basis.

ALTERNATIVE PERFORMANCE MEASURES ("APMs")

APM	Purpose	Calculation
Gross Asset Value ("GAV")	A measure of the value of the Company's total assets.	The sum of net assets of the Company as shown on the Statement of Financial Position and the total debt of the Group, which currently comprises only of the RCF.
Net Asset Value per share	Allows investors to gauge whether shares are trading at a premium or a discount by comparing the Net Asset Value per share with the share price.	The net assets divided by the number of Ordinary Shares in issuance.
Total NAV return since IPO	A measure of financial performance, indicating the movement of the value of the Fund since IPO and expressed as a percentage.	Closing NAV per share as at 30 September 2022 plus all dividends since IPO assumed reinvested, divided by the NAV at IPO, to the power of 1 over the number of years since IPO, expressed as a percentage.
Market capitalisation	Provides an indication of the size of the Company.	Closing share price as at 30 September 2022 multiplied by the closing number of Ordinary Shares in issuance.
Ongoing charges	A measure, expressed as a percentage of average net assets, of the regular, recurring annual costs of running the Company per Ordinary Share.	Calculated and disclosed in accordance with the AIC methodology. Annualised expenses divided by average NAV.

COMPANY SUMMARY

Below are the Company key facts, advisers and other information.

Company information

Foresight Sustainable Forestry Company Plc ("FSF") is the first and only UK listed investment trust focused on UK forestry, afforestation and natural capital (registered number 13594181) with a premium listing on the London Stock Exchange.

Registered address

The Shard, 32 London Bridge Street, London, SE1 9SG

Ticker/SEDOL

GB00BMDPKM71

Company year end

30 September

Investment Manager, Company Secretary and Administrator

Foresight Group LLP, No OC300878, registered in England and Wales and authorised and regulated by the Financial Conduct Authority

Market capitalisation

£182.4 million at 30 September 2022

Investment Manager fees

0.85% per annum of the NAV up to £500 million, falling to 0.75% per annum of NAV in excess of £500 million.

ISA, PEP and SIPP status

The Ordinary Shares are eligible for inclusion in PEPs and ISAs (subject to applicable subscription limits) provided that they have been acquired in the market, and they are permissible assets for SIPPs.

AIFMD status

The Company is classed as an externally managed Alternative Investment Fund under the Alternative Investment Fund Managers Regulations 2013 and the European Union's Alternative Investment Fund Managers Directive.

Non-mainstream pooled investment status

Approved UK Investment Trust subject to the Company continuing to meet the eligibility conditions in Section 1158 of the Corporation Taxes Act 2010 and the ongoing requirements for approved companies in Chapter 3 of Part 2 Investment Trust (Approved Company) (Tax) Regulations 2011 (Statutory Instrument 2011/2999).

FATCA

The Company has registered for FATCA and has a GIIN number 191P2V.99999.SL.826

Investment policy

The Company's investment policy is set out on pages 71 and 72.

Website

https://fsfc.foresightgroup.eu/

NOTICE OF ANNUAL GENERAL MEETING

23 FEBRUARY 2023

Notice is hereby given that the Annual General Meeting of Foresight Sustainable Forestry Company plc ("the Company") will be held on 23 February 2023 at 1.00 pm at the offices of Foresight Group, The Shard, 32 London Bridge Street, London, SE1 9SG for the purpose of considering and, if thought fit, passing the following resolutions, of which resolutions 1 to 10 will be proposed as ordinary resolutions and resolutions 11 and 13 will be proposed as special resolutions.

Ordinary Resolutions

Resolution One

To receive the Annual Report and Accounts of the Company for the year ended 30 September 2022.

Resolution Two

To approve the Directors' Remuneration Policy included in the Annual Report for the year ended 30 September 2022.

Resolution Three

To approve the Directors' Remuneration Report included in the Annual Report for the year ended 30 September 2022.

Resolution Four

To elect Richard Davidson as a Director of the Company.

Resolution Five

To elect Sarika Patel as a Director of the Company.

Resolution Six

To elect Christopher Sutton as a Director of the Company.

Resolution Seven

To elect Josephine Bush as a Director of the Company.

Resolution Eight

To appoint Ernst & Young LLP as auditor to the Company.

Resolution Nine

To authorise the Directors to fix the auditor's remuneration until the conclusion of the next Annual General Meeting of the Company.

Resolution Ten

That, in addition to all existing authorities, the Directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the "Act") to allot shares in the Company, or to grant rights to subscribe for or convert any security into shares in the Company, up to an aggregate nominal amount of £172,056.08 or, if less, the aggregate nominal amount equal to 10% of the nominal value of the issued ordinary share capital of the Company (excluding treasury shares) immediately prior to the passing of this resolution). The authority given by this resolution 10 shall, unless renewed, varied or revoked by the Company, expire on the conclusion of the next Annual General Meeting of the Company or, if earlier, upon the expiry of 15 months from the date of passing of this resolution, save that the Company may, before such expiry, make any offer or enter into an agreement which would or might require shares to be allotted or rights to subscribe for or convert any security into shares to be granted in pursuance of such an offer or agreement as if such authority had not expired.

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

23 FEBRUARY 2023

Special Resolutions

Resolution Eleven

That, in addition to all existing authorities and subject to the passing of resolution 10, the Directors be and are empowered pursuant to sections 570 and 573 of the Act to allot equity securities (within the meaning of section 560(1) of that Act) for cash either pursuant to the authority conferred by resolution 10 or by way of sale of treasury shares as if section 561(1) of that Act did not apply to any such allotment or sale, provided that this power shall be limited to the allotment and/or sale of equity securities with an aggregate nominal value of up to £172,056.08 or, if less, the aggregate nominal amount equal to 10% of the nominal value of the issued ordinary share capital of the Company immediately prior to the passing of this resolution. This authority will expire at the conclusion of the next Annual General Meeting of the Company or, if earlier, upon the expiry of 15 months from the date of passing of this resolution, save that the Company may, before such expiry, make any offer or enter into an agreement which would or might require the allotment and/or sale from treasury of equity securities in the Company in pursuance of such an offer or agreement as if such authority had not expired.

Resolution Twelve

The Company be generally and unconditionally authorised in accordance with section 701 of the Act to make market purchases (within the meaning of section 693(4) of the Act) of its ordinary shares of £0.01 each ("Ordinary Shares"), provided that:

(iii) the aggregate number of shares to be purchased shall not exceed 25,791,205 Ordinary Shares or, if lower, such number of shares rounded down to the nearest whole share as shall equal 14.99% of the Company's ordinary share capital in issue (excluding treasury shares) at the date of passing this resolution;

(iv) the minimum price (excluding any expenses) which may be paid for an Ordinary share is 1 penny (the nominal value thereof);

(v) the maximum price (excluding any expenses) which may be paid for an Ordinary Share is the higher of (1) an amount equal to 105% of the average of the middle market quotations for the Ordinary Shares taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Ordinary Shares are contracted to be purchased, and (2) the higher of (a) the price of the last independent trade and (b) the highest current independent bid for any number of Ordinary Shares on the trading venue where the purchase is carried out;

(vi) the authority conferred by this resolution shall expire on the conclusion of the next Annual General Meeting of the Company unless such authority is renewed prior to such time;

(vii) the Company may make a contract to purchase Ordinary Shares under the authority conferred by this resolution prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Ordinary Shares pursuant to such contract; and

(viii) any Ordinary Shares bought back under this authority hereby granted may, at the discretion of the Directors, be cancelled or held in treasury and, if held in treasury, may be resold from treasury or cancelled at the discretion of the Directors.

Resolution Thirteen

That, a general meeting, other than an AGM, may be called on not less than 14 clear days' notice.

By order of the Board

Foresight Group LLP
Company Secretary

14 December 2022

Registered office:
The Shard
32 London Bridge Street
London
SE1 9SG

Notes:

1. No Director has a service contract with the Company. Directors' appointment letters with the Company will be available for inspection at the registered office of the Company until the time of the meeting and from 15 minutes before the meeting at the location of the meeting, as well as at the meeting.
2. To be entitled to attend and vote at the meeting (and for the purposes of the determination by the Company of the votes they may cast), members must be registered in the register of members of the Company (the "Register of Members") at 10.00 pm on 21 February 2023 (or, in the event of any adjournment, 10.00 pm on the date which is two (excluding non-business days) days before the time of the adjourned meeting). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
3. A member entitled to attend and vote at the meeting (in accordance with note 2 above) is entitled to appoint a proxy or proxies to attend, speak and vote on his or her behalf. A proxy need not also be a member but must attend the meeting to represent you. Details of how to appoint the chairman of the meeting or another person as your proxy using the form of proxy are set out in the notes on the form of proxy which is enclosed. If you wish your proxy to speak on your behalf at the meeting, you will need to appoint your own choice of proxy (not the chairman) and give your instructions directly to them.
4. You may appoint more than one proxy, provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, (an) additional form(s) of proxy may be obtained by contacting Computershare Investor Services PLC on 0370 707 1231. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and returned together in the same envelope.
5. In the case of joint holders, only one need sign the form of proxy. The vote of the senior joint holder will be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority will be determined by the order in which the names of the joint holders appear in the Register of Members (the first named being the most senior).
6. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.
7. As at the publication of this notice, the Company's issued share capital was 172,056,075 Ordinary Shares, carrying one vote each. Therefore, the total voting rights in the Company as at the date of this notice is 172,056,075.
8. Any person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a 'Nominated Person') may, under an agreement between him/her and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

   The statement of the rights of members in relation to the appointment of proxies in paragraphs 3 to 4 above does not apply to Nominated Persons. The rights described in those paragraphs can only be exercised by members of the Company.
9. Appointment of a proxy will not preclude a member from subsequently attending and voting at the meeting should he or she subsequently decide to do so. You can only appoint a proxy using the procedures set out in these notes and the notes to the form of proxy.
10. The Register of Directors' Interests will be available for inspection at the meeting.
11. Information regarding the meeting, including the information required by Section 311A of the Companies Act 2006, is available from **www.foresightgroup.eu.**
12. To be passed, ordinary resolutions require a majority in favour of the votes cast and special resolutions require a majority of not less than 75% of members who vote in person or by proxy at the meeting. On a vote by a show of hands, every holder of Ordinary Shares who, due to being an individual is present by a person or by proxy, or, due to being a corporation is present by a duly authorised representative (themselves not being a member), shall have one vote. On a poll vote, every holder of Ordinary Shares who is present in person, by proxy or by duly authorised representative, shall have one vote for every Ordinary Share held by him.

Notes: continued

13. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If you either select the "Discretionary" option or if no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.
14. A form of proxy and reply paid envelope is enclosed. To be valid, it should be lodged with the Company's Registrar, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY or the proxy must be registered electronically at **www.investorcentre.co.uk/eproxy**, in each case, so as to be received no later than 48 hours (excluding non-working days) before the time appointed for holding the meeting or any adjourned meeting. To vote electronically, you will be asked to provide your Control Number, Shareholder Reference Number and PIN which are detailed on your proxy form. This is the only acceptable means by which proxy instructions may be submitted electronically.

    CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting (and any adjournment of the meeting) by following the procedures described in the CREST Manual (available via **www.euroclear.com**). CREST Personal Members or other CREST sponsored members (and those CREST members who have appointed a voting service provider) should refer to their CREST sponsor or voting service provider, who will be able to take the appropriate action on their behalf.

    In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & International Limited's (EUI) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message (regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy) must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID 3RA50) by the latest time(s) for receipt of proxy appointments specified in Note 3 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to a proxy appointed through CREST should be communicated to him by other means.

    CREST members (and, where applicable, their CREST sponsors or voting service providers) should note that EUI does not take available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members (and, where applicable, their CREST sponsors or voting service providers) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

    Proxymity Voting – if you are an institutional investor you may also be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to **www.proxymity.io**. Your proxy must be lodged by 1.00pm on 21 February 2023 in order to be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.
15. Under Section 319A of the Companies Act 2006, the Company must answer any question you ask relating to the business being dealt with at the meeting unless:
    (a) answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
    (b) the answer has already been given on a website in the form of an answer to a question; or
    (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
16. Pursuant to Chapter 5 of Part 16 of the Companies Act 2006 (Sections 527 to 531), where requested by a member or members meeting the qualification criteria the Company must publish on its website, a statement setting out any matter that such members propose to raise at the meeting relating to the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the meeting. Where the Company is required to publish such a statement on its website it may not require the members making the request to pay any expenses incurred by the Company in complying with the request, it must forward the statement to the Company's auditors no later than the time the statement is made available on the Company's website and the statement may be dealt with as part of the business of the meeting.

GLOSSARY OF TERMS

AIC	The Association of Investment Companies
AIFMD	Alternative investment fund management directive
AIFMs	Alternative Investment Fund Managers
AIFs	Alternative Investment Funds
APMs	Alternative performance measures
Asset Manager	The Company's underlying investments have appointed Foresight Group LLP, a subsidiary of Foresight Group CI, to act as Asset Manager
BIG	Bioenergy Infrastructure Group
Company	Foresight Sustainable Forestry Company Plc
Ernst & Young LLP	Ernst & Young is the Company's auditor
ESG	Environmental, Social and Governance
FITF	Foresight Inheritance Tax Fund
Foresight	Foresight Group LLP
FSC	Forest Stewardship Council
FSF	Foresight Sustainable Forestry Company Plc
Fund	Foresight Sustainable Forestry Company Plc
GAV	Gross Asset Value on Investment Basis including debt held at SPV level
H&S	Health and safety
HMRC	HM Revenue & Customs
IAS	International Accounting Standard
IFRS	International Financial Reporting Standards as adopted by the EU
Intermediate holding companies	Companies within the Group which are used to invest in afforestation and forestry assets, namely FSFC Holdings Limited and FSFC Holdings 2 Limited
Investment Manager	Foresight Group CI Limited
IPO	Initial Public Offering
ITC	Investment Trust Company
LSE	London Stock Exchange
Main Market	The main securities market of the London Stock Exchange
NAV	Net Asset Value
PEFC	Programme for the Endorsement of Forest Certification
Roundwood	Small pieces of timber (about 5–15 cm, or 2–6 in. in diameter); small logs
RICS	Royal Institution of Chartered Surveyors
S & ESG	Sustainability and ESG
Savills	Savills Advisory Services Limited
SDGs	United Nations Sustainable Development Goal
SDR	UK Green Taxonomy and UK Sustainable Disclosure Requirements
SORP	Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts
SPV	The Special Purpose Vehicles which hold the Company's investment portfolio of underlying operating assets
UK	The United Kingdom of Great Britain and Northern Ireland
WCC	UK Woodland Carbon Code

ADVISERS

Investment Manager, Alternative Investment Fund Manager, Administrator and Company Secretary

Foresight Group LLP

The Shard
32 London Bridge Street
London
SE1 9SG

Registrar and Receiving Agent

Computershare Investor Services PLC

The Pavilions
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Bristol
BS99 6AH

Depositary

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London
EC2M 4AA

Sponsor, Global Co-ordinator and Sole Bookrunner

Jefferies International Limited

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EC2A 2EG

Public Relations

Citigate Dewe Rogerson

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Independent Auditor

Ernst & Young LLP

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London
E14 5EY

Valuation Adviser (independent valuer)

Savills Advisory Services Ltd

Earn House
Broxden Business Park
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PH11 1RA

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www.fsc.org
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Foresight
SUSTAINABLE FORESTRY COMPANY PLC

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