FORESIGHT SUSTAINABLE FORESTRY COMPANY PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2023

Foresight
SUSTAINABLE
FORESTRY
COMPANY PLC

Committed to long term value creation

Foresight Sustainable Forestry Company Plc (“**FSF**”) is the first and only UK listed investment trust focused on UK forestry, afforestation and natural capital. FSF was awarded the London Stock Exchange’s Green Economy Mark at IPO.

In December 2022, FSF became the first fund to be accredited with the London Stock Exchange’s Voluntary Carbon Market designation.

aic Shareholder Communication Awards 2023
Highly commended

Investment Week Sustainable Investment Awards 2022
Winner

National Sustainability Awards 2022
Winner

Voluntary Carbon Market – London Stock Exchange

Green Economy – London Stock Exchange

COVER IMAGE:
Frongoch, Wales

CONTENTS

HIGHLIGHTS
AS AT 30 SEPTEMBER 2023

£169.2 million

NET ASSET VALUE ("NAV")[1]
(30 September 2022: £180.6m)

98.4p

NAV PER SHARE[1]
(30 September 2022: 105.0p)

0.3%

TOTAL NAV RETURN FROM IPO[1]
(30 September 2022: 7.0%)[2]

12,545 hectares

IN THE PORTFOLIO
(30 September 2022: 9,618 hectares)

118,000 tonnes

TIMBER ANTICIPATED TO BE HARVESTED IN 2024 PROGRAMME
(30 September 2022: c.26,000 tonnes)

c.1.4 million

TOTAL TREES PLANTED SINCE IPO

6,455 hectares

LAND NEWLY PLANTED OR IN AFFORESTATION DEVELOPMENT
(30 September 2022: 3,917 hectares[3])

£2.7 million

VALUE ASCRIBED TOWARDS CREATION OF CARBON CREDITS[4]
(30 September 2022: £0.6m)

1. Alternative performance measures ("**APM**s") have been included to better reflect the Group's underlying activities. Whilst appreciating that APMs are not considered to be a substitute for, or superior to, IFRS measures, the Company believes their selected use may provide stakeholders with additional information, which will assist in their understanding of the business. Further information is available on page 50.
2. Calculated with IPO costs netted off, see page 50 for more information.
3. Total land in afforestation development. FSF's categorisations have since changed.
4. To facilitate the flow of capital to climate change mitigation projects and provide our investors with exposure to high-integrity and independently verified carbon credits that can be used for science-based carbon offsetting.

INVESTMENT CASE

The Company is targeting attractive total returns through investment in sustainably managed commercial forestry and afforestation assets

The Company invests in a portfolio of UK afforestation (woodland creation) and forestry assets to increase the UK's sustainable timber supply. The Company targets the generation of attractive risk-adjusted total returns through land capital appreciation, sustainable timber and carbon credits sales.

The Company's newly planted trees additionally and permanently remove carbon dioxide from the atmosphere, making a direct contribution to the fight against climate change. Additionally, the Company has a stated objective to protect and enhance biodiversity across its portfolio.

Read more about the Company's business model on page 4.

Statistics as at 30 September 2023.

Growing real assets

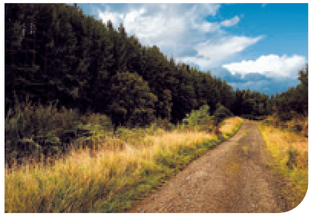
Trees continue to grow and appreciate in value regardless of macroeconomic conditions.

36

sites with development phase afforestation projects, covering 4,503 hectares

c.1.4m

trees planted since IPO



Attractive asset class

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

First UK-listed investment trust focused on natural capital

85%

increase in the value of six afforestation properties developed

Portfolio diversification

UK forestry is uncorrelated to traditional and alternative assets (including UK power prices) underpinned by biological tree growth which occurs regardless of the economic cycle.

Uncorrelated to equities and bonds

12,545

hectares managed

Inflation protection

Underpinned by a global shortage of sustainable timber, amplified in the UK as one of Europe's least forested countries.

UK commercial forestry has strong inflation-protection characteristics over the long term

CPI +5%

target per annum over a rolling five-year basis

Fight against climate change

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

63,954

tCO_2e carbon sequestered by the portfolio since IPO

843

hectares in the portfolio which is long-term, mixed broadleaf woodland

BUSINESS MODEL

What we do

The Company seeks to generate an attractive total return for Shareholders over the longer term, comprising capital growth and aperiodic dividends. FSF targets impact through investing in sustainably managed afforestation and forestry assets. The Company makes a direct contribution to the fight against climate change and biodiversity loss through forestry and afforestation carbon sequestration initiatives.

NON-CORE <10%

Non-core assets comprise property and other assets which are not suitable for forestry activities

- Hold, manage and optimise, integrating with core assets, or;
- Dispose and recycle capital into core assets

Outputs: Jobs, education, recreation, eco-tourism, renewable energy.

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

How we do it

AFFORESTATION <50%

Development returns and cash flow generation

- Acquire suitable land
- Secure permits and grants
- Plant and establish trees
- Sell established afforestation properties c.5-10 years after acquisition
- Recycle capital into new projects

Outputs

- Community initiatives
- Natural capital services[1]
- Voluntary carbon credits

ESTABLISHED FORESTRY >40%

Stable returns and cash flow generation

- Buy and hold established forests
- Manage the forests on a 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

UNDERPINNED BY

Risk management
Read more about risk management on pages 39 to 45.

Strong governance
Read more about governance on pages 51 to 79.

Our Fund objectives

- Real returns and **capital appreciation**
- **Sustainable** timber supply
- Access to **voluntary carbon credits**
- **Value creation** through afforestation
- **Combat climate change** and biodiversity loss

GEOGRAPHIC FOOTPRINT

A diverse portfolio of UK forestry and afforestation assets

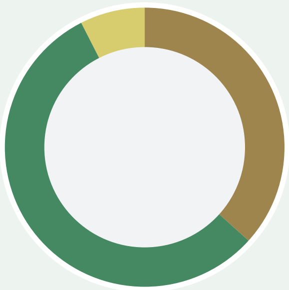
68
properties

Property types

25
Forestry

38
Afforestation

5
Mixed

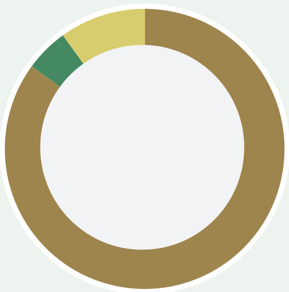


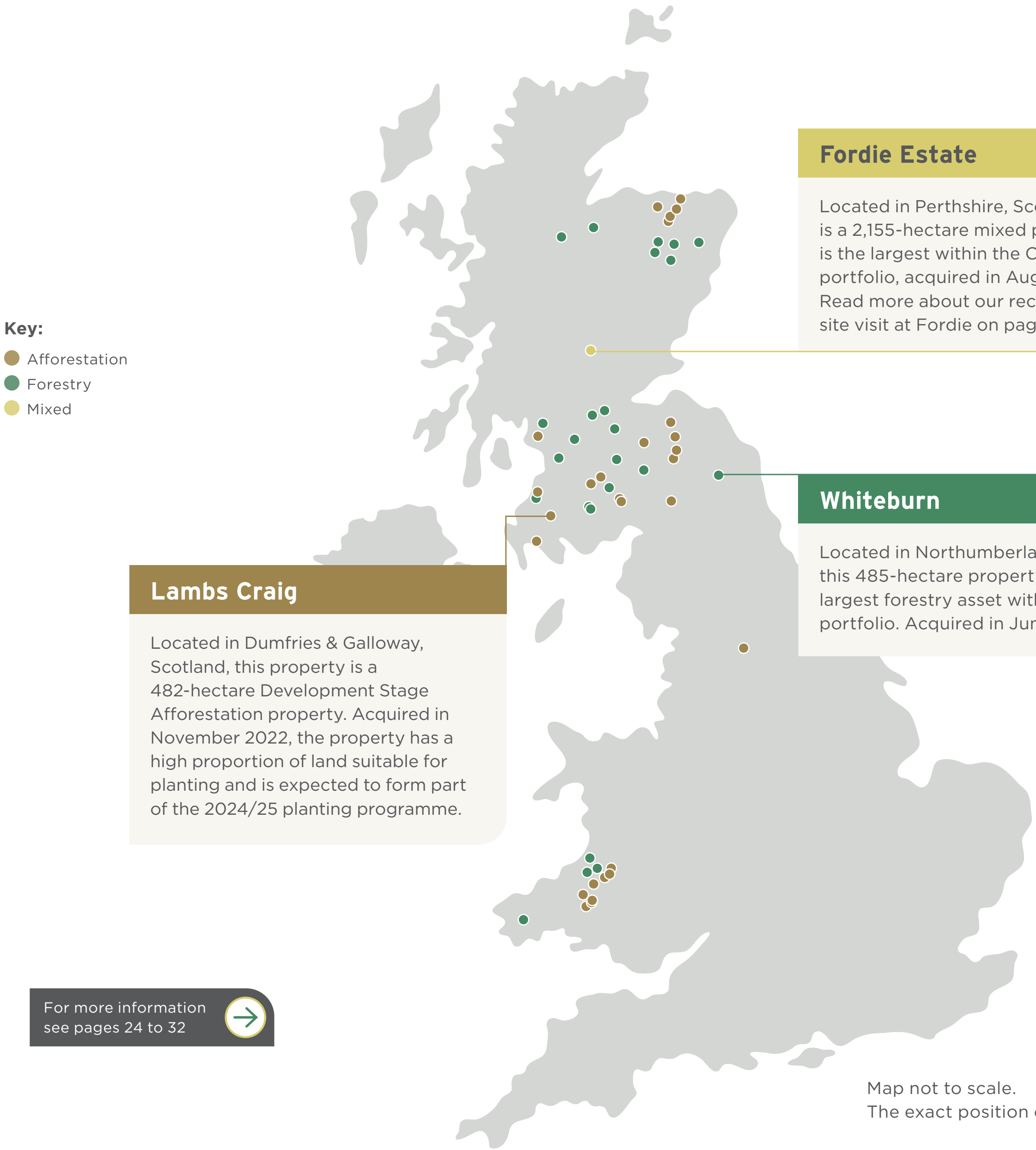
Geographic split by area

85%
Scotland

5%
England

10%
Wales





Fordie Estate

Located in Perthshire, Scotland, Fordie is a 2,155-hectare mixed property and is the largest within the Company's portfolio, acquired in August 2021. Read more about our recent investor site visit at Fordie on page 15.

Whiteburn

Located in Northumberland, England, this 485-hectare property is the largest forestry asset within the portfolio. Acquired in June 2020.

Lambs Craig

Located in Dumfries & Galloway, Scotland, this property is a 482-hectare Development Stage Afforestation property. Acquired in November 2022, the property has a high proportion of land suitable for planting and is expected to form part of the 2024/25 planting programme.

For more information see pages 24 to 32

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

CHAIR'S STATEMENT

Richard Davidson
Chair

£38.4m
deployed into 18 properties

1.4m
trees planted (since inception)

35,081 tCO_2e
sequestration

For year ended 30 September 2023 unless stated

Chair's statement

On behalf of the Board, I am pleased to present the Company's audited Annual Report and Financial Statements for the year ended 30 September 2023. FSF's two-year journey since IPO has been full of positive milestones and I am pleased that the Company has weathered a challenging period while building our forestry and afforestation portfolio and establishing FSF as a genuine pioneer in the sustainable investment space.

During the year, financial markets have grappled with issues ranging from inflation and higher interest rates to uncertainty and widening discounts in the investment trust sector. Against this backdrop, we have seen volatility in our share price and Net Asset Value ("**NAV**") as described below in this statement but we have continued to invest in our portfolio, plant trees, harvest sustainable timber and sequester carbon.

I would like to take this opportunity to reiterate the goals of FSF. Forestry is a long-term business where cycles are measured in decades rather than quarters.

Our purpose is to generate financial returns for our Shareholders through investing in a diversified portfolio of UK afforestation and forestry properties. Operating across the UK, our actions are guided by our commitment to long-term value creation and sustainability.

Over our 2022/23 year, FSF has added 18 new properties to its portfolio, a total of 2,929 hectares. Our current planting pipeline is material in a national context and is equivalent, once planted, to one-third of the total amount of tree planting that the entire UK achieved in the year to March 2023. We have already acquired six sites which are due for planting in 2025 adding to our material 2023 and 2024 planting plans.

FSF invests for the long term. However, the Board is currently acutely aware that the Company's shares have fallen and moved to a discount to NAV over the last six months. The share price move during the period aligns with the broader pattern in the real assets investment trust sector, which has shown a notable sensitivity to higher interest rates.

CHAIR'S STATEMENT CONTINUED

Chair's statement continued

Our share price, at the time of writing, stands at a low since our IPO of 59.8 pence. Having traded in a 100-110 pence range for most of the year, our stock moved down sharply from June onwards (despite a positive first half NAV announcement) as the dam burst on many investment trust share prices, especially real assets.

The share price is, of course, not controlled by the Board and over the long term we believe it will return to levels that reflect the development of the Company's NAV and the Company's outlook and prospects more generally in its core markets of land, natural capital, timber and voluntary carbon.

Fordie Estate
Scotland

I would like to emphasise a few points:

- FSF is unique as the only UK forestry vehicle listed on the London Stock Exchange. The listed structure introduces a level of transparency, liquidity and accessibility that was previously unavailable in the forestry sector.
- FSF's properties are all located in the UK and the products from our forests will be almost entirely used in the UK.
- FSF has, and intends to stay at, very limited levels of gearing (currently 5.8% of Gross Asset Value ("**GAV**")).
- Our acquisition policy is long term and our afforestation land due for planting in 2024 and 2025 has already been acquired.
- We are fully invested but will manage our portfolio if opportunistic and accretive situations arose including to sell properties to employ capital to maximise Shareholder returns.

FSF is invested for the long term and doing what it set out to do at IPO.

Highlights of the year

Our 2022/23 financial year has been the clichéd game of two halves. In the six months to 31 March 2023, we delivered a NAV gain of 3.3%, particularly helped by completion of planting at four afforestation properties and an upward revaluation (by Savills, our independent valuer) to our planting land portfolio. The second half to 30 September 2023 saw a downwards move in our NAV by 9.3% as the number of transactions in, and prices for, forestry and planting land slowed significantly.

The combination of these different environments means that in the full year to 30 September 2023, the Company generated a total NAV loss of 6.3% (30 September 2022: +7.0%) and a NAV decrease of £11.4 million to £169.2 million (30 September 2022: £180.6 million). NAV per Ordinary Share fell to 98.4 pence (30 September 2022: 105.0 pence). Within this overall NAV number I would highlight the split between the progression of valuations in established forestry and our planting portfolio. Whilst afforestation values (excluding carbon) decreased by 11.2% during the year, established forestry values were relatively resilient, decreasing by a lesser figure of 6.5%, which means the opportunity for FSF to secure development value through a disciplined purchasing strategy has actually improved. The combination of increasing inflation and interest rates along with the phased withdrawal of the Basic Payment Scheme ("**BPS**"), the main farming subsidy regime, has led to a weakening of the planting land investment market over the last six months.

The Company has continued to acquire afforestation land during the period to take advantage of the softer land prices.

Furthermore, voluntary carbon is becoming an increasingly material part of FSF's NAV, increasing by £2.1 million to £2.7 million during the year. Our intention is to retain the carbon credits that we generate as a long-term source of future income and/or potentially distribute them to those Shareholders who elect to receive them in-specie.

Since the last Annual Report, the Company has deployed a further c.£38.4[1] million into 18 properties, mainly in Scotland. Of the properties acquired, 15 have afforestation potential and the remainder are established forestry. In many cases, properties are acquired with some assets that we regard as non-core, such as farm buildings. In the period, five sales of non-core assets took place. A full description of our investment activity is provided in the Investment Manager's report.

1. Inclusive of tax and transaction costs.

CHAIR'S STATEMENT CONTINUED

Revolving Credit Facility

As our equity funds were fully invested by the spring of 2023, the final acquisitions to complete our 2025 planting portfolio have been funded through the utilisation of the Company's £30 million Revolving Credit Facility ("**RCF**") which is now £10.4 million drawn. The current acquisition programme is now substantially complete and servicing/repayment of the RCF will be made through a combination of timber harvesting and the planned disposal of non-core or other assets.

Portfolio and operations

It has remained a busy and productive period for operations across the portfolio. I am pleased to report that within the year we planted 472 hectares across four properties. This has brought the total area of the portfolio categorised as Establishment Stage Afforestation to 1,024 hectares, with c.1.4 million trees planted since FSF's inception.

Furthermore, we are currently gearing up for the 2024/2025 planting seasons, in which we plan to deliver a total of 9 million trees planted over an area of c.4,000 hectares. The planting programme is expected to create 1.0-1.2 million voluntary carbon credits.

Despite significant government targets for tree planting in the nations of the UK, delivery has fallen short with only 12,960 hectares of new woodland created in 2022/23. Disappointingly, UK planting actually decreased by 7% year-on-year and the combined nations' target was missed by approximately 17,000 hectares. FSF is committed to narrowing this gap and our planting programme will be one of the largest, if not the largest, planting operations across the UK in 2024.

Sustainability and community

As a sustainable investing leader we have watched the emergence of concerns around greenwashing. The travails of those companies who have over-inflated their environmental, social and governance ("**ESG**") credentials has cast a wider shadow over many other companies, good and bad. By investing in and growing trees, FSF is dedicated to actions that make a positive environmental outcome, and offers a transparent and leading approach to sustainability.

Last year, we published our first Sustainability and ESG ("**S&ESG**") report, which introduced our three key S&ESG objectives and outlined our positive progress against them and many of our KPIs. Notably, the Company's growing portfolio achieved 35,081 tCO_2e sequestration from the atmosphere over the period (30 September 2022: 28,873 tCO_2e).

Our 2024 planting programme is expected to create around 700 rural jobs and we have now rolled out our Forestry Skills Training programme from Wales into Scotland.

Annual General Meeting

All Shareholders are invited to attend the Company's second Annual General Meeting ("**AGM**") on 21 February 2024. Details of how Shareholders may participate will be published in the circular accompanying this report, dated 6 December 2023.

Afforestation development is the engine room of the Company's returns and sustainable impact. Our investment policy allows FSF to invest up to 50% of Gross Asset Value into afforestation land and projects. The Board would like to increase the Company's flexibility to invest in new afforestation assets whilst keeping aggregate exposure to development risk within the agreed tolerable threshold.

To make this possible, a proposed amendment to the Company's investment policy will be put to the AGM, such that planted and establishing afforestation schemes are changed from being considered afforestation assets to being considered forestry assets for the purposes of our investment policy.

The change, which acknowledges that afforestation assets become materially de-risked once planting has been achieved, will enable the Company to pursue a fuller rolling programme of afforestation development, and the associated returns and positive impact this affords.

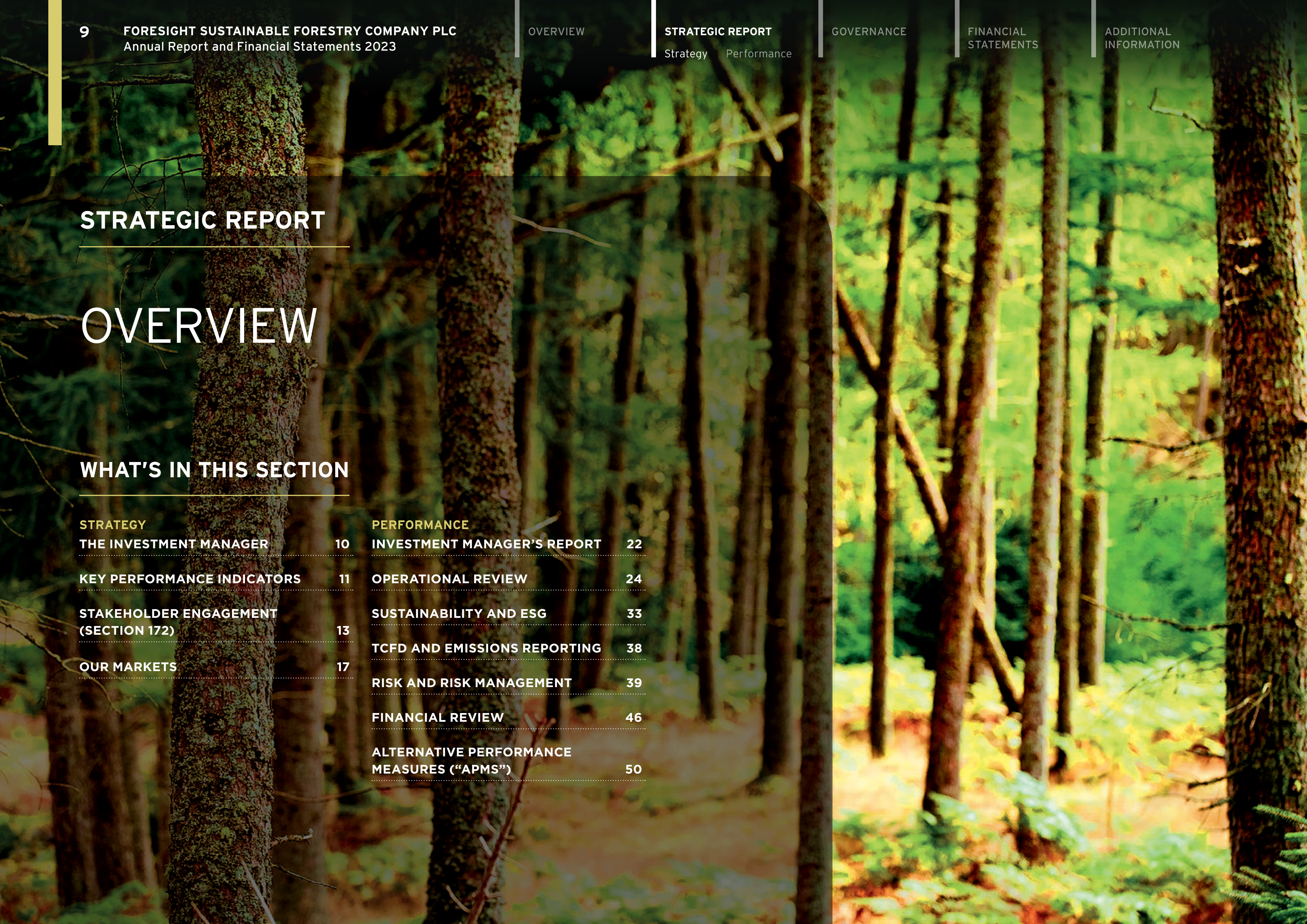
I would like to point Shareholders towards the regulatory news service ("**RNS**") announcement that will be released at the same time as this Annual Report and Financial Statements which will provide details of the AGM resolutions, including the proposed amendment to the investment policy and an accompanying Circular which provides the rationale for the proposed adjustment.

Summary

I would like to thank the Fund Managers, advisers, Shareholders and other members of the Board for contributing to another very busy year. The Board is very aware of the disconnect between our share price and NAV and has been discussing with Shareholders and advisers the potential to close this gap within our commitment to long-term value creation. As Shareholders you should be reassured that no matter what happens to the stock market or the base rate each year, your trees will have grown.

Richard Davidson
Chair

5 December 2023



STRATEGIC REPORT

OVERVIEW

WHAT'S IN THIS SECTION

THE INVESTMENT MANAGER

FSF is managed by Foresight Group LLP (“**Foresight**”, “**Foresight Group**” or “**Investment Manager**”), an experienced team of investment, forestry and asset management professionals that can draw on the depth and breadth of Foresight Group’s networks and resources, managing the day-to-day activities. With a long-established focus on ESG and sustainability-led strategies, it aims to provide attractive returns in hard to access private markets to institutional and private investors.

Foresight Group

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 400 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. Foresight operates in eight countries across Europe, Australia and the United States with AUM of £12.1 billion[1]. Foresight Group Holdings Limited listed on the Main Market of the London Stock Exchange in February 2021 and is a constituent of the FTSE 250 index.

Our specialist forestry advisers

EJD Forestry Limited (“EJDF”)

- 80+ years of combined experience in forestry and silviculture.
- Five full-time equivalent forestry professionals dedicated to the FSF portfolio.

1. Based on unaudited AUM as at 30 September 2023.

Fund management

Robert Guest
Co-Lead, Foresight Sustainable Forestry Company

- Joined in 2015
- 16 years of experience
- Previously Helius Energy PLC

Richard Kelly
Co-Lead, Foresight Sustainable Forestry Company

- Joined in 2015
- 16 years of experience
- Previously Accenture

Portfolio and investment team

Julian Elsworth
Portfolio Director

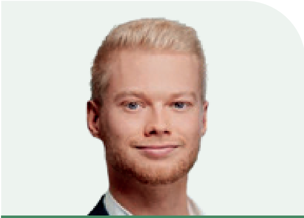
- Joined in 2013
- 20+ years of experience including 4+ years of forestry experience
- Previously WSP Future Energy

Helge Hansen
Forestry Portfolio Manager

- Joined in 2023
- 10+ years of forestry experience
- Previously Head of Woodlands, Highlands Rewilding

Murray Aitchison
Forestry Portfolio Associate

- Joined in 2020
- 4+ years of forestry experience



Christian Tingsgaard Lassen
Investment Analyst

- Joined in 2022
- 3+ years of experience
- Previously PwC

KEY PERFORMANCE INDICATORS

Fund objectives

Real returns and capital appreciation
To invest funds to provide sustainable, risk-adjusted financial returns to our investors.

Sustainable timber supply
To deliver and increase the supply of home-grown UK timber to reduce the country's reliance on imports, blending the commercial aspects of forestry (planting, harvesting and the sale of sustainable timber).

Value creation through afforestation
To demonstrate the capital appreciation of afforestation sites once development milestones are met, through carefully considered portfolio construction and management of afforestation development schemes.

Access to voluntary carbon credits
To facilitate the flow of capital to climate change mitigation projects and provide our investors with exposure to high-integrity and independently verified carbon credits that can be used for science-based carbon offsetting.

Combat climate change and biodiversity loss
To mobilise our investors' capital into projects that play a key role in tackling climate change, protecting the natural environment and delivering positive impacts for communities and society.

NAV/NAV per share

£169.2m/98.4p

(2022: £180.6m/105.0p)

Performance in 2022/23
- NAV and NAV per share declined in the 12-month period by 6.3%.

Objectives for 2023/24
- NAV growth targeted by developing many of the development stage properties to become planted properties with a higher valuation and creation of associated carbon credits.
- The Company is targeting a NAV total return of more than CPI + 5% per annum on a rolling five-year basis, based on NAV once the Company is substantially invested. See the business model on page 4 for more information.

Principal risks
- Valuation risks (see risk 5 in the principal risk register on page 43).
- Changes in regulation or support for sustainable forestry.

Hectares in the portfolio

12,545

(2022: 9,618)

Performance in 2022/23
- The number of hectares in the portfolio has increased by 30% since September 2022.
- Fully deploying the equity proceeds from the Company's June 2022 fundraise ahead of schedule.
- Drawing £10.4 million of the Company's Revolving Credit Facility to fund three opportunistic acquisitions.

Objectives for 2023/24
- Disposal of some non-core assets and re-allocation within the core portfolio to maximise the afforestation development opportunity. Grow portfolio if equity market conditions enable fundraising.

Principal risks
- Lack of future funding impacts the Company's ability to purchase more land (see risk 4 – equity in the principal risk register on page 43).

Link to Fund objectives: Real returns and capital appreciation | Combat climate change and biodiversity loss | Access to voluntary carbon credits

KEY PERFORMANCE INDICATORS CONTINUED

Tonnes of timber in annual harvesting programme

c.118,000

(2022: c.26,000)

Performance in 2022/23
- Softening of timber prices seen since the end of 2022.
- Ongoing harvesting at five sites.
- Harvesting at several of the highest yielding sites has been postponed until timber prices are considered to have returned to a premium.

Objectives for 2023/24
- Selective harvesting in 2024 where it results in NAV accretion or there is a good silvicultural reason to pursue the harvesting or to provide cash flow to the Company.

Principal risks
- See risk 7 – demand for timber in the principal risk register on page 44.
- The risk that a reduction in demand from the purchasers of timber would negatively impact the Company's profitability. See risk 7 in the principal risk register on page 44.

Total hectares of land in afforestation development

6,455

(2022: 3,917)

Performance in 2022/23
- Focus on increasing FSF's exposure to afforestation assets over the year.
- Overall percentage of the portfolio dedicated to afforestation has risen from 40% to 45% (by value).

Objectives for 2023/24
- Afforestation development will remain a focus for the Company as a driver of higher valuation and creation of associated carbon credits.

Principal risks
- The risk that there is resistance to change of land use from the public, see risk 9 – reputational in the principal risk register on page 45.

Trees planted in the year

c.950,000

(2022: c.514,000)

Performance in 2022/23
- c.1.4 million trees planted since FSF's inception.

Objectives for 2023/24
- Targeting planting 9 million trees over an area of c.4,000 hectares during the 2024 and 2025 planting seasons.

Principal risks
- Risk that extreme weather events impact trees planted in the year.

Value ascribed to progress towards creation of carbon credits

£2.7m

(2022: £0.6m)

Performance in 2022/23
- In the period, four afforestation schemes completed planting and FSF has recognised an additional £2.1 million of value ascribed to the creation of carbon credits.

Objectives for 2023/24
- Targeting to create 1.0-1.2 million PIU carbon credits that are associated with the completion of the planting of 9 million trees over the 2024 and 2025 planting seasons.

Principal risks
- The risk that demand or volume leads to a reduction in demand from the users of carbon credits, see risk 6 – demand for carbon credits in the principal risk register on page 44.

Link to Fund objectives: Real returns and capital appreciation | Combat climate change and biodiversity loss | Access to voluntary carbon credits

STAKEHOLDER ENGAGEMENT (SECTION 172)

The Board is committed to promoting the long-term sustainable success of the Company whilst conducting business in a fair, ethical and transparent manner

Section 172

The Directors consider that in conducting the business of the Company over the course of the year 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.

The purpose of the Company is to act as an investment company to provide financial returns to its Shareholders taking a long-term view. Investment companies are generally active in the long term and are typically externally managed, have no employees and are overseen by an independent board of Non-Executive Directors. The role of the Investment Manager is particularly important in engaging with stakeholders on behalf of the Company and reporting on developments to the Board and relationships with all service providers are considered in detail at the annual Management Engagement Committee meeting.

(a) Long-term decisions

(b) Interests of employees

(c) Fostering relationships with suppliers, customers and others

(d) Acting fairly between Company members

(e) Impact on the community and environment

(f) Maintaining high standards of business conduct

Role of the Board

The Board recognises that the Company should be run for the benefit of Shareholders, but that the long-term success of a business is dependent on maintaining relationships with stakeholders and considering the external impact of the Company's activities. The Board, with the assistance of the Management Engagement Committee, 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 openness in how these are conducted. Through measures such as these the Board embeds a strong culture of governance.

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, service providers and lenders, 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 considered:

- 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 wider environment in which it operates
- The importance of the Company maintaining a reputation for high standards of business conduct
- The need to act fairly towards, and ensure equal treatment of Shareholders

Engagement with Shareholders

Shareholders are the Company's primary stakeholders, and all key Board decisions are carefully considered with their long-term interests in mind. As a public company listed on the LSE, 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 attached to such shares. With the assistance of regular discussions with, and formal advice from, the Company's legal adviser, Company Secretary and corporate broker, 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. During the year, the Investment Manager and the Company's broker held multiple direct engagement sessions with major Shareholders and prospective investors.

STAKEHOLDER ENGAGEMENT (SECTION 172) CONTINUED

Engagement with Shareholders continued

The Chair has also met with several Shareholders alongside the Investment Manager. During discussions, Shareholders often ask for additional information pertaining to certain aspects of the Company, such as the factors influencing the Company's NAV, as well as the methodology implemented in calculating it. There has also been interest from Shareholders in visiting sites within the portfolio.

Over the course of the year the Company has hosted several investor site visits and will continue to expand this programme in 2024 (please see page 15 for more details).

The Company, supported by its Investment Manager, communicates with Shareholders through a variety of means and always welcomes their views. This includes the publication of interim and annual accounts, the AGM and regulatory news and bi-annual NAV updates, all published on the Company's website. The Board encourages Shareholders to vote on the resolutions to be proposed at the AGM to be held on 21 February 2024. Investors holding shares through platforms should contact their investment platform directly for guidance on how to cast their vote. An increase in the number of investors who exercise their right to vote will help the Company reflect the views of its Shareholder base.

Engagement with the Investment Manager

The Investment Manager is responsible for the implementation of the investment strategy and the day-to-day investment and management decisions, including identifying assets for acquisition. The Board engages constructively with the Investment Manager to ensure the expectations of Shareholders are being met and that it is aware of the challenges being faced, including meeting the long-term objectives for the Company's growth. 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 undertakes an annual strategy review meeting to ensure that the Company is well positioned for the future delivery of its objectives 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 lenders

The Company has a Revolving Credit Facility with Virgin Money (formerly Clydesdale Bank Plc). This facility is subject to covenants and lender consent may be required on certain business decisions. The Investment Manager is in regular contact with Virgin Money 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 service providers, which include its corporate broker, legal adviser and its Public Relations agency. This occurs 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

The Board has placed Sustainability and ESG factors at the heart of its investment objectives to guide the way it operates. The Company's proactive approach to community engagement is applied across the Company's afforestation projects as well as its established forestry and woodland assets. A case study is provided on page 16 that provides further details. Aiming to maximise the Company's societal impact, in partnership with Tilhill Forestry Limited, the Company launched a Forestry Skills Training Programme in Wales last year. Expanding its scope to Scotland in 2023, and likely England in the future, this initiative equips local rural communities with essential skills, qualifications and opportunities for employment within the forestry sector, aligning with the Company's commitment to both community development and sustainable practices underpinning afforestation-related land use change. Completing participants are also offered paid work on the Company's afforestation and forestry properties.

Environmental stewardship

In response to the AIC's call for ESG disclosures, the Company shared its strategy on the AIC website in 2021. Notably, receiving the LSE's Green Economy Mark at IPO affirmed the Company's dedication to environmental and climate-related objectives. More details on the Company's approach and impact are provided in the S&ESG section of this report on pages 33 to 36.

FSF's LSE Green Economy Mark and Voluntary Carbon Market designations recognise the ongoing environmental stewardship role that FSF has and continues to contribute towards positive environmental objectives including, but not limited to, contributions to mitigating climate change and biodiversity loss.

CASE STUDY

STAKEHOLDER ENGAGEMENT IN ACTION

Investor Day

FSF hosted its second Investor Day at Fordie Estate in Scotland on 20 September 2023, following a successful event in April 2023. This Investor Day offered Shareholders a comprehensive insight into the Company's forestry and natural capital initiatives. Spanning 2,150 hectares, the mixed afforestation and forestry property at Fordie Estate, a significant asset in FSF's portfolio, served as a showcase of the Company's diverse business model.

Located near Comrie, Scotland, Fordie Estate features various habitats and land uses, supporting diverse ecosystems, biodiversity, socio-economic contributions and commercial timber production.

The event provided attendees with a deeper understanding of FSF's role in promoting sustainable land management.

Investors interacted with key members of the Foresight management team, the Fordie Estate team, and advisory personnel, exchanging perspectives on the Company's practices. This event highlighted FSF's commitment to environmental stewardship and responsible forestry.

Join us for our next investor site visit. Follow this link or visit our website to find out more.

https://www.eventbrite.co.uk/e/foresight-sustainable-forestry-company-plc-investor-day-2024-tickets-744438925867?aff=oddtdtcreator

Industry Engagement

Date	Event	Fund lead
2-Nov	NCIA Policy, Industry and Governance Workstream	Richard Kelly
10-Nov	Designing the Future – Developing the market for woodland Carbon in the UK	Robert Guest
10-Nov	AIC Event	Robert Guest
17-Nov	Nature of Scotland Awards	Robert Guest
22-Nov	The UK Forest Market Report	Richard Kelly, Robert Guest
05-Dec	LSE VCM Launch and Market Open	Robert Guest and Richard Kelly
17-Mar	LSE Annual Funds Conference	Robert Guest
16-17 May	Foresight Sustainability Forum	Josephine Bush (S&ESG Committee Chair), Robert Guest
20-23 June	Royal Highland Show	Robert Guest
26-Sep	UK Investor Virtual Conference	Richard Kelly
02-Oct	UUET Agreement and meeting	Robert Guest
03-Oct	Carbon Credits Demystified – Stifel	Richard Kelly
03-Oct	Fordie Site Visit	Robert Guest
19-Oct	VCM Market Infrastructure Roundtable	Richard Kelly

Fordie Estate
Scotland

CASE STUDY

COMMUNITY ENGAGEMENT

Community engagement has been a key focus of the period with the continual development of the afforestation pipeline.

Initiatives and outcomes in 2023

Townhall meetings

A townhall meeting either has or will be held for each of FSF's woodland creation schemes, giving local residents the opportunity to view plans and offer comments on the schemes. At Fordie Estate, a community engagement meeting was held in April with representatives of the estate, Foresight and trusted advisers hosting the meeting which was well attended by the community.

Open days at Fordie Estate

A number of open days were held at the estate to allow locals to walk the ground of the planting scheme and gain a better understanding of how the plans sit within the landscape. Many of the comments raised across these sessions have been incorporated into the latest scheme design.

Research into the community impact of green investments

The James Hutton Institute has conducted research into the community impact of green investments in Scotland and Fordie Estate has been a key case study for this work. FSF engaged with the institute to provide their views on land use and change and they also engaged with members of the community directly.

Engagement with local environmental trusts

The Upper Urr Environmental Trust was interested in developing a volunteer-led woodland planting and habitat restoration project. FSF has made an agreement with the trust covering 95 hectares, with a formal lease over a portion of the land for this purpose.

Sale of land for community projects

Two parcels of land at Frongoch have been sold to the benefit of the local community. One parcel was sold to the local church to extend the community graveyard and the other was sold to Natural Resources Wales, allowing access to harvest an area of diseased trees, removing an eyesore from the picturesque valley.

Mountain bike trails

The establishment of mountain bike trails at Banc Farm has commenced and continues to progress.

Complaints handling

The Investment Manager strives to sensitively deal with any objections or concerns that arise in relation to its woodland creation schemes. The regular scheduling of townhall meetings and open days around the planning phase of these schemes aims to inform the local communities of its plans and also to provide a forum for objections to be made. When concerns or issues are raised, the Investment Manager will seek to proactively address these concerns through further education, engagement and, where possible, adaptations to the scheme design.

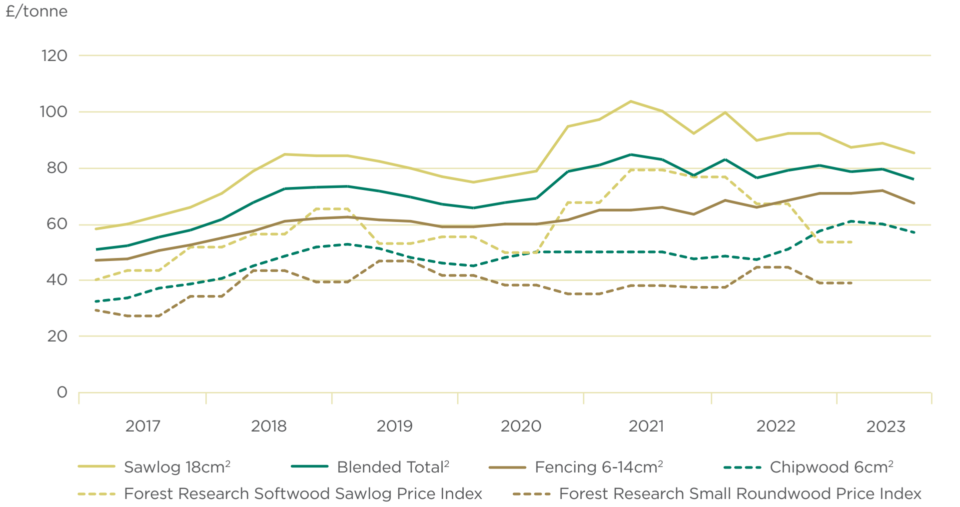
OUR MARKETS

UK timber market

The UK timber market continues to rely heavily on imports, which account for c.80% of all timber consumed. Further, the UK is the third largest timber importer globally, behind only China and the USA. Total imports for the first seven months of 2023 were 5% less than over the same period in 2022.

Timber pricing

UK timber market prices



Sources: Based on Foresight analysis of market data and Forest Research data (sourced from the UK governmental forest statistic institution). 'Blended Total' comes from Foresight's harvest estimates of each category, which is 58% sawlog, 24% pallet and fencing, 18% chipwood, based on market analysis and thus reflects the real price per tonne.

1. Top diameter is a measurement dimension that expresses the diameter of a log at its thinnest point, furthest from the butt.
2. Based on the Investment Manager's estimates of market data.

Timber outputs are divided into the following three categories depending on the top diameter[1].

- Sawlog, with a top diameter[1] 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[1] between 6-18cm. 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[1] of 6cm, is essentially too small, too large or not straight enough to be processed in a sawlog or fence wood mill. This product is chipped, rather than sawn. The largest use of chipwood is in the manufacturing of versatile panels such as Medium Density Fibreboard ("**MDF**"), Oriented Strand Board ("**OSB**") and Particleboard ("**PB**"). However, it can also be used in pulp mills to make paper products or in biomass plants, generating power and heat.

The last year has seen mixed price signals. UK sawlog prices in Q3 2023 declined by c.7.5% compared to Q3 2022, while fencing prices declined by c.1.4%. Meanwhile, chipwood prices increased by 13.1%. The overall picture shows the blended price for timber has decreased by -4.1% during the year[2].

Of the publicly available timber indexes, the Softwood Standing Price Spruce ("**SSPI**")/All Conifers Index published quarterly by Forest Research is the most comparable to the sawlog price index that is used by the Investment Manager. From Q2 2022 a material deviation between the prices reported in both indexes is observed, which has continued to widen. When analysed, the public SSPI pricing suggests prices have been skewed by the significantly higher volumes of Storm Arwen damaged timber, which has transacted at increasingly discounted prices. Pricing of high quality and undamaged sawlog, as represented in the Investment Manager's index, has demonstrated more resilience.

Domestic demand

The UK's economic output has remained subdued during the year. The aftermath of the UK Government's Mini Budget, rising debt costs and a cost-of-living crisis have contributed to reduced demand for UK timber. The CPA forecasts that construction output, a key driver of timber demand, is expected to fall by 7% in 2023 but to grow by 0.3% in 2024. The Investment Manager's view is that domestic demand for sawlog and roundwood will likely remain relatively subdued during the rest of 2023 and 2024. In the Board's and Investment Manager's opinion, we believe there is growing preference towards home-grown timber.

OUR MARKETS CONTINUED

Domestic supply

On the domestic supply side, most of the excess storm damaged timber from Storm Arwen in 2021, representing c.20% of the UK's annual harvest (and c.4% of UK annual demand, given that the country imports c.80% of its needs), is understood to have been processed through the timber supply chain. UK originated timber supply and inventory levels are therefore gradually readjusting to normal levels. The latest UK Forest Market Report on UK commercial timber markets was released on 21 November 2023 and the Investment Manager will utilise this data for future supply market forecasting.

European energy crisis and fuel demand

Chipwood prices remained more stable during the year, increasing by 13.1% according to the Investment Manager's Chipwood Price Index. A main factor influencing European markets during the year has been the ongoing conflict in Eastern Europe and the ensuing energy crisis which has driven a surge in both European and UK woodchip demand.

Bioenergy use in the EU increased by over 150% since 2000 and a further increase between 70-150% by 2050 is predicted. Policy developments such as the UK Government's Biomass Strategy seek to generate more bioenergy using sustainable chipwood as fuel, ensuring incentives for sustainable biomass energy. The Investment Manager believes that chipwood demand will remain resilient and has a robust long-term outlook. However, prices will also be influenced by Europe's longer-term ability to secure supplies of liquefied natural gas.

European supply dynamics

Overall, European supply of softwood is forecast to decline in 2024 which when combined with steady forecast demand is expected to create a slight material supply deficit in Europe. This situation is expected to place slow but steady upward pricing pressure on European timber through the coming year. Key drivers of this movement include the ongoing bark beetle[1] crisis (with current damage considered to be nearly 10x larger compared to pre-2000 levels), climate change, and EU legislation. Key contributors to European timber supply such as Germany and Latvia, and countries such as the US, have proved susceptible to such factors.

1. Bark beetle is a forestry pest which can cause significant damage to the trees if left uncontrolled.

UK forest climate change resilience

2023 has been a year where extreme weather patterns have influenced the worldwide timber market. Timber supply disruptions observed in Canada and Germany, for example, have been closely linked to climate change and are expected to materially impact the market. The bark beetle outbreak addressed previously in this report is closely linked with the droughts brought on by climate change. As global temperatures change, new emerging risks for key timber geographies will require due attention by managers.

Positively, UK forestry has been assessed as relatively climate resilient, with a climactically wetter and cooler climate. Looking at wildfire and drought risk, this is viewed to be significantly lower in the UK than in much of mainland Europe, especially in Scotland, which is marked with the lowest fire risk indication. The Investment Manager believes that the UK's timber supply will benefit positively from its climate resilient characteristic; however, to mitigate potential climate-related risks, the Investment Manager has followed a series of initiatives to create more climate resilient forests within the portfolio (which will be detailed in full in the Company's 2023 S&ESG report due to be published in early 2024).

International demand – American and Chinese markets on the rise again

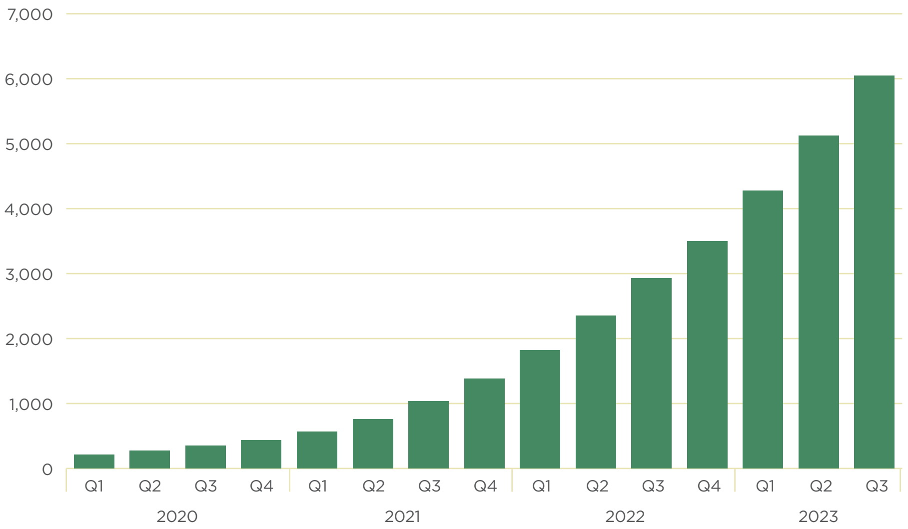
The outlook for American construction looks particularly positive, following the Inflation Reduction Act and the additional timber-related demand this will likely generate. With the debt ceiling increase signed in June 2023 and the US Government thereby avoiding default, growth in US construction has seemed to continue undisturbed during the year. The latest report from the US Census Bureau shows that during the first eight months of this year, construction spending amounted to $1,284.7 billion, 4.2% above the $1,233.4 billion for the same period in 2022.

Due to China's lifting of strict zero-COVID-19 policies and the introduction of a 21-point plan to aid property developers with financing and debt extensions worth up to $67 billion, the outlook for Chinese timber demand has been positive during the period. Following the announcement of stimulus measures, China's timber market has since picked up, which is reflected in the country's Global Timber Index registering 53.0% in July, indicating growth in the sector. The Chinese construction industry was expected to grow by 8.0% in 2023.

Last year, the top three largest global importers of timber were China, the UK and the US. With global demands unlikely to decline, more European timber is expected to reach Chinese and US markets in future years. In our view, this could drive upward pressure on domestic UK timber prices where the availability of, typically steady, European imports is reduced.

OUR MARKETS CONTINUED

Voluntary carbon market ("VCM")
Number of companies with SBTi commitments



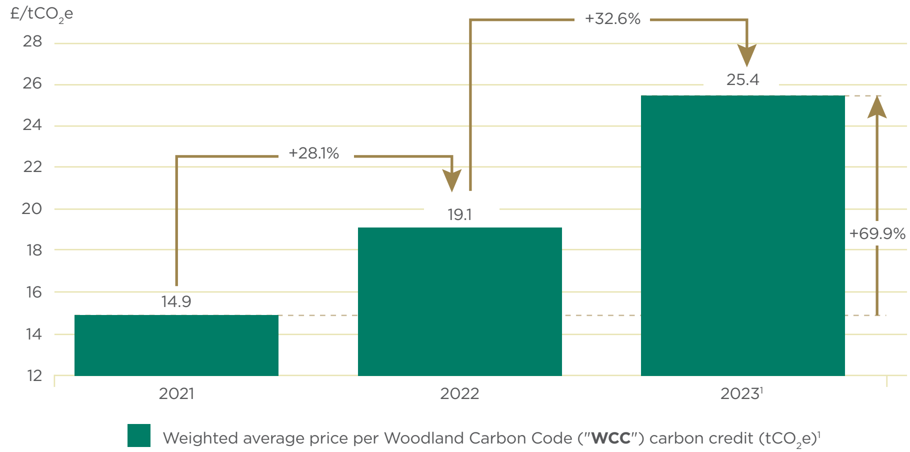
Source: SBTi Database and Trove Research[1].

1. Trove Research was acquired by MSCI in October 2023: https://ir.msci.com/news-releases/news-release-details/msci-advance-clarity-carbon-markets-acquisition-trove-research

Voluntary carbon credits recognise the additional and permanent capture or avoidance of carbon dioxide from the atmosphere. Carbon credits can be retired by companies with net zero pledges to offset unabatable emissions created within their businesses or indirectly within their supply chains. During the year, the number of companies setting, or committing to set, Science Based Target Initiative ("**SBTi**") net zero pledges has continued to accelerate, with an all-time yearly high of 3,120 companies committing to SBTi between Q4 2022 and Q3 2023, effectively doubling the total to 6,048.

Examples of firms making new SBTi commitments last quarter include Heineken and Rolls-Royce. The total market capitalisation of all the companies with SBTi targets in Q3 2023 is above $35 trillion. Companies' continued acceleration of net zero pledges bolsters the long-term demand outlook for voluntary carbon credits. In our view, these companies will likely require carbon credits to offset up to 5-10% of their emissions, considered unabatable, in line with SBTi rules.

Woodland Carbon Code carbon credits price annual increase



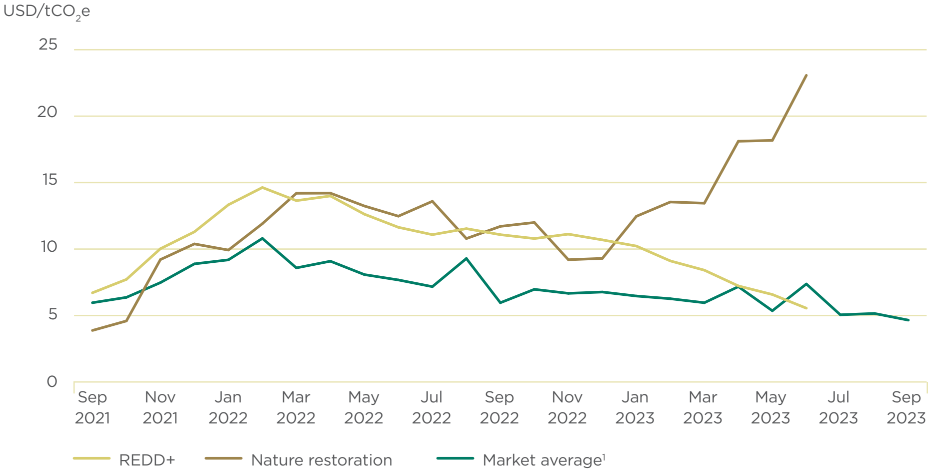
1. 2023 data is for January to June.

The Woodland Carbon Code ("**WCC**") has, for the first time, published a price index of their voluntary carbon credits in collaboration with Ecosystem Marketplace, summarised in the above chart. Over 99% of units contributing to the index were Pending Issuance Units ("**PIUs**"), that have yet to mature into Verified Carbon Units ("**VCUs**"), that are capable of being used for offsetting, with less than 1% of the units contributing to the index being VCUs. The Investment Manager therefore sees this as the best publicly available index yet, and provides a good proxy for its own voluntary carbon credit portfolio, which currently consists of 100% PIUs. The new index captures transactions totalling more than half a million PIUs (since January 2021). FSF is expecting to create 1.0-1.2 million PIUs with its current afforestation portfolio and planting programme (based on c.4,000 hectares planted). During the 2.5 years that the WCC index covers, the price of WCC carbon credits has grown by 69.9%.

OUR MARKETS CONTINUED

Voluntary carbon market ("VCM") continued

Monthly volume weighted average voluntary carbon credit price by project type



1. Note: only market average is available for Q3 2023.

Source: Trove Intelligence database. Graph based on approximation.

Following a *Guardian* article that exposed the low-integrity nature of many avoided deforestation ("**REDD+**") voluntary carbon credits, we have observed a significant shift in buyer preferences towards higher-integrity nature-based carbon removal credits of the sort which FSF creates with its afforestation schemes. Globally, nature restoration voluntary carbon credits, which include the WCC credits that FSF creates with its afforestation schemes, have increased by 63% from Q1 2023 to Q2 2023. During the same period, demand for carbon avoidance based REDD+ voluntary carbon credits has diminished, which has been reflected in prices falling by 17% from Q1 2023 to Q2 2023.

The Investment Manager has been encouraged by the progress made within voluntary carbon markets this year. The combination of a near doubling of corporate climate SBTi pledges, which further bolsters the long-term demand outlook, combined with a material shift in buyer preferences towards scarcer, higher-integrity, nature-based carbon removals credits of the sort which FSF creates, currently suggests that over the medium to long term, there will be sustained upward pressure on pricing.

FSF's afforestation carbon credits are to be issued, validated and independently verified using the WCC's UK Standard. The WCC is well recognised as being of high integrity and has secured International Carbon Reduction and Offsetting Accreditation ("**ICROA**"). ICROA is a non-profit organisation that promotes best practices across the voluntary carbon market. ICROA certification is an existing badge demarking WCC's high-integrity standards.

Global update: c.£30 billion invested into carbon credit projects from 2012 to 2022

Trove Research published a paper in September 2023, which shows that investment into carbon credit projects between 2012 and 2022 totalled $36 billion. Half of this occurred in the last three years. There is also a further $3 billion in future investment already committed. This wave of investment facilitates more than a thousand new carbon reduction projects. More than $18 billion of funding came from carbon credit funds during the last two and a half years alone. Over 80% of this funding is targeted towards nature-based projects such as FSF's afforestation projects and others such as improved forest management and reducing emissions from deforestation and forest degradation. The nature-based projects cover c.30 million hectares.

Regulatory developments

The Integrity Council for Voluntary Carbon Markets ("**ICVCM**"), an independent governance body, was specifically established with the aim of setting and maintaining global standards for quality within the voluntary carbon market. To assist with this, the ICVCM, in March 2023, launched the Core Carbon Principles ("**CCPs**"), which are intended to establish fundamental principles for high-quality carbon credits that create a verifiable climate impact, based on the latest science and best practice. Buyers and users of voluntary carbon credits that are certified as aligning with the CCPs can be assured of the high integrity of the underlying carbon credit. CCP labels for carbon credit methodologies are expected to start being issued in late 2023. The Investment Manager believes WCC could receive confirmation of CCP alignment during 2024 along with potentially a Carbon Offsetting Reduction Scheme for International Aviation ("**CORSIA**") approval.

OUR MARKETS CONTINUED

Demand-side integrity

During the period, as already mentioned, REDD+ has come under scrutiny. The press articles exposed integrity issues with some avoided deforestation voluntary carbon credits issued by Verra's REDD+ methodology. REDD+ and other avoidance credits improve the relative balance of carbon in the atmosphere by conserving nature and avoiding deforestation. The additionality case for REDD+ rests on the concept that without protection and conservation large areas of natural forest (which acts as a valuable rotational natural storage system for carbon) will be felled to make way for agriculture and development (usually intensive livestock farming).

However, proving the additionality case for REDD+ has proved challenging as quantifying the level of threat of natural forest destruction for specific projects/sites is quite variable and subjective. With afforestation projects, proving additionality and permanence, and therefore high levels of integrity of credits, is relatively clearer and simpler as newly planted trees draw down additional carbon from the atmosphere. In the view of the Investment Manager, this may explain the apparent shift in buyer preference that has been observed during the year.

On the demand side (i.e. companies seeking to make climate-related claims), the Voluntary Carbon Markets Integrity Initiative, whose ambition is to set the standard for high integrity use of carbon credits in organisations' climate strategies, issued their provisional Claims Code of Practice. This outlines clear guidance on how companies can make transparent and credible claims regarding carbon offsetting. Leveraging the newly developed frameworks, Bloomberg and other media outlets have criticised some corporate "carbon neutral" claims, that are not science-based and where there is no obligation to decarbonise (as up to 100% of emissions can be offset), as "junk carbon neutral claims" enabled by "junk carbon offsets" such as avoidance-based carbon credits. Unlike carbon removals-based credits, avoidance-based carbon credits are not compatible with a SBTi net zero claim.

It has also been encouraging to see regulators increasingly pursue legal action against companies which exaggerate their climate and environmental credentials, with several large companies abandoning carbon neutral claims, to instead focus on decarbonising first and only offsetting the balance. The Investment Manager is encouraged by these developments. It provides further evidence towards a high integrity market for voluntary carbon credits establishing and scaling.

Whilst the nuances of how carbon credits can be used to support a science-based climate claim have been in focus, a recent Trove Research report finds that firms that use carbon credits, of any type and quality, reduced their emissions twice as fast compared to companies that do not use carbon credits at all. Further, companies that used higher-integrity carbon credits are decarbonising faster still.

The Company remains fully committed to investment in projects that yield carbon credits that are compatible with internationally recognised high integrity standards (such as ICROA and the CCPs) that can be used by companies with a high integrity SBTi net zero claim that adheres to the Claims Code of Practice.

Image: courtesy of James Jones & Sons Ltd sawmills

INVESTMENT MANAGER'S REPORT

We are delighted to have fully deployed FSF's equity and delivered strong capital appreciation on six planted afforestation schemes completed to date

Executive summary

In its second year, FSF made solid progress on several fronts, in the face of a challenging market and macroeconomic headwinds. During the year, FSF has further demonstrated that successfully developing and planting new forests (afforestation) remains the reliable engine room of value creation. The year saw four new forests planted, taking the total since FSF's inception to c.1.4 million trees planted across six properties. Since IPO, the value of these six properties has increased by 85% versus acquisition costs, based on their carrying value of £18.9 million as at 30 September 2023. During the year, strong progress was made in the development of a further 37 properties with afforestation potential in the portfolio. Many of these will be planted in the current planting season, which runs from November to May. Once fully planted, FSF's afforestation portfolio is expected to create 1.0-1.2 million carbon credits and representing a material upside opportunity for investors.

Fordie Estate
Scotland

During the year, the Woodland Carbon Code ("**WCC**") published new financial additionality test rules for afforestation schemes. Whilst good for carbon credit integrity levels, the Company has reduced the level of grant taken in order for commercial forestry projects to pass. The Investment Manager holds a seat on the WCC Advisory Board and has led an industry group to provide feedback to the WCC on how the test could be improved. Through a combination of engagement with the WCC and optimising afforestation designs we are confident that the Company's position can be improved overall whilst maintaining the high integrity levels of the carbon credits.

NAV summary

In the year, the NAV declined by £11.4 million overall. FSF delivered NAV per share gains in the first half of the year, mostly relating to the outperformance of its afforestation portfolio, in an otherwise flat market. The second half of the year has seen FSF's NAV decline by £17.4 million since the 31 March 2023 valuation. These NAV losses primarily relate to the relatively less buoyant UK forestry and agricultural land investment market, rather than any material changes to the physical condition of FSF's forestry assets or their long-term outlook. The Company's portfolio valuation is dictated by the property specialist, Savills, in their capacity as independent valuer using the Royal Institution of Chartered Surveyors ("**RICS**") Red Book approach. The approach incorporates comparable market transaction evidence and the valuer's view of market sentiment and is reflective of current conditions.

In the face of persistently high inflation and interest rates, the value of UK forestry assets sold in the first nine-month period of 2023 (to 30 September) represents 12% of the annual average of the value of assets sold in 2021 and 2022. Prices for land with afforestation potential declined significantly during the year, when compared to market declines for established forestry properties.

INVESTMENT MANAGER'S REPORT CONTINUED

NAV summary continued

Whilst this has impacted FSF's NAV in the short term, it is FSF's intention to change the land use of its afforestation properties and only exit the property once it has been established as a new forest. Further, acquiring land with afforestation potential at lower entry prices increases the total return prospects that can be achieved by successfully developing it. Carbon credit prices relating to nature restoration have remained highly resilient throughout the year, driven by a significant shift in corporate demand towards higher-integrity carbon credits of the sort FSF creates. We have been pleased to add afforestation properties to the portfolio throughout the year, which have enhanced capital appreciation prospects.

Established forestry values proved to be more resilient versus afforestation values, but were still down on the year. Forest asset prices' relative resilience is underpinned by the fact that trees continue to grow and add timber value regardless of macroeconomic conditions. Their values are driven more by investors' long-term views on future timber prices, than they are from spot timber prices. Whilst UK forestry is well recognised for its resilient and inflation-beating qualities over the long term, it is not completely immune to current market conditions (elevated base rates and constrained capital supply) in the short term. Overall, whilst it is disappointing to see a subdued forestry investment market in the second half of the year having a negative impact on the portfolio valuation, we are pleased by the operational achievements and opportunistic acquisitions we have made in the period. We are excited about the year ahead with a particular focus on successfully planting many millions of trees and establishing multiple new forests.

Acquisitions

At the beginning of the financial year FSF had approximately £30.0 million of cash available for further acquisitions which remained from the £45.0 million equity placing that took place in June 2022. In January 2023, FSF had successfully acquired 12 properties, which saw the June 2022 equity proceeds fully deployed, ahead of the committed six-month target. The Company bought six more properties during the period. These acquisitions have substantially completed FSF's acquisition of land in preparation for its 2024/25 planting programme and there are no material additions expected in the near term. The acquisitions completed in September 2023 were funded by the RCF and repayment of the borrowings will occur through a combination of timber harvesting and the planned disposal of non-core or other assets.

The majority of acquisitions in the year were directly originated off-market and bilateral opportunities, where we continue to see better value. These opportunities are sourced from a combination of Foresight's proprietary market-mapping deal procurement approach and by leveraging our extensive network of contacts. We are also increasingly enjoying inbound approaches from vendors who recognise FSF's strong track record as a reliable, all-cash counterparty that operates a highly efficient transaction process. Immediate mark-to-market gains on new acquisitions have been underpinned in many instances through the realisation of marriage value with existing properties in the portfolio. The Company has continued to acquire properties that are either directly adjacent, or in close proximity, to existing FSF properties, which can result in scale economies that are reflected in uplifted valuations when combined.

Pipeline and deal procurement

Foresight sources deals and acquisition opportunities via selling agents, on-market bids, bilateral deals, direct origination and inbound direct approaches. Approximately 4,500 specific properties (c.900,000 hectares) which are highly suitable for afforestation have been identified by the Investment Manager.

Robert Guest
Co-Lead, Foresight Sustainable Forestry Company Co-Lead

5 December 2023

Richard Kelly
Co-Lead, Foresight Sustainable Forestry Company Co-Lead

5 December 2023

OPERATIONAL REVIEW

Overview

As at 30 September 2023, the Company's portfolio comprised 68 properties covering a total area of 12,545 hectares. An overview of the portfolio is provided on page 5 as well as the split of hectares by country and by property type. The portfolio's allocation continues to be weighted towards Scotland (85% of FSF's portfolio by land area), which is the most forested of the UK's nations and the least far behind in achieving its tree planting targets.

Portfolio breakdown

During the year, FSF updated the categorisation of afforestation properties into three separate categories to help stakeholders to more clearly follow the progression of portfolio development. Properties are now classified as Development Stage, Planting Stage and Establishment Stage, with full definitions provided below.

Hectares	Forest Area[1] 30 September 2023	Other land area 30 September 2023[2]	Total area 30 September 2023	Forest Area at time of writing report 17 November 2023
Development Stage Afforestation	4,446	721	5,167	4,226
Planting Stage Afforestation	93	—	93	373
Establishment Stage Afforestation	937	98	1,035	937
Established Stage Forestry	5,184	1,067	6,251	5,184
Total	**10,660**	**1,886**	**12,545**	**10,720**

1. Includes commercial stocked/stockable; broadleaf stocked/stockable; designed open ground; natural forest/woodland regeneration zones; and other land considered part of the forest area.
2. Includes areas of land that sit outside the forest area; this includes, but is not limited to, land leased for grazing; regenerative grazing land; peatland/wetland; hill ground; non-core land considered for disposal; non-core land not considered for disposal; house/farm curtilage.

Category	Definition
(1) Development Stage Afforestation Area	Land prior to the securing of planning permission and grant application.
(2) Planting Stage Afforestation Area	Planning permission and grant application completed but initial planting of trees not yet completed.
(3) Establishment Stage Afforestation Area	Initial planting of site completed but trees establishing (typically three to five years).
(4) Established Stage Forestry Area	Trees established.

A particular area of interest for stakeholders will be the progression from the Development Stage Afforestation to Planting Stage Afforestation, as this will be the signal of the amount of land which has received all permissions and grants and is ready to commence their respective planting programmes. It can be considered an early indication of expected capital appreciation of this area, which is recognised by FSF's valuer at the point of planting completion and the entering of the Establishment Stage.

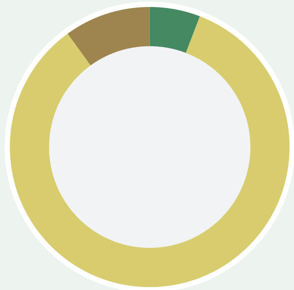
Portfolio breakdown by value

Geographic split by area

6% England

84% Scotland

10% Wales

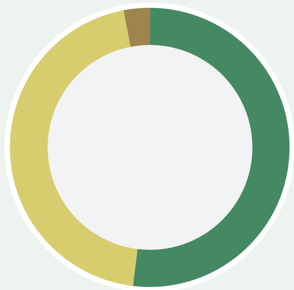


Property types

52% Forestry

45% Afforestation

3% Non core



OPERATIONAL REVIEW CONTINUED

Development Stage Afforestation

Total hectares (Forest Area)	At year end 30 September 2023	At time of writing report 17 November 2023
Survey and design stage	2,701	2,671
Initial public consultation stage	1,416	469
Admitted to public register stage	329	1,086
Total	**4,446**	**4,226**

The Investment Manager and their contractors and advisers continue to hold public consultations and progress the projects through to getting onto the public register for review and further comments by the public and statutory consultees. If the consultation with communities and statutory consultees is well run and done in advance, it can take circa one to two months from point of going on the register to receiving permission and grant contract, after which point the Planting Stage can commence.

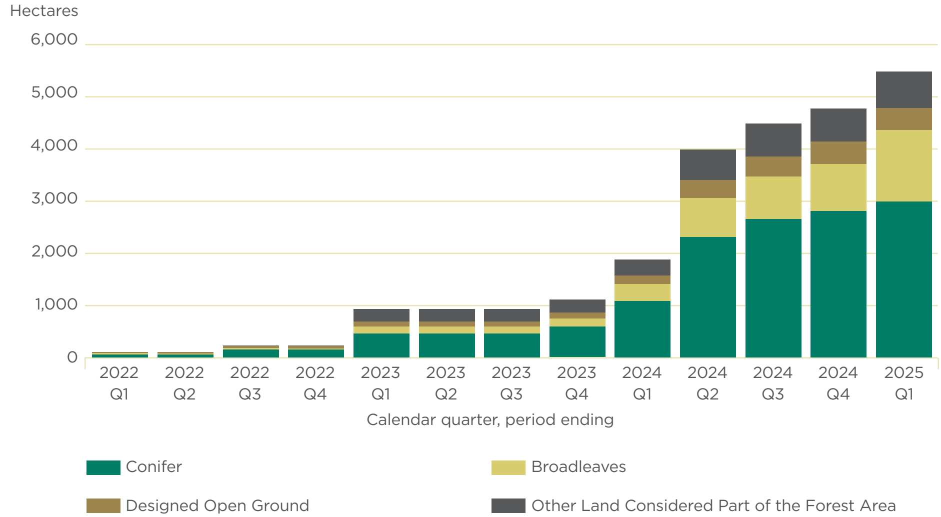
Planting Stage Afforestation

Total hectares (Forest Area)	At year end 30 September 2023	At time of writing report 17 November 2023
Development Stage Afforestation	4,446	4,226
Planting Stage Afforestation	93	373
Establishment Stage Afforestation	937	937
Total	**5,476**	**5,536**

It is anticipated that approximately 19 sites covering 2,700 hectares of Forest Area will have completed the Development and Planting Stages and entered the Establishment Stage by the next valuation cycle, with the vast majority of the balance of Development Stage and Planting Stage Afforestation entering the Establishment Stage either in April/ early May 2024 or in the subsequent planting season between November 2024 and May 2025.

An afforestation progress to date and development outlook summary is provided below.

Afforestation timeline



1. This is the grant funded area in Scotland.

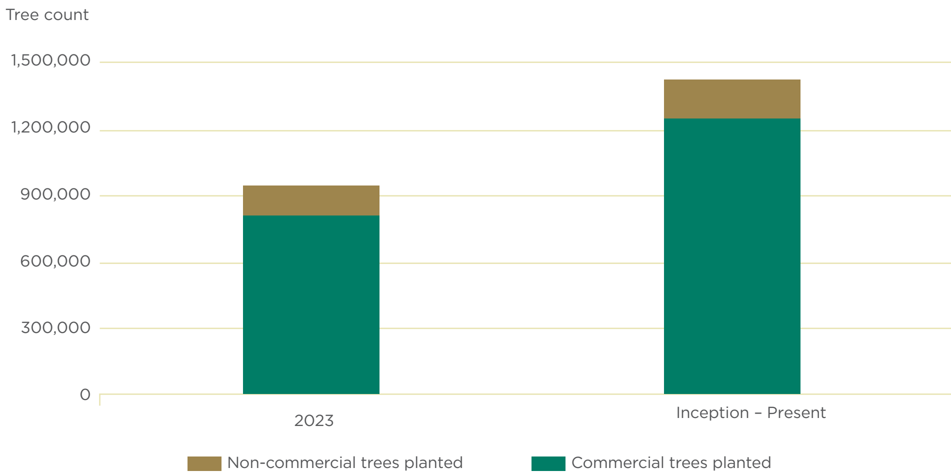
OPERATIONAL REVIEW CONTINUED

Establishment Stage Afforestation

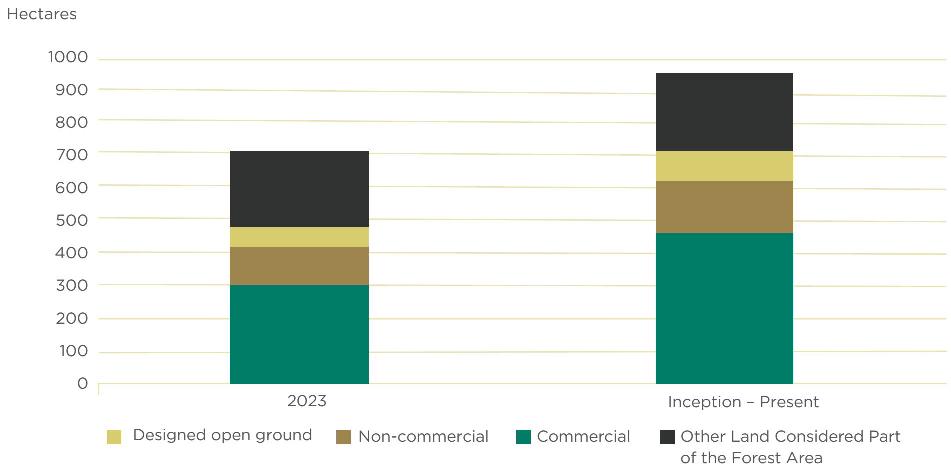
Overall, FSF has planted six woodland creation schemes since IPO. All six planted schemes continue to establish well. A breakdown of FSF's Establishment Stage Afforestation assets can be found below:

	Newly planted Establishment Stage Afforestation (1 October 2022 – 30 September 2023)	Total Establishment Stage Afforestation
Properties (number)	4	6
Total Establishment Stage Afforestation creation (hectares)	702	937
Commercially stocked afforestation (%)	44%	50%
Non-commercially stocked afforestation (%)	15%	14%
Designed open ground (%) and other land considered part of the forest area	41%	36%
Number of carbon credits awaiting validation (exclusive of 20% buffer)	107,592	143,707
Anticipated tonnes of sustainable timber to be produced from the first rotation	190,500	283,150

Trees planted



Planting breakdown across afforestation to date



CASE STUDY

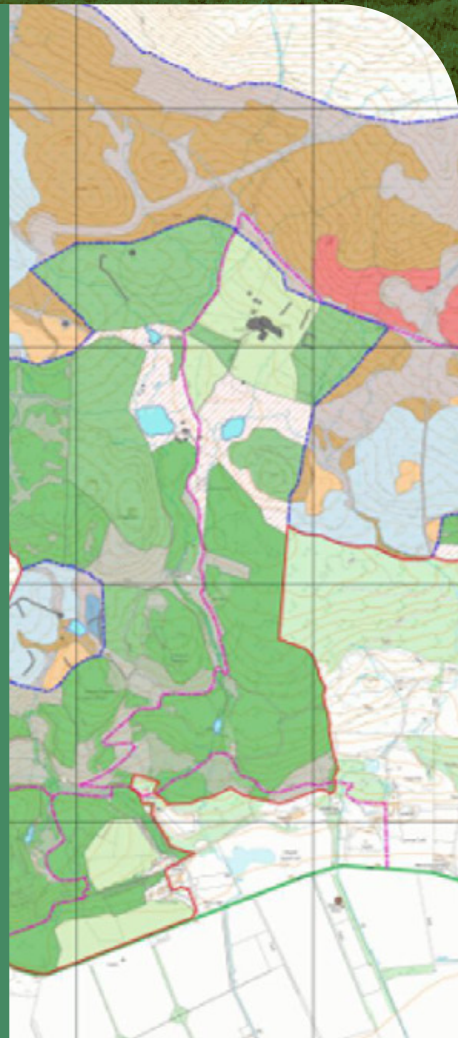
UPPER BARR AFFORESTATION SITE

Location	Dumfries & Galloway, Scotland
Size	344 hectares
Land designated for afforestation	151.7 hectares
Date of acquisition	March 2022

1. **Afforestation scheme planning (summer 2022)**
   Surveys were undertaken and the scheme was drawn up by Scottish Woodlands, the appointed Forest Manager ("**FM**"), with asset and portfolio management oversight from EJD Forestry and Foresight's portfolio management team respectively.
2. **Community consultation**
   The community has been at the heart of this development process and several key initiatives were presented to a variety of community groups for feedback.
3. **Planning approval**
   Planning approval and a woodland creation grant contract were obtained.
4. **Planting scheme (completed March 2023)**

Tree species type	Native broadleaves, mixed conifers (Sitka Spruce, Norway Spruce, Noble Fir, Pacific Silver Fir, Scots Pine)
Total trees planted	288,299
Gross area planted	151.7 hectares
Jobs provided	1,460 hours (0.5 FTE)

5. **Establishment Stage Afforestation (ongoing)**
   Employment continued throughout the summer, bringing the total hours worked for the year to 2,070 hours or 0.99 FTE. There have been no issues with the establishment of the crops and minimal tree loss is anticipated.
6. **Valuation (March 2023 valuation)**
   Recognition of the successful planting at the property delivered an 83% valuation uplift to the acquisition price paid for the property.
7. **Carbon credits (ongoing)**
   Upper Barr has been registered with the Woodland Carbon Code and is due to benefit from carbon credits associated with the sequestration achieved by the new planting. A total of c.40,000 Pending Issuance Units are expected to be registered following a confirmatory inspection by the Soil Association.
8. **Environmental and community benefits (ongoing)**
   FSF has made an agreement with the Upper Urr Environmental Trust to develop a volunteer-led woodland planting and habitat restoration project (more information on page 16).
9. Working with the Eden Project, FSF was able to host a wildflower seed collection day with members of the local community and school that focused on harvesting and protecting the local seed source. The seeds that were collected have been transferred to the Eden Project's seed bank and are now available for dispersion to create further areas of wildflower meadow at both Upper Barr and potentially other properties within FSF's portfolio.

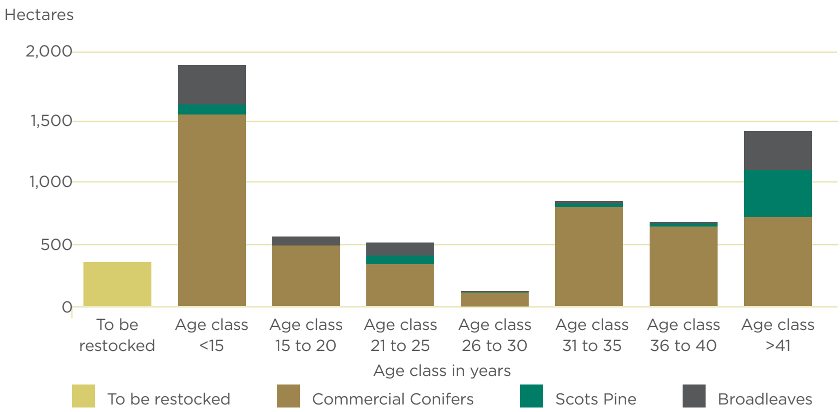


OPERATIONAL REVIEW CONTINUED

Established forestry

FSF has designed a portfolio that should supply a steady stream of potential harvesting over the coming years. The table below gives an overview of the quantity of standing timber in each category within the FSF portfolio. Where gaps are present, FSF will, over time, look to infill and generate the ability to harvest to provide the Company with cash flow each year should it be required.

Age profile of existing forestry



The above chart excludes afforestation assets at any stage.

Harvesting overview

There has been ongoing harvesting at five sites during the year. Largely, these harvesting operations have focused on either continued clear up of windblow or addressing Statutory Plant Health Notifications ("**SPHNs**"). An SPHN is issued by either the Forestry Commission, Scottish Forestry or Natural Resources Wales where infected plants have been identified. In the cases seen within the FSF portfolio, these are Larch crops at low volumes and this is not considered by the Investment Manager to represent a material issue for the Company or to be out of keeping with standard woodland management practice in UK forestry. Income is still generated by this harvesting. During the year a total of 17,000 tonnes of timber was harvested generating net income of £750,000.

Harvesting strategy (short term)

Timber prices are yet to recover from the softening seen towards the end of 2022 and the harvesting plan has been adjusted accordingly. Harvesting is being included in the short-term programme where it results in NAV accretion or there is a good silvicultural reason to pursue the harvesting. It is not currently the intention to harvest all the available timber within the portfolio. The Investment Manager will continue to monitor prices closely, commencing harvesting activities at the optimal time giving consideration to timber market conditions and Company cash revenue requirements.

Across all planned harvesting activities expected in the next 12 months, a total of 118,000 tonnes are anticipated to be harvested.

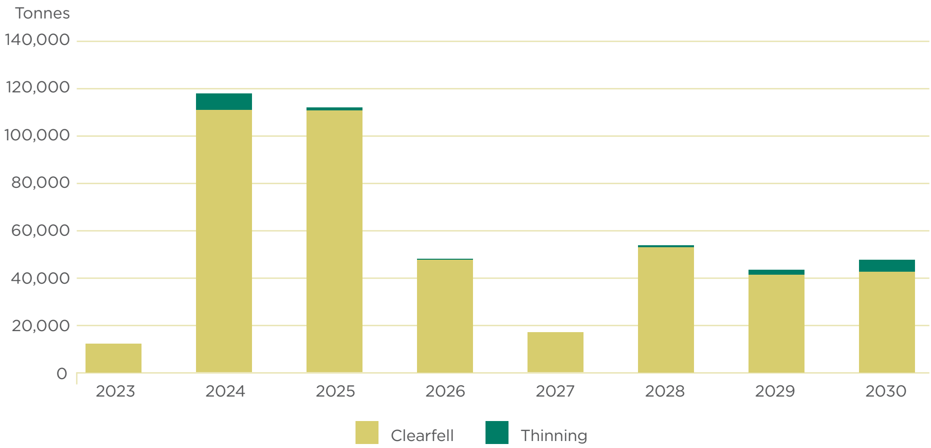
1. Includes only costs associated with harvesting. Does not account for additional management costs.

OPERATIONAL REVIEW CONTINUED

Harvesting plan (long term)

In addition to the short-term view, FSF has reviewed the long-term harvesting plan. Harvesting does not need to be undertaken immediately and can be delayed. Making use of the additional biological growth, it is useful to forecast what timber will be available over the coming years. The chart below is illustrative only and is subject to variation depending on the Company's strategy and requirements.

Harvesting forecast



Upside opportunities

A number of upside opportunities continue to be developed across the portfolio.

Knock Fell – Peatland restoration with the potential to create up to 20,000 peatland carbon credits.

Drumelzie – Full planning application for a three turbine wind farm development has been submitted by a developer for this site. Negotiations regarding felling requirements are ongoing.

Fordie Estate – A glamping project continues to be developed. This would see eight glamping pods being constructed at Fordie in 2024.

- Re-negotiation of the existing hydro scheme onto a much improved tariff of £485/MWh for exported electricity, good through until April 2025.
- Plans to increase water retention on the hill ground through re-wetting projects outside the woodland creation scheme. Improving habitats for several key bird species and also improving consistency of supply to the hydro scheme.

Forest Stewardship Council ("FSC") and Programme for the Endorsement of Forest Certification ("PEFC")

As at 30 September 2023, FSF has maintained compliance with its Prospectus commitment to dual certify all forests within 12 months of either acquisition or planting completion.

	Number of projects	As a %
Projects certified	34	50%
Projects requiring certification	5	7%
Projects yet to require certification	29	43%

The importance of obtaining the correct certification for timber ahead of selling continues to increase. The largest sawmilling companies are placing ever-more stringent restrictions on uncertified timber. Specifically, James Jones have recently announced that they will only process dual certified timber. Therefore, there continues to be a premium associated with certified timber.

Quality and Environment Management Systems

ISO 9001 sets the requirements for a company's Quality Management System ("**QMS**") and ISO 14001 is the equivalent standard for an Environmental Management System ("**EMS**"). To date a review has been completed in relation to the two ISO standards to assess the current level of accreditation across the companies of the portfolio, where gaps in this exist and where the standards should be implemented.

FSF's focus at present is on its suppliers to attain ISO accreditation to provide an initial layer of ISO accreditation. further details will be provided in the Company's 2023 S&ESG report.

OPERATIONAL REVIEW CONTINUED

Biodiversity

A biodiversity monitoring tool called Biodiversity HAB-CON Alpha has been developed by experienced ecology consultants in collaboration with the Investment Manager. This tool is based on the UK Habitat Classification System and condition assessment and has the following notable key features:

Biodiversity value is ascribed to the transitional habitats that both commercial softwood conifer forests and long-term broadleaf woodland provide during the cyclical forest process (i.e. trees grow in establishment stage, canopy closure occurs, natural/planned thinning occurs, trees are harvested or naturally perish, trees are re-stocked or naturally re-generate).

Time frames have been extended from 30-years to 60-years to recognise the long-term nature of forestry management and enable managed woodlands additional time to reach target condition (e.g. moderate or good condition).

Biodiversity HAB-CON Alpha is being pilot-tested across six FSF pilot sites. After the pilot phase, the measurement and monitoring tool will be rolled out over thirty FSF properties as part of the next stage. FSF is seeking to deliver an overall biodiversity uplift across the portfolio, using the tool to monitor the environmental status of the Company's assets and drive nature positive management decisions within the portfolio in the future.

More information on this will be included in the Company's 2023 S&ESG report.

Health and safety

Health and safety ("**H&S**") is a focus for the Company's Board and the Investment Manager's portfolio management team. The target of the portfolio management team is to position FSF as a market leader for forestry H&S best practices. Regular reporting on notifiable incidents is provided to the Company's Directors to ensure Board oversight on H&S matters.

Health and safety event	Number during the period
Reporting of Injuries, Diseases and Dangerous Occurrences Regulations ("**RIDDOR**")	0
Near miss events	7

RIDDOR events are serious and must be reported to the Health and Safety Executive, which is administered by the UK Government. The Company is pleased to report that no RIDDORs occurred during the period.

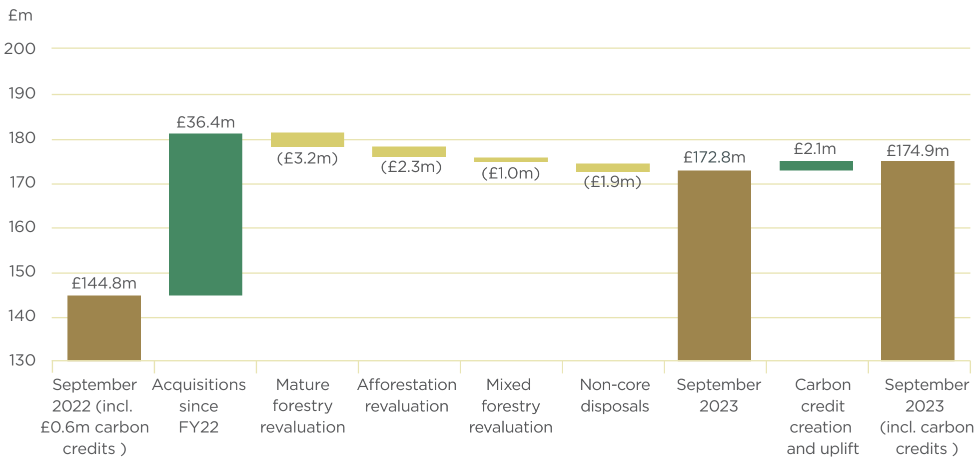
"Near miss" events are categorised as all H&S incidents that are not reportable under the RIDDOR framework. There were only seven events throughout the year, which is considered low. Near miss reporting is embedded in day-to-day forest management and the portfolio management team continually reviews measures that can further improve the quality of reporting. For the period these include:

- Deploying lone working devices throughout the portfolio to prevent individuals from becoming stranded and out of communication should an accident occur.
- Requiring Forest Managers to produce hazard maps for each site that they manage giving an overview of all the known key identifiable hazards. The established protocol is that these are provided to all contractors ahead of the pre-commencement meeting and also posted on the entrances to each site for members of the public accessing the site to view. In addition to this, where the risk associated with each hazard can be mitigated, this will be explored.
- Re-engaging H&S experts to conduct a third annual review of operational H&S practices within the portfolio.

OPERATIONAL REVIEW CONTINUED

Portfolio valuation

Valuation bridge



As at 30 September 2023, the forestry portfolio, excluding additional carbon credits held through SPVs as described on page 47, was valued at £172.2 million. Since 30 September 2022, 18 assets valued at £38.4 million (inclusive of tax and transaction costs) were acquired and the property revaluation in the portfolio delivered a gain of £2.7 million, representing a weighted average (across the three investment categories) valuation loss of 5.8%.

Afforestation properties observed unrealised losses of £2.3 million, representing a 7.5% decrease in that category, despite observing mark-to-market gains and recognition of the successful completion of planting at four properties (Auchensoul, Redding Farm, Upper Barr and Frongoch). Forestry properties observed unrealised losses of £3.2 million, representing a 4.8% decrease in that category. Mixed afforestation and forestry properties delivered unrealised losses of £1.0 million, representing a 4.9% decrease in that category.

During the year to 30 September 2023, four afforestation schemes completed planting and FSF has recognised an additional £2.1 million of value ascribed to the creation of carbon credits, bringing the overall portfolio value to £2.7 million. This estimate takes into consideration the verifier's 20% buffer to ensure that the number of units offset or traded is conservative versus the amount of carbon that will be sequestered. The four properties are estimated to create c.108,000 voluntary carbon credits (net of the 20% buffer) and are part of a wider afforestation programme that is expected to see the creation of 1.0-1.2 million voluntary carbon credits in total from the current portfolio. The methodology and treatment of the additional value added at 30 September 2023 has remained consistent with the audited financial statements as at 30 September 2022. The unit pricing of voluntary carbon has increased from £17.50 at 30 September 2022 to £19.00 at 30 September 2023.

Redding Farm
Scotland

OPERATIONAL REVIEW CONTINUED

Portfolio valuation methodology

Savills Advisory Services Limited ("**Savills**") was engaged by the Company to provide a fair value valuation of the portfolio in accordance with the Royal Institution of Chartered Surveyors ("**RICS**") Valuation – Global Standards July 2017 (the "**Red Book**").

The Red Book valuation falls within the International Financial Reporting Standards ("**IFRS**"), 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 a property-by-property basis and are completed semi-annually.

The fair value assessment of the properties has been completed by Savills on a comparable basis by looking at transactions of similar properties. Development Stage and Planting Stage Afforestation property comparables include the rights to future potential voluntary carbon credit creation. Establishment Stage Afforestation and Established Forest property comparables exclude any value ascribed to any associated voluntary carbon credits that have been created.

In addition to the fair value, the Red Book methodology considers a number of additional factors impacting the valuation. A reasonable view of the potential for afforestation properties' value uplift over time is considered rather than valuing the land in its current state. Savills also considers the stage of each property within the forestry grant application process and may make reassessments as to the value of properties when a new developmental milestone occurs. Additionally, as the properties under ownership are located across the UK (Scotland, Northern England and Wales), the external valuer accounts for the potential differences in market interest and demand at the different locations.

The value associated with the carbon credits attached with the Establishment Stage Afforestation properties is excluded from the RICS Red Book valuation of these properties. Value recognition for carbon credits is ascribed separately using the Investment Manager's assessment based on a range of recent comparable voluntary carbon credit transactions that occurred in the period and observed by leading third-party carbon credit consultants and brokers. When establishing the value of carbon credits, a 25% risk discount is applied to the average observed unit price of a validated carbon credit. The risk discount accounts for the Woodland Carbon Code validation process not having fully completed.

Redding Farm
Scotland

SUSTAINABILITY AND ESG

Sustainability and strong governance are fundamental to FSF's business model, as captured in the Company's three key Sustainability and ESG objectives

Key objective 1: timber supply

To deliver and increase the supply of home-grown UK timber to reduce the country's reliance on imports.

Key objective 2: sustainable returns

To do so in a way that combines sustainable financial returns with carbon sequestration, biodiversity protection and other positive environmental and social impacts.

Key objective 3: progressive industry leadership

To be a sustainability leader in the UK forestry industry whilst delivering both traditional commercial timber products and innovative natural capital services.

2023 highlights

12,545
Total hectarage of portfolio (inc. forests and open ground)

27
Schoolchildren from Carreg Hirfaen School to play a part in the planting at Frongoch

Expansion of the Forestry Skills Training Programme to Scotland, with
10
placements awarded across Scotland and Wales

First
publication of the Company's dedicated S&ESG Report[1]

£2.1 million
Additional value ascribed towards creation of carbon credits with 143,707 PIUs held on balance (as at 30 September 2023)

35,081 tCO_2e
Sequestered

1. Available on the Company website: https://media.umbraco.io/foresight/ar0gzg2h/sustainability-and-esg-report-2022.pdf

Sustainable Development Goals impact reporting

FSF's vision and management of its assets, with a focus on its key S&ESG objectives, are closely aligned with five of the UN Sustainable Development Goals ("**SDGs**"). The SDGs represent a key consideration of the Company's investment activities and, in the following pages, we demonstrate the progress made by the Company in each of these core areas for the period 1 October 2022 to 30 September 2023.

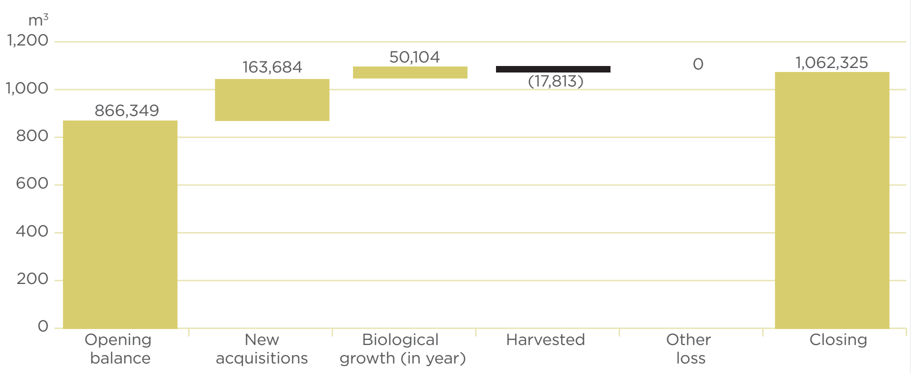

Frongoch
Wales

SUSTAINABILITY AND ESG CONTINUED

Timber supply chain

UN SDG 12 (Responsible Consumption and Production) is most closely aligned with FSF's Key S&ESG Objective 1 (Timber Supply). There is also strong overlap with Objective 2 (Sustainable Returns) and Objective 3 (Progressive Industry Leadership). Timber in the UK is used in a variety of ways; from a construction material as an alternative to concrete and steel, through to biomass to produce renewable power and heat. FSF's timber plays a role in meeting these demands.

Goal	SDG target	Contribution
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	**12.2** Achieve the sustainable management and efficient use of natural resources.	**Number of m³** of sustainably grown, standing timber. **Percentage** of commercial forestry projects that are **dual certified** within 12 months of acquisition.



1,062,325 m³
of standing commercial timber

100%
existing forestry dual FSC and PEFC certified, in line with commitment to dual certify within 12 months

1. Office for National Statistics, woodland natural capital accounts, UK 2020.

Note: 1m³ of standing timber on average equates to 0.81 green tonnes of softwood

Environmental impact

Pollutant removal

UN SDG 3 (Good Health and Wellbeing) is most closely aligned with FSF's Key S&ESG Objective 2 (Sustainable Returns), specifically the delivery of "other positive environmental and social impacts". Aside from sequestering carbon, our trees help to actively remove pollutants from the air.

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: NO_2 (Nitrous Oxide), SO_2 (Sulphur Dioxide), PM10 (µm10 Particulate Matter), PM2.5 (µm2.5 Particulate Matter), Ground-level Ozone, NH_3 (Ammonia).

366.3 tonnes
of Ground-level Ozone

25.5 tonnes
of PM10 (µm10 Particulate Matter)

16.3 tonnes
of NH_3 (Ammonia)

11.7 tonnes
of SO_2 (Sulphur Dioxide)

21.6 tonnes
of PM2.5 (µm2.5 Particulate Matter)

5.2 tonnes
of NO_2 (Nitrous Oxide)

446.6 tonnes
of pollutants removed from the atmosphere

SUSTAINABILITY AND ESG CONTINUED

Environmental impact continued

Sustainably managed watercourses

UN SDG 6 (Clean Water and Sanitation), specifically the delivery of "biodiversity protection and other positive environmental and social impacts", is most closely aligned with FSF's Key S&ESG Objective 2 (Sustainable Returns). Greater focus is being placed on the interconnectedness of our ecosystems. Watercourses and peatlands within and around FSF's portfolio provide habitats for wildlife and support biodiversity and drainage.

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.**

349[1]
kilometres of sustainably managed watercourses

Carbon sequestration

UN SDG 13 (Climate Action) is most closely aligned with FSF's Key S&ESG Objective 2 (Sustainable Returns), specifically the delivery of "carbon sequestration". As FSF's operations grow, the overall benefit here is twofold: carbon sequestration is increased and simultaneously timber production is increased.

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.

35,081 tCO_2e
arboreal sequestration achieved over the reporting period within the portfolio

2.80 tCO_2e/ha
average arboreal sequestration per gross hectare

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

1. 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.

SUSTAINABILITY AND ESG CONTINUED

Natural capital services

Biodiversity

UN SDG 15 (Life on Land), specifically the delivery of "biodiversity protection", is most closely aligned with FSF's Key S&ESG Objective 2 (Sustainable Returns). As a natural capital fund, we believe that, when managed responsibly, forestry and afforestation can provide a wide-ranging flow of ecosystem services which are valuable to society in which biodiversity plays a vital role.

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 substantially 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.** • **Number of hectares that are SSSI[1]/SAC[2].**

Key:
- Hectares of commercial forestry
- Hectares of Designation (SSSI/SAC)
- Hectares of broadleaf
- Hectares of open ground

12,545 ha
total hectarage of portfolio (inc. forests and open ground)

7,884 ha
of open ground and land awaiting approval for afforestation

769 ha
of which is SSSI[1]/SAC[2]

3,819 ha
of which is sustainably managed commercial forest (excludes open ground)

843 ha
of which is long-term, mixed broadleaf woodland (excludes open ground)

Carbon credits

Carbon credits generated:	
PIUs awaiting validation held on balance	143,707
PIUs held on balance	–
PIUs sold	–
PIUs pipeline	897,427
WCUs held on balance	–
WCUs sold	–
Total carbon credits held on balance	143,707
Total carbon credits sold	–

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

CASE STUDY

SKILLS TRAINING

One of the major issues that faces rural communities throughout the UK is a shortage of skills. There are fewer individuals with the necessary skills to undertake a variety of roles. The Forestry Skills Training Programme, sponsored by FSF and administered by Tilhill, aims at redressing the balance of skills within the community.

In May of this year, FSF announced that following the success of the pilot of the Forestry Skills Training Programme launched in 2022, it will repeat and significantly expand the initiative for 2023.

Richard Kelly, Co-lead Manager of FSF, with three of the four successful FSF Forestry Skills Training Programme graduates at a community tree planting day at Frongoch, Wales, in March 2023

The skills training programme

Fully funded three-week programme that provides candidates with the skills and equipment needed to commence a career in forestry. The programme focuses on three key areas:

- Forestry skills training
- Mentoring
- Provision of health and safety equipment

Scope of programme

	Scope of programme in 2022	**Scope of programme in 2023**
Geographic area covered	Wales	Scotland and Wales
Number of candidates	4	10
Number of candidates going onto receive paid forestry work at an FSF afforestation property	4	TBC

Outcome

FSF has closely followed candidates from the pilot and has been proud of the positive professional and personal impact that has had on the individuals involved.

TCFD AND EMISSIONS REPORTING

TCFD

The Company's 2022 S&ESG report, published in April 2023[1], provides a comprehensive response to all 11 of the TCFD recommended disclosures and can be found on the Company's website. For the period to 30 September 2023, the Company will be publishing its 2023 report in the new year. However, for the year ended 30 September 2023, the below reports on the Company's emissions profile, using Scope 1, 2 and 3 emissions data and the TCFD Core Metrics, calculated in accordance with the TCFD recommended methodologies[2].

Scope 1 emissions	**349.8 tCO_2e**
Scope 2 emissions	**0 tCO_2e**
Scope 3 emissions	**863.5 tCO_2e**

Weighted average carbon intensity (tCO_2e/£m revenue)

Portfolio's exposure to carbon-intensive assets, expressed in tonnes CO_2e/£m revenue.

149.7

Total carbon emissions (tCO_2e)

The absolute greenhouse gas emissions associated with the portfolio, expressed in tonnes CO_2e.

349.8

Carbon footprint (tCO_2e/£m invested)

Total carbon emissions for a portfolio normalised by the market value of the portfolio, expressed in tonnes CO_2e/£m invested

2.0

Carbon intensity (tCO_2e/£m revenue)

Volume of carbon emissions per million pounds of revenue (carbon efficiency of a portfolio), expressed in tonnes CO_2e/£m revenue

183.9

Exposure to carbon-related assets (%)

The amount or percentage of carbon-related assets in the portfolio, expressed in £m or percentage of the current portfolio value

0

Climate scenario analysis

As part of the Company's disclosures under TCFD, the S&ESG report[1] demonstrated the approach it has taken to conducting robust scenario analysis using S&P Global's Climanomics platform. This integrated not only physical and transition risks, but also climate-related opportunities, providing a single output reflecting the resilience of the portfolio under different climate futures. The Company does not intend to repeat this test for future years.

The Sustainable Finance Disclosure Regulation ("SFDR")

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 the sustainability credentials as published by funds and/or companies.

The Company is classified as an Article 9 fund, meeting the necessary disclosure requirements as stipulated in the Level 2 Regulatory Technical Standards under SFDR. FSF updated its pre-contractual and website disclosures, both of which can be found on the Company's website and are summarised below:

Sustainable investment objective of the Company

The Company's investment objective stipulates the targeted sustainable impact it aims to achieve through predominantly investment in sustainably managed forestry assets (including standing forests and afforestation assets).

FSF has a climate change mitigation objective, seeking to make a direct contribution in the fight against climate change through its forestry and afforestation carbon sequestration initiatives.

Performance of sustainability indicators

The indicators for the portfolio are reported in the SDG tables on pages 34 to 36.

SFDR RTS Website Disclosure, Annex III and Annex V

FSF's Annex III Pre-Contractual Disclosure, RTS Website Disclosure and Article V Periodic Disclosure are all available on the Company's website[1]. For the purposes of periodic disclosure updates, the Company will be aligning its reference period with its annual reporting period, namely 1 October to 30 September.

1. Available on the Company's website here: https://fsfc.foresightgroup.eu/shareholder-centre.
2. TCFD recommended methodologies for calculation of the Common Carbon Footprinting and Exposure Metrics https://www.fsb-tcfd.org/recommendations/

RISK AND RISK MANAGEMENT

FSF has a comprehensive risk management framework overseen by the Audit and Risk 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 41 to 45 of this report detail the risks that the Directors consider are the top ten risks to the Company.

Risk identification and monitoring

Risks are monitored by the Audit and Risk Committee, comprising the full Board, which is responsible for overseeing the current and potential risk exposures of the Company, with particular focus on the principal and emerging risks, being those with the greatest potential to influence Shareholders' economic decisions, and the controls in place to mitigate those risks.

The identification, assessment and management of risk are integral aspects of the Investment Manager's work in managing the portfolio on a day-to-day basis.

Mitigation actions have been developed with respect to each risk so as first to reduce the likelihood of such risk occurring and secondly to minimise the severity of its impact in the case that it does occur.

The risk register is reviewed and updated regularly by the Investment Manager and the Audit and Risk Committee as new risks emerge and existing risks change. The portfolio managers maintain strong relationships between counterparties, contractors, third-party asset managers and other stakeholders. This ensures effective management of potential risks.

The Audit and Risk Committee regularly seek 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 investment activities. The Committee will continue to evaluate and challenge the resilience of all key agents to the Company.

The Board undertook a robust assessment of the Company's emerging and principal risks during the year. More information can be found in the Governance section on page 54.

Emerging risks and risks relevant to the year under review

The following represent the most relevant emerging risks as viewed by the Board and the Investment Manager:

Changes in the macroeconomic environment

The UK economy has seen significant fluctuations in growth over the last two years, predominantly due to rising debt costs, high inflation and Russia's invasion of Ukraine. However, the Company is in a relatively strong position to withstand changes in the macroeconomic environment as it is invested in real assets, principally freeholds of UK land and forest stock. The forest stock enjoys biological growth regardless of occurrences in financial markets. UK freeholds, real assets and the value of commodities, such as timber, have a strong track record of good performance during periods of inflation and instability of equity markets. In the view of the Investment Manager, the continued global supply and demand imbalance in timber markets, which is accentuated in the UK as a net timber importer and during a period where GBP is weak versus EUR and USD, leaves the Company well positioned to deliver real-term value growth for Shareholders. Moreover, FSF is in a position to mitigate the impact of any intra-quarter or intra-year falls in timber prices by postponing parts of its harvesting programme, and allowing the trees to continue to grow until the underlying imbalance between supply and demand begins to be reflected in market prices again.

RISK AND RISK MANAGEMENT CONTINUED

Emerging risks and risks relevant to the year under review continued

Financing capital

In order to achieve its growth ambitions and to ensure the Company is able to take full advantage of the opportunities in its pipeline, additional financing will be required in the short to medium term. The Company's borrowing policy enables the Directors to use gearing for liquidity and working capital purposes, or to finance acquisition of investments subject to following a prudent approach and maintaining a conservative level of aggregate borrowings that will not exceed 30% of Gross Asset Value, calculated at the time of drawdown. The Company has a £30 million Revolving Credit Facility, that at the end of the period was partially drawn by £10.4 million. The equity levels of the Company are closely monitored by the Board and the Investment Manager on a regular basis. The Company continues to work closely with its broker and the Investment Manager's in-house Retail Sales team will conduct market research ahead of any future funding rounds to gauge demand from existing and new investors.

Timber market volatility

Timber prices can be volatile periodically. However, demand over the medium to long term has historically created real-term pricing growth. In the context of global under-supply and increasing demand, this reduces market risk for the sale of the Company's key products and revenue streams. Should timber prices be less attractive at the point of felling, the Investment Manager also has the option to delay felling, allowing trees to continue to grow and provide time for a recovery from short-term pricing volatility.

Community engagement

The development of afforestation assets in rural areas is sensitive for local residents and, if managed unsatisfactorily, could result in poor relationships developing between the Company and local communities. This in turn could impact both its ability to obtain the necessary planning consent for planting to commence and potentially the Company's reputation. The Investment Manager selectively commissions an independent community risk assessment and only pursues opportunities where the risk of not obtaining planning consent, including for reasons relating to objections raised by the local community, is assessed to be low.

Once afforestation properties are acquired, the Investment Manager runs a co-ordinated programme of community engagement and seeks to respond and, wherever possible, adapt the scheme design to meet concerns raised by community members. In addition, in the event that planting was unable to go ahead, the acquired land would still have inherent agricultural value. Therefore, whilst the return generated from this would be lower, an income stream would still be available to the Company. The Company is also working closely with industry bodies such as Confor and Timber Development UK to promote the merits of increased sustainable UK timber supply. For more information on the Company's community engagement initiatives, please see the community engagement case study on page 16.

Principal risk register

The Company is exposed to a number of risks that have the potential to materially affect the Company's valuation, reputation and financial or operational performance. The nature and levels of risk are identified according to the Company's investment objectives and existing policies, with the levels of risk tolerance ultimately defined by the Board.

The Company's risk register covers seven main areas of risk: financial, market, forestry, legal and regulatory, operational, economic and investment, although not all of these risks will fall into the top ten risk category.

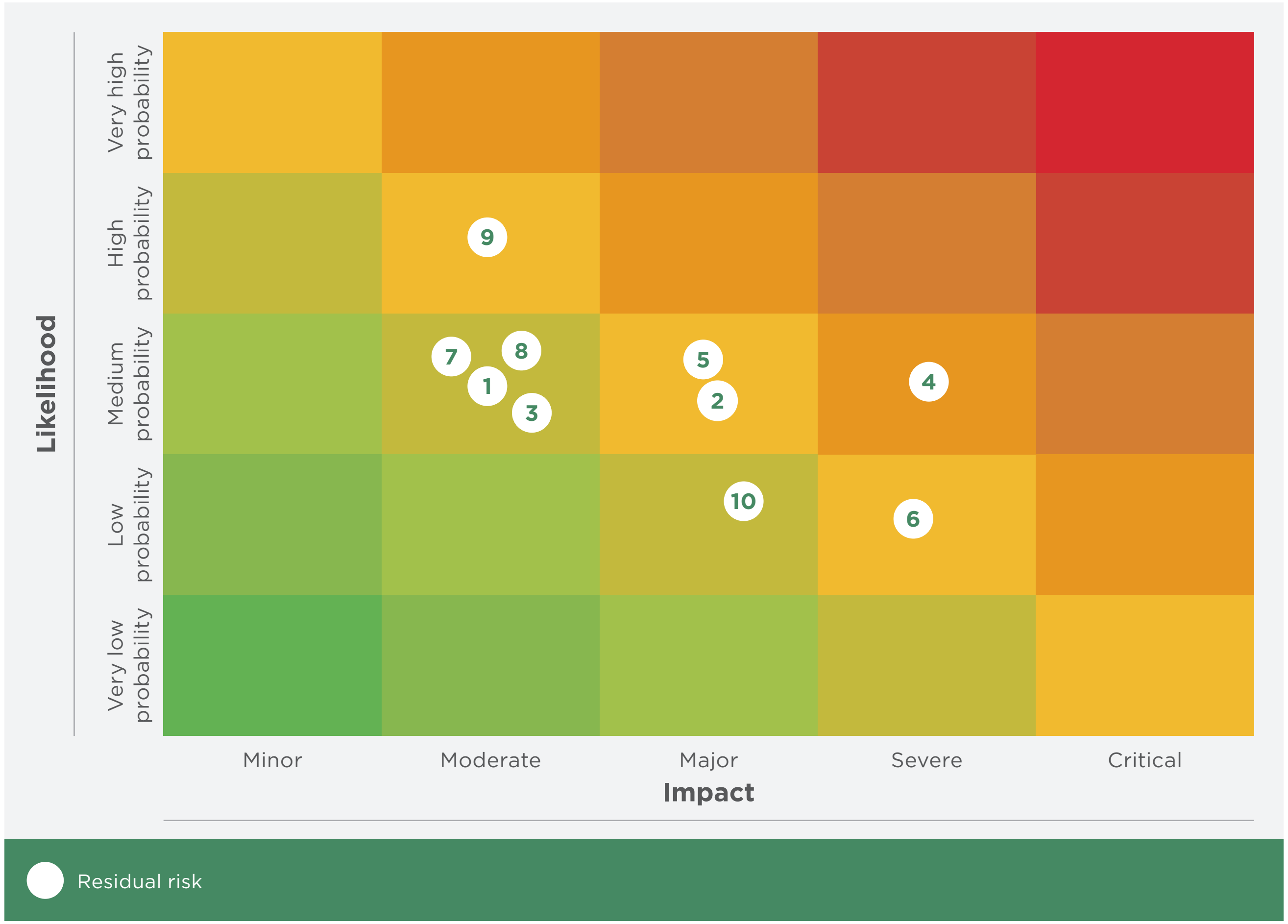
Forestry as an asset class has its own set of unique risks which are considered and managed by the Investment Manager's dedicated team and external advisers. After mitigations are taken into account, most of these risks have a low residual risk score and those that do not are covered in more detail in the top ten risks section of this report.

Climate-specific risks are also monitored by the Board and the Investment Manager and an extensive climate change scenario analysis has been undertaken. The Investment Manager uses the S&P Global Climanomics platform to undertake this work and their findings are included in the Company's most recent Sustainability and ESG Report. After mitigations are taken into account, physical climate risks have a low residual risk score while some transition risks feature in the Company's top ten risks.

The Company's top ten risks are summarised on pages 41 to 45, followed by a detailed discussion of the mitigating factors.

RISK AND RISK MANAGEMENT CONTINUED

This risk map shows our assessment of each area of principal risk after mitigation.



Economic risks

1 Interest rates
2 Inflation
3 Macroeconomic

Financial risks

4 Equity risk
5 Valuation

Market risks

6 Demand for carbon credits
7 Demand for timber
8 Cost to transition to lower emissions technology

Forestry risks

9 Reputational

Legal and regulatory

10 Government commitment to net zero

RISK AND RISK MANAGEMENT CONTINUED

Economic risks

1 Interest rates

Potential impact

The risk that there will be changes in the interest expense for debt, or interest received on deposits, as measured in the currency of that debt, due to movements in market interest rates. Higher interest rates could also effectively increase the risk-free rate and reduce the valuation of long-dated forestry assets. There is a risk that rising interest rates could result in a higher cost of debt than on the associated projects' return on equity, which would be NAV destructive over time.

Mitigation

- Manage the cost of borrowing potentially by borrowing using fixed rate instruments, and/or by overlaying interest rate derivatives against the Company's debt portfolio
- In considering whether to execute hedging transactions, the costs and benefits of hedging are to be balanced against the effects of movements in interest rates on the 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 FSF is comfortable taking

2 Inflation

Potential impact

The risk that inflation remains at persistently high levels and this increases future costs of developing and operating the portfolio. High inflation could also erode the valuation of the existing portfolio.

Mitigation

- Historically, over the long term, timber and forest asset values have been positively correlated to inflation. General recognition is for forestry as an asset class having inflationary protection characteristics, but it should be noted that there is no contracted link between inflation and timber or forest asset prices
- Agricultural land with afforestation potential is less sensitive to inflationary pressures, therefore the strategy of the Investment Manager is to increase the amount of afforestation investment within the portfolio

3 Macroeconomic

Potential impact

Changes in economic, technological, political or regulatory environment and market sentiment can impact the returns expected from the assets in the Company's portfolio.

Mitigation

- 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

RISK AND RISK MANAGEMENT CONTINUED

Financial risks

4 Equity risk

Potential impact

The risk that the Company is unable to access sufficient funding to complete its operations.

Mitigation

- The Company's broker will conduct market research ahead of any future funding rounds to gauge demand from existing and new investors
- The Investment Manager and the Board have set budgets such that a working capital buffer is held. The budgets include forecasts of timber and grant income streams that are expected in the next 18 months
- The Company can recycle capital through the sale of non-core assets and could also decide to exit one or multiple forestry assets
- In periods where the discount opens up, the Board has the option to consider share buybacks

5 Valuation

Potential impact

The risk that valuations are prepared incorrectly by either the Investment Manager or the valuer, leading to a publicly stated NAV that is not representative of the value of the portfolio. There is a risk that there are an insufficient number of comparable transactions used to inform the RICS Red Book valuation which is less representative of FSF's actual value. This could reduce investor confidence in the Company and could result in investors selling FSF's shares.

Mitigation

- The Company has appointed an independent forestry valuation specialist, Savills, to value the portfolio. Savills are highly experienced in forestry valuations and valued over £1 billion of UK forestry assets in 2021. Savills will use the RICS Red Book valuation approach to ensure valuations are conducted using a consistent and well-recognised methodology
- The Savills valuation agreement leaves it as a contractor with a liability exposure of c.4% of the valuation figure and FSF would have recourse up to that amount in the event of manifest error
- If the Company was concerned about the Red Book valuation it could seek to pursue one or a number of exits above holding value, providing additional actual transactional evidence, to provide confidence to investors

RISK AND RISK MANAGEMENT CONTINUED

Market risks

6 Demand for carbon credits

Potential impact

The risk that demand or volume leads to a reduction in demand from the users of carbon credits that negatively impacts profitability.

Mitigation

- As outlined in the Prospectus, the demand for carbon credits 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
- The Investment Manager is part of the working/consultation groups for the Woodland Carbon Code (carbon credits body/verifier in the UK) and the LSE Voluntary Carbon Markets delivery group, with the goal of ensuring continued additionality of carbon credits and an orderly functioning market for trade of carbon credits

7 Demand for timber

Potential impact

The risk that a reduction in demand from the purchasers of timber would negatively impact the Company's profitability.

Mitigation

- 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 (land and crop value). Timber prices can be volatile on an intra-month, intra-quarter and sometimes intra-year basis. However, demand over the medium to long term has historically created real terms pricing growth over the medium to long term and in the context of global under-supply and increasing demand this risk is reduced if a medium to long-term investment view is applied
- The Investment Manager has set a long-term five-year rolling average returns target for the Company in order to deter investors from a short-term investing approach
- Due to no regular dividend yield commitments to Shareholders, the Investment Manager will be able to postpone harvesting programmes during periods of short-term timber pricing volatility

8 Cost to transition to lower emissions technology

Potential impact

The risk that timber sawmills/processors could face increased energy supply costs e.g. if biomass energy is phased out, or if the supply chain have increased costs with mitigating their GHG emissions. Costs could be passed onto FSF, in the form of lower prices paid for FSF's timber and in higher prices charged for downstream timber products leading to reduced timber demand.

Mitigation

- FSF is in a strong position where its product has a very low carbon intensity and a long time horizon (notably only processing and delivery costs with product going to mills approximately every 40 years)
- Downstream wood processors in Europe and North America (where the UK sources most of its imported wood from) likely to follow a similar energy transition pathway; risk is reduced while FSF keeps in step with its peer group
- FSF is proactively participating with the UK wood processing industry to engage and consult with the UK Government on policies and incentive schemes. FSF is a member of Timber Development UK, of which FSF Non-Executive Director Christopher Sutton is Chairman
- Timber products are low carbon and renewable materials versus the alternatives for the same use. If wood processors are under pressure to decarbonise then so will the producers of the alternative materials available. Overall, the demand for and value of timber is likely to increase as its sustainability credentials become increasingly valued versus the alternatives

RISK AND RISK MANAGEMENT CONTINUED

Forestry risks

9 Reputational

Potential impact

The risk that there is resistance to change of land use from the public generating negative PR.

Negative press and media coverage could negatively impact investor sentiment, ultimately impacting the ability to raise more capital.

Mitigation

- During the due diligence phase of afforestation investments, the Investment Manager commissions an independent community risk assessment. This 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 a Forestry Skills Training Programme that directly enables rural farming communities to adapt to afforestation related land use change, by providing local community members with the skills, training, qualifications, mentoring and safety equipment required to commence in the work and jobs created by the Company's afforestation schemes. More information can be found on page 37
- 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
- The Company pursues community engagement plans and conducts in-person community days to enable the local community to engage with and express their views about FSF's afforestation development plans

Legal and regulatory

10 Government commitment to net zero

Potential impact

The risk that the UK Government changes its net zero strategy, leading to less support for sustainable forestry and climate action; timber regulation changes in favour of only broadleaf afforestation schemes to achieve net zero action; fewer grants; commercial timber falling out of favour; WCC changing the Carbon Credit Policy; and convoluted policy developments.

Mitigation

- Considered unlikely given the level of consensus and commitment to achieve UK net zero by 2050
- Per hectare, planting commercial conifers makes approximately three times the climate contribution versus planting broadleaves; this is due to the much faster biological growth rate of conifers and to carbon remaining locked up in timber-based products for decades in wood products
- Proactive engagement with the market around this point, continuing to educate around the dual benefits of sustainable forestry to tackle climate change and biodiversity loss; in particular, the argument against broadleaf afforestation sites and monoculture risks
- Changes to planting strategy would be considered if grants are no longer available and action taken if necessary

FINANCIAL REVIEW

Analysis of financial results

The financial statements of the Company for the year ended 30 September 2023 are set out on pages 88 to 106.

The Company prepared the audited financial statements for the year to 30 September 2023 in accordance with the UK adopted International Accounting Standards as applicable to companies reporting under those standards. The Company applies IFRS 10 and 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 balances, the working capital balances and borrowings in the intermediate holding companies and project companies are presented as part of the Company's fair value of investments.

The Company, its subsidiaries FSFC Holdings Limited and FSFC Holdings 2 Limited (together the "**Group**"), hold investments in 68 portfolio properties held within five special purpose vehicles 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 on pages 92 to 106.

Key financial metrics for the year ended 30 September 2023

All amounts presented in £million (except as noted)	**As at 30 September 2023**	As at 30 September 2022
Gross Asset Value ("**GAV**")[1]	**179.6**	180.6
Market capitalisation	**140.2**	182.4
Net Asset Value ("**NAV**")[2]	**169.2**	180.6
NAV per share (pence)	**98.4**	105.0
Total return on investment	**(8.7)**	11.0
Profit/(loss) before tax	**(11.3)**	8.8
Earnings/(losses) per share (pence)	**(6.6)**	6.2

1. Calculated as the sum of the NAV and total outstanding debt on page 47.
2. Total equity as per the statement of financial position on page 89.

FINANCIAL REVIEW CONTINUED

Net assets

Net assets decreased 6.3% from £180.6 million at 30 September 2022 to £169.2 million at 30 September 2023.

The net assets of £169.2 million comprise £172.2 million of forestry and afforestation assets, with an additional £2.7 million carbon credit valuation and cash balances of £1.2 million in the Company and £2.7 million in the project companies. Offset by the drawn Revolving Credit Facility ("**RCF**") balance of £10.4 million, £2.0 million of other assets in the Company and £1.2 million of other liabilities in the project companies.

At 30 September 2023, £10.4 million of the Group's £30 million RCF had been drawn. The GAV is equal to the sum of the NAV of £169.2 million and the outstanding debt of £10.4 million as described in the alternative measures table on page 50. The GAV as at 30 September 2023 was £179.6 million.

Analysis of the Group's net assets at 30 September 2023

All amounts presented in £million (except as noted)	**As at 30 September 2023**	As at 30 September 2022
Red Book valuation[1]	**172.2**	144.2
Carbon credits valuation[2]	**2.7**	0.6
Portfolio value	**174.9**	144.8
Project companies' cash	**2.7**	2.0
Project companies' other net liabilities	**(1.2)**	(0.5)
Revolving Credit Facility	**(10.4)**	–
Investments at fair value through profit or loss	**166.0**	146.3
Company's cash	**1.2**	34.3
Company's other net assets	**2.0**	–
Net Asset Value	**169.2**	180.6
Number of shares	**172,056,075**	172,056,075
Net Asset Value per share (pence)	**98.4**	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.

Third-party debt arrangements and gearing position

As at 30 September 2023, the Company had used £10.4 million of its RCF with £19.6 million remaining undrawn. The total outstanding £10.4 million RCF balance represented 5.8% of GAV (30 September 2022: 0%).

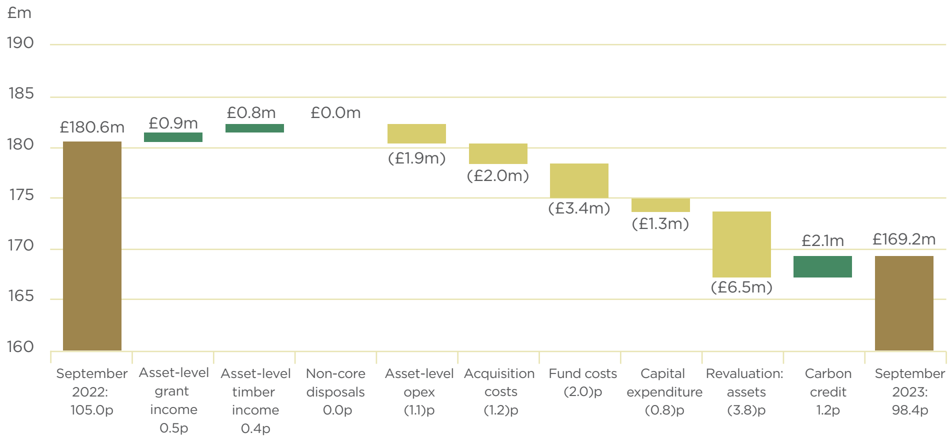
Details of the debt arrangements:

Borrower	Provider	Facility type	Outstanding	Maturity	Applicable rate[1]
FSFC Holdings 2	Clydesdale Bank PLC	Revolving credit	£10.40m	July 2025	SONIA + (2.00%-2.20%)

1. The margin varies depending on the completion of defined S&ESG targets linked to the facility. In the first year of the facility these targets were met, and the Company achieved a margin of 2.00%.

NAV bridge

NAV bridge from 30 September 2022 to 30 September 2023



FINANCIAL REVIEW CONTINUED

Net Asset Value bridge continued

The Net Asset Value at 30 September 2023 was £169.2 million, compared to £180.6 million at 30 September 2022. The decrease of £11.4 million is the net impact of a reduction of the fair value of the existing afforestation and forestry assets by £6.5 million, acquisition costs of £2.0 million, fund operational expenditure of £3.4 million, asset-level operational expenditure of £1.9 million and £1.3 million of capital expenditure, offset by grant and timber income of £1.7 million and an additional £2.1 million for 107,591 carbon credits attributed to four underlying afforestation assets where planting has been completed during the year.

Company performance

Profit and loss

The Company's loss before tax for the year to 30 September 2023 was £11.3 million, generating negative earnings of (6.6) pence per share.

For the period to 30 September 2023, the total return on investments was £(8.7) million, which relates to £2.6 million of interest on the FSFC Holdings loan notes and £11.3 million net losses on investments at fair value. The interest income is from the Company's Shareholder loan to FSFC Holdings Limited. The net loss 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 £2.7 million, in line with expectations. These comprise investment management fees of £1.6 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)	Year to 30 September 2023	Period from 31 August 2022 to 30 September 2022
Interest received on FSFC Holdings loan notes	**2.6**	0.9
Net (losses)/gains on investments at fair value	**(11.3)**	10.1
Total return on investment	**(8.7)**	11.0
Operating expenses	**(2.6)**	(2.2)
Profit before tax	**(11.3)**	8.8
Earnings per share (pence)	**(6.6)**	6.2

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 Association of Investment Companies ("**AIC**") recommended methodology for calculating this ratio, which is an annual figure.

The ongoing charges ratio for the year to 30 September 2023 was 1.46% (30 September 2022: 1.43%). 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 the Company, FSFC Holdings Limited and FSFC Holdings 2 Limited.

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.

Ongoing charges All amounts presented in £million (except as noted)	FSFC	FSFC H2
Investment management fees	**1.56**	
Directors' fees	**0.10**	
Administration fees	**0.15**	
Audit fees	**0.15**	
Other legal and professional fees	**0.33**	
Other ongoing fees	**0.19**	**0.13**
Total		**2.61**
Ongoing charges ratio		**1.46%**

	NAV
31 March 2023	**186.6**
30 September 2023	**169.2**
Average	**177.9**

FINANCIAL REVIEW CONTINUED

Cash flow

The Company held cash balances at 30 September 2023 of £1.2 million. This amount excludes cash held in subsidiaries. The breakdown of the movements in cash during the year is shown below.

Cash flows of the Company for the year to 30 September 2023 (£million)

	Year to 30 September 2023	31 August 2021 to 30 September 2022
Opening cash balance	**34.3**	—
Gross proceeds from IPO and fundraising	**—**	175.0
IPO and share issuance costs	**—**	(3.2)
Investment in FSFC Holdings Limited (equity and loan notes)	**(31.0)**	(136.2)
Loan interest receipts	**0.4**	—
Group movements in working capital	**0.2**	0.9
Directors' fees and expenses	**(0.2)**	(0.1)
Investment management fees	**(1.5)**	(1.1)
Administrative expenses	**(1.0)**	(1.0)
Company's closing cash balance	**1.2**	34.3

Cash flows of the Group for the year to 30 September 2023 (£million)

The Group is defined as the Company and its two intermediate holding companies.
The cash flows for the Group of £1.2 million include £0.01 million in FSFC Holdings 2 Limited.

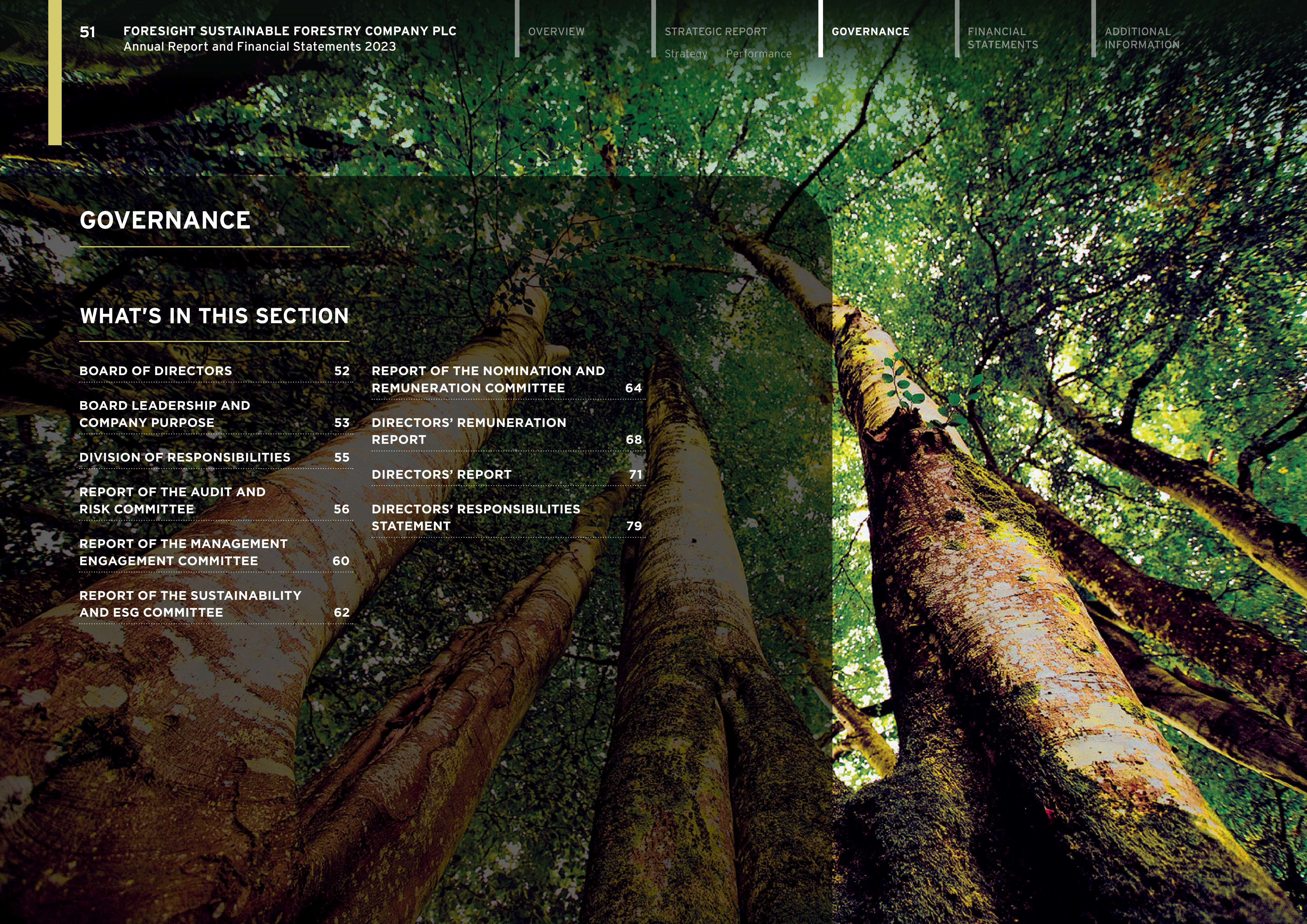
Combined asset-level income analysis

The underlying investments generate revenue from grants, timber harvesting and a number of isolated activities across a number of sites. Details of the combined income at the asset level for the year to 30 September 2023 are shown below:

Asset-level revenue type	Revenue (£m)	Details
Grant income	0.9	472 hectares of planting
Timber income	0.7	16,755 tonnes of harvesting
Livestock sales and agricultural rent	0.2	Includes livestock sales and land rental for livestock
Hydro power	0.1	Hydro electricity sales at Fordie
Other income	0.2	Includes sporting and hospitality rental income
Total asset-level revenue	**2.1**	

ALTERNATIVE PERFORMANCE MEASURES ("APMs")

APM purpose	Calculation	APM value	Reconciliation to IFRS
Net Asset Value ("NAV") 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.	£169.2 million	The calculation uses the Net Asset Value as per the statement of financial position on page 89.
Gross Asset Value ("GAV") A measure of the value of the Company's total assets. Gross Asset Value on investment basis including debt.	The sum of total assets of the Company as shown on the statement of financial position and the total debt of the Group.	£179.6 million	The calculation uses the Net Asset Value as per the statement of financial position on page 89 and total outstanding debt on page 47.
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.	98.4 pence	As per the closing Net Asset Value per the statement of financial position on page 89 and the closing number of Ordinary Shares as per note 13 of the financial statements on page 100.
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 2023 plus all dividends since IPO assumed reinvested, divided by the NAV at IPO, expressed as a percentage.	0.3%	The calculation uses the Net Asset Value as per the statement of financial position on page 89 and cash dividends as per the statement of cash flows on page 91.
Market capitalisation Provides an indication of the size of the Company.	Closing share price as at 30 September 2023 multiplied by the closing number of Ordinary Shares in issuance.	£140.2 million	The calculation uses the closing share price as per the key investment metric table on page 44 and the closing number of Ordinary Shares as per note 13 of the financial statements on page 100.
Ongoing charges A measure, expressed as a percentage of average net assets, of the regular, recurring annual costs of running the Company.	Calculated and disclosed in accordance with the AIC methodology. Annualised expenses divided by average NAV.	1.46%	Ongoing charges are detailed on page 48.
Gearing A measure of financial risk on the balance sheet of the Group.	Total debt of the Group and underlying investments as shown on page 47 as a percentage of GAV.	5.8%	The calculation uses the total debt on page 47 and the Net Asset Value as per the statement of financial position on page 89.



GOVERNANCE

WHAT'S IN THIS SECTION

BOARD OF DIRECTORS

Richard Davidson

Chair of the Board, Management Engagement Committee Chair

Richard has a 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 was previously the chair of the investment committee of Gresham House Forestry.

Richard was formerly a Managing Director and Investment Strategist at Morgan Stanley. 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 Plc

Sarika Patel

Non-Executive Director, Audit and Risk Committee Chair, Senior Independent Director

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

abrdn Equity Investment Trust Plc

SDCL Energy Efficiency Income Trust Plc

Office for Nuclear Regulation

Action for Children

London General Surgery Ltd

Josephine Bush

Non-Executive Director, Sustainability and ESG Committee Chair

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

JRB Consulting Limited

Vulcan Energy Resources

Sustineri Strategy Ltd

NextEnergy Solar Fund Plc

Christopher Sutton

Non-Executive Director, Nomination and Remuneration Committee Chair

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 Chair of Timber Development UK, a Non-Executive Commercial Director of UNWASTED and an ambassador for the National Forest Company.

External directorships

Timber Development UK Limited

CDS Consultants Limited

UNWASTED Group Plc

Committee membership key

A Audit and Risk Committee

N Nomination and Remuneration Committee

S Sustainability and ESG Committee

M Management Engagement Committee

Chair

BOARD LEADERSHIP AND COMPANY PURPOSE

GOVERNANCE FRAMEWORK

Shareholders and stakeholders

THE BOARD

The role of the Board is to collectively promote the long-term success of the Company. The Board shapes the Company's strategy, having regard to all stakeholders within a framework of effective controls. The "Matters Reserved for the Board" is available to view on the Company's website or by writing to the Company Secretary at the registered office.

Section 172 statement Pages 13 and 14

Principal risks Pages 41 to 45

SUPPORTING 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.

Audit and Risk Committee Pages 56 to 59

Oversees financial reporting, maintains a constructive relationship with the external auditor and monitors the effectiveness of the Company's risk management systems.

Nomination and Remuneration Committee Pages 64 to 67

Ensures the Board and its Committees have the appropriate balance of skills, knowledge, diversity, experience and independence. Establishes a remuneration policy and ensures there is a clear link between performance and remuneration.

Sustainability and ESG Committee Pages 62 and 63

Provides oversight in relation to its Sustainability and ESG strategy.

Management Engagement Committee Pages 60 and 61

Reviews the performance of the Investment Manager, Fund Administrator, Company Secretary and key external service providers.

THE INVESTMENT MANAGER

The day-to-day management of the Company and in particular the management of its forestry and afforestation portfolio.

Investment Manager's report Pages 22 and 23

Operational review Pages 24 to 32

STAKEHOLDERS

The Company's stakeholders play an important role in monitoring and safeguarding its governance. The Board ensures that its highly experienced third-party advisers, such as its corporate broker and legal adviser, are consulted on appropriate matters.

Section 172 statement Pages 13 and 14

Relationships with Shareholders Pages 13 and 14

BOARD LEADERSHIP AND COMPANY PURPOSE CONTINUED

CORPORATE GOVERNANCE REPORT

Purpose and governance culture

The Company has a clear and consistent purpose, which forms the foundation of its strategic objectives. The Company's Board embeds a strong culture of governance, 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 approach 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 its stakeholders.

Meetings and attendance

The Board meets formally on a quarterly basis and, in addition, also meets to review and discuss the Company's strategy annually. The Board also holds ad hoc meetings for matters such as to approve the half-yearly Net Asset Value, receive trading updates and other general corporate matters. The Company Secretary attends all 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 for FY23, there were a further seven 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 and Risk 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	0/1	1/1	1/1	1/1

Statement of compliance with AIC Code

The Company has complied throughout the accounting period ended 30 September 2023 with the Provisions set out in Sections 5 to 9 of the AIC Code.

The Board has considered the need for an internal audit function and, as all the day-to-day operations of the Company are outsourced, this was not deemed necessary at this time. Due to the size of the Board and the nature of the Company's business, the Board considers it appropriate for the entire Board, including the Chair, to fulfil the role of the Audit and Risk Committee.

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 page 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 and 78.

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 the liquidity of the Company's assets and subsidiaries. Further details can be found on page 93.

DIVISION OF RESPONSIBILITIES

Board	Role overview
Chair	• Sets the agenda for Board meetings • Works with the Company Secretary to manage the meeting timetable • Facilitates open and constructive dialogue amongst Directors during meetings • Ensures timely flow of accurate and reliable information within the Board
Non-Executive Directors	• Work closely with the Chair and Foresight in monitoring the Company's delivery of strategy • Ensure internal controls are robust and that an external audit is carried out • Provide constructive input to the development of the Company's strategy • Serve on the Board's Committees

	Role overview
Investment Manager	• Provides portfolio and risk management services • Ensures compliance with the Company's investment policy and the requirements of the AIFM Directive, pursuant to the Investment Management Agreement ("**IMA**") • Fulfils the duties set out in the IMA, which sets out the matters over which the Investment Manager has authority • Works alongside the Board on corporate strategy, risk management and corporate governance procedures • Provides full information on the Company's investment performance, assets, liabilities, projected cash flow and other relevant information to the Board at its quarterly meetings
Administrator	• Maintains the Company's books and records • Prepares the management and financial accounts • Calculates, in conjunction with the Investment Manager and Savills, the Company's NAV
Company Secretary	• Ensures regulatory compliance • Supports the Board's corporate governance processes and continuing obligations • General secretarial functions required by the Companies Act 2006 • Provides support to the Chair in ensuring timely and accurate information flows to the Board

AUDIT AND RISK

AUDIT AND RISK COMMITTEE REPORT

Sarika Patel
Chair of the Audit and Risk Committee

Composition

The Audit and Risk 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 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 and Risk 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 and Risk Committee and to bring his considerable experience in the forestry sector to bear on its activities.

Responsibilities

The role of the Audit and Risk Committee is to ensure that 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 and Risk 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
- 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

AUDIT AND RISK CONTINUED

AUDIT AND RISK COMMITTEE REPORT

Activities during the year

In March 2023, the Committee undertook a detailed review of the Company's risk register and emerging risks. The risk register was updated to reflect, amongst other things, increased inflation and interest rates and the general macroeconomic challenges in the market.

During the year, the Audit and Risk 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 investment activities. The Committee will continue to evaluate and challenge the resilience of all key agents to the Company.

Although the Board has overall responsibility for preparing the Annual Report and Financial Statements, the Audit and Risk Committee considers the form and content of the Annual Report and Financial Statements and any significant areas of complexity, judgement and estimation that have been applied in the preparation of the financial statements. These areas of judgement and estimation were discussed with the Investment Manager, Administrator and auditor during the year and the Audit and Risk Committee reviewed and agreed the auditor's audit plan and audit findings report following the conclusion of its year-end audit.

Meetings

The Committee formally met twice during the year and attendance is set out on page 54. 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 and Risk Committee meetings were also attended by representatives of the Investment Manager, Administrator and 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 and Risk 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 Company 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 41 to 45.

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 itself 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 Board has reviewed the need for an internal audit function. It has decided that the systems and procedures adopted by the Investment Manager, Administrator, the Audit and Risk Committee and other third-party advisers provide sufficient assurance that a sound system of internal control, which safeguards Shareholders' investments and the Company's assets, is maintained. In addition, the Company's financial statements are audited by external auditors. The Board has therefore concluded that it is not necessary to establish an internal audit function at present but this approach will be kept under review.

AUDIT AND RISK CONTINUED

AUDIT AND RISK COMMITTEE REPORT

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 and Risk 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 upon its IPO in November 2021. Having considered the effectiveness of the audit, including reviewing the Audit Quality Inspection Reports in relation to EY published by the Financial Reporting Council, the Audit and Risk 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 and Risk Committee to avoid compromising the independence of EY as auditor. No non-audit fees were incurred during the financial year to 30 September 2023.

Service provided (excluding VAT)	**2023 fee**	2022 fee
Audit services	**£143,775**	£118,250
Non-audit services	**£0**	£0
Total	**£143,775**	£118,250

AUDIT AND RISK CONTINUED

AUDIT AND RISK COMMITTEE REPORT

Significant financial reporting areas

The key areas of risk identified and considered by the Committee in relation to the business activities and financial statements of the Company for the year ended 30 September 2023 were as follows:

Matter	Committee action
Valuation of the forestry and afforestation portfolio Although valued by an independent firm of valuers, Savills, the valuation of the Company's portfolio is inherently subjective, requiring significant judgement by the valuers. Errors in the valuation could have a material impact on the Company's NAV. Further information about the portfolio and inputs to the valuations are set out in note 10 to the financial statements.	The Investment Manager liaises with the valuers on a regular basis to ensure they have up-to-date management information to value the portfolio. The Board reviewed the results of the valuation procedure at each half-year and discussed in detail the process of producing each valuation with the Investment Manager. The Investment Manager discussed with the auditor the work performed to confirm the valuation and existence of the assets in the portfolio. The 30 September valuation was also discussed in detail with Savills to ensure that the Board understood the assumptions underlying the valuation and sensitivities inherent in the valuation and any significant area of judgement.
Valuation of carbon credits As the sale of carbon credits is a relatively new area, support for the pricing and valuations prepared by the Company is more limited than its forestry and afforestation assets. As carbon credits now make up a larger area of the portfolio than the previous year, errors or an overly conservative approach to the valuation have the potential to impact the Company's NAV in a material way.	The Investment Manager and the valuer worked closely together to consider the process for the valuation of the Company's carbon credits. Details of the methodology and assumptions applied can be found on page 32. The valuers also reported directly to the Board at its strategy day in August 2023, in relation to both the forestry and afforestation market and the outlook for carbon credit valuations. The Board reviewed the results of the valuation procedure at each half-year and discussed in detail the process of producing each valuation with the Investment Manager.
ESG metrics Verification of the ESG metrics contained on pages 34 to 36 does not form part of the scope of the external audit. Incomplete or inaccurate data contributing to these metrics could lead to errors in reporting the Company's significant ESG considerations to Shareholders.	The Audit and Risk Committee worked closely with the Sustainability and ESG Committee and the Investment Manager to ensure that this data is reliable, accurate and being sufficiently tested. Further detail on how these metrics have been produced can be found in the Sustainability and ESG Committee report on pages 62 and 63.
Going concern assessment The Directors are required to prepare the financial statements on a going concern basis unless they intend to liquidate the Company or have no alternative but to do so.	In assessing the Company's going concern, the Committee has taken into consideration the current economic situation, the principal risks facing the Company, its loan arrangements and liquidity position. The Company's going concern statement can be found on page 93.

Conclusion

The Audit and Risk Committee has concluded that the Annual Report and Financial Statements for the year ended 30 September 2023, 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 Annual Report and enquiries of the various parties involved in the preparation of the Annual Report and Financial Statements. The Audit and Risk Committee has reported to, and agreed its conclusions with, the Board.

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 and Risk Committee

5 December 2023

REPORT OF THE MANAGEMENT ENGAGEMENT COMMITTEE

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 and Risk Committee.

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

- To 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
- To 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
- To 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
- To reasonably satisfy itself that matters of compliance are under proper review
- To regularly review the composition and performance of the key personnel performing the services on behalf of the Investment Manager and consider whether the continuing appointment of the Investment Manager, on the terms of the Investment Management Agreement, is 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
- To 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
- To review the performance and services provided by the Company's other service providers and consider whether the continuing appointments 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.

REPORT OF THE MANAGEMENT ENGAGEMENT COMMITTEE CONTINUED

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. The Board requested a breakdown of the investment management fees, including fees paid to EJD Forestry for asset management services, and these were presented and discussed at the annual strategy day. It was concluded that, despite the rate of acquisitions in the 2023 financial year being lower than the previous year, the development of the Company's afforestation portfolio required a considerable time commitment. The Investment Manager also employed a portfolio manager during the year to assist with the implementation of the Company's considerable planting programme in spring 2024. The increased resource within the portfolio management team at Foresight is expected to allow Robert Guest and Richard Kelly additional time to focus on the overall strategy of the portfolio and seeking prospects for improved performance and growth. The Board also reviewed an Investment Manager prepared fee benchmarking exercise, comparing the Investment Manager's fees to other equivalent forestry investment funds and alternative investment trusts. The Board was satisfied that the investment management fees represented good value for the Company. Therefore, no fee changes were recommended to the Board by the Committee for this financial year.

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 has served as Administrator and Company Secretary to the Company since 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 and payable monthly in arrears as the greater of: (i) 0.07 per cent. of the Net Asset Value per annum; and (ii) £120,000. The Investment Manager is also entitled to reimbursement of all out-of-pocket costs, expenses and charges reasonably and properly incurred on behalf of the Company in connection with these services. 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 at the back of this Annual 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. As a result of this review and following the departure of the Company's main corporate broker contact, who had been instrumental in the Company's IPO, the Company undertook a formal and rigorous tender process to select a new corporate broker. A decision was made after the year end to appoint Stifel Nicolaus Europe Limited as the new corporate broker to the Company.

The Company appointed a new PR Adviser, SEC Newgate, during the year and has been pleased with the results produced to date.

Committee evaluation

Following a robust review of the Committee as part of the Company's annual performance evaluation, the experience of the Committee's members was found to be appropriate. Committee meetings were considered effective and efficient, and all members contributed appropriately.

Richard Davidson
Chair of the Management Engagement Committee

5 December 2023

REPORT OF THE SUSTAINABILITY AND ESG COMMITTEE

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 central focus on sustainability of the Company and the importance of all Board members remaining up to date with sustainability and ESG matters.

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 Committee's terms of reference were reviewed during the year and are available on the Company's website.

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

- To 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
- To have oversight of the overall ESG strategy of 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
- To 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 and Risk Committee
- To receive reports and keep abreast of notable developments in ESG-related regulation and industry trends relevant to the Company and the sector in which it operates
- To monitor the Company's adherence to ESG objectives and KPIs and work with the Audit and Risk Committee to oversee the reporting of these objectives and KPIs
- To oversee the selection of non-financial reporting/ESG disclosure frameworks by the Company
- To 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
- To identify relevant ESG training and opportunities and advise the Board and/or the Company's key service providers accordingly

Meetings

The Sustainability and ESG Committee met once during the year to oversee, guide and discuss the Company's approach to sustainability and ESG strategy, review progress against KPIs, and to assess the disclosures to make in this report and the separate Sustainability and ESG report. The Sustainability and ESG Committee Chair also met with representatives of the Investment Manager throughout the year to progress and evolve the approach to sustainability, and oversee the finalisation of the standalone Sustainability and ESG report, which was published in April 2023. The Company Secretary attends the meetings as Secretary to the Committee. In addition, representatives of the Investment Manager are also invited to attend.

REPORT OF THE SUSTAINABILITY AND ESG COMMITTEE CONTINUED

Activities during the year

ESG strategy

The Company has categorised its ESG commitments into a series of sustainable business initiatives, measures and targets, with the core aim of generating "natural capital alpha" (as defined within the standalone Sustainability and ESG report) through sustainable forestry management practice. This strategy is set out on page 33 of this report and in the standalone Sustainability and ESG report published on 18 April 2023.

Sustainability and ESG report

In recognition of the increasing importance of Sustainability and ESG credentials to Shareholders, the Board prepared and published a separate Sustainability and ESG report on 18 April 2023, following the publication of the 2022 Annual Report and Financial Statements. The Sustainability and ESG report aimed to provide additional detail on the narrative surrounding the statistics set out on pages 62 and 63.

Following positive engagement and feedback on the content of the report, the Committee has taken the decision to prepare an updated version for the 2023 financial year, which will build on the Company's sustainability strategy, climate-related risk management, metrics and targets.

International Sustainability Standards Board ("ISSB")

The Committee has considered the ISSB's first sustainability-related reporting standards, S1 and S2, released in June 2023 (the "**Standards**"), and is aware that the Standards are open for voluntary adoption for annual reporting periods commencing on or after 1 January 2024, with reporting to commence in 2025. It is the view of the Board and the Investment Manager that the Standards adopt a wider approach to sustainability and the Company has a strong baseline to support a move towards the ISSB recommendations. Therefore, the Company will continue to report against TCFD for the 2024 financial year with a view to moving to the voluntary adoption of the ISSB Standards for the 2025 financial year.

Committee evaluation

An evaluation of the Committee was undertaken as part of the Board's annual performance evaluation. The Committee was found to be functioning well and that its approach to Sustainability and ESG was appropriate for the Company.

Josephine Bush

Chair of the Sustainability and ESG Committee

5 December 2023

COMPOSITION, SUCCESSION AND EVALUATION

NOMINATION AND REMUNERATION COMMITTEE REPORT

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. 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 reviewed during the year 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 to determine Director remuneration levels. The Committee assists the Board in ensuring that its composition is optimal for Board effectiveness and that it is able to operate in the best interests of Shareholders.

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

- To 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
- To 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
- To prepare a policy on the tenure of the Chair of the Board and the Board
- To keep up to date and fully informed about strategic issues and commercial changes affecting the Company and the market in which it operates
- To be responsible for identifying and nominating for the approval by the Board, candidates to fill Board vacancies as and when they arise
- To prepare and maintain the Company's equity, diversity and inclusion policy
- To review the results of the Board performance evaluation process that relate to the composition of the Board
- To review annually the time required from Non-Executive Directors
- To review any proposed changes to the remuneration of the Directors of the Company, in accordance with the Principles and Provisions of the AIC Code
- To 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. At this meeting, the Committee discusses succession planning, Board composition and also reviews the results of the annual evaluation of the effectiveness of the Board and its Committees. The Company Secretary attends the meetings as Secretary to the Committee and representatives of the Investment Manager are invited to attend as required.

COMPOSITION, SUCCESSION AND EVALUATION CONTINUED

NOMINATION AND REMUNERATION COMMITTEE REPORT

Activities during the year

Succession planning

The Committee has adopted a policy for succession planning and Board tenure, and this was reviewed during the year. Each Director has indicated their preference 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 acknowledgement of all Directors having the same appointment date, 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 and Risk 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 2024.

Board composition and diversity

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.

Richard Davidson was independent on appointment and is still considered to be independent. The Company is subject to the AIC Code and therefore there is no requirement to limit the Chair's tenure. The Directors' feedback during the 2023 Board evaluation process showed that the Chair effectively promoted a culture of openness and debate, facilitated constructive Board dynamics and ensured all Board members contributed effectively.

The Board supports the recommendations issued by the FTSE Women Leaders Review, 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.

All current Board members have been drawn from diverse working and social experience with no prior connections between the individual Board members.

COMPOSITION, SUCCESSION AND EVALUATION CONTINUED

NOMINATION AND REMUNERATION COMMITTEE REPORT

Board evaluation

During the year, a formal and rigorous evaluation of the performance of the Board, its Committees and the individual Directors was carried out through an assessment process led by the Nomination and Remuneration Committee Chair and the Company Secretary. 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.

Potential areas of consideration from the 2023 Board evaluation are as follows:

Key recommendations	Actions agreed
Legal and corporate governance	
• Increase the Board's understanding of the views and desires of the Company's Shareholders and stakeholders	• Increased feedback from the Fund Managers regarding interactions with Shareholders • Encourage all Shareholders to attend the Company's second AGM in February 2024 • All Board members to remain open to discussions with Shareholders at any time
Meetings and communication	
• Feedback from the Board to the Investment Manager on timeliness of information and time frames for Board approval	• The Committee felt that these issues had largely been resolved during the second half of the year and the upward trajectory should continue
Training and induction	
• Acknowledgement of the need for continued professional development on the Board	• Periodic training, increased attendance at site visits and the maintenance of a training log to be implemented

Our Board evaluation process:

1 Document preparation
The Company Secretary considers the content of the review questionnaire, ensuring that this is tailored to suit the nature of the Company and the requirements of the AIC Code

2 Agree process and timetable
The Company Secretary and the Nomination and Remuneration Committee Chair agree a timetable for the review to take place and the content of the questionnaire to be sent to Directors

3 Board and Committee observation
Each Director provides their feedback to the Company Secretary through the questionnaire

4 Results
The full responses are provided to the Nomination and Remuneration Committee Chair

5 Reporting
An anonymised version of the consolidated scores and comments is included in the Nomination and Remuneration Committee meeting pack and a discussion lead by the Nomination and Remuneration Committee Chair

6 Feedback
Any specific feedback relevant to an individual Director is provided to them privately by the Nomination and Remuneration Committee Chair

COMPOSITION, SUCCESSION AND EVALUATION CONTINUED

NOMINATION AND REMUNERATION COMMITTEE REPORT

Board evaluation continued

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 two years 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 pages 68 to 70. The remuneration policy was last put to a vote at the Company's first AGM in February 2023 and will be re-tabled every three years hereafter.

Board remuneration

A detailed review of Board emolument levels was undertaken by the Committee during the year. This was supported by a peer group and fee analysis and taking into account the general macroeconomic environment and inflation levels. During this evaluation in the 2022 financial year, the Board's fees were found to be c.£10k below market rate for an investment trust of this size. Therefore, in addition to the increases implemented as at 1 October 2022, the Board decided to increase its base remuneration by a further £3,000 in order to more accurately reflect the current market and time commitment required of the Directors. Further, an additional fee of £1,000 per annum was awarded to Sarika Patel for her new role of Senior Independent Director. Both increases became effective on 1 October 2023. Additional fees for the roles of Chair of the Board and Committee Chairs remain unchanged. Full Director salary details can be found in the Directors' remuneration report on pages 68 to 70.

Committee evaluation

An evaluation of the Committee was undertaken as part of the Board's annual performance evaluation. The Committee was found to be functioning well and the diversity of skills and experience of its members were considered appropriate and sufficient to ensure informed debate and constructive challenge.

Christopher Sutton

Chair of the Nomination and Remuneration Committee

5 December 2023

REMUNERATION

DIRECTORS' REMUNERATION REPORT

Christopher Sutton
Nomination and Remuneration Committee Chair

Directors' remuneration report

The Board considers annually the level of fees paid to each Director. 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. 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.

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 of Association and their appointment letters and without compensation.

REMUNERATION CONTINUED
DIRECTORS' REMUNERATION REPORT

Directors' emoluments for the year

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

	Taxable benefits 2023	Basic fees 2023	Committee Chair fee 2023	Additional fees[1] 2023	Total fees 2023
Richard Davidson (Chair)	–	£48,000	–	£2,500	£50,500
Sarika Patel	£357	£33,000	£7,500	£2,500	£43,000
Josephine Bush	£1,617	£33,000	£3,000	£2,500	£38,500
Christopher Sutton	£362	£33,000	£2,500	£2,500	£38,000
Total	**£2,336**	**£147,000**	**£13,000**	**£10,000**	**£170,000**

1. An additional fee of £2,500 per Director was agreed during the financial year ended 30 September 2022, but paid in December 2022, in acknowledgement of the time commitment required of Board members surrounding the placing programme undertaken in June 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 £2,336.

Future Board emoluments

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 £1,000 for Sarika Patel for her role as Senior Independent Director, effective 1 October 2023. Based on this, and the Directors appointed as at the date of this report, Board remuneration for the year ending 30 September 2024 is expected to be as follows:

	Basic fees 2024	Committee Chair fee 2024	Additional fees 2024	Total fees 2024
Richard Davidson (Chair)	£51,000	–	–	£51,000
Sarika Patel	£36,000	£7,500	£1,000[1]	£44,500
Josephine Bush	£36,000	£3,000	–	£39,000
Christopher Sutton	£36,000	£2,500	–	£38,500
Total	**£159,000**	**£13,000**	**£1,000**	**£173,000**

1. For Senior Independent Director role.

Relative importance of spend on pay

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

	Total 2023
Aggregate Directors' remuneration	£170,000
Aggregate dividends paid to Shareholders	–

Directors' shareholdings

The Directors who held office at the year end and their interests in the Ordinary Shares of the Company as at 6 December 2023 and 30 September 2023 were as follows:

	6 December 2023	30 September 2023
Richard Davidson (Chair)	100,000	100,000
Sarika Patel	24,000	24,000
Josephine Bush	19,000	19,000
Christopher Sutton	25,000	25,000
Total	**168,000**	**168,000**

REMUNERATION CONTINUED

DIRECTORS' REMUNERATION REPORT

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 2023. As at 6 December 2023, these aggregate holdings were 78,804 Ordinary Shares.

In addition, 51,003,762 (29.64%) of the Company's shares are held by Blackmead Infrastructure Limited, an investee company of the Foresight Inheritance Tax Fund, which is also managed by the Investment Manager.

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 next at the AGM to be held in February 2026. An ordinary resolution for the approval of this Directors' remuneration report will be put to Shareholders at the forthcoming AGM in February 2024.

On behalf of the Board

Christopher Sutton

Nomination and Remuneration Committee Chair

5 December 2023

DIRECTORS' REPORT

The Directors present their report and financial statements of the Company for the year ended 30 September 2023. The corporate governance statement on page 86 forms part of their 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:

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**"), Timber Development UK and Scottish Land & Estates.

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 to explore the possible distribution of carbon credits "in specie" to Shareholders in the future.

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's investment policy was updated during the year following approval at a General Meeting of the members held on 21 December 2022. The amended policy is set out below.

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

DIRECTORS' REPORT CONTINUED

Investment policy continued

"**Forestry Assets**" are land assets where stands of trees have a canopy cover of at least 20% of land area ("**Standing Forests**"), or have the potential to achieve this through new planting ("**Afforestation**") initiatives. These Forestry Assets may be used for planting, maintaining and growing trees for commercial production of timber or other forest products ("**Commercial Forestry**") or for non-commercial purposes ("**Non-Commercial Forestry**") and in both cases may include areas where a community of naturally occurring tree species regenerate by natural (i.e. without intervention) means ("**native woodland**") and areas that are left unplanted with trees ("**open ground**").

The Group 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 Group's portfolio will be achieved by:

(i) Investing in a range of individual underlying Forestry Assets, each of which will be capable of separate disposal

(ii) Investing in different types of Forestry Assets (both Standing Forests and Afforestation projects) with a range of age classes and harvesting profiles

(iii) 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

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

(v) Achieving a geographic spread across the underlying Forestry Assets

Although the Group'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 Group 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 telecommunications 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 dividends, distributions or the payment of interest on intra-group debt.

The Group 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 Group. The Group 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 Group's best interests to do so (such as where an investment opportunity is too large for the resources of the Group on its own, to share risk or where a joint venture arrangement will optimise returns for the Group). In the case of such co-investments, the Group 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 Group 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 Group will look to realise the value of any Non-Core Assets over time for the benefit of Shareholders.

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

DIRECTORS' REPORT CONTINUED

Investment policy continued

The Group's Forestry Assets will, where commercially appropriate, be operated with a view to generating carbon credits. Save where the sale of carbon credits is required to meet the working capital needs of the Group, the Company intends to realise the value of carbon credits for the direct benefit of Shareholders. Generally, the Company intends, when appropriate, to sell carbon credits and make aperiodic distributions to Shareholders of the net proceeds of such sales. As an alternative to receiving a cash distribution, the Company intends, where practicable, to offer Shareholders the option to elect to receive distributions "in kind" of carbon credits. The method and process for the distribution of any carbon credits "in kind" will be determined by the Board from time to time. The Company currently does not intend to retire carbon credits on behalf of Shareholders. The Company may, in the future, if considered appropriate, retire certain carbon credits generated from the Group's Forestry Assets for the purposes of meeting the Group's own net zero targets.

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 103 to 104.

Future developments

The likely future developments of the Company are contained in the strategic report on pages 9 to 50.

Directors

Biographical details of the Directors, all of whom are non-executive, can be found on page 52.

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 pages 66 and 67, 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.

DIRECTORS' REPORT CONTINUED

Conflicts of interest continued

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.

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 400 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 11 regionally focused investment funds across the UK and an SME impact fund supporting Irish SMEs. This team reviews close to 2,500 business plans each year and currently supports more than 250 SMEs. Foresight Capital Management manages four listed strategies across seven investment vehicles.

Foresight operates in eight countries across Europe, Australia and the United States with AUM of £12.1 billion (unaudited as at 30 September 2023). Foresight Group Holdings Limited listed on the Main Market of the London Stock Exchange in February 2021.

Foresight's Infrastructure team consisted of 160+ full-time employees as at 30 September 2023. The team is comprised of:

(a) An investment management team of professionals responsible for originating, assessing and pricing assets, managing due diligence and executing transactions
(b) 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 Foresight portfolio management team consists of individuals with engineering, accountancy, consulting and operations backgrounds and is responsible for the process of "on-boarding", managing and reporting on the acquired assets. Members of these teams work closely with the Investment Manager 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 was implemented across the EU on 22 July 2013 and aims to harmonise the regulation of Alternative Investment Fund Managers ("**AIFMs**"). It 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.

Share capital

Information on the Company's share capital, including voting rights, as at 30 September 2023 can be found in note 13 to the financial statements.

DIRECTORS' REPORT CONTINUED

Substantial interests in share capital

As at 30 September 2023, 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 2023	
Investor	Number of Ordinary Shares held	Percentage held[1]
Blackmead Infrastructure	**51,503,762**	**29.93**
Aviva Investors	**14,876,607**	**8.65**
Rathbones	**13,382,175**	**7.78**
East Riding of Yorkshire	**13,238,318**	**7.69**
Equilibrium Asset Management	**11,802,000**	**6.86**
West Yorkshire PF	**11,000,000**	**6.39**
Cantor Fitzgerald Ireland	**8,852,145**	**5.14**
Privium Fund Management	**7,896,299**	**4.59**
Hargreaves Lansdown stockbrokers (EO)	**6,105,288**	**3.55**

1. Based on 172,056,075 Ordinary Shares in issue as at 30 September 2023. The Company has only one class of share.

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 year to 30 September 2023 can be found in note 21 to the financial statements.

Directors' shareholdings

Information on the Directors' shareholdings as at 30 September 2023 can be found in the Directors' remuneration report on page 69.

Directors' indemnity

The Company has maintained a Directors' and Officers' liability insurance policy on behalf of the Directors, indemnifying them in respect of certain liabilities that may be incurred by them in connection with the activities of the Company. This policy does not provide cover for fraudulent or dishonest actions by the Directors.

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.

Additional information

There are no disclosures required in accordance with Listing Rule 9.8.4R.

Relations with stakeholders

The Board recognises the importance of regular and effective communication with the Company's stakeholders. Further information on engagement with stakeholders during the year can be found in the Section 172 statement on pages 13 and 14.

DIRECTORS' REPORT CONTINUED

2024 AGM

Shareholders are invited to attend the Company's AGM to be held at The Shard, 32 London Bridge Street, London SE1 9SG on 21 February 2024. The AGM notice is contained in the circular dated 6 December 2023 which was published alongside this Annual Report.

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 7 February 2024. 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 2023.

Resolution Two

To approve the Directors' Remuneration Report included in the Annual Report for the year ended 30 September 2023.

Resolution Three

To re-elect Richard Davidson as a Director of the Company

Resolution Four

To re-elect Sarika Patel as a Director of the Company

Resolution Five

To re-elect Christopher Sutton as a Director of the Company

Resolution Six

To re-elect Josephine Bush as a Director of the Company

Resolution Seven

To re-elect Ernst & Young LLP as external auditor to the Company.

Resolution Eight

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

Resolution Nine

That, in addition to all existing authorities, the Directors be generally and unconditionally authorised to allot shares in the Company. Read more in the Circular dated 6 December 2023.

Special Resolutions

Resolution Ten

To adopt the Amended Investment Policy. Read more in the Circular dated 6 December 2023.

Resolution Eleven

That, in addition to all existing authorities, the Directors be generally and unconditionally authorised to allot equity securities in the Company. Read more in the Circular dated 6 December 2023.

Resolution Twelve

To authorise the Company to make market purchases of its own shares. Read more in the Circular dated 6 December 2023.

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. The Company's SPVs which hold its assets have their own policies in place related to modern slavery, as well as anti-bribery and corruption, sustainability and ESG, and health and safety. In any event, the Company considers its supply chains to be low risk for modern slavery.

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.

DIRECTORS' REPORT CONTINUED

Going concern

The Directors, in their consideration of going concern, have reviewed comprehensive cash flow forecasts prepared by the Company's Investment Manager, Foresight Group, which are based on prudent market data, a reasonable worst case and a stress test scenario and believe, based on those forecasts and an assessment of the Company's subsidiary's banking facilities, that it is appropriate to prepare the financial statements of the Company on the going concern basis.

In arriving at their conclusion, the Directors assessed the current macroeconomic situation, the RCF, liquidity position and the potential impact of the principal risks documented in the strategic report. In addition to these principal risks, the Directors have also considered the sustainability-related risks covering environmental, social and governance factors, including climate change (in line with the recommendations of the Task Force on Climate-related Financial Disclosures ("**TCFD**")), outlined on page 38. The Investment Manager has reviewed the portfolio's exposure to these risks in the period under review and has concluded that it is currently not material to the Fund, although it continues to monitor the market attentively.

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 Directors also considered that the Company has adequate financial resources, and were mindful that the Group had unrestricted cash of £1.2 million as at 30 September 2023 and a revolving credit and accordion facility (available for investment in new or existing projects and working capital) of £30 million. As at 30 September 2023, the Company's wholly owned subsidiary FSFC Holdings 2 Limited had borrowed £10.4 million under the facility, leaving £19.6 million available to draw. All key financial covenants under this facility are forecast to continue to be complied with for the duration of the going concern assessment period.

The Investment Manager and Directors have assessed the headroom available to meet the revolving credit covenants. The covenants have been tested on downside risk scenarios and in all scenarios run, including the combined downside case, the Company remained compliant with its key covenants.

The Directors are satisfied that the Company 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 continue to adopt the going concern basis in preparation of these financial statements.

Viability statement

In accordance with the UK Corporate Governance Code, the Board of Directors has assessed the viability of the Company over a five-year period to 30 September 2028, 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 41 to 45.

In addition to the principal risks, the Directors have also considered the sustainability-related risks covering environmental, social and governance factors, including climate change (in line with the recommendations of TCFD, outlined on page 38).

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, timber price volatility and a reduction in demand for users of timber, continued government support for 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 2028 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 sale of forestry assets and utilisation of additional borrowings available under the RCF.

DIRECTORS' REPORT CONTINUED

Viability statement continued

The Group's risk management processes outlined on pages 39 to 45 set out the key risks for the next five years and beyond. These include rising debt costs and persistently high inflation, financing capital risks and timber market volatility. Risks presented by the current macro environment also include Russia's invasion of Ukraine. Whilst these risks are deemed significant to the Group's ability to operate its projects, generate revenue and to the value of the Company's investments, the Directors believe that this has had limited impact on the business to date as it is invested in real assets, principally freeholds of UK land and forest stock. The forest stock enjoys biological growth regardless of fluctuations in financial markets. UK freeholds, real assets and commodities like timber have a track record of good performance during periods of inflation and instability of equity markets. Risk mitigating activities (as outlined on pages 39 to 45) have also aided in the reduction of the impact.

Timber prices can be volatile periodically and demand over the medium to long term has historically created real-term price growth. In the context of global under-supply and increasing demand, this reduces market risk for FSF's key revenue streams. Should timber prices be less attractive at the point of felling, FSF is in a position to mitigate the impact by postponing parts of its harvesting programme and delay felling, allowing trees to continue to grow until the underlying imbalance between supply and demand begins to be reflected in market prices again.

FSF is focused on growing its portfolio as a newly listed entity and will require additional financing to take full advantage of opportunities in its pipeline. The existing borrowing policy enables the use of gearing that must not exceed 30% of Gross Asset Value.

There is a risk that FSF will be unable to access sufficient funding to complete operations. This is mitigated by using brokers to conduct market research ahead of any future funding rounds to gauge demand from new and existing investors. FSF has also set budgets with sufficient cash buffers to ensure liquidity.

There is a risk of reputational damage due to negative PR generated by the resistance to change of land use by the public. This could in turn negatively impact investor sentiment and ultimately the ability to raise more capital. This is mitigated by independent community risk assessments during the due diligence phase of afforestation investments. This ensures that afforestation only takes place in low community risk areas where the likelihood of community resistance is low. FSF also actively pursues a co-ordinated programme of community engagement and recently launched a Forestry Skills Training Programme.

The risk of changing weather patterns and more extreme weather events can cause direct damage to the portfolio, leading to a market flooded with windblow timber and the subsequent price depreciation. This is mitigated by a prudent acquisition strategy for sheltered area, silviculture management and a diverse portfolio to create natural resilience. Where appropriate, windthrow insurance cover is taken out.

The Company's wholly owned subsidiary FSFC Holdings 2 Limited has a three-year £30 million RCF (agreed in July 2022) with two one-year extension options, increasing the liquidity of the Group, of which a proportion can be deployed as working capital. It also has an accordion feature that allows for another £30 million. The Company utilises the investments' cash flows from operations and proceeds from equity fundraises to repay the RCF.

In order to repay the RCF at the maturity date (July 2025 or 2027 with extensions), the Company would be required to renew the RCF and/or perform an equity raise, under the base case assumptions included in the viability forecasts. In conjunction with this, the Company could consider strategic disposals as appropriate.

Based on this assessment, the Directors have a reasonable expectation that FSF will be able to continue in operation and meet its liabilities as they fall due over the five-year period to September 2028. In making this statement, the Directors have considered and challenged the reports of the Investment Manager in relation to the resilience of the Group, taking into account its current position, the principal risks facing it in reasonable downside scenarios, the effectiveness of any mitigating actions and the Group's risk appetite.

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

5 December 2023

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 UK-adopted International Accounting Standards ("**IAS**") in conformity with the requirements of the Companies Act 2006 and in accordance with International Financial Reporting Standards ("**IFRS**"). Company law in the United Kingdom 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, disclose with reasonable accuracy at any time the financial position of the Company, and enable the Directors 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 thus 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 have been prepared in accordance with UK-adopted International Accounting standards. They give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings
- 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 together with a description of the principal risks and uncertainties they face

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

Richard Davidson
Chair

5 December 2023

FINANCIAL STATEMENTS

OVERVIEW

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 year ended 30 September 2023 which comprise Statement of Comprehensive Income, 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 2023 and of its loss for the year 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 2025 which is at least twelve months from the date these financial statements were authorised for issue. In preparing the cash flow 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.
- In relation to the Company's borrowing arrangements, our inspection of the Director's assessment of the risk of breaching the debt covenants as a result of a reduction in the value of the Company's portfolio. We recalculated the Company's compliance with debt covenants in the scenarios assessed by the Directors and reviewed the Director's reverse stress testing in order to identify what factors would lead to the Company breaching the financial covenants.
- 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.

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

Conclusions relating to going concern continued

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 2025.

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 held through profit and loss and the resulting impact on the Statement of Comprehensive Income • Risk of inaccurate valuation of carbon credits and the resulting impact on the Statement of Comprehensive Income
Materiality	• Overall materiality of £1.70m (2022: £1.81m) which represents 1% (2022: 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, the potential impact of climate change and changes in the business environment when assessing the level of work to be performed.

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 40 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 10 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.

For the avoidance of doubt the confirmation made in appendix one in respect of the Company's continuing obligations as an Eligible Issuer with a Voluntary Carbon market designation has not been audited and is not considered 'Other Information' for the purposes of this opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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.

INDEPENDENT AUDITOR'S REPORT CONTINUED

TO THE MEMBERS OF FORESIGHT SUSTAINABLE FORESTRY COMPANY PLC

Key audit matters continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Inaccurate valuation of investments held through profit and loss and the resulting impact on the Statement of Comprehensive Income Refer to the Audit Committee Report (page 56 to 59); Accounting policies (pages 92 to 95); and Notes 1-22 of the Financial Statements. The value of the investments held through profit and losses at 30 September 2023 was £166.04m (2022: £146.29m) consisting of forestry assets held through special purpose vehicles ('SPVs'). 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. 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**").	**We performed the following procedures:** We obtained an understanding of the processes and controls around the underlying forestry asset valuations by performing walkthrough procedures. We obtained and reviewed the Investment Manager's accounting paper and assessment that the Company meets the IFRS 10 definition of an investment entity. We reconciled the fair value of the SPV at 30 September 2023 to the investment fair value through profit and loss reported in the financial statements of the Company. 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 2023 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; • Assessed other facts and circumstances, such as other comparative market transactions, comparative company information, 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 We recalculated the unrealised gains/losses on the unquoted investments as at the year end using the book-cost reconciliation and reviewing the level 3 fair value hierarchy disclosure For purchases of all unquoted investments as at year end, 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.	The results of our procedures identified no material misstatements in relation to the risk of inaccurate valuation of carbon credits and the resulting impact on the Statement of Comprehensive Income.

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

Key audit matters continued

Risk continued	Our response to the risk continued	Key observations communicated to the Audit Committee continued
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 87.	We gained an understanding as to how this risk is considered and managed by the Directors, the Investment Manager and the Administrator, and an understanding of the processes and controls surrounding the recognition of realised and unrealised gains/(losses) on investments by performing a walkthrough We recalculated the unrealised gain/loss in the financial statements based on changes in investment values, purchases and realisations	
Risk of inaccurate valuation of carbon credits and the resulting impact on the Statement of Comprehensive Income (refer to the Report of the Audit Committee set out on pages 56 to 59 and the accounting policy set out on page 92 to 95) The value ascribed by management to the progress towards the creation of carbon credits amounted to £2.70m (2022: £0.60m). This amount is not included in the independent valuation of the underlying forestry assets held through the SPVs performed by Savills.	**We performed the following procedures;** We have gained an understanding of Foresight Group LLP (the 'Investment Manager') and the Directors' processes and controls surrounding the recognition and valuation of carbon credits, by performing a walkthrough to evaluate the design and implementation of controls; We reviewed the Investment Manager's carbon credit accounting paper and providing feedback on the accounting assumptions adopted, including additional considerations which will need to be made going forward; We obtained an understanding of the Investment Manager's due diligence process to assess the index provider and independent validation against other public sources of trade; Considered provenance of information in meeting relevant audit evidence thresholds; We obtained evidence for the PIU transactional prices quoted by the Investment Manager in estimating the fair value at the year end date; We assessed the appropriateness of data inputs and assumptions used to support the fair value and searching for contrary evidence; We reviewed unrealised gain/loss in the financial statements based on changes in the values ascribed to existing carbon credits; We recalculated the value ascribed towards the creation of carbon credits and reviewing the reasonability of the discount applied; and We agreed the number of number of PIUs subject to validation at the year end date to the UK Land Carbon Registry.	The results of our procedures identified no material misstatements in relation to the risk of inaccurate valuation of carbon credits and the resulting impact on the Statement of Comprehensive Income.

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 £1.70 million (2022: £1.81 million), which is 1% (2022: 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% (2022: 50%) of our planning materiality, namely £0.86m (2022: £0.90m). We have set performance materiality at this percentage due to our past experience of the audit that indicated that a higher risk of misstatements, both corrected and uncorrected.

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 £0.08m (2022: £0.09m), 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, 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 year 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.

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

Matters on which we are required to report by exception continued

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 77;
- Director's statement on whether it has a reasonable expectation that the group will be able to continue in operation and meets its liabilities set out on page 78;
- Directors' statement on fair, balanced and understandable set out on page 79;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 57;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 39; and
- The section describing the work of the Audit Committee set out on page 56.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 79, 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.

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

Auditor's responsibilities for the audit of the financial statements continued
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 held through profit and loss and the resulting impact on the Statement of Comprehensive income and the inaccurate valuation of carbon credits and the resulting impact on the Statement of Comprehensive Income. 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 year ending 30 September 2022 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is two years, covering the years ending 30 September 2022 to 30 September 2023.
- 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

5 December 2023

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2023

	Notes	Revenue £'000	Capital £'000	**Year ended 30 September 2023 (Audited) £'000**	Period from 31 August 2021 to 30 September 2022 (Audited) £'000
Return on investment	4	2,605	(11,279)	**(8,674)**	11,042
Total income		2,605	(11,279)	**(8,674)**	11,042
Investment management fees	5	(1,562)	—	**(1,562)**	(1,071)
Operating expenses	6	(1,102)	—	**(1,101)**	(1,166)
Total expenses		(2,664)	—	**(2,663)**	(2,237)
(Loss)/profit before tax		(59)	(11,279)	**(11,338)**	8,787
Tax	8	—	—	**—**	—
(Loss)/profit for the period		(59)	(11,279)	**(11,338)**	8,787
Earnings per share (pence)	9	—	(6.6)	**(6.6)**	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 106 form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 SEPTEMBER 2023

	Notes	**30 September 2023 (Audited) £'000**	30 September 2022 (Audited) £'000
Non-current assets			
Investments at fair value through profit or loss	10	**166,039**	146,291
Total non-current assets		**166,039**	146,291
Current assets			
Trade and other receivables	11	**2,796**	852
Cash and cash equivalents	16	**1,217**	34,326
Total current assets		**4,013**	35,178
Total assets		**170,052**	181,469
Current liabilities			
Trade and other payables	12	**(803)**	(886)
Total current liabilities		**(803)**	(886)
Total liabilities		**(803)**	(886)
Net assets		**169,249**	180,583
Equity			
Called up share capital	13	**1,721**	1,721
Share premium	13	**43,820**	170,075
Revenue reserve		**(2,550)**	(1,333)
Capital reserve	14	**126,258**	10,120
Shareholders' funds	14	**169,249**	180,583
Net assets per share (pence per share)	15	**98.4**	105.0

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

The financial statements were approved by the Board of Directors and authorised for issue on 5 December 2023.

They were signed on its behalf by:

Richard Davidson
Chair

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2023

	Notes	Called up share capital £'000	Share premium £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 August 2021		—	—	—	—	—
Gross proceeds from share issue		1,721	173,279	—	—	175,000
Share issue costs	13	—	(3,204)	—	—	(3,204)
Dividends	7	—	—	—	—	—
Total comprehensive income for the period	14	—	—	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**

	Notes	Called up share capital £'000	Share premium £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 1 October 2022		1,721	170,075	10,120	(1,333)	180,583
Gross proceeds from share issue		**—**	**—**	**—**	**—**	**—**
Share issue costs	13	**—**	**3**	**—**	**—**	**3**
Dividends	7	**—**	**—**	**—**	**—**	**—**
Share premium cancellation	13	**—**	**(126,258)**	**126,258**	**—**	**—**
Total comprehensive income for the period	14	**—**	**—**	**(11,279)**	**(58)**	**(11,338)**
Net assets attributable to Shareholders at 30 September 2023		**1,721**	**43,820**	**125,099**	**(1,391)**	**169,249**

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

There have been no realised gains or losses at the reporting date.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2023

	Year ended 30 September 2023 (Audited) £'000	Period from 31 August 2021 to 30 September 2022 (Audited) £'000
(Loss)/profit for the period from continuing operations	**(11,338)**	8,787
Adjustments for:		
Net (loss)/profit on investments at fair value through profit and loss	**11,279**	(10,120)
Operating cash flows before movements in working capital	**(59)**	(1,333)
Cash flows from operating activities		
Increase in trade and other receivables	**(1,944)**	(852)
(Decrease)/increase in trade and other payables	**(83)**	886
Net cash outflow from operating activities	**(2,086)**	(1,299)
Cash flows from investing activities		
Investing activities		
Purchase of investments	**(15,513)**	(114,350)
Loans to subsidiaries	**(15,513)**	(21,821)
Net cash used in investing activities	**(31,026)**	(136,171)
Cash flows from financing activities		
Financing activities		
Gross proceeds from share issue	**—**	175,000
Share issue costs	**3**	(3,204)
Net cash inflow from financing activities	**3**	171,796
Net (decrease)/increase in cash and cash equivalents	**(33,109)**	34,326
Cash and cash equivalents at beginning of period	**34,326**	—
Cash and cash equivalents at end of period	**1,217**	34,326

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

NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2023

1. Company information
(a) Statutory information
Foresight Sustainable Forestry Company Plc (the "**Company**" or "**FSF**") is a public limited company limited by shares and 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 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 financial statements of the Company are for the year to 30 September 2023 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
This 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 annual 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**").

The same accounting policies and standards have been observed in these annual financial statements as were applied in the last annual financial statements, with no change to the nature or effect of these standards' application.

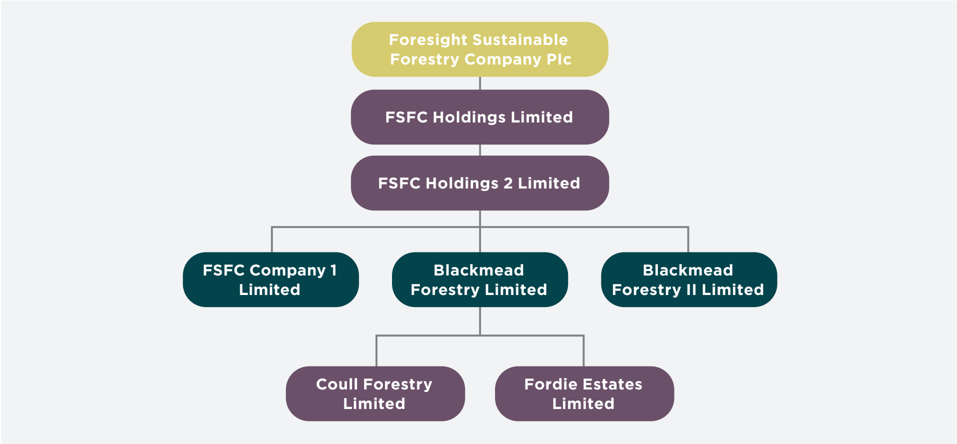
These financial statements are presented in sterling (£) and rounded to the nearest thousand unless otherwise stated. They have been prepared on accounting policies, significant judgements, key assumptions and estimates set out below.

These financial statements intend to constitute statutory accounts as defined in Section 434(3) of the Companies Act 2006. As such, these statutory accounts in respect of the year to 30 September 2023 have been audited and reported on by the Company's auditors and delivered to the Registrar of Companies and included the Report of Auditors.

No statutory accounts in respect of any period after 30 September 2023 have been reported on by the Company's auditors or delivered to the Registrar of Companies.

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 in note 10.

These annual financial statements comprise the results for the year to 30 September 2023 as well as comparatives to the audited period ended 30 September 2022.



NOTES TO THE AUDITED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 SEPTEMBER 2023

2. Significant accounting policies continued

(b) Going concern

The Directors have adopted the going concern basis in preparing the financial statements. 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 2023, the Company had net current assets of £3.2 million, including £1.2 million of cash; it also had access to £19.6 million that remained undrawn on the Revolving Credit Facility, held by its indirect subsidiary, which can be utilised for the Company's working capital requirements. As such, with all factors mentioned above, the Company's cash position is considered sufficient to meet all 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 of the Ukraine-Russia conflict on the forestry industry.

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.

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 no 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 an investor 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 estimates and judgements

Key judgements

Investment entity status

The Company conducts a judgement in relation to its status as an investment entity by satisfying the three criteria below:

i. It must obtain funds from multiple investors for the purpose of providing its investment management services to those investors
ii. 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
iii. It must measure and evaluate the performance of its investments on a fair value basis

The Company assesses its compliance with the requirements of being an investment entity in note 3 in more detail.

NOTES TO THE AUDITED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 SEPTEMBER 2023

2. Significant accounting policies continued

(d) Key estimates and judgements continued

Key accounting estimates

Fair valuation of investment assets – Red Book valuation

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. These are also subject to an accounting estimate that the Directors are satisfied with. The significant methods and assumptions used by the external valuers in estimating the fair value of investment assets are set out in note 10.

Fair value of investment assets – carbon credit valuation

The carbon credit valuations are not determined by an external valuer but are currently based on the Ecosystem Marketplace collected trade data from UK Woodland Carbon Code and Peatland Code market participants who are project developers and resellers through the Ecosystem Marketplace Global Carbon Markets Hub. These are also subject to an accounting estimate that the Directors are satisfied with.

(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.

(f) New, revised and amended standards applicable to future reporting periods

There were no new standards, amendments or interpretations effective for the first time for periods beginning on or after incorporation that had a material effect on the Company's financial statements. The Company has explored to what extent these new standards have an immaterial impact on the financial statements, as below.

IFRS 17 Insurance Contracts

The standard requires an entity to reasonably identify and recognise any contract in which an entity accepts significant insurance risk from another party as a combination of a financial instrument and a service contract, in order to help users of the financial statements to assess the effect on the Company's financial position. The Company does not deem this standard to have a material effect on its financial statements as the Company is not party to any such contract in which it accepts any insurance risk from or for another party.

NOTES TO THE AUDITED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 SEPTEMBER 2023

2. Significant accounting policies continued

(f) New, revised and amended standards applicable to future reporting periods continued

Amendments to definition of accounting estimates – Amendments to IAS 8

The standard now defines an accounting estimate as "monetary amounts in financial statements that are subject to measurement uncertainty". Despite the Company using accounting estimates (see note 2(d) Key judgements and estimates) in its assessment of carbon credit validation and Red Book valuation, the Directors would not deem this amendment to have any material effect on the Company's results for the current or prior period(s). The Company maintains that, at each reporting date, the latest available and reliable information was used to arrive at its accounting estimates, with no instances requiring a restatement of information due to error.

The Disclosure Initiative – amendments to the accounting policy disclosure

The IASB issued amendments to IAS 1 Presentation of Financial Statements in which they require disclosure of "material" accounting policies, instead of what was "significant" accounting policies. The aim of this amendment is to enhance the usefulness of financial statements for users and in turn to enhance their effectiveness overall. The Company has not chosen to apply an early adoption of this standard as the threshold of materiality needs to be considered in more depth. The Company, however, plans to adopt this standard in its next reporting cycle.

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:

i. It must obtain funds from multiple investors for the purpose of providing its investment management services to those investors
ii. 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
iii. 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:

i. 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
ii. 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
iii. 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 Red Book 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

NOTES TO THE AUDITED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 SEPTEMBER 2023

3. Basis of consolidation continued

Assessment as an investment entity continued

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.

4. Return on investment and interest income

	Year ended 30 September 2023 (Audited) £'000	Period from 31 August 2021 to 30 September 2022 (Audited) £'000
Unrealised fair value movement of investments	**(11,279)**	10,120
Interest income – Loans to direct subsidiary	**2,364**	852
Interest income – Bank	**241**	52
Total	**(8,674)**	11,024

5. Investment management fee

	Year ended 30 September 2023 (Audited) £'000	Period from 31 August 2021 to 30 September 2022 (Audited) £'000
Investment management fee	**1,562**	1,071
Total	**1,562**	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% per annum of NAV up to £500 million and 0.75% per annum of NAV in excess of £500 million.

The Company paid £1.2 million during the period. A further £0.4 million investment management fees were accrued and remained unpaid at the year end.

6. Operating expenses

	Year ended 30 September 2023 (Audited) £'000	Period from 31 August 2021 to 30 September 2022 (Audited) £'000
Administration services fee	**129**	104
Directors' fees	**191**	140
Other expenses[1]	**782**	922
Total	**1,102**	1,166

1. Other expenses include adviser fees, independent valuer fees, audit fees, broker fees, depositary fees and other Fund-related costs.

Details of Directors' fees are set out in note 21.

7. Dividends

The Company did not pay any dividend in the year to 30 September 2023 (30 September 2022: £nil).

NOTES TO THE AUDITED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 SEPTEMBER 2023

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 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.

	30 September 2023 £'000	30 September 2022 £'000
Income taxes	**—**	—

	30 September 2023 £'000	30 September 2022 £'000
(Loss)/profit before tax	**(11,338)**	8,787
(Loss)/profit before tax multiplied by the rate of corporation tax in the UK of 19.0%	**(2,154)**	1,670
Effects of:		
Non-taxable capital profits due to UK approved investment trust company status	**2,143**	(1,923)
Non-taxable dividend income	**—**	—
Dividend designated as interest distributions	**—**	—
Prior period deferred tax	**—**	—
Temporary differences on which deferred tax is not recognised	**11**	253
Total income tax charge in the statement of comprehensive income	**—**	—

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 19.0% (2022: 19.0%), and the difference is explained below:

The Company's affairs are directed so as to allow it to meet the requisite conditions to continue to operate as an approved investment trust company for UK tax purposes. The approved investment trust status allows certain capital profits of the Company to be exempt from tax in the UK and also permits the Company to designate the dividends it pays, wholly or partly, as interest distributions. These features enable approved investment trust companies to ensure that their investors do not ultimately suffer double taxation of their investment returns, i.e. once at the level of the investment fund vehicle and then again in the hands of the investors.

NOTES TO THE AUDITED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 SEPTEMBER 2023

8. Taxation continued
Analysis of tax expense
There was no corporation tax payable during the year to 30 September 2023. 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.

Factors that may affect future total tax charges
Under the UK Finance Act 2021, the UK corporation tax rate increased for large companies from the current rate of 19.0% to 25.0% with effect from 1 April 2023. Should the Company recognise any deferred tax assets and liabilities, a rate of 19.0% or 25.0% would be used depending on when the assets and liabilities are expected to be crystallised. The Company is recognised as a UK investment trust and is taxed at the main rate of 19.0%, prevalent at the reporting period end.

At the period end, there is a potential deferred tax asset of £264,320 carried forward (30 September 2022: £253,194). 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 £'000	Revenue reserve £'000	Total £'000
Revenue and capital profit attributable to equity holders of the Company	(11,279)	(59)	(11,338)
Average number of Ordinary Shares	172,056	172,056	172,056
Earnings per share at 30 September 2023 (pence)	**(6.6)**	**0.0**	**(6.6)**

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

10. Investments at fair value through profit and loss

	30 September 2023 £'000	30 September 2022 £'000
Fair value at start of the period	**146,291**	–
Loans to intermediate holding companies	**15,513**	21,821
Equity investment in holding companies	**15,513**	114,350
Unrealised gain on investments at fair value	**(11,278)**	10,120
Total	**166,039**	146,291

As at 30 September 2023, there was a loan between Foresight Sustainable Forestry Company Plc and FSFC Holdings Limited for £37,334,413. The loan is repayable on demand. The rate of interest on the loan has been set at 7% per annum. Interest accrued at the year end was £2,796,336.

The Company owns 12,986,337,835 shares in FSFC Holdings Limited at a nominal value of £0.01 each.

Fair value investments
The Investment Manager has carried out fair value market valuations of the underlying SPV investments as at 30 September 2023 independently administered 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.

NOTES TO THE AUDITED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 SEPTEMBER 2023

10. Investments at fair value through profit and loss continued

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

The value associated with the carbon credits attached with the Establishment Stage Afforestation properties is excluded from the RICS Red Book valuation of these properties. As previously mentioned in the report, value recognition for carbon credits is ascribed using the Investment Manager's assessment. For further detail, please see an explanation of the methodology on page 32.

Fair value hierarchy

The Group 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 ("**MV**"), 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.

11. Trade and other receivables

	30 September 2023 £'000	30 September 2022 £'000
Interest receivable from subsidiaries	**2,796**	852
Total	**2,796**	852

12. Trade and other payables

	30 September 2023 £'000	30 September 2022 £'000
Creditors	**455**	477
Accruals	**348**	385
Intercompany account	**—**	24
Total	**803**	886

NOTES TO THE AUDITED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 SEPTEMBER 2023

13. Called up share capital

Allotted share capital, issued and fully paid	Number of shares
Opening balance at 1 October 2022	172,056,075
Allotted/redeemed (since 1 October 2022)	
Ordinary Shares issued	–
Total number of Ordinary Shares at 30 September 2023	**172,056,075**

	Share capital £'000	Share premium £'000	**30 September 2023 £'000**	30 September 2022 £'000
Opening balance	1,721	170,075	**171,796**	–
Shares issued	–	–	**–**	175,000
Costs associated with share issuance	–	3	**3**	3,204
Cancellation of share premium	–	(126,258)	**(126,258)**	–
Total	1,721	43,820	**45,541**	171,796

At the beginning of the period, the total number of Ordinary Shares in issue was 172,056,075. 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 Company has not issued any further Ordinary Shares.

On 28 February 2023, there was a special resolution to cancel the share premium account which was confirmed by court order and registered by Companies House. The amount cancelled was £126,258,589, with the objective of creating distributable reserves.

14. Retained earnings

	Revenue £'000	Capital £'000	**30 September 2023 £'000**	30 September 2022 £'000
Opening balance	(1,333)	10,120	**8,787**	–
(Loss)/profit for the period	(58)	(11,279)	**(11,337)**	8,787
Dividends paid	–	–	**–**	–
Closing balance	(1,391)	(1,159)	**(2,550)**	8,787

The nature and purpose of each of the reserves within the Retained Earnings as at 30 September 2023 are as follows:

- Capital reserve: This is a non-distributable reserve of the cumulative net gains and/or losses recognised in the Statement of Comprehensive Income.
- Revenue reserve: This represents a distributable reserve of all profit and loss recognised in the revenue account of the Statement of Comprehensive Income.

15. Net Asset Value per Ordinary Share

The total Net Asset Value per Ordinary Share is based on the net assets attributable to equity Shareholders as at 30 September 2023 of £169.2 million and Ordinary Shares in issue of 172,056,075.

	30 September 2023	30 September 2022
NAV (£m)	**169.2**	180.6
Number of Ordinary Shares issued (million)	**172.1**	172.1
Net Asset Value per Ordinary Share (pence)	**98.4**	105.0

16. Cash and cash equivalents

At the period end, the Company held cash and cash equivalents of £1.2 million. This balance was held by HSBC Bank plc.

	30 September 2023	30 September 2022
Cash and cash equivalents:		
HSBC Bank plc – current account	**855**	4,283
HSBC Bank plc – liquidity fund	**362**	30,043
Total cash and cash equivalents	**1,217**	34,326

NOTES TO THE AUDITED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 SEPTEMBER 2023

17. Financial instruments
Financial instruments by category

The Company held the following financial instruments at 30 September 2023. 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)	–	–	166,039	–	166,039
Current assets					
Trade and other receivables	–	2,796	–	–	2,796
Cash and cash equivalents	1,217	–	–	–	1,217
Total financial assets	1,217	2,796	166,039	–	172,052
Current liabilities					
Trade and other payables	–	–	–	(803)	(803)
Total financial liabilities	–	–	–	(803)	(803)
Net financial instruments	1,217	2,796	166,039	(803)	169,249

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 a discounted cash flow approach ("**DCF**") to value the assets and 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. To date, no PIUs have been authorised by the Woodland Carbon Code.

NOTES TO THE AUDITED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 SEPTEMBER 2023

17. Financial instruments continued
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 32. 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 2023 was £75.5 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%	+£7.53m/+4.3%	+4.4p
Forestry assets value decreases by 10%	-£7.53m/-4.3%	-4.4p

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 2023 was £67.1 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%	+£6.71m/+3.8%	+3.9p
Afforestation assets value decreases by 10%	-£6.71m/-3.8%	-3.9p

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 2023 was £23.9 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%	+£2.39m/+1.4%	+1.4p
Mixed assets value decreases by 10%	-£2.39m/-1.4%	+1.4p

NOTES TO THE AUDITED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 SEPTEMBER 2023

17. Financial instruments continued
Sensitivity analysis of the portfolio continued
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.

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 borrowing policy, the Company's outstanding borrowings, excluding the debts of underlying assets, will be limited to 30% of the Company's Gross Asset Value.

As at 30 September 2023, the Company had no outstanding debt. The Company's subsidiary FSFC Holdings 2 Limited has a £30 million Revolving Credit Facility, of which £10.4 million had been drawn at 30 September 2023.

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; 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 2023, the Company had no recourse to debt, although as set out in the Company structure chart, 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.

NOTES TO THE AUDITED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 SEPTEMBER 2023

17. Financial instruments continued
Financial risk management continued
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 are 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 period and at the reporting date, the Company maintained relationships with HSBC Bank plc.

	Moody's credit rating	**30 September 2023 £'000**	30 September 2022 £'000
HSBC Bank plc	**P1**	**1,217**	34,326
Total cash and cash equivalents		**1,217**	34,326

NOTES TO THE AUDITED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 SEPTEMBER 2023

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 of the Directors' emoluments.

20. Contingencies and commitments
The Company has no guarantees or significant capital commitments as at 30 September 2023.

NOTES TO THE AUDITED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 SEPTEMBER 2023

21. 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. As per the Director's report on pages 71 to 78, it is however noted that Blackmead Infrastructure Limited's substantial interest in share capital (29.93%) constitutes a party with significant influence on 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 year to 30 September 2023 were £1,561,930, of which £399,781 remained unpaid as at 30 September 2023.

Additionally, the Company incurred fees during the year to 30 September 2023 of £128,623, which related to administration services provided by the Investment Manager, in its capacity as Administrator for the Company. £32,564 of the fees incurred remained unpaid as at 30 September 2023.

Other transactions with related parties

The amount incurred in respect of Directors' fees during the year to 30 September 2023 was £160,000. The Directors also received £2,336 in relation to miscellaneous Director expenses. These amounts had been fully paid as at 30 September 2023. The amounts paid to individual Directors were as follows:

Director	Taxable benefits £	Basic and Committee fees £	Total £
Richard Davidson (Chair)	–	**48,000**	**48,000**
Sarika Patel	**357**	**40,500**	**40,857**
Christopher Sutton	**1,617**	**35,500**	**37,117**
Josephine Bush	**362**	**36,000**	**36,362**
Total	**2,336**	**160,000**	**162,336**

The Directors held the following shares in the Company:

Director	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.

22. Events after the balance sheet date

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

On 19 October 2023, one of the Company's SPVs, FSFC Company 1 Limited, completed the acquisition of a site in Scotland for £0.7million.

On 1 December 2023, one of the Company's SPVs, Fordie Estates Limited, completed the acquisition of a site in Scotland for £0.5million.

There are no other significant events since 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 2023.

COMPANY SUMMARY

Below are the Company key facts, advisers and other information (which have not been audited).

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

£140.2 million at 30 September 2023

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/

ADVISERS

Investment 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
Bridgwater Road
Bristol
BS99 6AH

Depositary
NatWest Trustee and Depositary Services Limited
250 Bishopsgate
London
EC2M 4AA

Financial advisor and corporate broker
Stifel Nicolaus Europe Limited
150 Cheapside
London
EC2V 6ET

Public Relations
SEC Newgate
14 Greville Street
London
EC1N 8SB

Solicitors to the Company
Gowling WLG (UK) LLP
4 More London Riverside
London
SE1 2AU

Independent Auditor
Ernst & Young LLP
25 Churchill Place
London
E14 5EY

Valuation Adviser
Savills Advisory Services Ltd
Earn House
Broxden Business Park
Perth
PH11 1RA

GLOSSARY OF TERMS

AGM	Annual General Meeting
AIC	The Association of Investment Companies
AIFs	Alternative Investment Funds
AIFMs	Alternative Investment Fund Managers
AIFMD	Alternative Investment Fund Managers Directive
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
Company	Foresight Sustainable Forestry Company Plc
EJDF	E.J. Downs Forestry, who have significant experience in the forestry management space and advise the Company on silvicultural decisions
Ernst & Young LLP	Ernst & Young is the Company's auditor
ESG	Environmental, Social and Governance
FCA	Financial Conduct Authority
FITF	Foresight Inheritance Tax Fund
Foresight	Foresight Group LLP
FSC	Forest Stewardship Council
FSF	Foresight Sustainable Forestry Company Plc
FTE	Full-time equivalent
Fund	Foresight Sustainable Forestry Company Plc
Fund Managers	Richard Kelly and Robert Guest
GAV	Gross Asset Value on investment basis including debt held at Company and subsidiary level
H&S	Health and safety
HMRC	HM Revenue & Customs
IAS	International Accounting Standard
ICVCM	Integrity Council for Voluntary Carbon Markets
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 LLP, appointed by Foresight Group CI Limited
IPO	Initial Public Offering
ITC	Investment Trust Company
KPI	Key performance indicator
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
PIU	Pending Issuance Units
Portfolio	The 68 assets in which FSF had a shareholding as at 30 September 2023
Proposed Project	A project in which the **Fund** is investing, or the **Operating Company** is directly or indirectly funding, with the reasonable expectation that it will be a **Qualifying Project**.

GLOSSARY OF TERMS CONTINUED

Qualifying Body(ies)	A standards body for the certification of **Qualifying Projects** and/or **Carbon Credits**, which is publicly endorsed, without conditionality, by a **Voluntary Carbon Industry Body**
Qualifying Project	A project which has been **Independently Certified** and appears on the register of the relevant **Qualifying Body**
RCF	Revolving Credit Facility
Red Book Valuation or the Red Book	the Royal Institution of Chartered Surveyors Valuation – Global Standards July 2017
RICS	Royal Institution of Chartered Surveyors
RIDDOR	Reporting of Injuries, Diseases and Dangerous Occurrences Regulations
RNS	Regulatory News Services
RPI	The Retail Price Index
S&ESG	Sustainability and ESG
SAC	Special area of conservation
Savills	Savills Advisory Services Limited
SDGs	United Nations Sustainable Development Goals
SDR	UK Green Taxonomy and UK Sustainable Disclosure Requirements
SFDR	The EU Sustainable Finance Disclosure Regulation
SORP	Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts
SPHN	Statutory plant health notifications
SPV	The special purpose vehicles which hold the Company's investment portfolio of underlying operating assets
SSSI	Sites of special scientific interest
tCO_2e	Tonnes of carbon dioxide equivalent
TCFD	Task Force on Climate-related Financial Disclosures
UK	The United Kingdom of Great Britain and Northern Ireland
VCM	Voluntary Carbon Market
VCU	Verified carbon units
WCC	UK Woodland Carbon Code

APPENDIX ONE: VOLUNTARY CARBON MARKET DESIGNATION, SCHEDULE 8, CLAUSE 9: CONTINUING OBLIGATIONS OF THE ELIGIBLE ISSUER

Reference period: 01 October 2022 – 30 September 2023 (noting the Company was awarded the Voluntary Carbon Market designation in December 2022).

As an Eligible Issuer under the LSE's Voluntary Carbon Market designation, the Company confirms that this audited annual report and financial statements include:

	VCM Designation Disclosure	Issuer comment
A	a statement confirming that there has been no change in the investments held by the Fund or the funding arrangements of the Operating Company (as the case may be) in the Proposed Projects and/or Qualifying Projects or, in the event that there has been a change, details of the change;	During the year to 30 September, the Company has made 18 investments, adding a total of 2,929 hectares to its portfolio. In addition, it disposed of five properties within its portfolio. Please refer to pages 22 – 23 for full details on investment activity during the year. The Company confirms that beyond its investment activity, in pursuit of its investment and sustainable investment objectives, there have been no changes.
B	in respect of a Fund, which is not fully invested, confirmation of the expected timing of any further investments in Proposed Projects and/or Qualifying Projects;	The Company announced that it completed the investment of its June 2022 fundraise in January 2023. Please refer to page 25 for a forecast of when afforestation schemes in development are expected to achieve planting completion.
C	an update in respect of the stage of each Proposed Project in relation to the standards of the relevant Qualifying Body including, without limitation: i. the expected timing of achieving key milestones to achieve the status of a Qualifying Project; or ii. a statement of the likelihood that the relevant Proposed Project will or will not become a Qualifying Project;	Please refer to pages 24 – 26 for a forecast of when the Company's afforestation schemes in development are expected to their achieve planting completion milestones.
D	a restatement of its expected Carbon Credit target yield and a description of how the Eligible Issuer has performed in relation to the previously stated expected target Carbon Credit yield;	Please refer to pages 11 and 12 for details on the Company's objectives for 2023/24. As at 30 September the Company's current afforestation portfolio is expected to create up to 1.0-1.2 million voluntary carbon credits.
E	a statement confirming the percentage of the Eligible Issuer's gross assets, which are invested (directly or indirectly) in Qualifying Projects and Proposed Projects	Please refer to pages 19 – 32 for a breakdown of the Company's portfolio and progress towards the creation of carbon credits. At 30 September 2023, the Company's afforestation portfolio comprised a 45% allocation (by value).
F	for a Fund, confirmation that, to the extent the Fund is not invested in Proposed Projects and/or Qualifying Projects, the revenues from its investments (other than in cash or cash equivalents) can be mapped to the Tier 1 or Tier 2 micro sectors within FTSE Russell's Green Revenues Classification System;	As part of transactions to acquire forestry assets, the Company may end up owning ancillary non-forestry related assets such as residential land and buildings and small-scale renewable energy assets. The Company classifies these as "non-core" and at any point these will account for no more than 10% of the Company's assets (by value). 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 Shareholders. As at 30 September 2023 non-core assets , not expected to align with FTSE Russell's Green Revenues Classification System accounted for 3.52% of the Company's Gross Asset Value ("GAV."). The remaining 96.48% of the Company's GAV as at 30 September 2023, was invested into sustainable forestry and afforestation assets that can be mapped onto Tier 1 or Tier 2 micro sectors within FTSE Russell's Green Revenues Classification System.
G	for an Operating Company, confirmation that the revenues from any other business activity conducted can be mapped to the Tier 1 or Tier 2 micro sectors within FTSE Russell's Green Revenues Classification System;	N/A
H	details (including the number) of any Carbon Credits received by the Eligible Issuer in the period, including: i. the Qualifying Body and the Voluntary Carbon Industry Body; ii. certification standard name; iii. type (reduction and/or removal); iv. project name; v. identification number; vi. issuing Registry for each Carbon Credit issued; vii. host country; viii. Carbon Credit vintage; ix. methodology/project type; and; whether or not the Carbon Credit is associated with corresponding adjustments (as evidenced by authorisation and authorised use) by the host and/or buyer country;	In the period to 30 September 2023, the Company has not received or owned any Carbon Credits.
I	details (including the number) of any Carbon Credits that have been retained, retired on behalf of shareholders, distributed or sold onwards by the Eligible Issuer in the period;	N/A

APPENDIX ONE: VOLUNTARY CARBON MARKET DESIGNATION, SCHEDULE 8, CLAUSE 9: CONTINUING OBLIGATIONS OF THE ELIGIBLE ISSUER CONTINUED

VCM Designation Disclosure		Issuer comment
J	in respect of cash equivalents, how such investments are compatible with the principle of climate change mitigation; and	The Company may hold cash reserve for the purposes of ancillary liquidity and ongoing portfolio management to enable the continued attainment of the Company's sustainable investment objective. At any point, this cash reserve will account for no more than 5% of the Company's assets. As at 30 September, cash reserves comprised 0.72% of the Company's GAV. The Company utilises the following responsible bank reserves: • HSBC Sterling Liquidity Fund Class F; and • HSBC Sterling ESG Liquidity Fund Class F These are aligned with the principles of climate change mitigation and sustainable investment.
K	an update in respect of the disclosure required pursuant to paragraph 6(e) in respect of the United Nation's Sustainable Development Goals ("SDGs")	Please refer to the Company's sustainable impact reporting on pages 33 – 36. This outlines the specific SDG indicators used for the FSF portfolio.

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Foresight
SUSTAINABLE
FORESTRY
COMPANY PLC

Foresight Sustainable Forestry Company Plc
The Shard
32 London Bridge Street
London
SE1 9SG

fsfc.foresightgroup.eu