



Foresight
SUSTAINABLE
FORESTRY
COMPANY PLC

**UNAUDITED INTERIM REPORT
AND FINANCIAL STATEMENTS**

FOR THE PERIOD FROM INCORPORATION ON
31 AUGUST 2021 TO 31 MARCH 2022

Foresight
FOR A SMARTER FUTURE

ABOUT US

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



The Company’s Initial Public Offering (“IPO”) on 24 November 2021 raised £130.0 million. Following the purchase of the seed assets and the acquisition of two newly originated afforestation assets, the Company has a total of 29 assets which consists of 38 individual properties. As at 31 March 2022, the Company had a Net Asset Value of £135.5 million.

The Company has 130,000,001 Ordinary Shares in issue, all of which are listed on the premium segment of the Official List and traded on the London Stock Exchange (“LSE”) Main Market.

FSF is managed by Foresight Group LLP (the “Investment Manager” or “Foresight”).

INVESTMENT OBJECTIVES



- Real returns and capital appreciation driven from supply/demand dynamics for UK timber and land
- Value creation through new afforestation opportunities



- Direct contribution to the fight against climate change
- Access to voluntary carbon units related to carbon sequestration from new afforestation planting



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HIGHLIGHTS

AS AT 31 MARCH 2022

£135.5m

NET ASSET VALUE ("NAV")

4.2%

TOTAL NAV RETURN SINCE IPO

104.2p

NAV PER SHARE

91.0%

IPO PROCEEDS UTILISED

8,473 hectares

IN THE PORTFOLIO

100,000 tonnes

TIMBER IN 2022 HARVESTING PROGRAMME

3,340 hectares

LAND NEWLY PLANTED OR IN
AFFORESTATION DEVELOPMENT

GEOGRAPHIC FOOTPRINT

A diversified portfolio of UK forestry and afforestation assets



38

Properties

Key:

- Forestry
- Afforestation
- Mixed

1	Fordie Estate	Mixed	14	Coull	Forestry	26	Airhouses	Afforestation
2	Whiteburn	Forestry	15	Auchensoul	Afforestation	27	Ellenber Farm	Afforestation
3	Auchenbrack	Afforestation	16	Upper Barr	Afforestation	28	Cwmban Fawr Farm	Afforestation
4	Shorthope	Forestry	Donside Forestry Collection			29	Drumelzie	Forestry
5	Aberarder	Forestry	17	Bogforlea	Forestry	30	Waun Maenllyd	Forestry
6	Frongoch	Afforestation	18	Harthills	Forestry	31	South Dairy	Forestry
7	Brynglas	Afforestation	19	Kirkwood	Forestry	32	Derry Lodge	Forestry
8	Esgair Hir	Afforestation	20	Tom Na Wan	Forestry	33	Bronnant	Forestry
Central Scotland Portfolio			21	Annefield	Afforestation	34	Craigwell Wood	Forestry
9	East Browncastle	Forestry	22	Waterhead and Craigenputtock	Forestry	35	Maescastell	Afforestation
10	Berrieswalls	Forestry	23	Camps Woodlands	Forestry	36	Pistyll South	Afforestation
11	Barkip	Forestry	24	Banc Farm	Afforestation	37	Red Craig & Glen Burn	Afforestation
12	Over Auchentiber	Forestry	25	Glass Rigg	Forestry	38	Burn of Bellyhack	Afforestation
13	Crofthead	Forestry						

A selection of assets

All of these properties were acquired as part of the seed asset transaction which completed on 7 March 2022.



Fordie

Located in Perthshire, Scotland, the 2,150-hectare property contains established woodland forest and hill ground suitable for afforestation. The planting scheme has the potential to sequester 350,000 tonnes of additional carbon. The site incorporates a hydro scheme, an eco-tourism business and a significant rewilding and ecosystem services opportunity.



Banc Farm

Located in Carmarthenshire, Wales, the 150-hectare property is an afforestation asset. In March 2022, the planting of approximately 250,000 trees was completed. In addition to the expected production of over 48,000 tonnes of sustainable timber (on an approximate 35-year rotation). An independent ecology report predicts that the planting scheme will increase the baseline biodiversity net gain (according to Defra's metric 3.0) by 60% during the first five years from the completion of planting.



Upper Barr

Located in Dumfries and Galloway, Scotland, the 343-hectare property is an afforestation asset. This site is forecast to increase the baseline biodiversity net gain of the site and will undergo an independent evaluation in the second half of 2022. Foresight will monitor carbon sequestration and biodiversity impacts over time.

CHAIR'S STATEMENT



On behalf of the Board, I am pleased to present the very first Unaudited Interim Report and Financial Statements for Foresight Sustainable Forestry Company Plc (the “FSF”, “Company” or the “Fund”) for the period to 31 March 2022.

Richard Davidson
Chair



Shorthope

On 24 November 2021, we were delighted to complete the listing of the Company. In doing so, FSF became the only listed forestry vehicle on the main market of the LSE with a primary focus on UK forestry investment. The Company raised £130 million at a share price of 100.0 pence in the fundraising process. After an initial dip to close to 90.0 pence in post-IPO trading, our shares have followed a steady upwards trend to recent highs of 116.0 pence (at the time of writing, 13 June 2022). Also, pleasingly, for almost the entire period since mid-April 2022, our shares have traded at a premium to NAV.

I'd like to put on record my sincere congratulations and thanks to the Fund Managers, advisers, new shareholders and other members of the Board for contributing to the early successes we are reporting. We are proud of both the listing and the investment strategy which offers investors asset class diversification and resilience to general market conditions (such as inflation) whilst offering strong sustainability, biodiversity and Environmental, Social and Governance (“ESG”) credentials.

FSF offers both retail and institutional investors an opportunity to invest in UK forestry. The Company's investment strategy focuses on the UK's need for sustainable timber production and is targeting a diversified portfolio of both forestry and afforestation (forest creation) sites.

We believe that having the correct tree species mix and forest designs will allow the Company to successfully deliver a blend of cash flows from the sale of timber whilst sequestering carbon, increasing biodiversity and creating natural habitats. As at 31 March 2022, afforestation assets by value make up 36% of the portfolio and, as outlined in the Prospectus, the ambition is to increase the allocation to over 40% in the near future. Suitable afforestation also allows access to grant schemes and the ability to create voluntary carbon credits.

During the period, FSF took ownership of 38 individual properties across 29 assets spanning an area a little under 8,500 hectares. Pleasingly, two new forests were also planted, the first of multiple afforestation schemes. With over 91% of IPO proceeds deployed, the Board looks forward to continuing the positive trajectory for the remainder of the financial year.

Key financials

In the period to 31 March 2022, the NAV per Ordinary Share increased to 104.2 pence (24 November 2021: 98.1 pence). The key driver of this gain was an 18% upwards revaluation of our afforestation sites, driven by rising land prices, granting of planting permission and completion of planting.

Acquisitions

The Company made three acquisitions during the period. The first was the portfolio of seed assets from the Foresight Inheritance Tax Fund for £113.4 million which was a critical part of the early-stage business plan. FSF continues to actively seek further opportunities in the market, is in exclusivity to acquire several afforestation sites and has a healthy pipeline. Now that the IPO proceeds are significantly deployed, our stated intention is to grow the Company with additional fundraising at the appropriate time.

Forest operations

During the period, the Investment Manager has been working hard at all stages of the forestry lifecycle. A particular highlight of the period was the planting of over a quarter of a million trees at Banc Farm in Wales. In addition, plans for significant harvesting and subsequent re-stocking in 2022/23 have been finalised. The Investment Manager has led successful grant funding applications.

Sustainability

We are proud that FSF was awarded the Green Economy Mark at IPO. This recognises companies that derive 50% or more of their revenues from environmental solutions.

The Company also aims to achieve both the Forest Stewardship Council ("FSC") and Programme for the Endorsement of Forest Certification ("PEFC") accreditation for each property within 12 months of acquisition and is currently on track to achieve this. FSC and PEFC are the two main global certification schemes and exist to promote sustainable forest management and a system for product assurance. The schemes allow consumers to identify, purchase and use timber and wood products produced from well-managed forests.

Full sustainability information can be found from page 14 in this report.

Market outlook

Prices in the forest property market remain underpinned as the asset class continues to attract interest from new private and institutional sources. This has been driven by many of forestry's traditional long-term attributes such as inflation protection, environmental impact and attractive cash flows from growing timber.

The planting land market has seen particularly strong demand in recent years. Forestry interest is now a key driver in the market for marginal land types. The recent strong rise in ESG investing has widened this from land purely suitable for growing commercial timber, to a range of land types suitable for commercial forestry, native woodland planting for CO2 sequestration and various other holistic environmental projects such as rewilding or habitat restoration.

Timber prices have shown some volatility in recent months after an exceptionally strong two-year performance. The UK economy appears to be slowing and winter storms have increased supply. In contrast, the pound has weakened (which is important due to the level of UK imports of timber) and the conflict in Ukraine has led to timber import bans from both Russia and Belarus, reducing supply. In addition to this, the FSC and PEFC have defined Russian and Belarusian timber as "conflict timber" and as such will not qualify for any accreditations whilst the conflict is ongoing.

The Investment Manager and the Board remain of the view that the longer-term timber supply deficit provides a significant opportunity beyond any current uncertainty.

Summary

The first seven months of FSF's life has been filled with many successful events: the IPO, property acquisitions, new Shareholders and the planting of new forests. As a Board, we are proud of what has been achieved so far and are optimistic for the future. FSF aims to be a success for our Shareholders but also to make a difference to the planet.

Richard Davidson

Chair

14 June 2022

INVESTMENT MANAGER'S REPORT



Robert Guest

Investment Director,
Co-lead Manager of FSF



Richard Kelly

Investment Director,
Co-lead Manager of FSF

Executive summary

We are very fortunate to have a Board of Non-Executive Directors with a deep and broad range of experience, a progressive mindset and who share our passion for sustainability, biodiversity and a home-grown renewable supply of UK timber. We thank each of them for their support and guidance in the run-up to the IPO and during this first period in the life of the Company as a listed entity.

The seed assets transaction means that the Company has been able to get off to a flying start in terms of deployment. We were then pleased to complete two further afforestation acquisitions during the period. Beyond that, we have primarily focused our efforts on continuing the origination of a strong pipeline of afforestation deals using our network of contacts and our proactive market-mapping and deal procurement approach.

Afforestation is the development of land that is suitable for the planting of both commercial conifer and native broadleaf trees, and results in new forest and woodland creation. Such planting projects initiate additional carbon sequestration, serve to increase the supply of sustainable UK timber for the next generation, as well as enhance biodiversity levels, provide natural capital services and offer other societal educational, recreational and health benefits.

We are pleased by the prospect of generating incremental value uplifts as these projects successfully achieve their development milestones. The development programme is progressing very well, with much of the design work, environmental surveys, forward-ordering for the supply of saplings, and applications for permissions and grant funding ready for submission to the relevant authorities for approvals now well-advanced.

To see the first trees planted on two sites during the period was particularly satisfying and with multiple assets poised to progress through various next key development stages, the team are keen to see more results from all the hard work done to date.

The other major aspect of the Company's portfolio is mature established forests. From the commercially productive areas within these forests we supply, each year, a stream of sustainable home-grown timber to the UK market by thinning and harvesting on a rotational basis, re-stocking as we go. From what is harvested, the sawlog (supplied to the construction industry) is the main product and has the additional benefit of locking up carbon in buildings (embodied carbon) over the long term.

The by-products of FSF's sawlog-focused commercial forestry – small and medium-sized Roundwood – are utilised following waste-hierarchy principles and these ultimately become pallet wood, fencing wood and wood chips that are used in pulp, paper, panel board, chipboard mills and for biomass heat and electrical energy generation.

Despite some recent headwinds and related pricing volatility, overall levels of demand for timber has remained robust following a period of strong price growth during the COVID-19 pandemic and we have a significant harvesting programme lined up for the calendar year 2022.

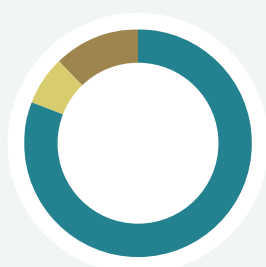
As well as the afforestation development, harvesting and ongoing management of the land during the period, there are several new initiatives underway which target positive sustainability and ESG impacts and/or generate value upside. Details of the highlights of these are covered in this section, the Investment Manager's Report and the Sustainability and ESG section.

The Investment Manager is looking forward to building on this strong initial first period as we now work towards the year end. The medium term goal is to grow the Company to in excess of £500 million Gross Asset Value ("GAV") within four to five years of listing, whilst delivering a combination of strong financial returns and environmental and social impacts for the Shareholders.

Portfolio allocation

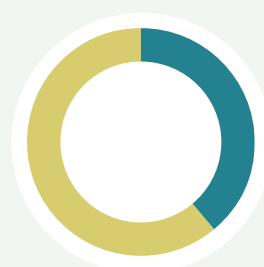
As at 31 March 2022, the Company's portfolio comprised 29 assets across 38 properties with a total area of 8,473 hectares. All of these assets were acquired during the period in three transactions. An overview of the portfolio is provided on page 3 (geographic footprint). The split of hectares by country and the split of hectares by afforestation/forestry is illustrated below.

Portfolio by area



Key:

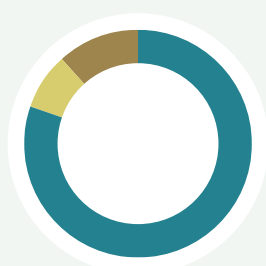
- Scotland - 81%
- England - 7%
- Wales - 12%



Key:

- Afforestation - 39%
- Forestry - 61%

Portfolio by value



Key:

- Scotland - 80%
- England - 8%
- Wales - 12%



Key:

- Afforestation - 36%
- Forestry - 64%

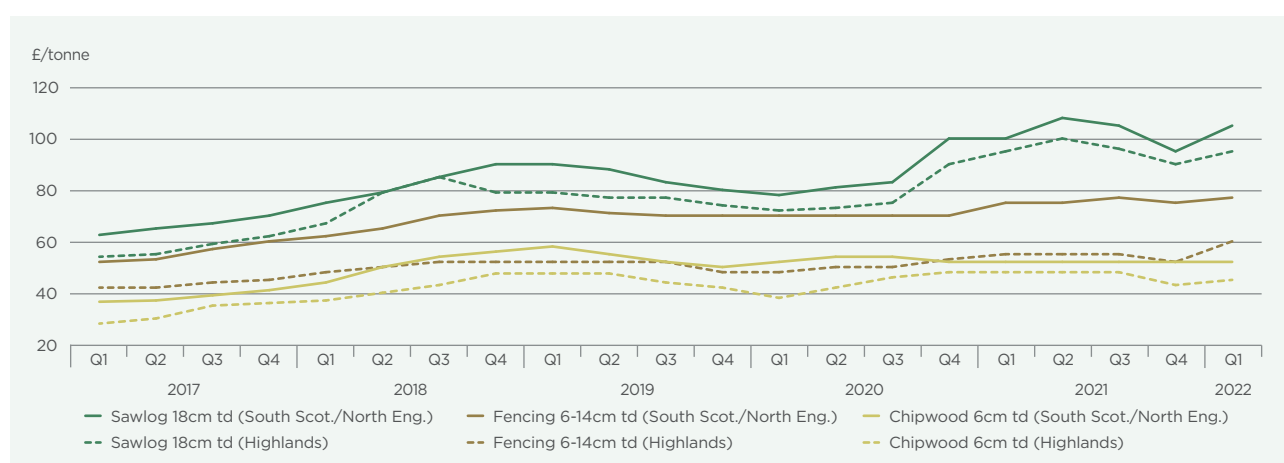
INVESTMENT MANAGER'S REPORT CONTINUED

The allocation is currently weighted towards Scotland, which is the most forested of the UK countries and the closest to achieving its annual planting targets. Wales is the next most prominent country in the portfolio and government targets for afforestation in Wales are significant. The Investment Manager is also seeking opportunities in Northern England to increase allocation there, noting that this is a relatively more challenging market environment and with England yet to come anywhere close to fulfilling its annual planting targets.

The Company has made strong progress during the period towards achieving its afforestation target of greater than 40% (by value).

UK timber market

Sawlog, fencing and chipwood prices for South Scotland/North England and the Highlands



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

- Sawlog, which has a top diameter of 18cm and above, is the wood product which achieves the highest price. Sawlog is a type of wood which is of suitable size for sawing and processing into lumber.
- Fencing, with a top diameter between 6-18cm, is sometimes referred to as small Roundwood and is commonly used in outdoor spaces.
- Chipwood, with a top diameter below 6cm, is essentially waste and achieves the lowest price. Chipwood is used for a variety of purposes like biomass fuel, paper, gardening, landscaping and ecosystem restoration.

The categories are broken down further by geography to account for the variance in achievable price depending on location. The outputs from the graph show a strong timber price appreciation during the COVID-19 pandemic (2020/21) reflecting:

- A surge in demand from the construction industry.
- Disruption in the harvesting of timber.
- A reduction in stock levels across Europe. In particular, Swedish timber stocks remain at their lowest levels in more than 20 years.

Timber is a valuable building material and has the capacity both to lock up carbon in buildings and replace more carbon-intensive materials – while also generating jobs and investment in the sector.

Lord Zac Goldsmith

International Environment Minister

2022 timber market

- Storm Arwen in November 2021 came in from the North East and caused a large amount of damage to forests in the North East of England and North and East of Scotland. Circa 30% of the annual national cut now needs to be cleared and brought to market during 2022. This has impacted short-term Roundwood prices in particular and had some effect on sawlog prices. However, larger commercially managed forests were generally less impacted, with smaller policy woodland and shelter belts on farms and estates experiencing the most severe effects. Further, for larger players able to push back harvesting of wind-blown compartments to later in the year, timber prices, in particular for sawlog, have remained resilient, underpinned by continued overall shortage of supply and sustained demand.
- Construction for 2022 remains on schedule, but for 2023/24 there is market sentiment that the spike in commodity prices (pushing up the capex costs of construction) may force some projects to go “on standby”. However, the Investment Manager’s view is that the global shortage of timber and shortage of housing with a rising population means that the fundamentals for sustained increases in timber prices remain strong. Further, as a net importer of timber, UK forest owners are likely to remain relatively well insulated from these effects.
- GBP has weakened against EUR and USD during the period. This has a positive effect on prices for UK timber growers.
- As the Chair has outlined in his statement, the effect of the tragic war in Ukraine on timber supply is likely to put upward pressure on global timber prices, including UK timber prices. Russia supplied c.20% of global timber and c.3.5% of UK timber prior to the conflict.

- The maturity levels of UK commercial forests are such that reducing supply levels over the medium term are a certainty. It is the view of the Investment Manager that, once the storm damage has been cleaned up, the impact of Storm Arwen will only intensify the supply shortage – as a reasonable portion of the storm-damaged trees will not have achieved optimal size and bulk at the point they were wind blown. We are therefore of the view that the overall outlook for UK timber prices remains good.

Harvesting plan

The harvesting programme for 2022 involves eight assets with an estimated timber yield of 100,000 tonnes. The first FSF forests are planned to begin harvesting in summer 2022 and the process of tendering and agreeing prices is well underway. The 2022 harvesting programme will include the small number of assets affected by Storm Arwen where wind blow has occurred. During the seed asset transaction, FSF negotiated an equitable commercial solution to deal with the harvesting and revenue generated from the windblown timber. This meant that despite the storm, FSF was not impacted financially. Since acquiring, the Company has insured the portfolio assets to cover future storm events.

Voluntary carbon market

The EU Emissions Trading Scheme (EU ETS) is a regulated cap-and-trade market for carbon in Europe which operates separately to the voluntary carbon market. However, the Investment Manager is of the view that it is a useful proxy market for voluntary carbon. In theory, the gap between voluntary carbon market pricing and regulated carbon market pricing may narrow/converge over time as the trust in the voluntary carbon markets and the related systems and controls increases.

The most notable development in the EU ETS pricing during the period was a material (c.30%) decrease in March 2022 from highs of approximately €95 per tonne to below €60 per tonne. Market commentators suggested at the time that the drivers for this were threefold: (i) fear of regulatory amendments where the EU Commission could reduce the trigger point for market intervention where the current market price exceeds the average price of the preceding 6 month period from 3.0x to 2.0x, (ii) market speculation about whether the Russian war in Ukraine could accelerate net zero ambitions of countries such as Germany thereby reducing demand for carbon and (iii) traders liquidating carbon to offset losses elsewhere as a result of equity market volatility/corrections.

From a voluntary carbon market perspective, the Investment Manager has, anecdotally, observed higher pricing for high quality UK Woodland Carbon Code (“WCC”) Pending Issuance Units of between £12 per tonne and £15 per tonne during the period, increased from an observed/ anecdotal range of £5 per tonne to £8 per tonne 12 months ago. The Investment Manager remains optimistic about the prospects for pricing growth in the WCC units that the portfolio expects to generate over time, providing that the Company can demonstrate that its units are of the highest quality in the future. Please see the Sustainability and ESG section of this interim report, on pages 14 to 18 for the Investment Manager’s view of why data collection and management will be key to the integrity and value of voluntary units in the future.

INVESTMENT MANAGER'S REPORT CONTINUED

Voluntary biodiversity market update

There is a material opportunity within FSF's forest, woodland and afforestation areas to enhance connected ecosystems and natural habitats that generate a significant uplift in biodiversity. There are also large areas of open ground within the portfolio which contain upland montane habitats and wetland/peatland habitats which are not suitable for tree planting but which can be enhanced ecologically by alleviating the impacts of over-grazing by livestock and/or deer.

The goal of the Company is to combine a wide range of sustainable income streams and positive natural capital service outcomes including timber, eco-tourism, renewable energy, carbon sequestration, flood protection, water quality and societal/community benefits. Alongside those elements, the market for biodiversity net gain is gathering momentum at a rapid pace.

The Taskforce for Nature-related Financial Disclosures ("TNFD"), a group of 34 international taskforce members backed by 350 institutional supporters, has published its first beta version framework for how companies and funds should report on the impact they are having on the natural world. The UK Green Finance Institute has estimated that there is a funding gap of between £44 billion and £97 billion over the next 10 years if the UK is to meet its targeted levels of nature related sustainability and environmental outcomes.

The Natural History Museum has carried out a global Biodiversity Intactness Survey and scored the UK at 53% intactness, putting it in the bottom 10% of the World's countries. The governments of England, Scotland and Wales now recognise the importance of nature-recovery, and this is being reflected in policy, regulation and incentives.

Foresight advocates in favour of nature and biodiversity recovery and has joined the Natural Capital Investment Alliance (NCIA) which was created by the Prince of Wales in recognition of the need to mobilise investment in nature-based economic opportunities. As part of the Foresight Sustainable Forest Management approach for FSF the Investment Manager is therefore carrying out baseline biodiversity surveys and looking to deploy strategies to improve from that baseline, including exploring the potential to integrate livestock amongst some of the Company's forest and woodland areas (i.e., agroforestry/rewilding).

In some instances, we are collecting data to test against DEFRA's biodiversity metric 3.0. In other scenarios this involves a more intensive level of data collection, sampling and testing, including potentially environmental DNA (eDNA) testing. There are already examples of over-the-counter sales and purchases of voluntary biodiversity uplift units and biodiversity net gain units and this could represent a substantial revenue stream for the Company in the future. Often the verifiers of such biodiversity units require identification of positive social impacts alongside the biodiversity impacts before they will approve and verify units.

This is a nascent area and many of the initiatives are at pilot/feasibility stage. However, Foresight is taking steps to make sure that the Company is well placed to participate strongly in this emerging sector as the market develops.

Data management

The Investment Manager is of the view that efficient data collection and management will be critical for validation and verification of voluntary carbon units, voluntary biodiversity units and other such credits in the future and is therefore running a pilot with a data management Software as a Service ("SaaS") partner with a view to this facilitating efficient data capture which can then be used for multiple other purposes, including general management and reporting functions.

Health and safety ("H&S")

H&S management of the assets is a key focus and there are a number of activities in place to ensure that the correct information is provided at regular intervals to Foresight so that appropriate action can be taken where necessary. There were no H&S incidents (near misses or RIDDORs) during the period across the portfolio.



Waterhead and Craigenputtock

Afforestation asset development progress

There are 14 afforestation assets in the portfolio, located in both Scotland and Wales. The status¹ of each of the afforestation assets for the period is as follows:

Property name	Forest design completed	Permits and grants secured, admitted to WCC register	Planting completed	Initial WCC validation completed	Trees fully established
Banc Farm				—	—
Mountmill Burn			—	—	—
Upper Barr		—	—	—	—
Auchensoul		—	—	—	—
Cwmban Fawr Farm		—	—	—	—
Frongoch		—	—	—	—
Brynglas		—	—	—	—
Esgair Hir		—	—	—	—
Pistyll South		—	—	—	—
Ellenber Farm		—	—	—	—
Fordie		—	—	—	—
Rory Hill		—	—	—	—
Lamb Craigs		—	—	—	—
Maescastell		—	—	—	—

1. Status as at 31 March 2022

As described in the executive summary, the Investment Manager attaches high importance to reaching development milestones in terms of the financial return value and positive sustainable and ESG impacts that this will deliver.

Pipeline and deal procurement

Foresight sources deals and acquisition opportunities via selling agents, on-market bids, bilateral deals, direct origination and direct approaches.

Approximately 4,500 specific properties (c.900,000 hectares) which are highly suitable for afforestation have been identified by the Investment Manager, which is able to secure transaction opportunities through its direct origination system. The Company has priority over these and other Foresight forestry opportunities that are within the Company's mandate.

At the time of writing, FSF holds exclusivity over approximately £77 million worth of afforestation and forestry pipeline.

INVESTMENT MANAGER'S REPORT CONTINUED

Community engagement

The Foresight Sustainable Forest Management approach is applied across the Company's afforestation projects as well as its established forest and woodland assets. Some examples are provided below of where this approach has been pro-actively pursued during the period, with a particular focus on community engagement and our drive to unlock positive natural capital service and societal benefits:

- Consultation and engagement with local communities has been carried out, at the appropriate moment, as part of the design and application stage of each of the Company's in-progress afforestation schemes.
- A forestry skills training programme has been launched that sponsors interested members of the local community to receive the training, qualifications/certifications, mentoring and equipment to enable jobs and careers in the forestry industry, with a view to expanding the scale and geographic reach of the programme in due course if the initial phase is successful.
- Opportunities to enhance connectivity between local communities and the Company's forests and woodlands (e.g., signposts, walking paths, mountain bike trails, carparks, gates/styles, donations of land) have been initiated as part of the design process on the Company's afforestation schemes.
- The Company has sold and/or leased land that is not suitable for afforestation to local farmers.
- Potential for utilisation of various bothies and cottages within the portfolio as centres for education and recreation relating to sustainable forest management and wildlife & ecosystem enhancement is being explored.

- The Company is promoting local tourism and job creation by working with a luxury glamping pod business to establish plans to install pods across several forests and afforestation sites.
- Foresight is exploring several opportunities to co-locate renewable energy generation (e.g., wind, hydro) with forest sites to supply sustainable electricity into the local grid system and is carrying out an enhancement project at an existing run-of-hill-stream hydro scheme at one of the Company's properties.
- Foresight has made a pro-active decision, upon acquisition of a landscape-scale estate, to manage the houses, buildings and employees closely alongside the land, forest and woodland. The estate staff are deeply involved in the forestry/afforestation/peatland/rewilding project that is in progress, with the letting of a number of the estate houses to local families and with the establishment of an eco-tourism business.
- A business case has been successfully demonstrated where one of the forests in the Company's portfolio has carried out thinning, engaged a local contractor to drag the trees by horse to a work-area (a low impact method), subsequently sawn and processed the timber on-site and then sold the resultant highly specialist timber product to local buyers.

Please see the Sustainability and ESG section on pages 14 to 18 of this report for more details of the Foresight Sustainable Forestry Management ethos and approach.

Upside opportunities

A number of upside opportunities have been identified across the portfolio with key themes emerging, including wind farm development on existing or proposed wind farm sites, eco-tourism (holiday lets and glamping pods) and repurposing or renovating buildings that have been included as part of the acquisition. Each upside opportunity will be reviewed on its merits and taken forward on a case-by-case basis.

We also have a significant focus on biodiversity and are actively exploring the potential verification routes which are available.

The value of these upside opportunities is not currently included in the valuations of the Company's properties. On successful implementation and completion of such projects the Investment Manager will notify the RICs Red Book valuer in order that the additional value created is reflected in the Company's NAV.

AFFORESTATION CASE STUDY

BANC FARM CARMARTHENSHIRE, WALES

Investment overview

Company	Foresight Sustainable Forestry Company Plc
Property location	Carmarthenshire, Wales
Asset type	Afforestation
Project size	150 hectares
Operational date	April 2022
Investment amount	£1.48 million, including deal costs, but excluding all afforestation costs



Banc Farm is a 150 hectare afforestation property in Carmarthenshire in Central Wales. This property is marginal farmland, located in a highly afforested part of Wales and surrounded by mature forests owned by Natural Resources Wales ("NRW"). NRW offer grants for afforestation under the Glastir Woodland Creation Scheme. To qualify for these grants, scheme designs must include at least 25% native broadleaves and a maximum of 50% of a single species.

The UK is well below its afforestation targets; as such, FSF targets a 40-50% allocation to afforestation projects. In 2021, only 300 hectares of afforestation was undertaken across all of Wales. At 150 hectares, Banc Farm represents one of the largest afforestation schemes undertaken in Wales in recent years.

The Foresight Forestry team has worked with third parties EJDF (Forestry Advisors) and Tilhill (Forest Managers) to develop a scheme design that is expected to generate good returns for investors and benefits for the community.

Accordingly, the scheme design incorporates both commercial and broadleaf species, including: Sitka Spruce; Douglas Fir; Norway Spruce; Silver Birch; Sycamore; Oak; Black Poplar; and Juniper. Black Poplar and Juniper are both recognised as "rare and endangered" by the Forestry Commission. The property will also incorporate community benefits such as the extension of mountain bike trails and the creation of a car park.

Once the scheme design was agreed and approved by NRW, the planting process began and has now been completed.

FSF is committed to using low-impact, sustainable planting methods; as such, continuous mounding is used in place of ploughing to prepare the ground for planting. Trees are then planted by hand; a single individual will plant in the region of 2,000 trees per day.

Approximately 250,000 commercial trees have been planted in the period to 31 March 2022. Once established, the property is expected to yield an estimated 48,000 tonnes of sustainable timber for each rotation. In addition to the timber yield, this project has been registered with

the WCC and will seek approval and verification from the WCC. The project is expected to sequester 21,000 tonnes of CO₂e and generate the carbon units associated with this sequestration.

On 2 March 2022, a group of children from Talley Primary School attended a community planting day at Banc Farm. The children learnt about biodiversity conservation and new silviculture skills including how to establish, grow and maintain healthy forests and woodlands and the importance of doing so for society and the planet. They each planted a tree at Banc Farm and hammered in an orange peg with their name engraved on it so they can follow their tree's progress. The children also took home a sapling to practise their new planting skills. Nick Gale, a teacher present on the day stated, "the children of Talley Primary School thoroughly enjoyed planting trees at Banc Farm. They learnt about the environment, climate change and the value of planting trees for our future. The experience was a very beneficial one for the pupils. Thank you for the opportunity."

SUSTAINABILITY AND ESG



Our core Sustainability and ESG ("S & ESG") objectives

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

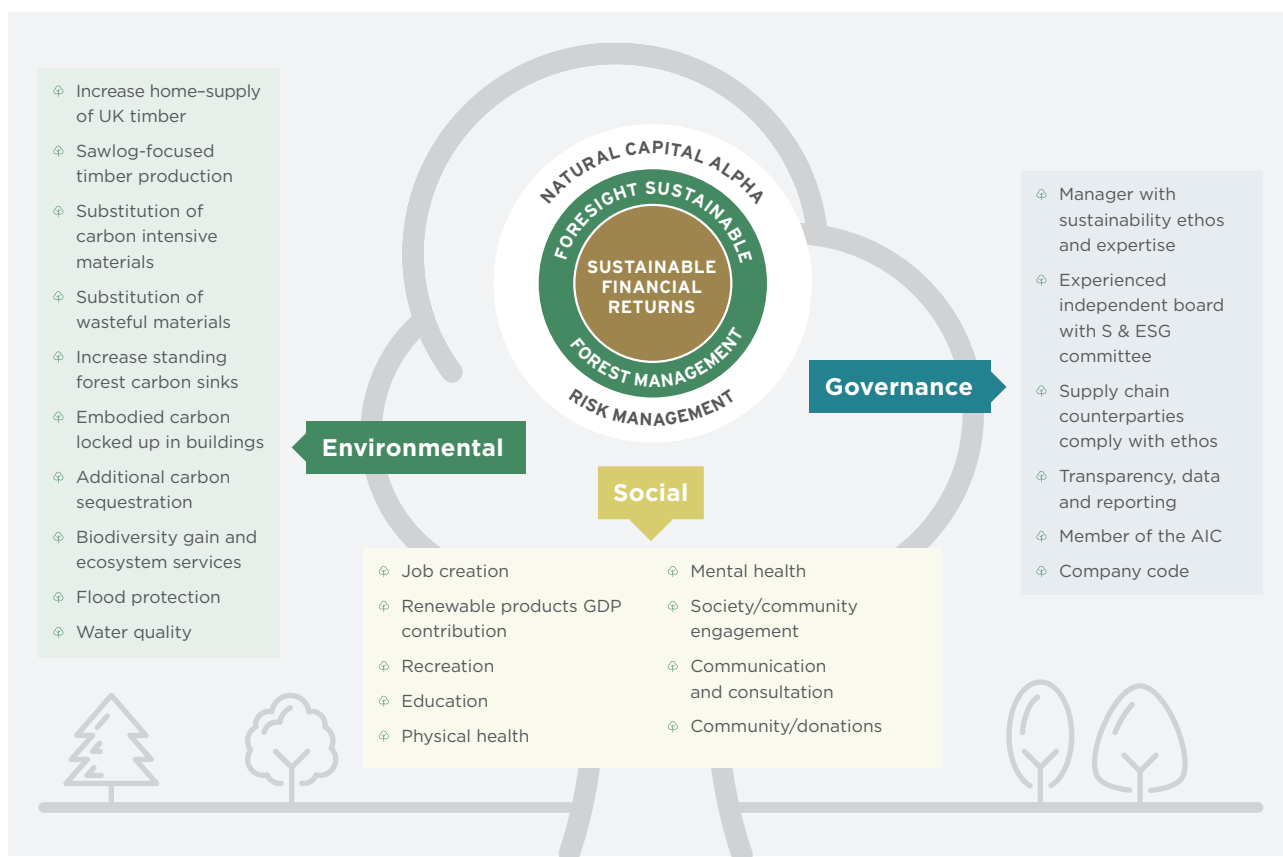
Our Sustainable business model

We blend:

- **tangible commercial products** (e.g., timber, renewable energy, eco-tourism) with
- **natural capital service outputs** (e.g., carbon sequestration, biodiversity gain, flood protection, social contributions, water quality) with **an ethical approach to governance and management decision making**

to deliver sustainable financial returns.

Our holistic approach to Sustainability and ESG



Foresight Sustainable Forest Management - generating 'natural capital alpha'

We create natural capital alpha through our proprietary sustainable forestry management practices.

We balance UK timber production, carbon sequestration, biodiversity and positive social impacts, amongst other considerations, for each of our afforestation sites. As well as commercial trees, this will include the planting of significant hectareage of native broadleaf trees and re-instating wetlands and reducing grazing levels on large areas of open ground, which increases positive carbon impacts and creates additional biodiverse ecosystems. We have multiple schemes where the proportion of native broadleaf trees relative to commercial conifer trees is significant (even in excess of 50% on some projects).

Our sustainable approach tackles some of the key challenges and opportunities in UK Forestry

The importance of timber as a sustainable product

On average, around two-thirds of the commercial trees grown by FSF produce sawlog (the best sites can produce >80% sawlog) which is used in building construction, locking up carbon for up to 100 years or more. Waste hierarchy principles are generally applied to the non-sawlog parts of the commercial trees (i.e., the residual resource is not wasted) and these by-products have a broad range of sustainable applications.

Timber products are renewable and have a low/negative carbon profile when compared with the alternatives. Concrete, steel, plastics and synthetics have highly negative carbon and/or waste impacts which means displacing these with home-grown timber products is a highly sustainable endeavour.

The importance of reducing the UK's level of reliance on timber imports

The UK is increasingly reliant on imports to meet its own demand for timber, with current annual import levels of c.80%. Because only c.30% of world demand for timber is currently met by commercial plantations, higher levels of UK imports ultimately put increased pressure on natural and semi-natural forests in the global timber supply chain. So, FSF's contribution towards increased home-grown UK timber supply from our afforestation schemes has positive local impacts as well as far-reaching global impact.

Climate change, biodiversity loss, positive social impacts - data is key to integrity

The urgent requirement to reduce the rate of global warming and the dramatic decreases in the UK's baseline biodiversity levels are well documented. The FSF Management approach ensures that the impact our projects is having in these key areas (and other of the core S & ESG areas) will be carefully monitored over time through meticulous data collection and management.

Foresight is partnering with natural-capital focussed Software as a Service ("SaaS") experts, piloting a LIDAR methodology for measuring biomass levels and related carbon sequestration rates, exploring a range of biodiversity monitoring techniques and investigating methodologies for quantifying 'natural capital premium' in order to ensure that FSF remains in the vanguard of the drive for accountability, verification, transparency and credibility. This will ensure that any voluntary carbon, biodiversity or social units generated by FSF meet high standards of integrity and consequently hold high financial natural capital values.

SUSTAINABILITY AND ESG CONTINUED

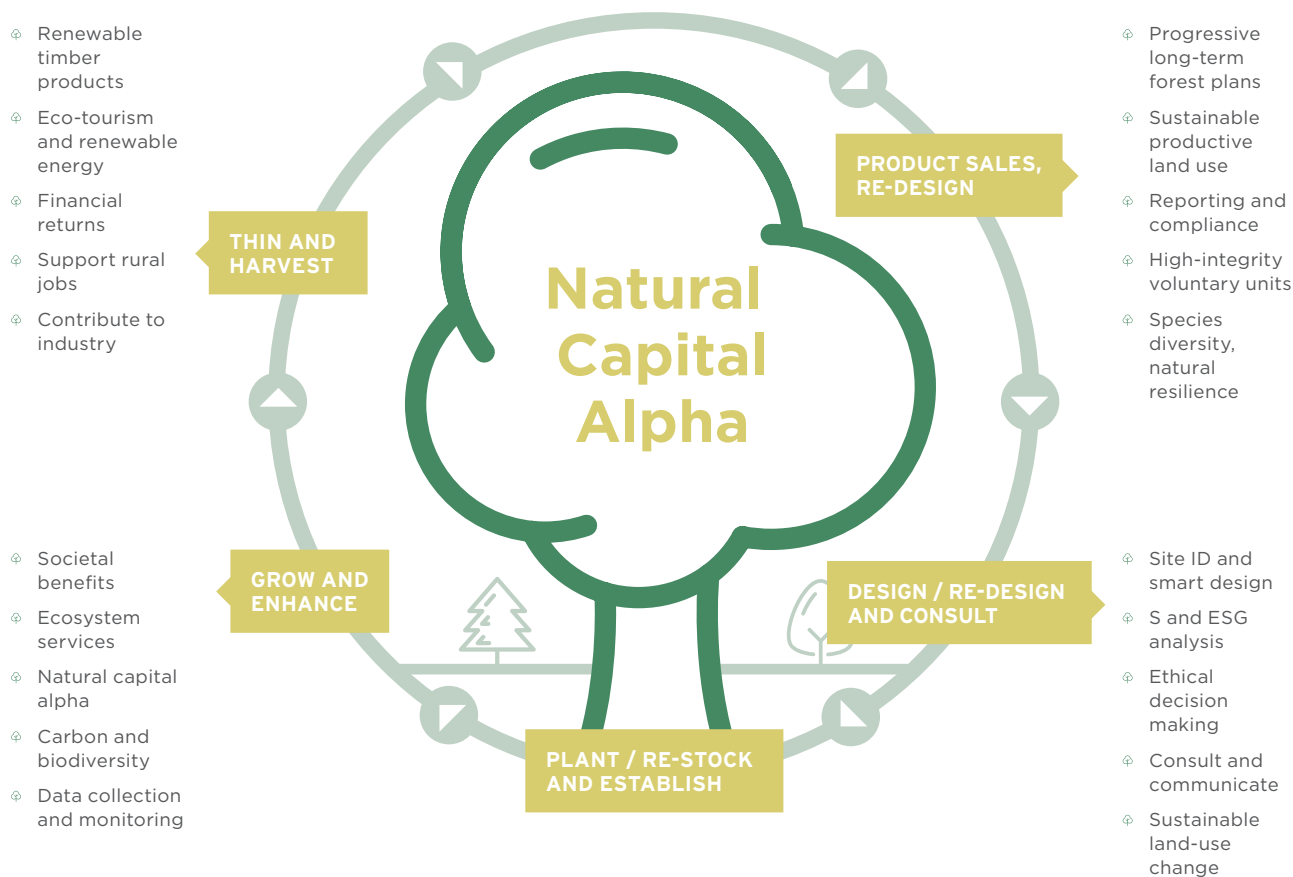
Afforestation as part of UK land use change – communicating a sustainable transition

The UK government's tree planting target of 900,000 hectares in total by 2050, whilst ambitious, represents only 3.7% of total UK land area. This is part of a much larger national adjustment as the UK seeks to re-invent its approach to agriculture and general land use and will see an increase in UK forest cover from c.13% to c.17%, compared to the European average of 34%.

With the UK's current high reliance on timber imports, the urgent need to reach net zero carbon and low levels of biodiversity baseline, FSF considers that an allocation of a reasonable proportion of UK land towards the creation of new forest and woodland is a sensible objective, provided it is carried out in the right way. To date, the UK is yet to achieve its annual planting target. However, the Scottish government remains supportive of additional planting and the Welsh and English governments are taking additional steps to further encourage planting. The Company will materially contribute towards the UK's afforestation targets.

For FSF, the key is communication with communities about the design and development process on our afforestation sites, demonstrating what the FSF Management approach can bring in terms of positive contribution towards local industry, local society and the local environment.

Foresight Sustainable Forestry Smart Progressive Forest Management



Contribution to the United Nations Sustainable Development Goals ("SDGs")

The following diagram highlights the five most relevant SDGs to which the Company has contributed during the period.



The annual report to the period 30 September 2022 will report more specifically, and quantitatively, on the Company's contributions to UN SDGs during its first year.



SUSTAINABILITY AND ESG CONTINUED

FSF's commitment to other leading Sustainability and ESG standards

The Investment Manager confirms its view that at the half-year point **the Company meets or exceeds the following voluntary compliance standards.**

EU Article 9 SFDR

- The Sustainable Finance Disclosure Regulation ("SFDR") is a framework designed to increase transparency on sustainability reporting with a view to facilitating sustainable investment practices and to aid the understanding of sustainability credentials as published by funds and/or companies.
- Article 6 – Funds without any consideration of sustainability
- Article 8 – Funds that promote a social or environmental characteristic (light green)
- Article 9 – Funds that have sustainable investment as their objective alongside a robust framework for reporting sustainable impact

EU Green Taxonomy

- Under SFDR, Article 9 funds must report on their level of alignment to the EU Taxonomy for Sustainable Activities ('EU Taxonomy')
- The EU taxonomy is a classification system, establishing a list of sustainable economic activities under six environmental objectives as outlined below:
 - Climate change mitigation
 - Climate change adaptation
 - Sustainable use and protection of water and marine resources
 - Transition to a circular economy
 - Pollution prevention and control
 - Protection and restoration of biodiversity and ecosystems
- The aim of the EU Taxonomy is to create security for investors, protect private investors from greenwashing, help companies to become more climate-friendly, mitigate market fragmentation and help move capital to where it is most needed.
- The Company has set the objective of having all of its assets compliant with the EU Taxonomy's pre-determined screening criteria.
- The intention to have all assets aligned to an internationally recognised sustainable forest management standard (such as FSC or PEFC) is a fundamental component of achieving EU Taxonomy compliance.

UK Green Taxonomy and UK Sustainable Disclosure Requirements ("SDR")

- The goals of the UK Green Taxonomy and SDR are broadly similar to EU Green Taxonomy and SFDR.
- As a UK managed fund, FSF will ultimately come under the UK's Green Taxonomy and its SDR regime, both of which are currently in the consultation phase and do not yet have a set date for implementation.
- The Investment Manager will continue to monitor developments to ensure that the Company is compliant with the emerging requirements.

The LSE Green Economy Mark

- This standard recognises London-listed companies and funds that derive more than 50% of their revenues from products and services that are contributing to environmental objectives such as climate change mitigation and adaptation, waste and pollution reduction and the circular economy. The Company meets these qualification requirements and holds the LSE Green Economy Mark.

Objectives set - working towards the year-end S & ESG update

Having outlined the Company's Sustainability and ESG objectives in this set of Interims, we will publish KPIs and data sets that align with our mission statement and goals in the forthcoming year-end annual report.

PORTFOLIO VALUATION

Methodology

Savills Advisory Services Limited (“Savills”) is 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 an asset-by-asset basis and will be completed semi-annually.

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

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

Portfolio valuation

Following the successful IPO, the Company acquired a seed asset portfolio for £110.9 million (pre-tax and transaction costs) and two further assets (£5.2 million) that were valued using the Red Book methodology at 30 September 2021 (£116.3 million). Following the revaluation at 31 March 2022, forestry asset valuations increased by £2.3 million and afforestation asset valuations increased by £6.9 million.

For forestry, there were a relatively low number of comparable transactions over the period, partly due to market seasonality and Storm Arwen which saw a reluctance of buyers to acquire storm-affected properties. The valuation period also covers the winter months, when trees are dormant and not adding biological growth to the portfolio.

The increase in valuation of the afforestation portfolio was driven by a combination of factors: the rapidly appreciating market for properties with strong afforestation and carbon credit potential, and several properties achieving material development milestones – mainly the completion of planting at Banc Farm and the commencement of planting at Mountmill Burn.

Portfolio Value Bridge



RISK AND RISK MANAGEMENT

The Directors consider the following as the principal risks and uncertainties to the Company at this time:

- The Company being unable to access sufficient funding to complete its growth expectations
- A reduction in demand from the users of timber that negatively impacts profitability
- Resistance to change of land use from the public generating negative PR and impacting the Company's ability to obtain planning consent
- Changes in the economic, technological, political or regulatory environment, including inflation

Risk and risk management

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.

Financing capital

As a newly listed entity, the Company is focused on growing its portfolio. In order to achieve our 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 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, Jefferies International Limited, 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 grow on 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 poorly, could result in poor relationships developing between the Company and local communities. This in turn could impact both the Company's reputation, ability to obtain the necessary planning consent for planting to commence and potentially the share price.

During the due diligence phase of afforestation investments, the Investment Manager commissions an independent community risk assessment to ensure that afforestation only takes place in areas where tree planting is less likely to be a contentious issue. A separate planning risk assessment is also undertaken ahead of all potential land acquisitions where afforestation is intended and the Investment Manager 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 concerns raised by community members.

In addition, in the event that planting was unable to go ahead, the acquired land would still have agricultural value. Therefore, whilst the revenue 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. The Investment Manager is in the process of developing a forestry skills training programme that will enable members of rural farming communities to adapt to afforestation-related land use change by providing them with the required skills, training, qualifications and safety equipment.

Changes in the macroeconomic environment

The UK economy has seen significant fluctuations in growth over the last 2 years, predominantly due to the COVID-19 pandemic and Russia's invasion of Ukraine. Rising inflation is also impacting the price of goods and materials used in planting and felling.

However, the Company is in a relatively strong position to withstand changes in the macro-economic environment as it is invested in real assets, principally freeholds of UK land and forest stock. The forest stock is experiencing 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 terms 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 flow through to market prices again.

FINANCIAL REVIEW

Analysis of financial results

The financial statements of the Company for the period from incorporation on 31 August 2021 to 31 March 2022 are set out on pages 35 to 46.

The Company prepared the condensed unaudited financial statements from the date of incorporation to 31 March 2022 in accordance with IAS 34 as adopted by the UK and issued by the International Accounting Standards Board. 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 are presented as part of the Company's fair value of investments.

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

The Company, its subsidiaries FSFC Holdings Limited and FSFC Holdings 2 Limited (together the "Group"), hold investments in 29 portfolio assets which intend to make distributions in the form of interest on loans and dividends on equity as well as loan repayments and equity redemptions.

For more information on the basis of accounting and Company structure, please refer to the Notes to the condensed unaudited financial statements on pages 39 to 46.

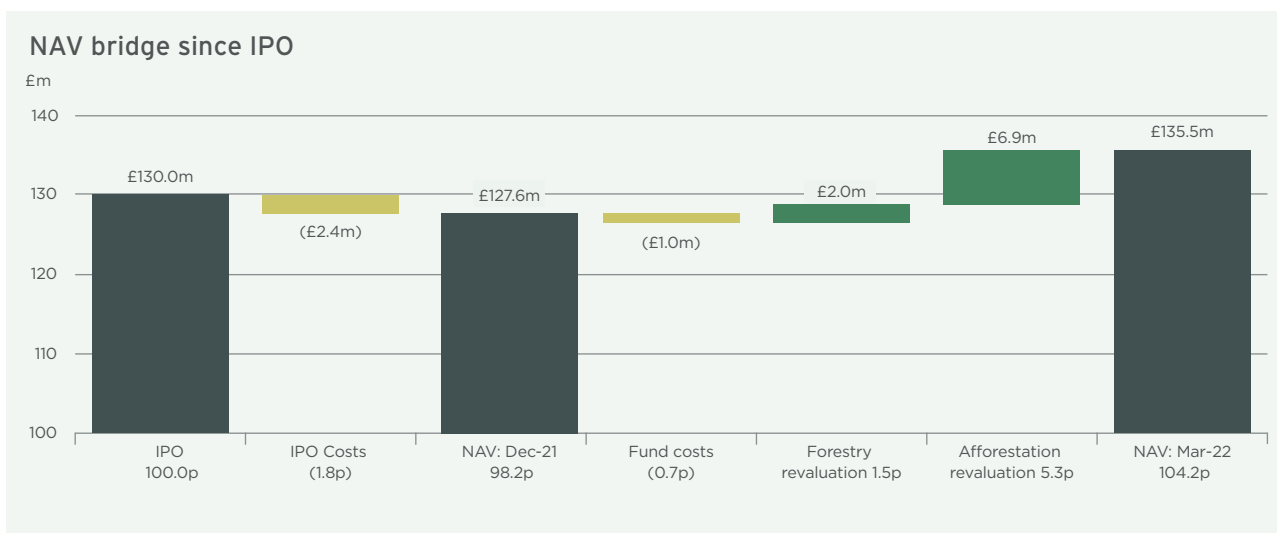
Net assets

The Net Asset Value at 31 March 2022 is £135.5 million and comprises £125.2 million portfolio value of forestry and afforestation assets, cash balances of £10.4 million (£8.6 million in the Company and £1.8 million in the project companies), offset by £0.1 million of other net liabilities (£0.5 million of other assets in the Company and £0.6 million of other liabilities in the project companies).

Analysis of the Group's net assets at 31 March 2022

All amounts presented in £million (except as noted)	As at 31 March 2022
Portfolio value (Red Book valuation)	125.2
Project companies' cash	1.8
Project companies' other net liabilities	(0.6)
Fair value of the Company's investment in FSFC Holdings Limited	126.4
Company's cash	8.6
Company's other net assets	0.5
Net Asset Value	135.5
Number of shares	130,000,001
Net Asset Value per share (pence)	104.2

1. Classified as the gross fair value of the underlying assets in the portfolio



Net Asset Value bridge

With the net proceeds of £127.6 million from the successful IPO (£130.0 million gross proceeds less IPO costs of £2.4 million), capital was deployed to acquire the portfolio of assets. The £8.9 million fair value increase of the afforestation and forestry assets held by the Group, offset by fund operating costs of £1.0 million, resulted in a Net Asset Value of £135.5 million at 31 March 2022.

Company performance

Profit and loss

The Company's profit before tax for the period from incorporation on 31 August 2021 to 31 March 2022 is £7.9 million (6 pence per share).

For the same period to 31 March 2022, the total return on investments was £8.9 million, which comprised £0.1 million of interest on the FSFC Holdings loan notes and £8.8 million net gains on investments at fair value. The interest income is from Company's Shareholder loan to FSFC Holding Limited. The net gain on investment is generated by the net fair value movement on the Company's investment in FSFC Holding Limited.

Operating expenses included in the income statement for the period were £1.0 million, in line with expectations. These comprise investment management fees of £0.4 million and £0.6 million of operating expenses. The details on how the investment management fees are charged are set out in note 4 to the financial statements.

All amounts presented in £million (except as noted)		Period from incorporation on 31 August 2021 to 31 March 2022
Interest received on FSFC Holdings loan notes		0.1
Net gain on investments at fair value		8.8
Total return on investment		8.9
Operating expenses		(1.0)
Profit before tax		7.9
Earnings per share (pence)		6.0

FINANCIAL REVIEW CONTINUED

Cash flow

The Company held cash balances at 31 March 2022 of £8.6 million. This amount excludes cash held in subsidiaries. The breakdown of the movements in cash during the period is shown below.

Cash flows of the company for the period from incorporation on 31 August 2021 to 31 March 2022 (£million)

	Period from 31 August 2021 to 31 March 2022
Gross proceeds from IPO	130.0
IPO issuance costs	(2.4)
Investment in FSFC Holdings Limited (equity and loan notes)	(117.7)
Assets acquisition cost paid on behalf of subsidiaries	(1.0)
Directors' fees and expenses	(0.1)
Investment management fees	(0.1)
Administrative expenses	(0.1)
Company's cash balance at 31 March 2022	8.6

Cash flows of the group for the period to 31 March 2022 (£million)

The Group is defined as the Company and its two intermediate holding companies. The cash flows for the Group of £8.6 million are the same as the cash flows for the Company.

GOVERNANCE

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CORPORATE SUMMARY

Corporate summary

Foresight Sustainable Forestry Company Plc is a closed-ended investment company incorporated in England and Wales on 31 August 2021 with registration number 13594181. The Company has been granted Investment Trust status as defined in Chapter 4 of Part 24 of the Corporate Tax Act 2010.

The Company's IPO on 24 November 2021 raised £130 million in seed funding.

Following three significant acquisitions since launch, the Company has a Net Asset Value of £135.5 million as at 31 March 2022. It is the only UK-listed investment trust dedicated to forestry and afforestation.

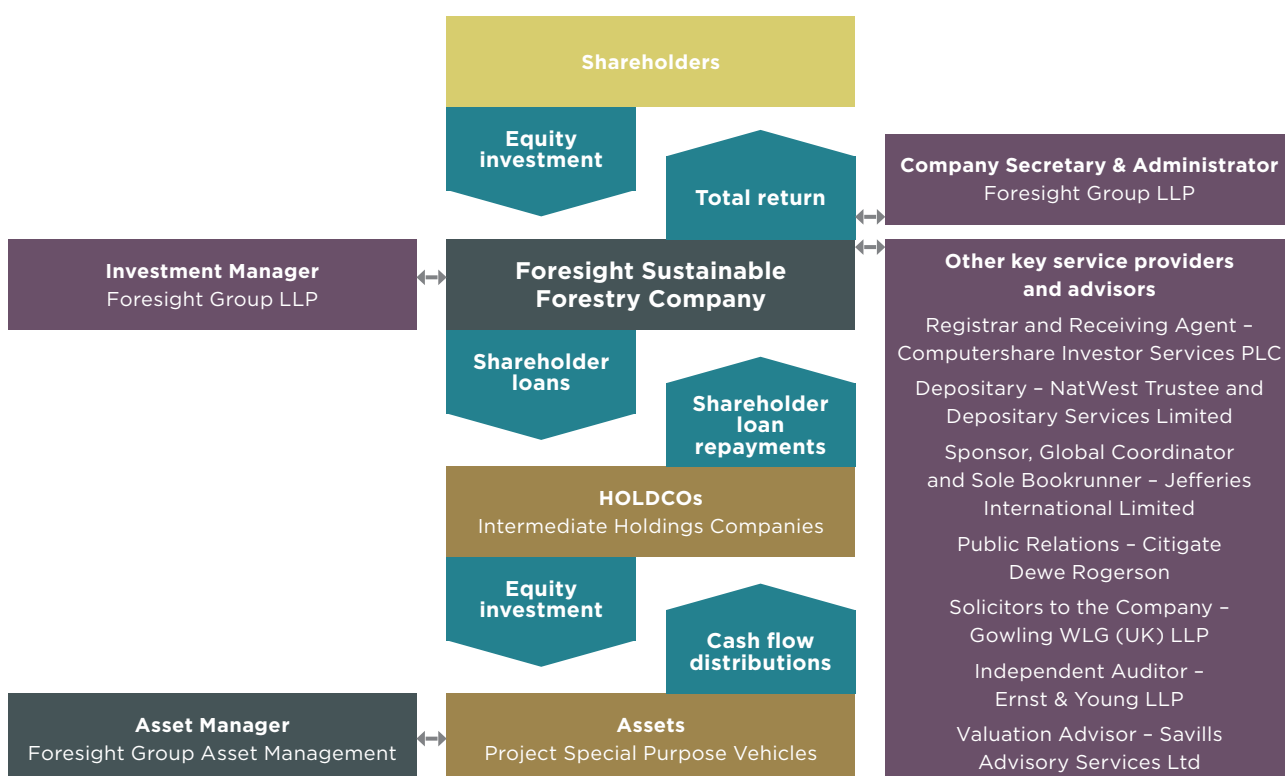
As at 31 March 2022, the Company has 130,000,001 Ordinary Shares in issue which are listed on the Premium Segment of the Official List and traded on the LSE's Main Market. The Company subscribes to the AIC Code of Corporate Governance (2019).

Operating structure and business model

As an investment company, the Company has no direct employees and outsources all operations to a number of key service providers.

The Company makes its investments through intermediate holding companies and underlying special purpose vehicles ("SPVs").

The operating structure and key service providers are detailed in the graphic below:



Significant shareholders

The Company's Shareholders include a mix of institutional and retail investors.

Shareholders in the Company with more than a 5% holding as at 31 March 2022 are as follows:

Investor	% shareholding in the Company
Blackmead Infrastructure	29.92
Friends Life Stewardship Equity Fund	8.46
Cantor Fitzgerald Ireland	8.12
East Riding of Yorkshire PF	7.69
West Yorkshire PF	6.15
Total	60.34

Investment objective

The Company seeks 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 seeks to make a direct contribution in the fight against climate change through forestry and afforestation carbon sequestration initiatives. The Company seeks 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 SFDR.

Investment policy

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

The Company seeks to acquire a mixture of cash flow generating sustainable Forestry Assets representing a mixture of Standing Forests (of varying age classes) together with land suitable for Afforestation projects (representing both Commercial Forestry projects and Non-Commercial Forestry projects) to achieve a balanced portfolio with an optimal harvesting and capital growth profile.

Diversification within the Company's portfolio is achieved by:

- (a) investing in a range of individual underlying Forestry Assets, each of which will be capable of separate disposal;
- (b) investing in different types of Forestry Assets (both Standing Forests and Afforestation projects) with a range of age classes and harvesting profiles;
- (c) where possible, seeking diversification in tree species and a blend of Commercial Forestry and Non-Commercial Forestry (including native woodland and open ground) across the overall portfolio;

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

- (e) achieving a geographic spread across the underlying Forestry Assets.

The Company's revenues are primarily generated by the sale of harvested timber and, in due course, the sale of Carbon Credits. Where appropriate the Company will also seek to generate ancillary non-core revenue streams from its Forestry Assets. This includes, but is not limited to, the leasing or licensing of land to third parties for agricultural, sporting and tourism activities, the leasing of land to third parties for renewable energy and/or energy storage and/or telecommunications development projects (such as the erection of wind turbines or mobile telecommunication towers) and, if a future market develops, the sale of biodiversity credits.

CORPORATE SUMMARY CONTINUED

The Company gains 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.

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

Returns generated by the asset holding companies will either be reinvested, paid to the Company in the form of dividend distributions or the payment of interest on intra-group debt.

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

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

The Investment Manager has overall responsibility for managing the Company's Forestry Assets (including any ancillary non-core revenue streams) and Non-Core Assets. The Company has appointed appropriate specialist third-party forestry management companies which are responsible for the day-to-day physical management of the Company's Forestry Assets, including harvesting and planting activity.

Investment restrictions

The Company invests and manages 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), 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; and
- 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.

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 300 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 eight 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 130 SMEs. Foresight Capital Management manages four strategies across six investment vehicles with an AUM of over £1.6 billion.

Foresight operates from 12 offices across six countries in Europe and Australia with AUM of £8.7 billion as at 31 March 2022. Foresight Group Holdings Limited listed on the Main Market of the LSE in February 2021.

Foresight consisted of 249 full-time employees as at 30 September 2021. The team is comprised of:

1. An investment management team of professionals responsible for originating, assessing and pricing assets, managing due diligence and executing transactions.

A portfolio management team with expertise across electrical and civil engineering, finance and legal disciplines.

2. 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; and
- (e) finance and structuring, including bank debt and project finance.

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

The portfolio management services provided ensure the day-to-day operation of the Forestry Assets is robust, with commercial and strategic decisions clearly communicated to the various counterparties involved.

The services also include:

- H&S compliance;
- oversight of third-party asset managers and forest managers
- portfolio optimisation including negotiation of project contracts, harvesting, insurance policies, and evaluation of innovative technologies to enhance Forestry Assets
- accounting and financial management from SPV to Fund level
- management of in-house portfolio management platforms
- providing a focus on ESG and upside opportunities across the Forestry Assets
- contractual compliance of all contracts

Alternative investment fund management directive (“AIFMD”)

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

BOARD OF DIRECTORS



Richard Davidson

Chair

Background

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

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

External directorships

Aberforth Smaller Companies Trust Plc

MIGO Opportunities Trust Plc



Josephine Bush

Non-Executive Director, ESG Committee Chair

Background

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

External directorships

Net Zero Now Limited

NextEnergy Solar Fund Limited

JRB Consulting Limited

Vulcan Energy Resources



Christopher Sutton

Non-Executive Director

Background

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

External directorships

Timber Development UK Limited
CDS Consultants Limited



Sarika Patel

Non-Executive Director, Audit Committee Chair

Background

Sarika has nearly 30 years' experience in a mixture of public and private organisations. She is a Chartered Accountant and a Chartered Marketer and is also a graduate in law. Sarika is the 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. She is a Non-Executive Director and chairs the Audit Committees at SEEIT plc, Sequoia Economic Infrastructure Income Fund Limited, and Abridn Equity Investment Trust.

External directorships

SDCL Energy Efficiency Income Trust Plc
Action for Children
London General Surgery Ltd
Office for Nuclear Regulation
Sequoia Economic Infrastructure Income Fund Limited
Abridn Equity Investment Trust

FUND MANAGERS

Robert Guest

Investment Director, Co-lead Manager of FSF

Background

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

Robert co-founded Foresight's forestry team in 2019 and has overseen c.£140 million of investment into the sector across more than 35 transactions. He is primarily responsible for portfolio construction and uses his strong network of forestry contacts to originate bilateral investment opportunities.

He has more than 15 years' experience in finance, with more than 12 of those in renewable energy and waste recycling in the UK and Europe, was a key team member on the launch of Bioenergy Infrastructure Group ("BIG") and sits on the board of a biogas aggregation platform on behalf of a pension fund client.

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

Richard Kelly

Investment Director, Co-lead Manager of FSF

Background

Richard joined Foresight in 2015 and is an Investment Director focused on sustainable real estate.

Richard co-founded Foresight's forestry team in 2019 and has overseen c.£140 million of investment into the sector across more than 35 transactions. He is primarily responsible for investment strategy and has spear-headed the direct origination campaign for off-market afforestation land.

He has over 15 years' experience in finance. Prior to co-founding Foresight's Forestry team, Richard was responsible for the origination, development and launch of innovative investment products and new business divisions. He has successfully originated and launched four innovative new fund strategies (that have to date attracted c.£1.5 billion of investment) and founded three new business divisions.

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Disclosure Guidance and Transparency Rules ("DTR") of the UK Listing Authority require the Directors to confirm their responsibilities in relation to the preparation and publication of the Unaudited Interim Financial Report for the period ended 31 March 2022.

The Directors confirm to the best of their knowledge that:

- (a) the condensed set of financial statements, which has been prepared in accordance with the applicable set of accounting standards, gives a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer, or the undertakings included in the consolidation as a whole as required by DTR 4.2.4 R;
- (b) the interim management report includes a fair review of the information required by DTR 4.2.7 R; and
- (c) the interim management report includes a fair review of the information required by DTR 4.2.8 R.

Richard Davidson

Chair

For and on behalf of Foresight Sustainable Forestry Company Plc

14 June 2022



FINANCIAL STATEMENTS

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CONDENSED UNAUDITED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD FROM INCORPORATION ON 31 AUGUST 2021 TO 31 MARCH 2022

	Notes	Revenue £'000	Capital £'000	Total £'000
Return on investment	5	108	8,760	8,868
Total income		108	8,760	8,868
Operating expenses	6	(584)	—	(584)
Investment management fees	4	(380)	—	(380)
Total expenses		(964)	—	(964)
Profit/(loss) before tax		(855)	8,760	7,905
Tax	8	—	—	—
Profit/(loss) for the period		(855)	8,760	7,905
Earnings/(losses) per share (pence)	9	(0.66)	6.74	6.08

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

All results are derived from continuing operations.

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.

CONDENSED UNAUDITED STATEMENT OF FINANCIAL POSITION

FOR THE PERIOD FROM INCORPORATION ON 31 AUGUST 2021 TO 31 MARCH 2022

	Notes	31 March 2022 £'000
Non-current assets		
Investments at fair value through profit or loss	10	126,448
Total non-current assets		126,448
Current assets		
Trade and other receivables	11	1,218
Cash and cash equivalents	16	8,643
Total current assets		9,861
Total assets		136,309
Current liabilities		
Trade and other payables	12	790
Total current liabilities		790
Total liabilities		790
Net assets		135,519
Equity		
Called up share capital	13	1,300
Share premium	13	126,314
Revenue reserve		8,760
Capital reserve	14	(855)
Shareholders' funds	14	135,519
Net assets per share (pence per share)	15	104.2

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

The condensed set of unaudited financial statements were approved by the Board of Directors and authorised for issue on 14 June 2022.

They were signed on its behalf by:

Richard Davidson

Chair

CONDENSED UNAUDITED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD FROM INCORPORATION ON 31 AUGUST 2021 TO 31 MARCH 2022

	Notes	Called up share capital £'000	Share premium £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 24 November 2021		—	—	—	—	—
Gross proceeds from share issue		1,300	128,700	—	—	130,000
Share issue costs		—	(2,386)	—	—	(2,386)
Dividends	7	—	—	—	—	—
Total comprehensive income for the period		—	—	8,760	(855)	7,905
Net assets attributable to Shareholders at 31 March 2022		1,300	126,314	8,760	(855)	135,519

The Company's distributable 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.

CONDENSED UNAUDITED STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM INCORPORATION ON 31 AUGUST 2021 TO 31 MARCH 2022

	Period ended 31 March 2022 (unaudited) £'000
Profit from operations	7,905
Adjustments for:	
Unrealised gain on investments	(8,760)
Operating cash flows before movements in working capital	(855)
(Increase)/decrease in receivables	(1,066)
(Decrease)/increase in payables	638
Net cash outflow from operating activities	(428)
Investing activities	
Purchase of investments	(117,688)
Net cash generated from investing activities	(117,688)
Financing activities	
Gross proceeds from share issue	130,000
Expenses relating to issue of shares	(2,386)
Dividends paid	—
Net cash inflow from financing activities	127,614
Net decrease in cash and cash equivalents	8,643
Cash and cash equivalents at beginning of period	—
Cash and cash equivalents at end of period	8,643

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

NOTES TO THE CONDENSED UNAUDITED FINANCIAL STATEMENTS

FOR THE PERIOD FROM INCORPORATION ON 31 AUGUST 2021 TO 31 MARCH 2022

1. Company information

(a) Corporate structure

Foresight Sustainable Forestry Company Plc (the “Company” or “FSF”) is registered in England and Wales under number 13594181 pursuant to the Companies Act 2006 and its registered address is The Shard, 32 London Bridge Street, London, United Kingdom, SE1 9SG.

The Company has one investment, FSFC Holdings Limited, and FSFC Holdings Limited in turn has one investment, FSC 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.

(b) Investment Trust status

The Company was incorporated in the United Kingdom on 31 August 2021 and is an Investment Trust Company (“ITC”). The shares are publicly traded on the London Stock Exchange under a premium listing. HM Revenue & Customs (“HMRC”) confirmed that the Company is an approved Investment Trust Company for accounting periods commencing on or after 23 November 2021. The approval is subject to the Company continuing to meet the eligibility conditions in s1158 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). HMRC provided this approval of ITC status on the basis of the Company satisfying the following three conditions throughout an accounting period:

- (i) The business of the company consists of investing its funds in shares, land or other assets with

the aim of spreading investment risk and giving members of the company the benefit of the results of the management of its funds

- (ii) Each class of shares making up the company’s Ordinary Share capital is admitted to trading on a “regulated market”
- (iii) The company is not a Venture Capital Trust (“VCT”) or a UK Real Estate Investment Trust (“REIT”)

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

2. Significant accounting policies

(a) Basis of preparation

This condensed set of financial statements has been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets and on a going concern basis. The accounting policies set out below have, unless otherwise stated, been applied consistently to the period presented in these financial statements.

These financial statements have also been prepared in accordance with the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts (“SORP”) issued in October 2019 by the Association of Investment Companies (“AIC”).

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 do not constitute statutory accounts as defined in section 434(3) of the Companies Act 2006 as they are unaudited. The financial statements do not include all information and disclosures required in annual audited financial statements.

The condensed unaudited financial statements incorporate the financial statements of the Company only.

Any estimates and underlying assumptions are reviewed on a regular basis and revisions to accounting estimates are recognised in the period when they occur and in any future period affected. The significant estimates, judgements or assumptions are set out on page 43.

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

(b) Going concern

The Directors have adopted the going concern basis in preparing the Interim Report. In their assessment of going concern they have reviewed comprehensive cash flow forecasts prepared by the Investment Manager and believe based on the forecasts and an assessment of the Company’s, cash position and liquidity of the investment portfolio that it is appropriate to prepare the financial statements on a going concern basis. As at 31 March 2022, the Company had net assets of £135.5 million including £8.6 million of cash.

The Directors have also assessed the impact of significant potential risks to the operation of the Company since incorporation and the principal risks in the UK forestry and afforestation market(s).

NOTES TO THE CONDENSED UNAUDITED FINANCIAL STATEMENTS CONTINUED

FOR THE PERIOD FROM INCORPORATION ON 31 AUGUST 2021 TO 31 MARCH 2022

2. Significant accounting policies continued

Market risk

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

- (i) Material reductions in timber prices recoverable from the SPVs
- (ii) Material reductions in demand for timber in the United Kingdom
- (iii) Material reductions in forecasted revenues earned from the sale of carbon credits
- (iv) Changes 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 is confident it will 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 Foresight Group and the Directors that the Company has sufficient funds available.

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

(c) Segmental reporting

The Directors are of the opinion that the Company is engaged in a single segment of business, being 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 judgements

Fair valuation of investment assets

The market value of investment property is determined by an external valuer (see note 10) to be the estimated amount for which an asset should exchange on the date of the valuation in an arm's-length transaction. Properties have been valued on an individual basis. The external valuer prepares their valuations in accordance with the RICS Valuation – Global Standards July 2017 (the "Red Book").

Factors reflected comprise current market conditions including the comparable market value of similar freehold forestry assets, the potential uplift in land value above current in-use value (relevant to planting land), the location and situation of individual assets, potential vulnerability to winter storms and the developmental status of properties (if afforestation). The market conditions stated are assessed on a bi-annual basis. The significant methods and assumptions used by the external valuers in estimating the fair value of investment assets are set out in note 10.

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 criterion, 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 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 condensed statement of comprehensive income and is therefore measured within its earnings

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

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. Investment management fee

	Period ended 31 Mar 2022 (unaudited) £'000
Investment management fee	380
Total	380

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

The Company paid £113,690 during the period. Investment management fees of £266,594 were accrued at the period end.

5. Return on investment

	Period from 31 August 2021 to 31 March 2022 £'000
Unrealised fair value movement of investments	8,760
Interest on loans to Group companies	100
Total	8,860

NOTES TO THE CONDENSED UNAUDITED FINANCIAL STATEMENTS CONTINUED

FOR THE PERIOD FROM INCORPORATION ON 31 AUGUST 2021 TO 31 MARCH 2022

6. Operating expenses

	Period from 31 August 2021 to 31 March 2022 £'000
Administration services fee	42
Director fees paid	50
Other expenses ¹	492
Total	584

1. Includes Advisor fees, Broker fees, Depository fees, Audit fees and Other professional fees.

Other expenses include advisor fees, independent valuer fees, audit fees, broker fees, depository fees and other fund related costs.

Details of Directors' fees are set out in note 20.

7. Dividends

The Company did not pay any dividend in the period from incorporation to 31 March 2022.

8. Taxation

The Company received notice on 11 November 2021 confirming it is an approved Investment Trust for accounting periods commencing on or after 23 November 2021. The approval is subject to the Company continuing to meet the eligibility conditions of s1158 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.

Analysis of tax expense

There was no taxable income during the period from incorporation on 31 August 2021 to 31 March 2022. As a result, the tax charge for the period is £nil.

Factors that may affect future total tax charges

Following the March 2021 Budget, the corporation tax rate will increase from 19% to 25% with effect from April 2025. The Company is recognised as an ITC for this interim accounting period and is taxed at the current main rate of 19%.

There is no unrecognised deferred tax asset or liability at 31 March 2022.

9. Earnings per share

	Capital reserve £'000	Revenue reserve £'000	Total £'000
Revenue and capital profit attributable to equity holders of the Company	8,760	(855)	7,905
Average number of Ordinary Shares issued	130,000	130,000	130,000
Net assets attributable to Shareholders at 31 March 2022 (pence)	6.74	(0.66)	6.08

10. Investments at fair value through profit and loss

	31 March 2022 £'000
Fair value at start of the period	—
Loans to intermediate holding companies	15,000
Equity investment in holding companies	102,688
Unrealised gain on investments at fair value	8,760
Total	126,448

There is a loan between FSF and FSFC Holdings Limited for £15,000,000. The rate of interest on the loan has been set at 7% per annum. Interest accrued at the period end and outstanding at the reporting date was £113,000.

The Company owns one share in FSFC Holdings Limited that was purchased for a consideration of £0.01.

Fair value investments

The Investment Manager has carried out fair value market valuations of the underlying SPV investments as at 31 March 2022 on a RICS basis, as 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.

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

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

NOTES TO THE CONDENSED UNAUDITED FINANCIAL STATEMENTS CONTINUED

FOR THE PERIOD FROM INCORPORATION ON 31 AUGUST 2021 TO 31 MARCH 2022

10. Investments at fair value through profit and loss continued

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

	31 March 2022 £'000
Interest receivable from subsidiaries	100
Debtors	1,118
Total	1,218

12. Trade and other payables

	31 March 2022 £'000
Creditors	232
Accruals	558
Total	790

The total for accruals as at 31 March 2022 includes an amount of £266,595 relating to investment management fees charged by Foresight Group LLP after the period. Similarly, an amount of £30,000 relating to administration services fees also charged by Foresight Group LLP after the period.

13. Called up share capital

	Number of shares
Allotted share capital, issued and fully paid	
Opening balance at 31 August 2021	—
Allotted upon incorporation	
Issue of Ordinary Shares at 1 pence per share (31 August 2021)	1
Allotted since incorporation	
Issue of management shares at 1 pence per share (12 October 2021)	50,000
Allotted/redeemed following admission to London Stock Exchange	
Ordinary Shares issued at Initial Public Offering (19 November 2021)	130,000,000
Management shares redeemed	(50,000)
Total number of Ordinary Shares at 31 March 2022	130,000,001

	Share capital £'000	Share premium £'000	31 March 2022 £'000
Opening balance (at incorporation)	—	—	—
Shares issued at IPO	1,300	128,700	130,000
Costs associated with IPO	—	(2,386)	(2,386)
Total	1,300	126,314	127,614

Prior to IPO, there was one Ordinary Share issued, which is owned by Foresight Group LLP. The initial placing of 130,000,000 Ordinary Shares took place on 19 November 2021, raising gross proceeds of £130,000,000. Each Ordinary Share has equal rights to dividends and has equal rights to participate in a distribution arising from a winding up of the Company.

The total number of Ordinary Shares in issue as at 31 March 2022 was 130,000,001. The Company has not issued any further Ordinary Shares.

The issue costs of £2,386,123 relating to the IPO were offset against the share premium account.

14. Retained earnings

	Revenue £'000	Capital £'000	31 March 2022 £'000
Opening balance	—	—	—
Profit/(loss) for the period	(855)	8,760	7,960
Dividends paid	—	—	—
Closing balance	(855)	8,760	7,960

15. Net Asset Value per Ordinary Share

The total net asset per Ordinary Share is based on the net assets attributable to equity Shareholders as at 31 March 2022 of £135,518,627 and Ordinary Shares in issue of 130,000,001.

	31 March 2022
NAV (£m)	135.5
Number of Ordinary Shares issued (million)	130
Net Asset Value per share (pence)	104.2

16. Cash and cash equivalents

At the period end, the Company had cash of £8.64 million. This balance was held by HSBC Bank plc.

17. 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, IFRS 12 and International Accounting Standard ("IAS") 27)".

Name	Direct or indirect holding	Country of incorporation	Principal activity	Proportion of shares and voting rights held
FSFC Holdings Limited	Direct	UK	Holding company	100%
FSFC Holdings 2 Limited	Indirect	UK	Holding company	100%
FSFC Company 1 Limited	Indirect	UK	Investment	100%
Blackmead Forestry Limited	Indirect	UK	Investment	100%
Blackmead Forestry II Limited	Indirect	UK	Investment	100%
Coull Forestry Limited	Indirect	UK	Investment	100%
Fordie Estates Limited	Indirect	UK	Investment	100%

NOTES TO THE CONDENSED UNAUDITED FINANCIAL STATEMENTS CONTINUED

FOR THE PERIOD FROM INCORPORATION ON 31 AUGUST 2021 TO 31 MARCH 2022

18. Employees and Directors

The Company is governed by an independent and non-executive Board of Directors. There are four Non-Executive Directors and they received fees for their services of £50,240 during the period.

19. Events after the balance sheet date

On 6 May 2022, the acquisition of an afforestation project (Dove Hill) for £1.1 million was completed.

On 13 June 2022, the acquisition of an afforestation project (Coed Doethie) for £1.3 million completed.

There are no other significant events since the period end which would require to be disclosed.

20. Related party transactions

The transactions between the Company and its subsidiaries which are related parties of the Company and fair valued are disclosed in note 9. 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:

- (i) 0.85% per annum of the Net Asset Value of the Fund up to an including £500 million; and
- (ii) 0.75% per annum of the Net Asset Value of the Fund in excess of £500 million.

The investment management fees incurred during the period to 31 March 2022 was £380,000 of which £266,594 remained unpaid as at 31 March 2022.

Seed asset acquisition

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

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

Other transactions with related parties

The amount incurred in respect of Directors fees during the period to 31 March 2022 was £50,240. The Directors also received £47,500 in relation to activities prior to IPO. These amounts had been fully paid as at 31 March 2022. The amounts paid to individual Directors were as follows:

Director	Directors' fees £	Pre-IPO expenses £
Richard Davidson (Chair)	15,865	15,000
Sarika Patel	13,221	12,500
Christopher Sutton	10,577	10,000
Josephine Bush	10,577	10,000

The Directors held the following shares in the Company:

Director/PDMR/PCA	Number of Ordinary Shares	% of issued Ordinary Share capital
Richard Davidson	75,000	0.06
Sarika Patel	4,000	0.00
Christopher Sutton	25,000	0.02
Josephine Bush	10,000	0.01

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

ALTERNATIVE PERFORMANCE MEASURES ("APMS")

APM	Purpose	Calculation
Net Asset Value per share	Allows investors to gauge whether shares are trading at a premium or a discount by comparing the Net Asset Value per share with the share price	The net assets divided by the number of Ordinary Shares in issuance
Total NAV return since IPO	A measure of financial performance, indicating the movement of the value of the Fund since IPO and expressed as a percentage	Closing NAV per share as at 31 March 2022 plus all dividends since IPO assumed reinvested, divided by the NAV at IPO, to the power of 1 over the number of years since IPO, expressed as a percentage

ADVISERS

**Investment Manager,
Administrator and Company
Secretary**

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**Registrar and Receiving
Agent**

**Computershare Investor
Services PLC**

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Depository

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Depository Services Limited**

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**Sponsor, Global Coordinator
and Sole Bookrunner**

**Jefferies International
Limited**

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Savills Advisory Services Ltd

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GLOSSARY OF TERMS

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



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