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Gresham House

Specialist asset management

FIM FOREST FUND I LP

REPORT & FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 NOVEMBER 2018



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MANAGER'S REPORT

The Manager presents its Report on the results of the LP for the year ended 30 November 2018.

1. EXECUTIVE SUMMARY

The LP has achieved its operational and investment objectives during the year ended 30 November 2018. The main points are:

1.1 Total Return

The total return to Founder, Initial and "A" Additional Limited Partners was 12.7%, £280.02 per Partnership Share, comprising the distribution paid of £56.87 (2.6%) and the increase in Net Asset Value ("NAV") of £223.15 (10.1%).

Beginning NAV Per Share	£2,203.68	% of Beginning NAV
Ending NAV Per Share	£2,426.83	
Increase in NAV Per Share	£223.15	10.1%
Distribution Per Share	£56.87	2.6%
Total Return Per Share	£280.02	12.7%

1.2 Net Asset Value

Based on the Manager's internal valuation of the portfolio, the NAV increased by 10.1% over the year, to £2,426.83 per Partnership Share (2017: £2,203.68). The overall NAV increased by £26.4 million to £139.0 million (2017: £112.6 million).

The increase in the overall NAV includes the £14.1 million balance of new equity subscriptions received from the "B" Share Issue which were not included in the previous accounting period. The Internal Valuation as at 30 November 2018 resulted in an increase of £10.5 million to the revaluation reserve. The remainder of the NAV increase was generated by the surplus on the profit and loss account which increased by £1.8 million from the years trading operations.

1.3 Distribution

£56.87 per Partnership Share was paid to Founder, Initial and "A" Additional Limited Partnership Shares in November 2018, representing an increase of CPI + 1% from the distribution paid in the previous year of £55 per share.

"B" Limited Partnership Shares subscribed under the 2017 fundraising will be eligible for a planned distribution from November 2019 and will thereafter rank parri passu with other share classes.

The target distribution planned to be paid to all Partnership Shares in November 2019 will be £56.87, plus the 12 month CPI + 1% (as calculated at the time). This aims to provide Limited Partners with a real annual increase in distribution to the previous year.

1.4 Gearing

During the year the Manager significantly reduced the LP's debt from £11.2 million to £4.0 million in accordance with the stated objectives of the "B" Share Issue approved by Limited Partners in March 2017. This resulted in a reduction in Loan to Value from 13.3% to 2.9% of NAV. Additionally the Manager has refinanced a short-term loan facility with a bespoke, flexible longer-term facility with Barclays Bank on competitive terms.

Under the terms of the Limited Partnership Agreement, gearing is permitted up to 20% of NAV.

1.5 "B" Limited Partnership Share Issue

The "B" Share Issue raised £38.6 million for investment in the LP's business, net of issue expenses of £0.8 million. All funds raised have been deployed into new forest acquisitions and to reduce the LP's gearing. The LP is fully invested.

16,915 "B" Limited Partnership Shares were issued between October 2017 and December 2017 at £2,330 per share, a 12% premium to the NAV at commencement of the Issue.

1.6 Fund Performance

To date all share classes have performed well, with a blended Internal Rate of Return of 11.2% to 30 November 2018.

The NAV per share has now exceeded the "B" Share Issue price of £2,330, providing a positive return of 4.2% to "B" Limited Partners.

Share Class	Internal Rate of Return (IRR)	Since
Founder Limited Partnership Shares	11.9%	December 2008
Initial Limited Partnership Shares	11.6%	July 2009
"A" Additional Limited Partnership Shares	10.5%	August 2012 to March 2013
"B" Limited Partnership Shares	4.2%	September to December 2017
All Share Classes	11.2%	

Returns are stated net of all costs, including fund raising costs, costs of acquiring properties and fund management costs but prior to any Carried Interest Share, which may become payable to the Special Limited Partner, FIM Executives LP.

Under the Limited Partnership Agreement, the General Partner will calculate the weighted average IRR at each Valuation Date on the Partnership Shares. If the weighted average IRR exceeds the IRR on the IPD UK Forestry Index +0.5% per annum, then the excess distributions over the benchmark will be paid to:

85% to Limited Partners
15% to the Special Limited Partner

Currently all distributions accrue to Limited Partners and none to the Special Limited Partner.

Partnership Shares are expected to qualify for 100% Business Property Relief of Inheritance Tax once held for two years.

MANAGER'S REPORT

1.7 Business Strategy and Investment Objectives

The principal objective of the LP is to maintain a balance between income and capital growth through investment in forest assets. To achieve this the Manager currently plans to continue to generate sufficient revenue from harvesting to meet operational expenditure, loan/interest payments and payment of distributions to Limited Partners.

1.8 Shares in Issue

A total of 57,262 Limited Partnership Shares are in issue, an increase of 42% post "B" Share fundraising.

Share Class	No of Shares
Founder Limited Partnership Shares	21,873
Initial Limited Partnership Shares	5,486
"A" Additional Limited Partnership Shares	12,988
"B" Limited Partnership Shares	16,915
Total	57,262

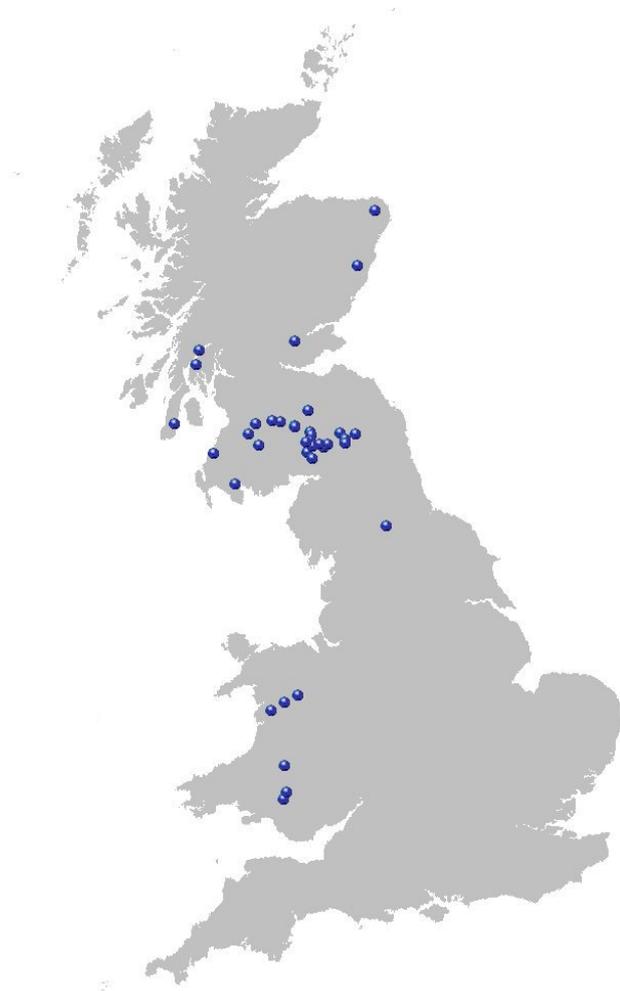
MANAGER'S REPORT

2. FORESTRY PORTFOLIO

2.1 Portfolio Overview

The portfolio currently totals 13,710 hectares (including post balance sheet additions) (January 2018: 13,658 hectares) over 40 properties across England, Scotland and Wales, providing geographic and age class diversification for Limited Partners.

The forests are predominantly located in proximity to major timber markets, and geographically are heavily weighted towards South Scotland, the heart of the UK timber processing industry.



2.2 Acquisitions

During the year the LP acquired five additional forest assets using equity raised from the "B" Share Issue, significantly enhancing the LP's asset base by adding 2,388 hectares of prime quality forestry land.

Four of the forests are located in South Scotland and one in Wales, all within reach of various timber markets and providing prospects for income and capital growth in line with the LP's investment objectives. The principal crop species is Sitka spruce and between the forests there is a diversified range of age class distributions, including significant reserves of mature timber.

Post Balance Sheet Update

One further small forest has been acquired since the year-end using £0.6 million of cash reserves, adding 51.8 hectares to the LP's portfolio. This forest is primarily stocked with late rotation Sitka spruce and directly adjoins Hartwood Hill, one of the LP's existing holdings located in South Scotland.

The Manager will continue to identify suitable acquisition opportunities to expand the LP's asset base and provide additional diversification.

Disposals

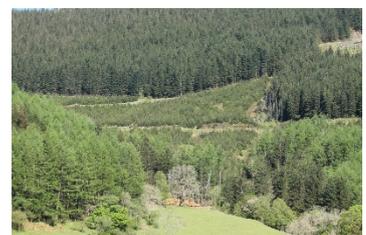
No disposals were made during the period or are currently planned.



Ty Glas – Wales



Erw Garegog – Wales



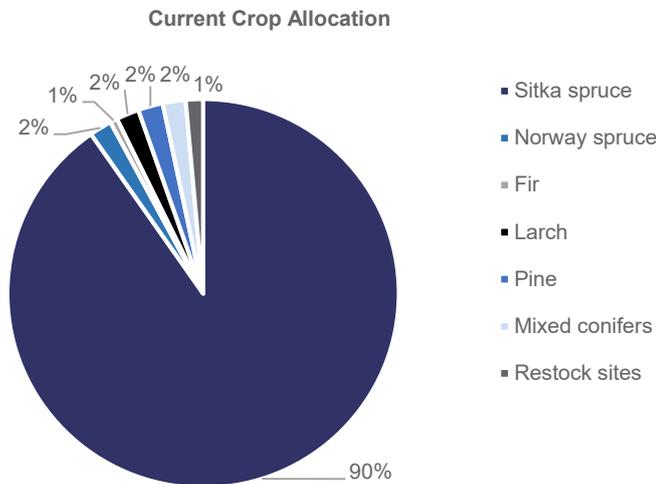
Erw Garegog – Wales

MANAGER'S REPORT

2.3 Crop Analysis

The forest portfolio (including purchases completed after the Balance Sheet date) comprises a net planted area of 11,662 hectares, of which 11,014 hectares (84%) is commercial crop area. This is either stocked with commercial crops or has recently been harvested and is due for restocking.

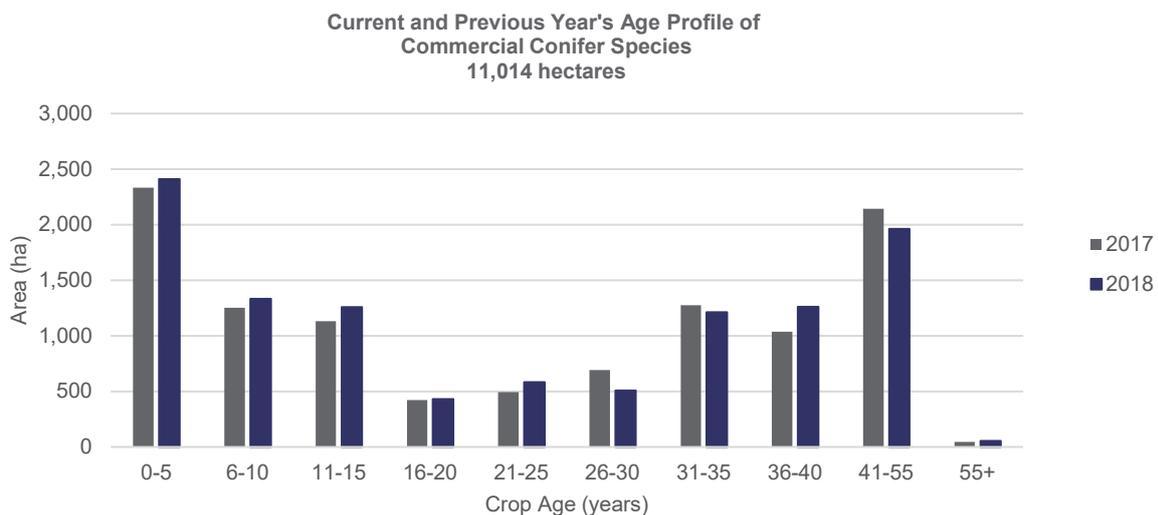
The commercial crop area currently consists of 90% Sitka spruce, 9% other conifer species and 1% of land which is awaiting replanting.



The Manager continues to maintain a well-balanced age class distribution, capable of supporting the LP's objectives. The portfolio has some 4,490 hectares of commercial conifer over 30 years of age, 41% of the total commercial crop area, of which some 2,017 hectares (18%) are over 40 years of age. This provides the LP significant mature crops for harvesting as and when required to generate cash flow.

Annual growth rates of Sitka spruce tend to peak at around 40 years and accordingly the Manager aims to prioritise harvesting of the oldest crops within the portfolio where possible to maximise the productivity of the LP's land and the investment returns to Limited Partners.

The weighted average age of the commercial crop within the portfolio is 23 years, which is distributed as follows:



MANAGER'S REPORT

3. OPERATIONS REVIEW

3.1 Trading During the Year Ended 30 November 2018

Operating profit in the year was £4.3 million (2017: £3.4 million). £2.3 million was distributed to Limited Partners on 19 November 2018 (except those subscribed under the "B" Share Issue).

The surplus for the year on the Profit and Loss Account after the distribution was £1.8 million (2017: £1.0 million), increasing the retained profit to £13.3 million (2017: £11.5 million).

Net current assets decreased from £16.1 million to £2.0 million primarily due to the deployment of the capital subscribed for the "B" Share Issue that was being held as cash at the end of the previous financial period. At the year-end, £0.8 million was held in cash, compared to £18.4 million at the end of the previous period.

Total turnover for the year was £7.2 million (2017: £5.6 million), primarily comprised of £6.9 million of timber income (2017: £5.3 million) generated from harvesting 269 hectares:

	Area (Hectares)	Tonnes/Hectare	Price £/Tonne	Total	Revenue/Hectare
Budget	398	439	£36.61	£6.4m	£16,072
Actual Completed in 2018	269	477	£53.49	£6.9m	£25,543

Timber prices and crop yields achieved during the year were significantly above budget, demonstrated by the revenue per hectare at 59% above budget, reflecting the current level of demand for UK timber. This enabled the Manager to generate budgeted revenue without harvesting all planned contracts, preserving 129 hectares of crops for future years.

Areas harvested are replanted to generate future capital growth and maintain the LP's portfolio as a sustainable forest resource. Replanting is undertaken where appropriate with improved Sitka spruce which is expected to enhance productivity and value from the next rotation.

Woodland expenditure was £2.0 million for the year and administration and overhead costs were £0.9 million (2017: £1.5 million and £0.6 million respectively).

Capital expenditure was £0.3 million, below the budget of £0.4 million.

3.2 Trading Budget for the Year Ending 30 November 2019

The LP is budgeted to generate a net operating profit before distribution of £7.4 million (2018: £4.1million) which should fully cover the planned distribution in November 2019 to all Limited Partnership Shares based on the November 2018 distribution of £56.87 per Partnership Share adjusted by the 12 month CPI + 1%. This is expected to generate an operating surplus after distribution of £4.0 million which will be used to acquire additional forest property in line with the Manager's strategy.

Harvesting is planned on 458 hectares, including the areas under contract carried forward from last year. The blended budget timber price is set at £53.68 per tonne, a 47% increase on the previous year's budget to reflect the recent increase in timber prices. The budget rate has been set to be broadly in line with the actual average timber price achieved in 2018.

	Area (Hectares)	Tonnes/Hectare	Price £/Tonne	Total	Revenue/Hectare
Budget	458	436	53.68	£10.7m	£23,432

Forest expenditure is budgeted at £2.9 million (including capital expenditure). The significant costs within this are the replanting and maintenance of areas that were harvested in previous years (£2.2 million) and construction of new roads to facilitate harvesting operations (£0.3 million).

Administration and overhead expenses (including bank interest) are budgeted at £1.2 million (2018: £1.1 million), of which the Gresham House fund management fee will be £0.6 million (2018: £0.6 million).

The LP will continue to carry insurance for loss from fire or wind damage to protect the LP's capital value. The premium is budgeted to be £149,000 (2018: £147,701).

MANAGER'S REPORT

4. BUSINESS STRATEGY

4.1 Portfolio Management

The Manager's strategy is to harvest timber and manage expenditure to create an operating surplus sufficient to cover the planned annual distribution to Limited Partners and provide an appropriate balance of income and capital growth. Additionally, the Manager intends to capitalise on strong timber demand, generating a surplus to provide funds for reinvestment into new forest assets to expand the LPs portfolio. This effectively reallocates the LP's resources from mature timber reserves into additional forest assets with a mixture of age classes, thereby increasing diversification and supporting the investment objectives of the LP.

The Manager will continue to actively manage the portfolio of forests in order to realise value when appropriate. The Manager's strategy continues to ensure that the LP is fully invested as the outlook for the LP's business remains positive.

4.2 Investment Objectives

The investment objectives of the LP are to invest in forests to generate a balance between income and capital returns and to target an inflation linked annual distribution.

4.3 LP Duration

The LP has an Initial Termination Date of 30 November 2029. There is a right for Limited Partners to vote to extend this by two four-year periods, subject to 75% by value voting in favour of continuing. The Final Termination Date is 30 November 2037.

4.4 Certification

The LP continues with the policy of certifying, to Forest Stewardship Council (FSC®) standards, all forests at the time harvesting commences. Certification schemes provide a way of ensuring sustainable forest management as well as third party independent verification that a timber source meets the definition of sustainability. These schemes include a mechanism for tracing products from the certified source forest to end use, providing evidence that it is both legal and sustainable.

All timber harvested, together with the restocking and management of the forests thereafter will continue to be in accordance with the UK Woodland Assurance Standard (UKWAS) to ensure FSC® certification of the forests.

4.5 Higher and Better Use

The Manager continues to seek to generate additional income on the LP's portfolio by working with wind farm developers in order to agree and manage Option for Lease agreements for wind farm developments.

There are currently three signed Option for Lease agreements which could result in 49.4MW of installed wind farm capacity on land owned by the LP, should the projects receive planning consent and become operational. This includes Hartwood Hill, Craigengillan North, and more recently Dryfehead, which has entered into an option as part of a wider proposal with an experienced wind farm developer.

All the legal costs are met by the developer and there is no cost to the LP in exploring the proposals. No upside has been included over and above option payments in the forecast.

Status of Option for Lease Agreements	No of Properties	Potential Capacity MW
Option for Lease agreement signed	3	49.4

Following reductions to the support for renewable energy generating stations impacting onshore wind, the Manager considers that any development on these sites is currently unlikely, and no value is attributed to them.

MANAGER'S REPORT

5. MARKET REVIEW AND OUTLOOK

Summary

- UK timber prices remain strong.
- This has increased market values and created strong competition for forest properties being offered for sale.

Market Drivers

Timber Prices

Timber prices increased by 20.0% in the six months to September 2018 with strong demand from all timber processors. Prices have continued to trend higher over the last twelve months.

Gresham House expect this strong demand and pricing to remain at current levels, indeed recent timber tenders continue to confirm this. Brexit uncertainties are expected to weigh heavily on the value of Sterling, causing prices for imported softwood timber to remain high.

Timber Markets

The UK has a vibrant and modern timber processing sector, creating strong and diverse demand for homegrown timber.

Norbord's investment of over £100 million in a new Oriented Strand Board (OSB) line at its plant near Inverness, increased its timber requirement from 520,000 cubic meters to 800,000 cubic meters per annum. Since going live last year, this has already had an impact in west and central Scotland, with more competition for limited stock pushing prices up in previously marginal areas.

Close to £1.25 billion has been invested in the UK timber processing industry since 2007. Furthermore, the Irish processing industry has benefitted from around €250 million of investment over the last three to four years, with a further €250 million announced at the start of 2019. Timber from West Scotland can be exported to Ireland, supporting higher timber prices from this area.

House Builds

Consumption of timber in the UK continues to rise as diverse markets for timber products thrive. Housing starts, a key driver of timber consumption, reached 197,750 for the twelve months ending 31 December 2017, the highest level since the collapse in the construction sector in 2008.

All UK political parties now have strong house building initiatives as part of their manifesto, including an increased move to modular housing and timber framed construction.

Over the medium to long term, UK population growth and a continuing fall in the average household size are set to be the key drivers of additional housing demand. Housing starts stimulate demand for UK construction grade timber, as well as fencing and outdoor products such as decking.

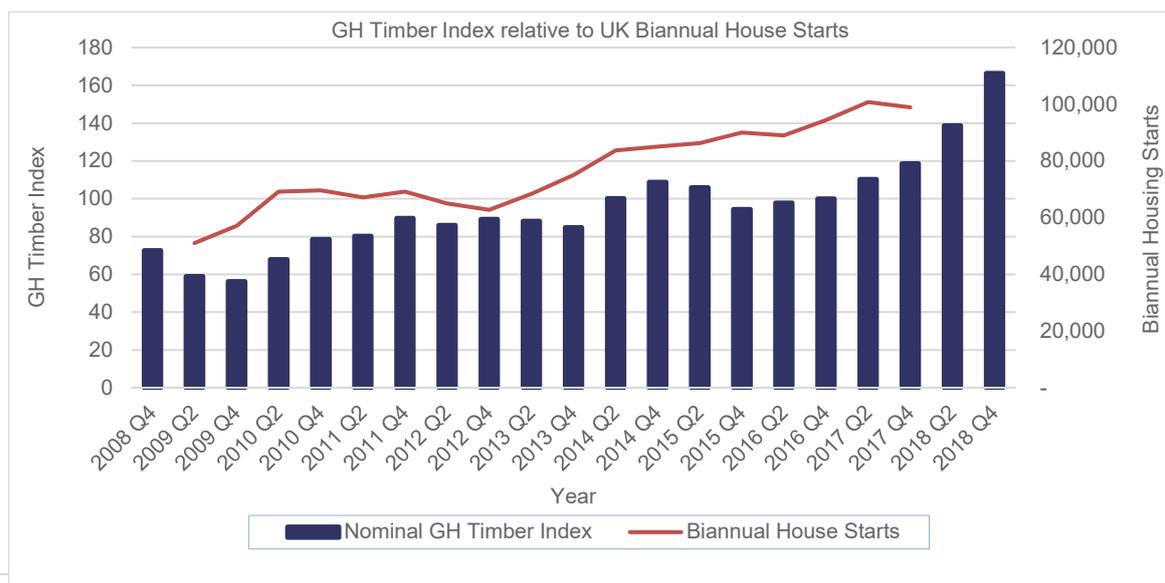
Timber Procurement

More wood is being used per housing unit as timber frame construction continues to increase its market share, having increased to 28.1% of the new build market in 2016 from 22.8% in 2011. The Structural Timber Association estimates the market share to increase to 33.9% by the end of 2020.

The Government has made it clear that it sees offsite modular construction as a key route to increasing building capacity and a potential beneficiary of new government funding. The UK timber frame sector accounts for up to 90% of all offsite modular construction.

With the need to provide more housing in the UK, the prospects for the use of softwood timber are improving as combinations of solid wood and engineered wood products become favoured choices for architects, designers and engineers. Rising numbers of housing starts, together with methods of construction favouring wood use, will drive demand for timber higher.

A key driver behind the increase in use of construction timber is the rapid decarbonisation of the economy. For example, cement produces 6% of the world's carbon emissions, and steel, half of which goes into buildings, accounts for another 8%. Timber has a significantly lower carbon footprint than these materials. By comparison, replacing one cubic metre of concrete with timber can save a tonne of carbon dioxide emissions.



MANAGER'S REPORT

In addition to demand for wood for construction there is continued strength in demand for other end uses such as chipboard production, pulp, paper and biomass used for energy generation. Depth of demand from these industries have helped to sustain and support the timber prices being achieved.

Exchange Rates

Continued weakness in Sterling has helped sustain UK timber prices. The value of Sterling against the Euro has remained below €1.20 since the Brexit vote in June 2016. Weaker Sterling continues to benefit UK forest owners, as domestic buyers will favour UK sourced timber over imports.

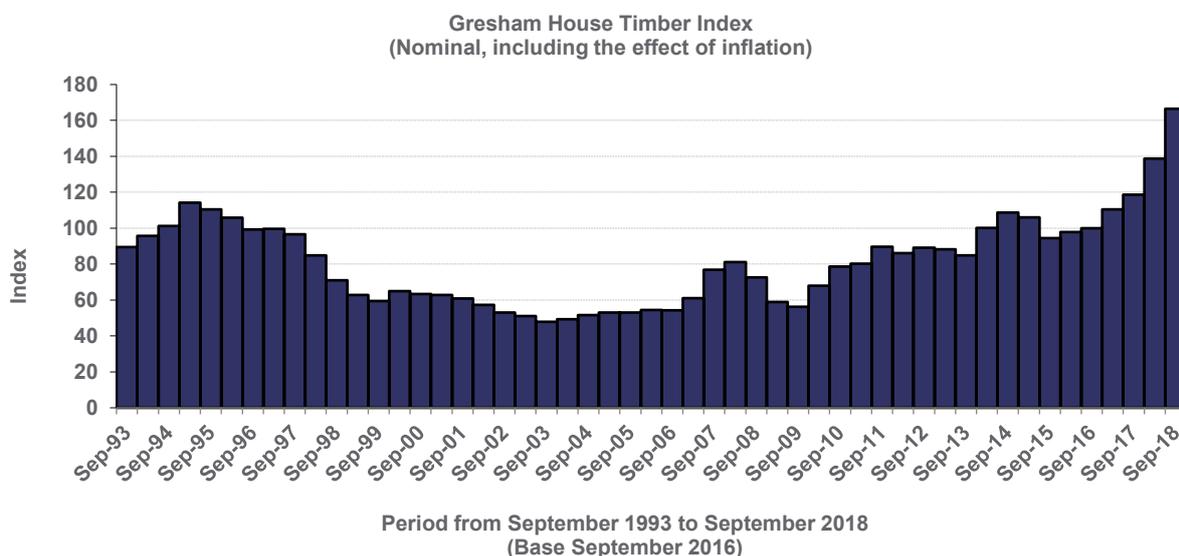
Global Outlook

Forestry is not a short term investment, and investors must look beyond exchange rate fluctuations and local demand drivers to understand the wider picture of the global demand for a relatively finite commodity. Given that the UK imports circa 82% of its annual timber consumption, the UK effectively imports a global timber price, as such Gresham House believe there remains a compelling reason for domestic timber prices to continue to rise, in order to reduce the price differential between imported and domestic timber which currently exists.

Gresham House Timber Index increases again in the six months to September 2018

The Gresham House Timber Index has shown strong growth increasing 40.3% over the twelve month period and 20.0% over the six month period to September 2018.

The Gresham House Timber Index uses statistics published by the Forestry Commission (FC). It comprises an equal weighting of the Coniferous Standing Sales Price Index (CSSPI), being the average price of standing conifer timber sales, and the Softwood Sawlog Price Index (SSPI), being the average price of all softwood sawlogs sold on the FC estate.



Source: Forestry Commission, National Audit Office

MANAGER'S REPORT

6. ADMINISTRATION

6.1 Ongoing Charges Figure

The Manager reports on the Ongoing Charges Figure (OCF).

The OCF includes all recurring expenditure incurred by the LP, being the management fee, legal and professional fees arising at the LP level, commission from insurance premiums, General Partner fees and other recurring overheads (audit etc). This is calculated as a percentage of the average of the opening and closing Net Asset Value of the LP.

The OCF excludes any non-recurring expenditure including fundraising fees, transaction fees due on the acquisition or disposal of investments and one off fees to the Manager arising from renewable energy options and leases.

Whilst the OCF is based on historical information, it does provide an indication of the level of charges likely to be incurred in the future. The LP benefits from competitive management charges and the Manager ensures ongoing costs are carefully controlled. The OCF from the last two years is presented below:

	OCF
Year Ended 30 November 2018	0.65%
Year Ended 30 November 2017	0.62%

The management fee for 2019 is fixed at 0.5% of the NAV as determined at the External Valuation Date of 30 November 2016, plus capital subscribed after the External Valuation Date (less the fund promotion and issue expenses applicable thereto). This is prorated for the number of months the capital has been subscribed. In each year between External Valuation Dates the management fee will be increased annually in arrears in line with RPI.

6.2 Change of Control of FIM Services Limited

On 22 May 2018 Gresham House Plc acquired 100% of FIM Services Limited. A Deed of Novation dated 1 January 2019 transferred the management of the LP from FIM Services Limited to Gresham House Asset Management Ltd (GHAM). GHAM is a wholly owned, FCA registered subsidiary of Gresham House Plc.

6.3 Advisory Committee

The Advisory Committee is made up of four members who are either Limited Partners or representatives of Limited Partners. The Manager will continue to consult the Advisory Committee on issues as required in the management of the LP.

In order to protect Limited Partners, the Manager is not able to continue with a course of action with a potential conflict of interest associated with it should the Advisory Committee not waive it.

During the year the Advisory Committee were informed of the change of ownership of FIM Services Limited as Manager of the LP and the transfer of management of the LP from FIM Services Limited to GHAM.

6.4 Liquidity – Sales of Partnership Shares

During the year all 323 Partnership Shares offered for sale were sold. The Manager arranged deals between vendors and purchasers.

The weighted average purchase price was £2,591.70 per share, a 17.6% premium to the opening NAV of £2,203.68 at the start of the year. The average transaction time was 29 days from commencement of marketing to receipt of funds.

6.5 Valuations

An External Valuation of the LP's forest portfolio was carried out by John Clegg and Co as at 30 November 2016. The valuation was implemented in accordance with the RICS Valuation - Professional Standards ("Red Book") (January 2014 Edition).

An Internal Valuation of the forest portfolio was provided by the Manager as at 30 November 2018, undertaken by a RICS qualified valuer in accordance with the RICS Valuation - Global Standards ("Red Book") (July 2017 edition). The basis of valuation was market value, being defined by RICS as:

"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

The next External Valuation is 30 November 2020. In the intervening period the portfolio will be valued annually by the Manager in accordance with the relevant RICS Valuation Standards.

6.6 Annual General Meeting

The last Annual General Meeting (AGM) of Limited Partners was held on 28 March 2018. The Manager intends to conduct the next AGM on 28 March 2019 to discuss the results of the LP and its future business.

6.7 Taxation and National Insurance Contributions

The Manager issued a Memorandum in relation to National Insurance Contributions (NICs) for the 2017/18 tax year and Taxable Income Statements for the tax year 2017/2018 to Limited Partners on 14 June 2018 giving details of figures which were required to be included in Limited Partners' tax returns for 2017/2018.

In the tax year 2017/18 no NICs were assessable on Limited Partners based solely on their holding in the LP.

The Manager does not anticipate any liability to NICs in the tax year 2018/19 in relation to Limited Partners in the LP as there are not expected to be any taxable profits in the tax year 2018/19 which are subject to NICs.

The Manager plans to issue Taxable Income Statements for the 2018/19 tax year in June 2019.

6.8 Alternative Investment Funds Managers Directive

The LP is classified as an Alternative Investment Fund (AIF) under the Alternative Investment Funds Managers Directive (AIFMD). The main implication of this classification is that the LP has appointed Augentius as its provider of Depositary Services. In this regard, Augentius provides independent governance oversight and cash monitoring services to the LP as required by AIFMD. The Manager remains authorised and regulated by the Financial Conduct Authority with authorisations in place to manage the LP.

MANAGER'S REPORT

6.9 Additions to Limited Partners' holdings in the LP

Limited Partners have the opportunity to add to their holding in the LP through the acquisition of secondary shares which occasionally become available. It is believed that further investment by an existing Limited Partner should qualify immediately for 100% IHT relief, provided the Limited Partners' existing Partnership Shares have been held for two or more years and the holding of Partnership Shares has not increased significantly.

Further details of current and future sales are available by contacting Gresham House at admin@greshamhouse.com or 01451 844655.

6.10 Additional Information

Limited Partners and their IFAs are now able to obtain up to date valuations via the FIM website. If you have not already obtained a password please follow this link to complete the registration process:

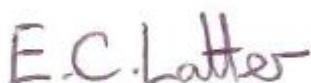
http://www.fimltd.co.uk/client_login.asp

6.11 Client Satisfaction

Please do not hesitate to contact a member of the Gresham House team if you wish to discuss your investment or provide any feedback on this Report. Gresham House are committed to ensuring the needs and expectations of their clients are met at all times and would therefore welcome any suggestions to improve our service delivery.

6.12 Fund Team

Fund Director	Olly Hughes 01451 843905 o.hughes@greshamhouse.com
Fund Manager	Edward Latter 01451 843090 e.latter@greshamhouse.com
Chief Financial Officer	Stephen Beck 01451 843097 s.beck@greshamhouse.com
Asset Manager	James Armstrong 01451 843080 j.armstrong@greshamhouse.com
Fund Administrator	Victoria Larkin 01451 843083 v.larkin@greshamhouse.com
Finance Manager	Krystyna Slota 01451 843915 k.slota@greshamhouse.com



Signed by Edward Latter
15 February 2019
On behalf of Gresham House Asset Management Limited, Manager

APPENDIX

REGISTERED NUMBER: SL006597 (SCOTLAND)

REPORT OF THE PARTNERS AND
AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2018
FOR
FIM FOREST FUND I LP

REGISTERED NUMBER: SL006597 (SCOTLAND)

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REPORT OF THE GENERAL PARTNER

The General Partner presents the Report and Financial Statements of FIM Forest Fund I LP (the LP) for the year ended 30 November 2018.

General Partner

The General Partner is FIM Forest Funds General Partner Limited, a wholly owned subsidiary of Gresham House Plc.

Principal Activity

The principal activity of the LP is the ownership of commercial woodlands for the production of timber.

Results for the Year

The results for the year are shown on page 5. The General Partner is pleased with the results.

Statement of the General Partner's Responsibilities

The General Partner is responsible for preparing this Report and the Financial Statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the General Partner to prepare accounts for each financial period which give a true and fair view of the state of affairs of the LP and of the results of the LP for that period. In preparing these accounts the General Partner is required to select suitable accounting policies and then apply them consistently, make judgements and estimates that are reasonable and prudent and prepare the accounts on a going concern basis, unless it is inappropriate to presume that the LP will continue in business.

The General Partner is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the LP and to enable it to ensure that the accounts comply with the Companies Act 2006, as modified by SI 2008/569. It is also responsible for safeguarding the assets of the LP and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as the General Partner is aware, there is no relevant audit information (information needed by the LP's auditors in connection with preparing their report) of which the LP's auditors are unaware.

Finally, the General Partner has taken all the steps that it ought to have taken as a General Partner in order to make itself aware of any relevant audit information and to establish that the LP's auditors are aware of that information.



Stephen Beck
15 February 2019
Director, FIM Forest Funds General Partner Limited
General Partner

PARTNERSHIP INFORMATION

Limited Partnership Number	SL006597
Manager and Operator	Gresham House Asset Management Limited Glebe Barn Great Barrington Burford Oxon OX18 4US
General Partner	FIM Forest Funds General Partner Limited 5 New Street Square London EC4A 3TW
Solicitors	Brodies LLP 15 Atholl Crescent Edinburgh EH3 8HA
Auditors	Critchleys Audit LLP Beaver House 23-38 Hythe Bridge Street Oxford OX1 2EP
Principal Bankers	Clydesdale Bank plc 5 Northgate Street Gloucester GL1 2AH Barclays Bank plc 1 Churchill Place Canary Wharf London E14 5HP
Depository Services	Argentius Depository Company Limited 2 London Bridge London SE1 9RA

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the financial statements of FIM Forest Fund I LP (the LP) for the year ended 30 November 2018, which comprise the Income Statement, Statement of Comprehensive Income, Balance Sheet, Statement of Cash Flows, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the LP's affairs as at 30 November 2018 and of its results for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, as modified by SI 2008/569.

Basis for opinion

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

Conclusions relating to going concern

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the LP's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the General Partner; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the General Partner's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the General Partner has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the LP's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The General Partner is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance or conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Manager's Report and General Partner's Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Manager's Report and General Partner's Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the LP obtained in the course of the audit, we have not identified material misstatements in the Manager's Report or the General Partner's Report.

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

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

Responsibilities of the General Partner

As explained more fully in the Statement of General Partner's Responsibilities set out on page 1, the General Partner is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the General Partner determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITOR'S REPORT

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the LP's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the General Partner.
- Conclude on the appropriateness of the General Partner's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the LP's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the LP to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the LP audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report

This report is made solely to the LP's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, as modified by SI 2008/569. Our audit work has been undertaken so that we might state to the LP's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the LP and the LP's members as a body, for our audit work, for this report, or for the opinions we have formed.

Original Signed

Robert Kirtland
Senior Statutory Auditor

For and on behalf of:
Critchleys Audit LLP, Statutory Auditor
Beaver House
23-38 Hythe Bridge Street
Oxford
OX1 2EP

Date: 15 February 2019

INCOME STATEMENT

	Notes	Year ended 30 November 2018 £	Year ended 30 November 2017 £
Turnover	3	7,092,682	5,460,581
Other operating income		99,492	99,762
Total turnover		7,192,174	5,560,343
Operating costs		(2,008,223)	(1,502,438)
Administrative expenses		(931,171)	(635,407)
General Partner's share	3	(100)	(100)
Operating profit before depreciation		4,252,680	3,422,398
Interest receivable		14,581	2,529
Interest payable		(139,984)	(203,781)
Profit for the year before revaluation	4	4,127,277	3,221,146
Unrealised surplus on revaluation of forest properties		10,457,360	3,180,938
Profit for the year after revaluation		14,584,637	6,402,084
Number of shares		57,262	40,615
Profit per share before revaluation		72.1p	79.3p

STATEMENT OF COMPREHENSIVE INCOME

Profit for the year after revaluation	14,584,637	6,402,084
Total comprehensive income for the financial year	14,584,638	6,402,084

BALANCE SHEET

	Notes	Year ended 30 November 2018 £	Year ended 30 November 2017 £
Fixed Assets			
Forest Properties	5	141,000,000	96,455,000
Current Assets			
Debtors	6	2,299,087	10,495,672
Cash at bank		762,353	18,427,489
		3,061,440	28,923,161
Creditors: amounts falling due within one year	7	(1,096,381)	(12,818,629)
Net current assets		1,965,059	16,104,532
Creditors: amounts falling due after one year	8	(4,000,000)	-
Total assets less liabilities and net assets attributable to Partners		138,965,059	112,559,532
Represented by			
Limited Partners' capital		82,046,637	67,931,215
Revaluation reserve		43,577,876	33,120,516
Profit and loss account		13,340,546	11,507,801
Limited Partners' funds	9	138,965,059	112,559,532
Total Limited Partnership Shares		57,262	51,078
Net Asset Value per Limited Partnership Share		2,426.83	2,203.68

These financial statements were approved by the General Partner and authorised for issue on 15 February 2019 and are signed on their behalf by:



Stephen Beck
On behalf of FIM Forest Funds General Partner Limited, General Partner

STATEMENT OF CASH FLOWS

		Year ended 30 November 2018	Year ended 30 November 2017
	Notes	£	£
Cash flows from operating activities			
Operating profit		4,252,680	3,422,398
(Increase)/decrease in debtors	6	(752,510)	(581,333)
Increase/(decrease) in creditors	7	(522,248)	934,691
Net cash flow from operating activities		2,977,922	3,775,756
Cash flows from investing activities			
Purchase of investment assets	5	(34,087,639)	(8,924,063)
Interest received		(125,403)	(201,252)
Net cash flow from investing activities		(34,213,042)	(9,125,315)
Cash flows from financing activities			
Loan received		4,000,000	8,000,000
Loan repayment in year		(11,200,000)	-
B Shares subscription – net of costs	9	14,115,422	24,480,511
Funds raised – B Shares – not cleared bank at year end		8,949,096	(8,949,096)
		15,864,518	23,531,415
Distributions to Limited Partners	9	(2,294,534)	(2,219,085)
Net cash flow from financing activities		13,569,984	21,312,330
Net (decrease)/increase in cash		(17,665,136)	15,962,771
Cash at the start of the year		18,427,489	2,464,718
Cash at the end of the year		762,353	18,427,489

NOTES TO THE FINANCIAL STATEMENTS

1. General information

The entity is a Limited Partnership registered in Scotland.

The address of its registered office is:

15 Atholl Crescent
Edinburgh
EH3 8HA

These financial statements were authorised for issue by the General Partner on 15 February 2019.

2. Summary of significant accounting policies and key accounting estimates

Statement of Compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland."

Basis of Preparation

These financial statements have been prepared in accordance with applicable UK accounting standards, including Financial Reporting Standard 102 and Companies Act 2006.

The financial statements are presented in Sterling.

Going Concern

After reviewing the LP's forecast and projections, the General Partner has a reasonable expectation that the LP has adequate resources to continue in operational existence for the foreseeable future. The LP therefore continues to adopt the going concern basis in preparing its financial statements.

3. Principal Accounting Policies

a. Turnover

Turnover represents amounts receivable by the LP, net of value added tax, in respect of the ownership of commercial woodlands and the sale of commercial timber.

b. General Partner's Share

The General Partner's share for the LP has been charged in the accounts at £100 for the year, as set out in the Limited Partnership Agreement.

c. Valuation of Tangible Assets

Tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write down the cost less estimated residual value of all the tangible fixed assets over their expected useful lives, using the straight line method.

d. Valuation of Forest Properties

Forest properties were internally revalued at 30 November 2018 on the basis of their market value on that date. The valuation is in accordance with the Royal Institution of Chartered Surveyors Valuation Standards.

e. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

f. Trade debtors

Trade debtors are amounts due from customers for timber sold and services provided in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the LP will not be able to collect all amounts due according to the original terms of the receivables.

g. Depreciation

Nil on freehold forest properties.

h. Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the LP does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost.

4. Profit for the Year

Profit for the year is stated after charging:

	2018	2017
	£	£
Auditors' remuneration – audit services	6,500	4,500

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Investments

All forest properties were internally valued at 30 November 2018, as detailed in Note 3d to the accounts.

	Forest Properties
	£
As at 1 December 2017	96,455,000
Additions	34,087,640
Revaluation	10,457,360
As at 30 November 2018	141,000,000

6. Debtors

	2018	2017
	£	£
Trade debtors	1,274,688	1,356,596
Accrued income	976,519	143,607
Prepayments	47,880	46,373
	2,299,086	1,546,576
B shares not paid	-	8,949,096
	2,299,087	10,494,672

7. Creditors: amounts falling due within one year

	2018	2017
Trade creditors	659,215	681,816
Deposits and downpayments	75,000	75,000
VAT	249,585	337,416
Accruals and sundry creditors	112,581	524,397
	1,096,381	1,618,629
Bank Loan	0	11,200,000
	1,096,381	12,818,629

8. Creditors: amounts falling due after one year

	2018	2017
Bank Loan	4,000,000	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Statement of Changes in Capital

	Founder & Initial Limited Partnership Shares	"A" Additional Limited Partnership Shares	"B" Limited Partnership Shares	Special Limited Partner	Revaluation Reserve	Profit & Loss Account	Total
	£	£	£	£	£	£	£
As at 1 December 2016	25,503,786	17,946,819	-	100	29,939,578	10,505,740	83,896,023
Revaluation	-	-	-	-	3,180,938	-	3,180,938
Profit for the year	-	-	-	-	-	3,221,146	3,221,146
Distribution	-	-	-	-	-	(2,219,085)	(2,219,085)
Issue of Shares	-	-	24,480,511	-	-	-	24,480,511
As at 1 December 2017	25,503,786	17,946,819	24,480,511	100	33,120,516	11,507,801	112,559,533
Revaluation	-	-	-	-	10,457,360	-	10,457,360
Profit for the year	-	-	-	-	-	4,127,278	4,127,278
Distribution	-	-	-	-	-	(2,294,534)	(2,294,534)
Issue of Partnership Shares	-	-	14,115,422	-	-	-	14,115,422
As at 30 November 2018	25,503,786	17,946,819	38,595,933	100	43,577,876	13,340,545	138,965,059

	2018	2017
	No.	No.
Founder & Initial Limited Partnership Shares	27,359	27,359
"A" Additional Limited Partnership Shares	12,988	12,988
"B" Limited Partnership Shares	16,915	10,731
Total Limited Partnership Shares allotted	57,262	51,078

10. Related Parties

Controlling Entity

The immediate controlling entity is Gresham House Plc due to its ownership of the General Partner, FIM Forest Funds General Partner Limited.

Related Party Transactions

FIM Services Limited

FIM Services Limited is the Manager of the LP. The accounts include the following amounts paid to FIM Services Limited:

	2018	2017
	£	£
Recurring fees		
Management charges	632,853	432,524
Timber marketing fees	137,235	109,520
Sundry	-	-
Total recurring fees	770,088	542,044
Non-recurring fees		
Insurance Commission	14,770	12,375
Sundry fees	(784)	12,466
Fund raising fees	288,174	500,065
Investment acquisition and disposal fees	633,000	162,100
Total non-recurring fees	935,160	687,006
	1,705,248	1,229,050

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

An amount of £382,689 was due to FIM Services Limited at 30 November 2018 (2017: £818,764).

FIM Forest Funds General Partner Limited is the General Partner of FIM Forest Fund I LP. A General Partner fee of £100 per annum is due to the General Partner from the LP.

11. Post Balance Sheet Events

The LP acquired a forest property in Scotland for £0.6 million in December 2018. The purchase was funded from cash.

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Gresham House Asset Management Limited is authorised and regulated by the Financial Conduct Authority
FIM Services Limited, part of the Gresham House Group, is certified to the ISO 9001 standard

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