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*Specialist asset management*

# FIM TIMBERLAND LP

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REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2019



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# MANAGER'S REPORT

The Manager presents its Report on the results of FIM Timberland LP (the LP) for the year ended 31 July 2019.

## 1. EXECUTIVE SUMMARY

The Manager is pleased with the performance of the LP during the year.

### 1.1 Net Asset Value (NAV)

Net assets increased during the year from £79.9 million to £87.0 million (£2.2 million of which was subscribed under the "D" Partnership Share Issue, prior to the year end).

The NAV as at 31 July 2019 equated to £1,112.44 per Partnership Share (2018: £1,045.95 per Partnership Share).

The increase in NAV for each Partnership Share class since issue is as follows:

Share Class	Issue Price	Issue Date	NAV Increase
Founder	£950	May to Jun 15	17.1%
"B"	£1,000	Jan to Jul 16	11.2%
"C"	£1,034	Oct 16 to Feb 17	7.6%

The LP's portfolio was externally valued by John Clegg & Co as at 30 April 2019 (to establish the issue price for "D" Partnership Shares) and internally valued by Gresham House Asset Management (GHAM) as at 31 July 2019 (to establish the year end NAV). Both valuations were in accordance with Royal Institution of Chartered Surveyors (RICS) Valuation Global Standards 2017.

### 1.2 LP's Strategy

The strategy is to generate a net operating surplus on the Income and Expenditure Account from harvesting timber, net of woodland and administration expenditure, sufficient to meet the planned annual distributions to Limited Partners.

### 1.3 LP's Performance

The total return on all Partnership Shares (except for "D" Partnership Shares) in the year was 9.36%, net of all fees and costs. This comprised:

- A 6.36% capital gain
- A 3.00% income return

The internal rate of return (IRR) since inception (average across all Partnership Share classes, including "D" Partnership Shares) is 5.10%.

The IRR for each Partnership Share class (including "D" Partnership Shares) is given below:

Share Class	IRR
Founder	5.97%
"B"	5.48%
"C"	4.26%
"D"	N/A

The LP's IRR to date has been below the target IRR of 7% as a result of the costs associated with fund raising and acquiring forests (circa 9.5%). However, Limited Partners have now recouped these establishment costs from earlier share issues.

## 1.4 Distributions

In line with the LP's objectives, a distribution of £31.38 per Founder, "B" and "C" Partnership Share (totalling £2.4 million) was paid in July 2019, being 3% of the £1,045.95 NAV per Partnership Share as at 31 July 2018.

All Partnership Shares (excluding "D" Partnership Shares) will be eligible for the planned £31.38 per Partnership Share distribution in July 2020. Thereafter, distributions are due to increase annually by CPI + 0.5%. This revised distribution policy was approved overwhelmingly by Limited Partners at a General Meeting on 2 May 2019 (with 95% of those voting being in favour), resulting in the distribution being delinked from NAV and linked to inflation.

"D" Partnership Shares will be eligible for a first distribution in July 2022.

## 1.5 Fund Raising

At a General Meeting on 2 May 2019, 99% of Limited Partners voting were in favour of the issuance of "D" Partnership Shares, in order to expand the LP's asset base through the purchase of new forests.

Limited Partners are able to subscribe for "D" Partnership Shares at £1,225 each, which represents a premium of 11% to the 30 April 2019 NAV and 10% to the 31 July 2019 NAV, to cover the cost of raising equity and acquiring forests.

Please contact the Manager to request subscription documentation.

# MANAGER'S REPORT

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## 2. OPERATIONS REVIEW

### 2.1 Trading During the Year Ended 31 July 2019

An operating profit of £2.4 million arose during the year (2018: £2.7 million).

228.5 hectares were harvested during the year, summarised as follows:

	Area (hectares)	Tonnes/ hectare	Total Tonnes	Blended Price (£/tonne)	Total Revenue (£)	Revenue (£/hectare)
Budget	323.4	410	132,522	46.36	6,143,197	18,996
Actual	228.5	384	87,677	48.09	4,216,339	18,452

Income from timber harvesting was 31.4% below budget, due to the Manager electing to curtail harvesting operations to the minimum level sufficient to cover operating expenditure and the July 2019 distribution. This strategy was adopted in order to enhance the long term value of the portfolio.

The majority of the contracts were placed in late 2018 and early 2019, at a time of record high UK timber prices. Timber prices and average revenue per hectare harvested were in line with budget.

16 harvesting contracts took place across 11 of the LP's forests.

Woodland and administration expenditure for the year was £2.1 million (£0.5 million below budget), due to some budgeted restocking operations not being required in forests where harvesting was deferred.

### 2.2 Trading Budget for the Year to 31 July 2020

The budget for 2019-20 has been prepared on the basis of the existing forestry portfolio as at 31 July 2019. It forecasts an operating profit of £2.7 million, prior to the planned payment of a £2.4 million distribution on Founder, "B" and "C" Limited Partnership Shares in July 2020, resulting in an operating profit after distribution of £0.3 million. Capital expenditure of £0.4 million is budgeted for roads, tracks and fences, resulting in a small net shortfall, which will be covered by profit and loss and cash reserves.

Income of £5.0 million is budgeted from the harvesting of 302.6 hectares, summarised as follows:

	Area (hectares)	Tonnes/ hectare	Total Tonnes	Blended Price (£/tonne)	Total Revenue (£)	Revenue (£/hectare)
Budget	302.6	371	112,125	44.71	5,012,964	16,566

The Manager intends to sell 17 harvesting coupes across 10 of the LP's forests. Timber prices in the budget reflect the reduction of 10% to 15% from record highs that were achieved in late 2018 and early 2019, hence the 7% decrease in the budgeted timber price to £44.71 per tonne (compared to the average of £48.09 per tonne achieved in the year to 31 July 2019).

Harvested areas are subsequently replanted to maintain capital value in the LP's forest portfolio. Where possible replanting is undertaken with improved quality Sitka spruce, to enhance productivity and value on the next rotation.

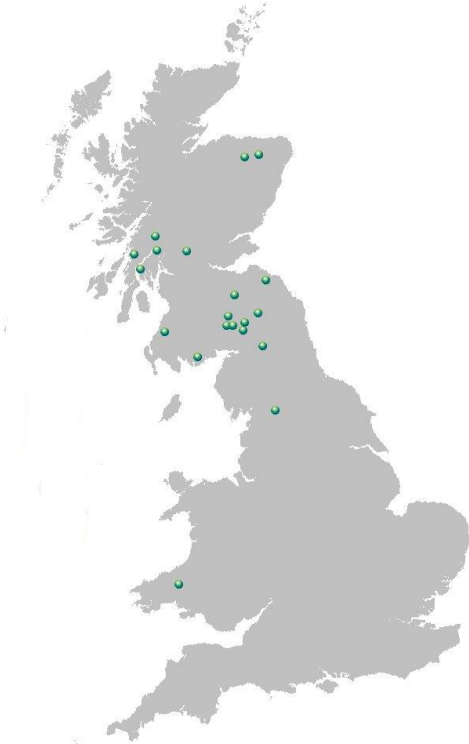
The budget for woodland and administration expenditure for the year is £2.5 million.

# MANAGER'S REPORT

## 3. FORESTRY PORTFOLIO

### 3.1 Portfolio Overview

The portfolio consists of 7,542 hectares over 20 properties in England, Scotland and Wales, providing geographic diversification. The locations of the forests are shown on the map below:



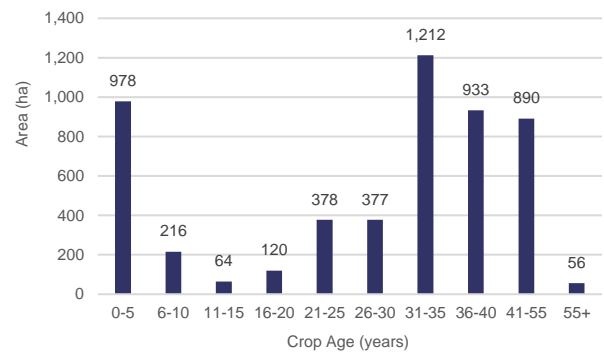
The average size of each forest is 377 hectares, which means that they are large-scale commercial forests.

### 3.2 Crop Analysis

The portfolio comprises 5,504 hectares of commercial crop area (which includes 278 hectares of land awaiting restocking). The balance is broadleaves and open ground. The majority of the crop (81%) is Sitka spruce, the UK's most productive commercial tree species.

The crop in the portfolio has a weighted average age of 26 years and includes a significant inventory of mature crop over 30 years old (3,091 hectares), with a further 377 hectares aged between 26 and 30 years. This range of advanced age crop provides the LP with significant flexibility for timber harvesting, ensuring steady income over the next 20 years, to meet the LP's objectives.

Conifer Species by Age as at 31 July 2019



Creagenterve & Tibertich  
West Scotland

# MANAGER'S REPORT

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## 4. BUSINESS STRATEGY

### 4.1 Portfolio Management

The Manager will continue to actively manage the portfolio in order to maximise value. The Manager's strategy is to harvest timber and manage expenditure to create an operating surplus sufficient to meet the planned distributions to Limited Partners, whilst ensuring that the LP is fully invested. The outlook for the LP's business remains positive. The LP has the ability to borrow up to 10% of NAV and the Manager will consider using gearing to acquire additional forest properties as appropriate, but the LP currently has no gearing.

### 4.2 Investment Objectives

The investment objectives of the LP are to invest in forest properties to generate a balance between income and capital returns.

### 4.3 Distributions

The Manager paid a distribution of £31.38 on Founder, "B" and "C" Partnership Shares in July 2019, being 3% of the NAV per Partnership Share as at 31 July 2018.

Founder, "B" and "C" Partnership Shares will qualify for a planned distribution in July 2020 of £31.38 per Partnership Share.

"D" Partnership Shares will be eligible for a first distribution in July 2022.

### 4.4 LP's Duration

The LP has an Initial Termination Date of 31 July 2032. 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 at each juncture. The Final Termination Date is 31 July 2040.

### 4.5 Sustainability

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 defining sustainable forest management as well as third party independent verification that timber sourced 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 these forests.

### 4.6 Higher and Better Use

Due to changes in government subsidies, the Manager does not currently see potential for renewable energy opportunities on the LP's portfolio, but will continue to seek opportunities now that developers are starting to construct subsidy free onshore wind farms.

# MANAGER'S REPORT

## 5. MARKET REVIEW AND OUTLOOK

### Timber Prices

Nominal timber prices over the 10 years to 31 March 2019, as measured by the GH Timber Index, increased at an annualised rate of 12.0%, significantly exceeding UK inflation, which averaged 2.1% per annum over the same period.

Following this upward trajectory, prices in real terms are still only at similar levels to their last peak in 1995, indicating the potential for a significant real increase in global timber prices, driven by rising demand.

UK timber prices have fallen by 10 to 15% since 31 March 2019, due to stockpiling at UK ports by European exporters, trade wars and general geopolitical uncertainty. These falls will be reflected in the GH Timber Index for the six months to 30 September 2019, when it is published in November. Prices have been starting to recover during the autumn.

### Global Supply and Demand

There is a strongly positive outlook for timber prices and consequently forest values.

The core drivers of rising demand are the growing global population (which is becoming ever more urbanised), increasing average GDP per capita and more new uses of wood.

Supply is being constrained through increased efforts to combat illegal logging, consumers demanding that timber is sourced sustainably and increasing land use competition, particularly from agriculture to feed the world's growing population.

### UK Timber Demand

In the UK, wood is increasingly being used in construction, as timber frame buildings continue to increase their market share, from 28.1% of the new build market in 2016 to 33.9% by the end of 2020 (estimated by the Structural Timber Association).

The UK Government has also 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. An average three bedroom house takes about 40 weeks to build and costs circa £120,000; this timeframe is reduced to 10 days and the cost also reduced dramatically if the house is built in sections in a factory and then assembled onsite.

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 preferred 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.

An additional key driver behind the increase in use of construction timber is the rapid decarbonisation of the economy. Steel production accounts for 3% of the world's greenhouse gas emissions and concrete 5%. According to the recent report from the Intergovernmental Panel on Climate Change, drastic emissions cuts are required to keep global warming below 1.5°C. In response, the World Green Buildings Council advocate all buildings having net zero carbon emissions by 2050, which means using less concrete and steel and more timber.

### UK Timber Processing

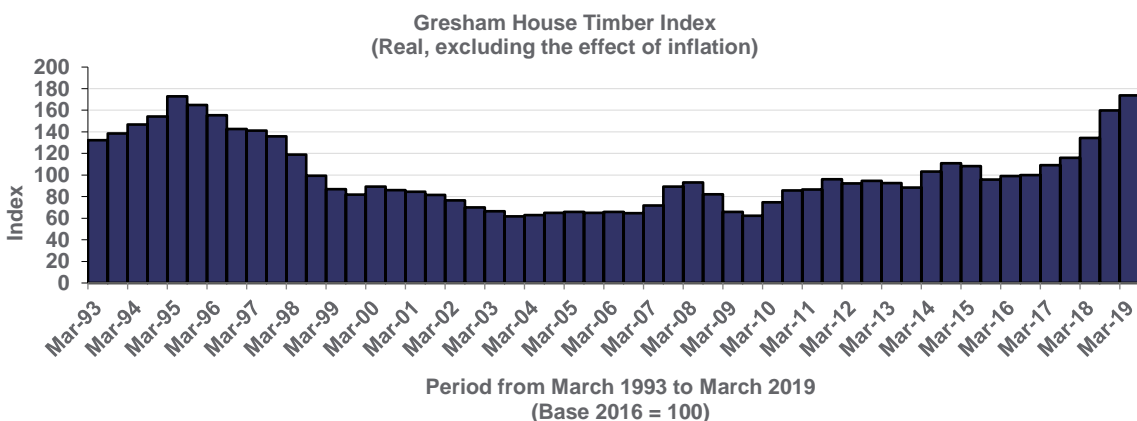
Norbord's investment of over £100 million in an Oriented Strand Board (OSB) mill line at its plant near Inverness, increased its timber requirement from 520,000 cubic metres to 800,000 cubic metres per annum. Since going live last year, this has already had an impact in west and central Scotland, with 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.

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

Whilst demand from UK processing mills continues to increase, the country still imports circa 80% of its timber requirements, meaning that domestic forest owners have the security of a captive market for their timber.

The GH 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), which represents the average price of all softwood sawlogs sold on the FC estate.



Sources: Forestry Commission, National Audit Office

# MANAGER'S REPORT

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## 6. ADMINISTRATION

### 6.1 Ongoing Charges Figure (OCF)

The Financial Conduct Authority (FCA) encourages the reporting of the OCF.

The OCF includes all recurring expenditure incurred by the LP, being management fees, legal and professional fees arising at the LP level, external valuation fees, General Partner fees and other recurring overheads (audit and depositary services, etc.). This is calculated from the weighted average NAV of the LP over the year.

The OCF excludes any non-recurring expenditure, such as promotion fees on capital raised and transaction fees due on the acquisition of forest properties.

Whilst the OCF is based on historical information, it does provide an indication of the level of fees likely to be incurred in the future. The LP benefits from a competitive annual management fee of 0.75% and the Manager ensures that ongoing costs are carefully controlled. The OCF for the year to 31 July 2019 was 0.78%. This is a reduction from 0.8% in the year ended 31 July 2018 and is in line with the target 0.78% for the LP.

### 6.2 Advisory Committee

The Advisory Committee consists of four members who are either Limited Partners or representatives of Limited Partners. The Manager consults with the Advisory Committee on issues as required in the management of the LP. During the year, the Advisory Committee was consulted upon (and unanimously approved) the issuance of "D" Partnership Shares and the amendment to the Distribution Policy.

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

### 6.3 Liquidity – Sale of Partnership Shares

During the year a total of 443 Partnership Shares were sold (circa 0.6% of the total shares in issue), with the Manager arranging deals between vendors and purchasers.

The weighted average sale price was £1,322.21 per Partnership Share (circa 26% higher than the published NAV of £1,045.95 as at 31 July 2018).

### 6.4 Valuations

An external valuation of the LP's portfolio was carried out by John Clegg & Co as at 30 April 2019. The valuation was undertaken by a member of RICS, in accordance with RICS standards. As at 31 July 2019, the portfolio was internally valued by a RICS member of GHAM, in accordance with RICS standards.

The next independent valuation is planned for 31 July 2020.

### 6.5 Annual General Meeting (AGM)

This year's AGM is to be held on 26 November 2019 in the Fleming Room at Octagon Point, 5 Cheapside, London to discuss the results of the LP and its future business. A Notice is attached.

## 6.6 Taxation

The Manager issued Taxable Income Statements for the Tax Year 2018-19 to Limited Partners on 26 June 2019 providing details to be included on Limited Partners' tax returns for 2018-19.

### 6.7 National Insurance Contributions (NICs)

In the Tax Year 2018-19 the Manager does not expect any liability to NICs for Limited Partners based solely on their holding in the LP.

The Manager does not anticipate any liability to NICs in the Tax Year 2019-20 in relation to Limited Partners in the LP, as there are not expected to be any taxable profits arising in the Tax Year 2019-20 which are subject to NICs.

### 6.8 Alternative Investment Fund Managers Directive (AIFMD)

The LP is classified as an Alternative Investment Fund (AIF) under AIFMD. The main implication of this classification is that the LP has appointed IQ EQ Depositary Company (UK) Limited (IQ EQ) as its provider of Depositary Services. IQ EQ provides independent governance, oversight and cash monitoring services to the LP, as required by AIFMD.

The Manager is authorised and regulated by the FCA and has appropriate authorisations in place to operate the LP.

### 6.9 Additions to Limited Partners' Holdings in the LP

Limited Partners have the opportunity to acquire "D" Partnership Shares at a fixed price of £1,225 per share.

There is occasionally the opportunity to acquire secondary shares. GHAM market shares being sold by existing Limited Partners via email for a period of two weeks. All Limited Partners are entitled to bid for the shares.

Bids for Partnership Shares can be submitted by email to [admin@greshamhouse.com](mailto:admin@greshamhouse.com) and should detail the number of shares the bid is for and the price per share offered. GHAM present all bids to the vendor following the closing date and will inform bidders on whether their offer is successful or not once the vendor has informed GHAM of their decision. Successful bidders will be sent completion documents and a payment request, with payment due within two weeks of the closing date.

It is believed that further investment should qualify immediately for 100% IHT relief, provided the Limited Partner's existing Partnership Shares have been held for two or more years and the additional Partnership Shares do not materially increase the Limited Partner's overall percentage holding in the LP.

**Further details of current and future share sales are available on the Client Area of the GHAM website or by contacting GHAM by email: [admin@greshamhouse.com](mailto:admin@greshamhouse.com) or telephone: 01451 844655.**



# MANAGER'S REPORT

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## 6.10 Additional Information

Limited Partners are able to obtain details of their holdings in the LP, including a valuation, via a secure section of GH's website.

You can access your valuation at:  
<https://www.fimltd.co.uk/client/login> and log in by using your client identification number and password.

If you have not already registered to use the website, please follow this link to complete the registration process:  
<https://www.fimltd.co.uk/client/register>

If you would like to receive an annual Partnership Shareholding Statement by post, please contact GHAM on 01451 844655 or [admin@greshamhouse.com](mailto:admin@greshamhouse.com).

## 6.11 Client Satisfaction

Please do not hesitate to contact a member of the LP's Management Team if you wish to discuss your investment or provide any feedback on this Report. GHAM are committed to ensuring that the needs and expectations of our clients are met at all times and would therefore welcome any suggestions to improve our service delivery.

## 6.12 LP's Management Team

<b>Fund Director</b>	<b>Oliver Hughes</b> 01451 843905 <a href="mailto:o.hughes@greshamhouse.com">o.hughes@greshamhouse.com</a>
<b>Fund Manager</b>	<b>Anthony Crosbie Dawson</b> 01451 843096 <a href="mailto:a.crosbiedawson@greshamhouse.com">a.crosbiedawson@greshamhouse.com</a>
<b>Divisional Finance Director</b>	<b>Stephen Beck</b> 01451 843097 <a href="mailto:s.beck@greshamhouse.com">s.beck@greshamhouse.com</a>
<b>Fund Analyst</b>	<b>Tom Astor</b> 01451 843907 <a href="mailto:t.astor@greshamhouse.com">t.astor@greshamhouse.com</a>
<b>Asset Manager</b>	<b>Simon Amor</b> 01738 631949 <a href="mailto:s.amor@greshamhouse.com">s.amor@greshamhouse.com</a>
<b>Fund Administrator</b>	<b>Julie McCarthy</b> 01451 843099 <a href="mailto:j.mccarthy@greshamhouse.com">j.mccarthy@greshamhouse.com</a>
<b>Finance Manager</b>	<b>Beth Delaney</b> 01451 843098 <a href="mailto:b.delaney@greshamhouse.com">b.delaney@greshamhouse.com</a>

Signed by Anthony Crosbie Dawson



On behalf of Gresham House Asset Management Limited,  
Manager

21 October 2019

# APPENDIX

REGISTERED NUMBER: SL19763 (SCOTLAND)

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REPORT OF THE PARTNERS AND  
AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2019  
FOR  
FIM TIMBERLAND LP

# REGISTERED NUMBER: SL19763 (SCOTLAND)

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# REPORT OF THE GENERAL PARTNER

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The General Partner presents the Report and Financial Statements of FIM Timberland LP (the LP) for the year ended 31 July 2019.

## **General Partner**

The General Partner is FIM Timberland 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 judgments 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

21 October 2019  
Director, FIM Timberland General Partner Limited  
General Partner

# PARTNERSHIP INFORMATION

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<b>Limited Partnership Number</b>	<b>SL19763</b>
<b>Manager and Operator</b>	<b>Gresham House Asset Management Limited</b> Glebe Barn Great Barrington Burford Oxon OX18 4US
<b>General Partner</b>	<b>FIM Timberland General Partner Limited</b> Glebe Barn Great Barrington Burford Oxon OX18 4US
<b>Solicitors</b>	<b>Brodies LLP</b> 15 Atholl Crescent Edinburgh EH3 8HA
<b>Auditors</b>	<b>Critchleys Audit LLP</b> Beaver House 23-38 Hythe Bridge Street Oxford OX1 2EP
<b>Principal Bankers</b>	<b>Clydesdale Bank plc</b> 5 Northgate Street Gloucester GL1 2AH
<b>Depository Services</b>	<b>IQ EQ Depository Company (UK) Limited</b> 4 <sup>th</sup> Floor, Forsyth House Cromac Square Belfast BT2 8LA

# INDEPENDENT AUDITOR'S REPORT

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## Opinion

We have audited the financial statements of FIM Timberland LP (the LP) for the year ended 31 July 2019, 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 31 July 2019 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

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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 21 October 2019



# INCOME STATEMENT

	Notes	Year ended 31 July 2019 £	Year ended 31 July 2018 £
Turnover	2a	4,513,134	4,288,389
Other operating income		<u>17,098</u>	<u>10,185</u>
<b>Total turnover</b>		<b>4,530,232</b>	<b>4,298,574</b>
Operating costs		(1,361,439)	(834,837)
Administrative expenses		(795,824)	(756,409)
General Partner's share		<u>(5,922)</u>	<u>(5,104)</u>
<b>Operating profit before depreciation</b>		<b>2,367,047</b>	<b>2,702,224</b>
Interest receivable		11,819	15,446
Interest payable		<u>-</u>	<u>-</u>
<b>Profit for the year before revaluation</b>	3	<b>2,378,866</b>	<b>2,717,670</b>
Unrealised surplus on revaluation of forest properties	4	<u>4,954,948</u>	<u>2,216,045</u>
<b>Profit for the year after revaluation</b>	7	<b><u>7,333,814</u></b>	<b><u>4,933,715</u></b>
Number of shares at year end		78,229	76,345
Profit per share before revaluation		£30.41	£35.60
<b>Statement of Comprehensive Income</b>			
Profit for the year after revaluation		<u>7,333,814</u>	<u>4,933,715</u>
Total comprehensive income for the financial year		<u><u>7,333,814</u></u>	<u><u>4,933,715</u></u>

# BALANCE SHEET

	Notes	Year Ended 31 July 2019 £	Year Ended 31 July 2018 £
<b>Non-Current Assets</b>			
Forest properties	4	83,840,000	78,471,000
		83,840,000	78,471,000
<b>Current Assets</b>			
Debtors	5	1,140,220	1,494,174
Cash at bank		3,187,991	1,045,187
		4,328,211	2,539,361
<b>Creditors: amounts falling due within one year</b>	6	(1,143,027)	(1,157,588)
<b>Net current assets</b>		3,185,184	1,381,773
<b>Net assets attributable to Limited Partners</b>		<b>87,025,184</b>	<b>79,852,773</b>
<b>Represented by</b>			
Limited Partners' capital	7	77,182,621	74,948,318
Revaluation reserve	7	7,839,940	2,884,992
Income and expenditure account	7	2,002,623	2,019,463
<b>Limited Partners' funds</b>		<b>87,025,184</b>	<b>79,852,773</b>
Total Limited Partnership Shares at year end		78,229	76,345
Net Asset Value per Limited Partnership Share		£1,112.44	£1,045.95

These financial statements were approved by the General Partner and authorised for issue on 21 October 2019 and are signed on their behalf by:



Stephen Beck  
On behalf of FIM Timberland General Partner Limited, General Partner

# STATEMENT OF CASH FLOWS

	Notes	Year ended 31 July 2019 £	Year ended 31 July 2018 £
<b>Cash flows from operating activities</b>			
Operating profit		2,367,047	2,702,224
(Increase)/decrease in debtors		353,954	(862,611)
Increase/(decrease) in creditors		<u>(14,561)</u>	<u>663,369</u>
<b>Net cash flow from operating activities</b>		<b>2,706,440</b>	<b>2,502,982</b>
<b>Cash flows from investing activities</b>			
Purchase of forest properties and capital expenditure	4	(414,052)	(36,631,181)
Interest received		<u>11,819</u>	<u>15,446</u>
<b>Net cash flow from investing activities</b>		<b>(402,233)</b>	<b>(36,615,735)</b>
<b>Cash flows from financing activities</b>			
Limited Partners' capital contributions	7	2,234,303	-
Distributions to Limited Partners	7	<u>(2,395,706)</u>	<u>(1,056,541)</u>
<b>Net cash flow from financing activities</b>		<b>(161,403)</b>	<b>(1,056,541)</b>
<b>Net (decrease)/increase in cash</b>		<b>2,142,804</b>	<b>(35,169,293)</b>
Cash at the start of the year		<u>1,045,187</u>	<u>36,214,480</u>
Cash at the end of the year		<u><u>3,187,991</u></u>	<u><u>1,045,187</u></u>

# NOTES TO THE FINANCIAL STATEMENTS

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## 1. 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.

## 2. 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. Income from the sale of commercial timber is recognised when the timber is harvested and the relevant invoice raised.

### b. General Partner's Share

The General Partner's share for the LP has been charged in the accounts at £5,922 for the year, as set out in the Limited Partnership Agreement.

### c. Forest Properties

The forest properties are held at fair value determined by an internal or external valuation. The valuation is derived from comparing the current market values of comparable forest properties and adjusting for increase or decrease of timber yield.

Changes in fair value are recognised in the revaluation reserve within the profit or loss.

### d. Valuation of Forest Properties

Forest properties were externally valued at 30 April 2019 by John Clegg & Co., a subsidiary of Strutt & Parker, and internally valued by GHAM at 31 July 2019, on the basis of their open market valuations on those dates. The valuations are in accordance with the Royal Institution of Chartered Surveyors Valuation Global Standards 2017.

### 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 12 months after the reporting date. If there is an unconditional right to defer settlement for at least 12 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.

## 3. Profit for the Year

Profit for the year is stated after charging:

	2019	2018
	£	£
Auditors' remuneration – audit services	7,500	6,600

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 4. Forest Properties

All forest properties were externally valued at 30 April 2019 and internally valued at 31 July 2019, as detailed in Note 2d to the Financial Statements.

	<b>Forest Properties</b>
	<b>£</b>
As at 1 August 2018	78,471,000
Additions	414,052
Revaluation	4,954,948
<b>As at 31 July 2019</b>	<b><u>83,840,000</u></b>

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
<b>5. Debtors</b>		
Trade debtors	759,863	1,348,413
Accrued income	291,755	69,134
Prepayments	88,602	76,627
	<b><u>1,140,220</u></b>	<b><u>1,494,174</u></b>

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
<b>6. Creditors: amounts falling due within one year</b>		
Trade creditors	(611,730)	(491,924)
Deposits and downpayments	(283,036)	(352,590)
VAT	(151,061)	(230,634)
Accruals	(64,984)	(24,122)
Timber harvesting fees	(3,425)	(12,999)
Other creditors	(1,992)	-
Distributions to Limited Partners not cleared bank at year end	(26,799)	(45,319)
	<b><u>(1,143,027)</u></b>	<b><u>(1,157,588)</u></b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 7. Statement of Changes in Capital

	Founder Limited Partnership Shares	"B" Limited Partnership Shares	"C" Limited Partnership Shares	"D" Limited Partnership Shares	Revaluation Reserve	Profit and Loss Account	Total
	£	£	£	£	£	£	£
<b>As at 1 August 2017</b>	<b>20,987,872</b>	<b>14,573,182</b>	<b>39,387,264</b>	-	<b>668,947</b>	<b>358,333</b>	<b>75,975,598</b>
Revaluation	-	-	-	-	2,216,045	-	2,216,045
Profit for the year	-	-	-	-	-	2,717,670	2,717,670
Distribution	-	-	-	-	-	(1,056,541)	(1,056,541)
Issue of Shares	-	-	-	-	-	-	-
<b>As at 1 August 2018</b>	<b>20,987,872</b>	<b>14,573,182</b>	<b>39,387,264</b>	-	<b>2,884,992</b>	<b>2,019,463</b>	<b>79,852,773</b>
Revaluation	-	-	-	-	4,954,948	-	4,954,948
Profit for the year	-	-	-	-	-	2,378,866	2,378,866
Distribution	-	-	-	-	-	(2,395,706)	(2,395,706)
Issue of Shares	-	-	-	2,234,303	-	-	2,234,303
<b>As at 31 July 2019</b>	<b>20,987,872</b>	<b>14,573,182</b>	<b>39,387,264</b>	<b>2,234,303</b>	<b>7,839,940</b>	<b>2,002,623</b>	<b>87,025,184</b>

	2019 No.	2018 No.
Founder Limited Partnership Shares	22,586	22,586
"B" Limited Partnership Shares	14,880	14,880
"C" Limited Partnership Shares	38,879	38,879
"D" Limited Partnership Shares	1,884	-
<b>Total Limited Partnership Shares allotted at year end</b>	<b>78,229</b>	<b>76,345</b>

### 8. Related Parties

#### Controlling Entity

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

#### Related Party Transactions

##### Gresham House Asset Management Limited

Gresham House Asset Management Limited is the Manager of the LP. During the year, FIM Services Limited transferred the management of the LP to Gresham House Asset Management Limited. The accounts include the following amounts paid to Gresham House Asset Management Limited and FIM Services Limited:

	2019 £	2018 £
<b>Recurring fees:</b>		
Management charges	598,896	571,249
<b>Non-recurring fees:</b>		
Forest property acquisition fees	-	677,730
Fund raising fees	46,158	-
Sundry	7,764	2,268
Total non-recurring fees	<b>53,922</b>	<b>679,998</b>
<b>Total Gresham House Asset Management Limited fees</b>	<b>652,818</b>	<b>1,251,247</b>

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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## **Related Party Transactions (continued)**

An amount of £179,669 was due to Gresham House Asset Management Limited at 31 July 2019 (2018: NIL).

An amount of £6,957 was due to Gresham House Holdings Limited at 31 July 2019 (2018: NIL).

FIM Timberland General Partner Limited is the General Partner of FIM Timberland LP. A General Partner fee of £5,922 was charged in the year (2018: £5,104). An amount of £11,026 was due to the General Partner at 31 July 2019 (2018: £5,436).

During the year, a fee was paid to Gresham House Asset Management Limited of £46,158 (2018: NIL) for the promotion of the "D" Limited Partnership Shares issued.

## **9. Post Balance Sheet Events**

The LP is currently fund raising for "D" Limited Partnership Shares.

Gresham House Asset Management Limited

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Oxon  
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Gresham House Asset Management Limited is certified to the ISO 9001 standard

[www.greshamhouse.com](http://www.greshamhouse.com)



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UK Sustainable Investment  
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