



30 Nov
2020

Gresham House Forest Fund I LP

(previously FIM Forest Fund I LP)

Annual Report & Financial Statements

Annual Report

- 02 Highlights
- 03 Executive Summary
- 06 Forest Portfolio
- 09 Operations Review
- 11 Market Review and Outlook
- 13 Administration
- 15 Environmental, Social and Governance

Financial Statements

- 17 Report of the General Partner
- 20 Income Statement
- 21 Balance Sheet
- 22 Statement of Cash Flows
- 23 Notes to the Financial Statements

Additional Information

- 27 Partnership Information
- 29 Partnership's Management Team

The Manager presents its Report on the results of Gresham House Forest Fund I LP for the year ended 30 November 2020

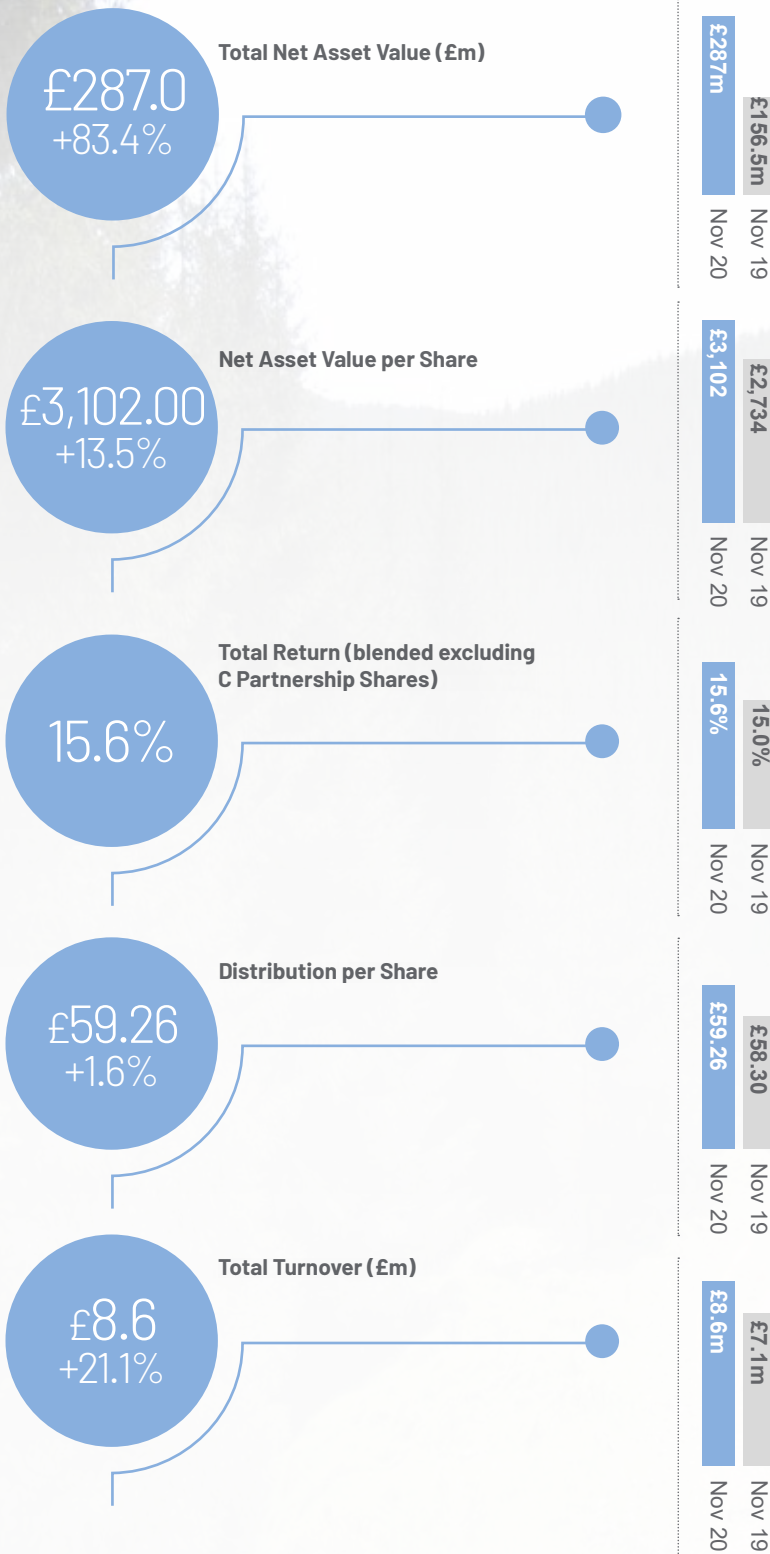
The Manager is pleased with the results of Gresham House Forest Fund I LP (the Partnership) following a highly successful capital raise during the year through the issue of C Partnership Shares, which has resulted in a significant expansion of the Partnership's portfolio and introduced new Limited Partners.

In addition to the fund raise the Partnership achieved good operational and trading performance during the year, delivering a total return of 15.64% to all Limited Partners (except those recently subscribed under the C Share Issue), comprised of a 13.48% increase in Net Asset Value (NAV) per share, and a distribution of 2.16%.

The Partnership's net assets increased by 83% to £287 million as a result of the equity raised under the C Share Issue and a revaluation of the existing portfolio, equating to £3,102 per Partnership Share.

 For more information visit <https://fimitd.co.uk/client/login>

Financial Highlights



Performance highlights

- The total return to all Limited Partners (excluding C Limited Partners) was 15.6% during the 12 month period to 30 November 2020.
- Distribution paid of £59.26 equating to 2.2% of opening Net Asset Value.
- Successful capital raise through the issue of C Partnership Shares which raised £105.7 million (net of issue expenses).
- £68.6 million already deployed into additional UK forestry assets (including post balance sheet acquisitions).
- £19.4 million debt repayment which has reduced the Partnership's gearing to 1.7% of NAV (November 2019: 10.0%).
- The NAV per share increased by 13.5% over the year, to £3,102.00 per Partnership Share (2019: £2,733.64).
- The overall NAV increased by £130.5 million to £287.0 million (2019: £156.5 million) including equity raised under the C Share Issue.
- Total turnover for the year was £8.6 million (2019: £7.1 million), primarily comprised of £8.4 million of timber income (2019: £7.0 million).

Manager's Report



Edward Latter
Fund Manager,
Gresham House Forest Fund I LP

The Manager presents its Report on the results of Gresham House Forest Fund I LP for the year ended 30 November 2020.

EXECUTIVE SUMMARY

Gresham House Forest Fund I LP has achieved its operational and investment objectives during the year ended 30 November 2020. The main points are:

Total Return 2019/20

The total return to all Limited Partners (excluding C Limited Partners) was 15.6% during the 12 month period to 30 November 2020, or £427.62 per Partnership Share, comprising the distribution paid of £59.26 (2.16%) and an increase in Net Asset Value of £368.36 (13.48%).

Beginning NAV Per Share	£2,733.64	% of Beginning NAV
Ending NAV Per Share	£3,102.00	
Increase in NAV Per Share	£368.36	13.48%
Distribution Per Share	£59.26	2.16%
Total Return Per Share	£427.62	15.64%

Net Asset Value

The NAV per share increased by 13.5% over the year, to £3,102.00 per Partnership Share (2019: £2,733.64). The overall NAV increased by £130.5 million to £287.0 million (2019: £156.5 million), including equity raised under the C Share Issue.

An internal valuation of the Partnership's forestry portfolio was conducted as at 30 November 2020, which resulted in an increase of £23.6 million to the revaluation reserve.

The surplus on the profit and loss account increased by £1.1 million as a result of the years trading operations.

Amendments to the Limited Partnership Agreement and Management Agreement

At the Annual General Meeting held on 24 March 2020, the Limited Partners approved the Resolutions proposed by the Manager in the Memorandum to Limited Partners dated 25 February 2020. The Resolutions were as follows:

1. To extend the First, Second and Final Termination dates by four years each to 2033, 2037 and 2041 respectively.
2. Initiate a fundraising for the Partnership by issuing C Partnership Shares at an issue price of £3,061 per Partnership Share.
3. To change the Partnership's (Independent) Valuation Dates to 30 November 2019 and every two years thereafter.
4. Amendment of the Management Agreement to implement a fixed Administration Fee of £30,000 plus VAT per annum (index-linked to RPI each year).

Overall 49% of Partnership Shares in issue voted. All four Resolutions were approved with a majority range of 90% to 98%, exceeding the required hurdle rate of 75%.

The Manager is pleased to report successful completion of all four Resolutions which have been documented in an Amended and Restated Limited Partnership Agreement dated 1 June 2020, and an Amended Investment Management Agreement.

Issue of C Partnership Shares

The Manager issued an Information Memorandum dated 8 June 2020 to raise new equity from issuing C Partnership Shares.

In response to substantial interest from both existing and new Limited Partners during October 2020 the Manager closed the Issue at the First Closing Date on 31 October 2020, enabling those who had registered interest in the opportunity to subscribe. The Manager considers it a positive reflection on the Partnership that the C Share Issue generated interest from new and existing Limited Partners.

In total 35,262 C Partnership Shares were issued, an increase of 62% from the number of shares in issue prior to the capital raise. The C Share Issue raised £105.7 million (net of issue expenses) for investment in the Partnership's business which will facilitate the capital raise objectives by financing a significant expansion of the Partnership's asset base, and a reduction to the level of gearing.

Gearing

During the year the Manager utilised the Partnership's debt facility with Barclays Bank to make strategic acquisitions in advance of the capital raise (see page 7). The debt facility provided the Manager flexibility to take advantage of favourable acquisition opportunities on competitive financial terms. The Partnership had peak debt of £24.4 million as at August 2020. During November 2020, £19.4 million was repaid using capital raised from the C Share Issue, reducing the loan balance to £5.0 million.

The remaining debt equates to a gearing ratio of 1.7% of NAV (November 2019: 10.0%) which the Manager considers to be a readily serviceable level of debt for the portfolio. It is planned to gradually repay the loan from operating surplus. Under the terms of the Limited Partnership Agreement, gearing is permitted up to 20% of NAV.

Deployment of Capital

The Manager is pleased to report good progress with deployment of the funds raised from the C Share Issue. In total £88.3 million has been deployed (including post balance sheet acquisitions), equating to 83% of the equity raised, of which £68.6 million has been invested into commercial forest assets and £19.4 million used to reduce the loan facility.

The Manager is currently appraising a pipeline of approximately £30 million of UK forestry assets, which if successfully acquired would complete the deployment of remaining funds during the first half of 2021 as anticipated.

Distribution

£59.26 per Partnership Share was paid in November 2020 on all Partnership Shares excluding C Partnership Shares, representing an increase of 1.6% from the distribution paid in the previous year of £58.30 per Partnership Share. The level of the distribution was calculated in accordance with the distribution policy which aims to adjust the previous years distribution by CPI + 1%.

C Partnership Shares subscribed under the 2020 fundraising are eligible for distributions from November 2022 and thereafter will rank pari passu with all other share classes.

The target distribution planned to be paid on all Partnership Shares (excluding C Partnership Shares) in November 2021 is £59.26, adjusted by the 12 month CPI + 1% (as calculated at the time). This should provide Limited Partners with a real annual increase in distribution to the previous year.

Fund Performance

To date all share classes have performed well, with a blended Internal Rate of Return of 11.9% to 30 November 2020.



	£m	
Opening cash as at 1 December 2019	1.5	
Increase in debt facility	9.1	
C Share equity (net of issue expenses)	105.7	
Total Funds Available for Deployment	116.3	
	£m	% of C Share Equity
Forests acquired during the year	(23.6)	22%
Capital expenditure during the year	(0.3)	0%
Debt repayment	(19.4)	18%
Forests acquired Post Balance Sheet date	(45.0)	43%
Total Funds Deployed as at 31 December 2020	(88.3)	83%

Share Class	Internal Rate of Return (IRR)	Since
Founder	12.4%	December 2008
Initial	12.2%	January to August 2009
A	11.6%	August 2012 to March 2013
B	11.5%	September to December 2017
All	11.9%*	

*Excluding C Partnership Shares. An IRR has not been calculated for the C Partnership Shares due to the very short holding period. They will be included in performance calculations from November 2021.

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 returns over the benchmark will be paid as follows:

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

Currently all distributions accrue to Limited Partners and none to the Special Limited Partner. The IPD UK Forestry Index is in the process of transferring to an alternative index provider following the withdrawal of the previous index provider MSCI.

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

Carbon Sequestration

UK forestry is a sustainable investment and provides important environmental benefits through the crop sequestering and storing carbon. The Manager has started to measure this benefit and will detail the Partnership's estimated carbon sequestration on an ongoing basis. It should be noted that the carbon captured is accounted for in the UK Carbon Budget and therefore cannot be used by Limited Partners to offset their emissions, for example from flights or car journeys.

The total recurring sequestration of carbon dioxide by the forestry portfolio (including post balance sheet acquisitions) is estimated to be approximately 220,000 tonnes per annum. This equates to approximately 2.4 tonnes of carbon per Partnership Share per annum.

The total estimated carbon dioxide currently stored in the Partnership's forestry portfolio to date is estimated to be c.4,750,000 tonnes, which equates to approximately 51 tonnes per Partnership Share.

For comparison, the annual sequestration is equivalent to the carbon emissions released from approximately 1 billion car miles, or construction of approximately 4,700 six story tower blocks.

There are currently no carbon credits generated by established UK forestry plantations. However this is a sector developing quickly and carbon trading markets already exist for existing commercial forests in other countries such as New Zealand and the US. The Manager will continue to monitor the development of UK carbon trading markets which could present future benefit to the Partnership.

Manager's Report continued

Post Balance Sheet Events

After the year end the Manager continued to deploy the capital raised under the C Share Issue into additional UK forestry assets. Eight acquisitions were identified and negotiated during the period ending 30 November 2020 and legal documentation was completed during December 2020. In total the post balance sheet acquisitions amounted to £45.0 million inclusive of purchase costs.

Shares in issue

A total of 92,524 Partnership Shares are in issue:

Share Class	No of Shares
Founder	21,873
Initial	5,486
A	12,988
B	16,915
C	35,262
Total	92,524

Notification of Side Letter Rights

The Manager was pleased to receive a large subscription for C Partnership Shares from a UK based pension fund. In consideration of this the General Partner and the Manager entered into a Side Letter with the pension fund pursuant to Clause 16.11 of the Limited Partnership Agreement.

In accordance with regulatory guidelines all subscribers of C Shares were notified of the Side Letter rights in a letter dated 7 December 2020.

The Terms of the Side Letter were reviewed by the Partnership's lawyers, Brodies LLP, the Manager and the General Partner, who are satisfied that the Side Letter rights are not prejudicial to the other Limited Partners, and the Limited Partnership Agreement will continue to govern the terms of all Limited Partners interests.

COVID-19 Update

The principal risks of the COVID-19 pandemic on the performance of the Partnership relate to timber prices and corresponding asset values.

The Manager is pleased that as the pandemic has unfolded, both timber prices and asset values have remained resilient. The volatility in mainstream investment markets and increased money supply from various central banks has led to an increase in investor demand for real assets and a lowering of yields being sought.

This has had a positive impact on the value of UK forestry assets.

The 'key industry' status awarded to UK forestry has allowed forest operations, including harvesting, to continue during the peak of the lockdown restrictions, although some timber processors did cease operations for a short time.

Only a temporary reduction in timber demand was experienced during the first two months of the initial lockdown commencing March 2020, while timber processors reviewed the situation. The requirement for wood in essential products, such as pallets, paper and packaging enabled board mills to continue operating through lockdown restrictions. Additionally, the UK government policy to allow construction and house building to continue has also resulted in continued demand from saw log processors who source high value timber from the Partnership's forests. On the basis that these policies continue, at the time of writing the Manager does not anticipate that the current lockdown restrictions will have a materially negative impact on the Partnership's performance or operations.

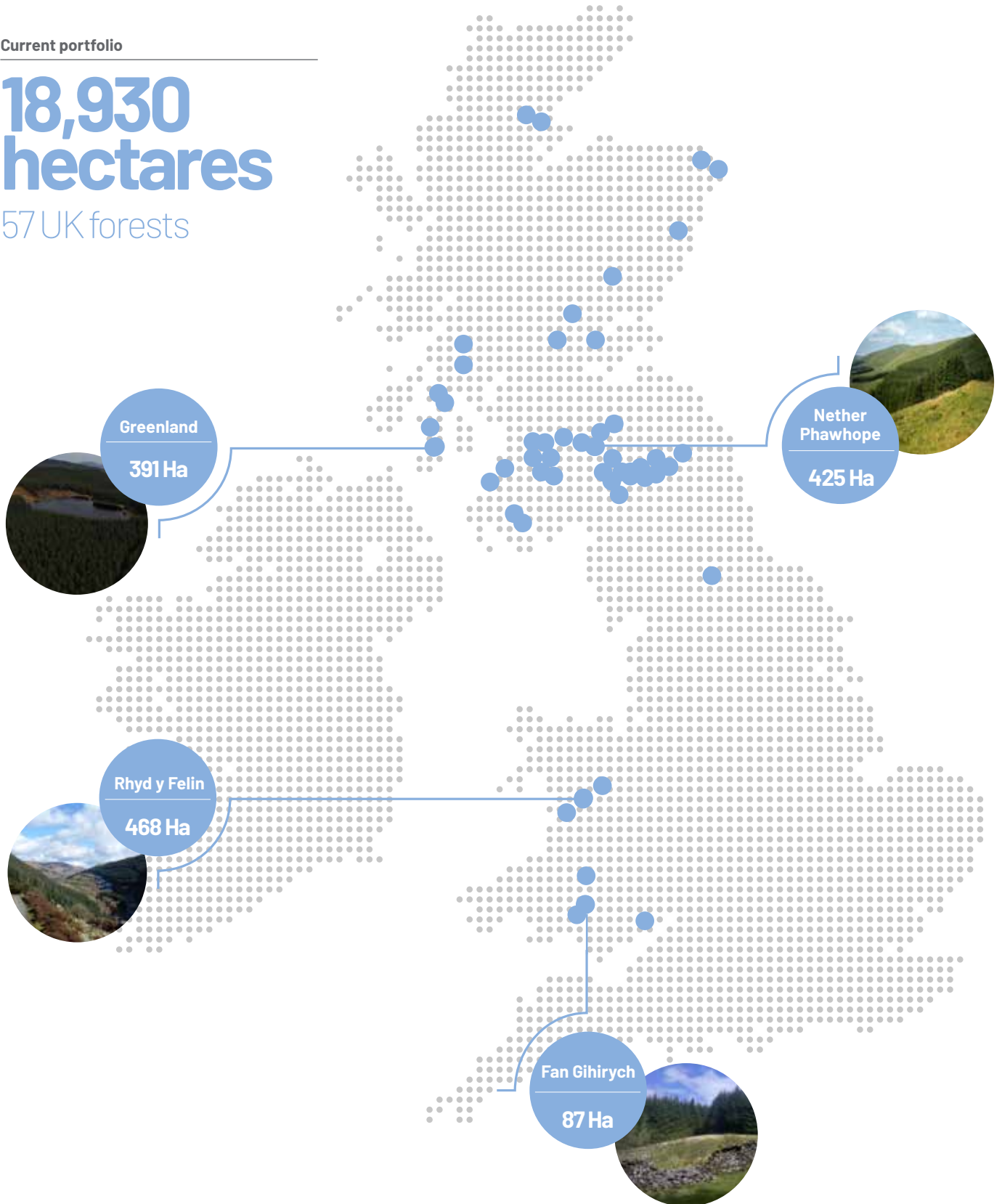
The Manager has robust business continuity arrangements in place to effectively manage the Partnership. The majority of management activity is currently taking place remotely from employees' home addresses unless office attendance is required. All IT systems, banking and finance processes, documentation access and reporting systems are operating normally. The ability for Gresham staff to undertake forest inspections has also recommenced and the Manager remains in regular contact with the local woodland managers.

Forest portfolio

Current portfolio

18,930
hectares

57 UK forests



Manager's Report continued

Portfolio Overview

The portfolio currently totals 18,930 hectares (including post balance sheet additions), over 57 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.

Acquisitions

During the year the Partnership acquired six forests extending to 1,124 hectares at a total cost (including purchase costs) of £23.6 million. Post balance sheet the Partnership completed the acquisition of a further eight forests which had been negotiated and secured during the preceding period. These added a further 2,756 hectares to the Partnership's portfolio at a total cost of £45.0 million, as summarised in the table.

The forests are located within practical reach of multiple timber markets, well positioned to capitalise on projected timber price growth. 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 and late rotation timber capable of delivering income to the Partnership when required.

Region	Area (Ha)	Purchase Cost (£m)
South Scotland	338.0	£6.0
East Scotland	186.2	£4.4
South Scotland	114.3	£3.8
South Scotland	240.0	£4.8
South Wales	63.1	£2.2
West Scotland	181.8	£2.4
Total prior to 30 November 2020	1,123.5	£23.6
South Scotland	231.6	£7.1
South Scotland	228.3	£4.6
Central Scotland	202.9	£7.6
West Scotland	957.7	£9.4
South Scotland	170.3	£1.4
West Scotland	129.4	£2.1
North Scotland	113.8	£1.9
North Scotland	717.8	£10.9
Total during December 2020	2,751.8	£45.0

The acquisitions were all funded by cash excluding one property which was transferred in specie into the Partnership in exchange for the equivalent purchase price being issued in C Partnership Shares, based on an independent valuation of the asset.

The forests acquired are productive commercial forestry sites capable of fulfilling the investment objectives and return parameters of the Partnership, and will significantly enhance both the quality and scale of the Partnership's asset base.

The acquisitions are weighted towards South Scotland with diversification provided by some assets located in other areas of Scotland and one in Wales.

The Manager continues to identify suitable acquisition opportunities to expand the Partnership's asset base and provide additional diversification. A pipeline of forest acquisitions is currently being appraised as the Manager intends for the remaining funds from the C Share Issue to be deployed promptly.

Disposals

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

Crop Analysis

The forest portfolio (including the post balance sheet purchases completed after the year end date) comprises a total area of 18,930 hectares, of which 14,821 hectares (78%) 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 85% Sitka spruce, 10% other conifer species and 5% land which is awaiting restocking.

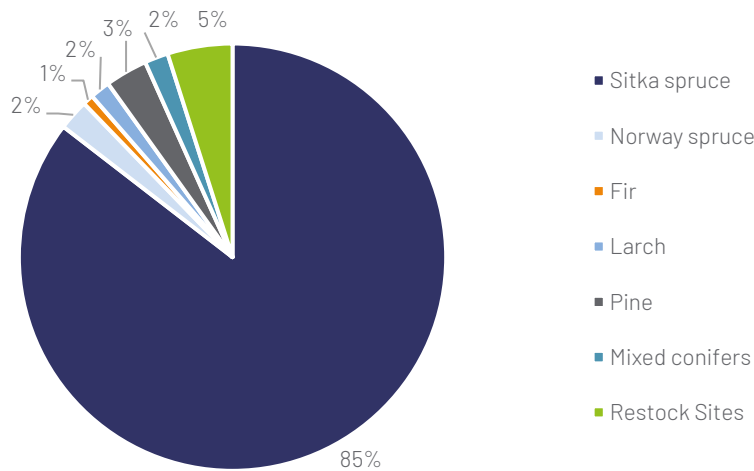
The Portfolio continues to maintain a well-balanced age class distribution, capable of supporting the Partnership's objectives.

The portfolio has c.6,321 hectares of commercial conifers over 30 years of age, 43% of the total commercial crop area, of which some 2,054 hectares (14%) are over 40 years of age.

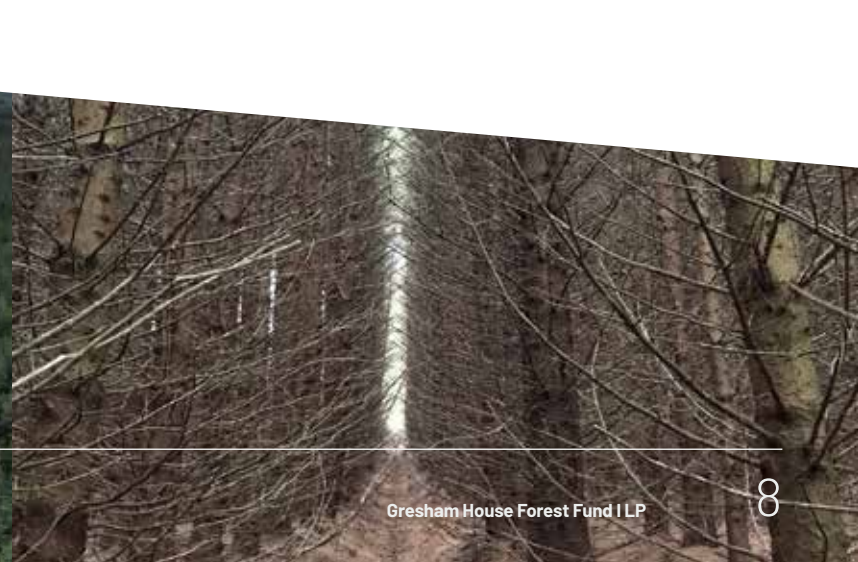
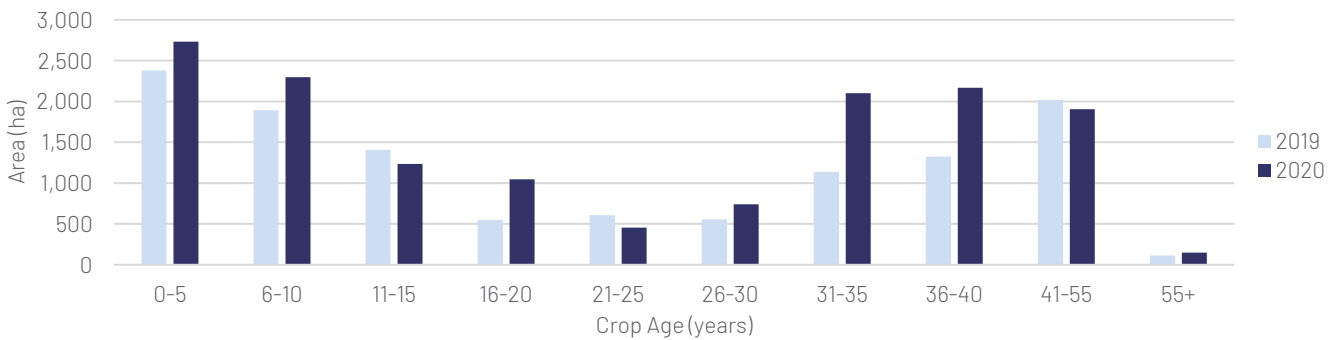
This is a significant reserve of mature crops which, subject to separation requirements, can be harvested as and when required to generate cash flow. The strategy is to prioritise harvesting of the oldest crops within the portfolio where appropriate.

The weighted average age of the commercial crop within the portfolio is 23 years, which is distributed in the table below.

Commercial Crop Area



Current and Previous Year's Distribution of Commercial Species



Manager's Report continued

OPERATIONS REVIEW

Trading During the Year Ended 30 November 2020

	2019/20	2018/19
Total Turnover	£8.6m	£7.1m
Operating Costs	(£2.2m)	(£1.8m)
Administrative and Other Expenses	(£1.3m)	(£0.9m)
Operating Profit	£5.1m	£4.4m
Interest payable	(£0.6m)	(£0.3m)
Profit for the Year	£4.5m	£4.1m
Distribution	(£3.4m)	(£3.3m)
Profit for the Year after Distribution	£1.1m	£0.8m

The surplus for the year on the Profit and Loss Account after the distribution was £1.1 million, increasing the retained profit to £15.2 million (2019: £14.1 million).

Net current assets at the year end were £74.5 million, including £72.9 million being held in cash, primarily from C Share subscriptions. The cash balance was reduced by £45.0 million during December 2020 to acquire eight new forestry assets which occurred post balance sheet.

Total turnover for the year was £8.6 million (2019: £7.1 million), primarily comprised of £8.4 million of timber income (2019: £7.0 million) generated from harvesting 340.9 hectares.

Summary of Timber Harvesting Contracts

In addition to the timber harvesting contracts in the table below, £0.2m of timber income was also received from thinning operations (removal of poorer trees from mid-rotation forests), clearing roadlines and by selling brash left over from harvesting. This was below the budget of £0.6 million as most of the thinning contracts were deferred in order to focus resources on more significant contracts as the COVID-19 situation unfolded.

In March 2020 several active harvesting contracts were temporarily paused while the timber processing industry sought clarity on the government lockdown restrictions introduced in response to the COVID-19 pandemic.

The timber industry was quickly designated 'key industry' status and therefore harvesting operations were allowed to continue. During this period the Manager postponed some of the planned timber tenders due to the uncertainty caused at the beginning of the lockdown period, which saw a temporary reduction in timber prices. Accordingly, the Manager revised the planned harvesting schedule and deferred the income due to be received earlier in the year with income from contracts that were sold at good prices later in the year. This allowed the Manager to largely mitigate any negative impacts of COVID-19 on the Partnership's income during the year.

£2.8 million of timber revenue was received during the period from contracts carried forward from the previous year. The Partnership achieved an average timber price of £53.17 per tonne during the year, slightly above budget of £48.68 per tonne. This is below the record average price achieved in the previous year (2019: £59.57), which reflects the more varied quality of crops offered for sale.

In addition to the timber prices achieved, crop yields during the year were also above budget. The consequence of this and the timber price was that the overall revenue per hectare was 14% above budget. This enabled the Manager to preserve 62.3 hectares of crops for future years, which will continue to add volume and value to the benefit of all Limited Partners.

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

Woodland expenditure was £1.9 million for the year (2019: £1.6 million), below budget of £2.9 million as some expenditure was not required following deferral of harvesting contracts. Administration and overhead costs were £1.9 million, which was above budget of £1.6 million (2019: £1.2 million). This was due to the cost of the independent valuation, increase in the NAV-linked management fee, and legal costs primarily associated with the C Share Issue and acquisitions.

	Area (Ha)	Tonnes/ Ha	Price £/ per tonne	Total	Revenue/ Ha
Budget	403.2	437	£48.68	£8.6m	£21,295
Actual Completed in 2020	340.9	456	£53.17	£8.3m	£24,236

Capital expenditure was £0.3 million, below the budget of £0.7 million, due to the deferral of road upgrade works as a result of the amendments to the budgeted harvesting schedule for the period.

Trading Budget for the Year Ending 30 November 2021

Total turnover for the year ending 30 November 2021 is budgeted to be £10.3 million, of which £9.3 million is from timber sales.

Harvesting is planned on 444 hectares, including the areas under contract carried forward from the previous year. The blended budget timber price is set at £49.46 per tonne.

	Area (Ha)	Tonnes/ Ha	Price £/ per tonne	Total (£m)	Revenue/ Ha
Budget	444	420	£49.46	£9.2	£20,775

The Partnership is budgeted to generate a net operating profit before distribution of £4.4 million (2020: £4.5 million) in order to fully cover the planned distribution in November 2021 on all Partnership Shares excluding C Partnership Shares, based on the November 2020 distribution of £59.26 per Partnership Share adjusted by the 12 month CPI + 1%. This is expected to generate an operating surplus after distribution of £0.8 million.

£2.0 million is budgeted for capital projects (road construction and upgrading) which includes some works deferred from the previous year, and work required on newly acquired forests which are scheduled for harvesting in the short term. The Manager will allocate funds raised under the C Share Issue towards capital projects on the recently acquired assets.

Forest expenditure is budgeted at £3.8 million, an increase from the previous year (2020: £2.8 million) to reflect the additional forests acquired which are under the Partnership's ownership. The significant costs within this are the replanting and maintenance of areas that were harvested in previous years (£3.5 million). Administration and overhead expenses are budgeted at £1.7 million (2020: £1.9 million), inclusive of loan interest, insurance, Gresham House Asset Management Limited (GHAM) fund management fee and legal, audit and professional fees. The Partnership will continue to carry insurance for loss from fire or wind damage to protect the Partnership's capital value. The premium is budgeted at £145,000 (2020: £152,000).

BUSINESS STRATEGY

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. To achieve this the Manager will continue to implement the strategy of restricting harvesting to a level sufficient to leave a small operating profit after operational expenditure, loan/interest payments and distributions to Limited Partners.

The Manager will continue to actively review the Partnership's harvesting programme in response to market conditions.

The immediate management focus is to ensure the Partnership is fully invested through deployment of the remaining funds from the C Share Issue into forestry assets, as the Manager intends for Limited Partners to benefit from maximum exposure to rising timber and forestry asset values.

Partnership Duration

During the year Limited Partners voted to extend the Termination Dates of the Partnership as set out in the Memorandum to Limited Partners dated 25 February 2020. The Partnership currently has a First Termination Date of 30 November 2033. 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 2041.

Certification

The Partnership 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 continued FSC® certification of the forests.

The UK Forest Standard (UKFS) provides for a mandatory area of each forest to be left unplanted (minimum 10%) or planted with diverse broadleaves (minimum 5%) for biodiversity. This provides opportunity for wildlife, nature and people to benefit from our forest habitats.

It is the intention of the Manager to accelerate the certification of the Partnership's forests during 2021 to include forests which are not scheduled for imminent harvesting.

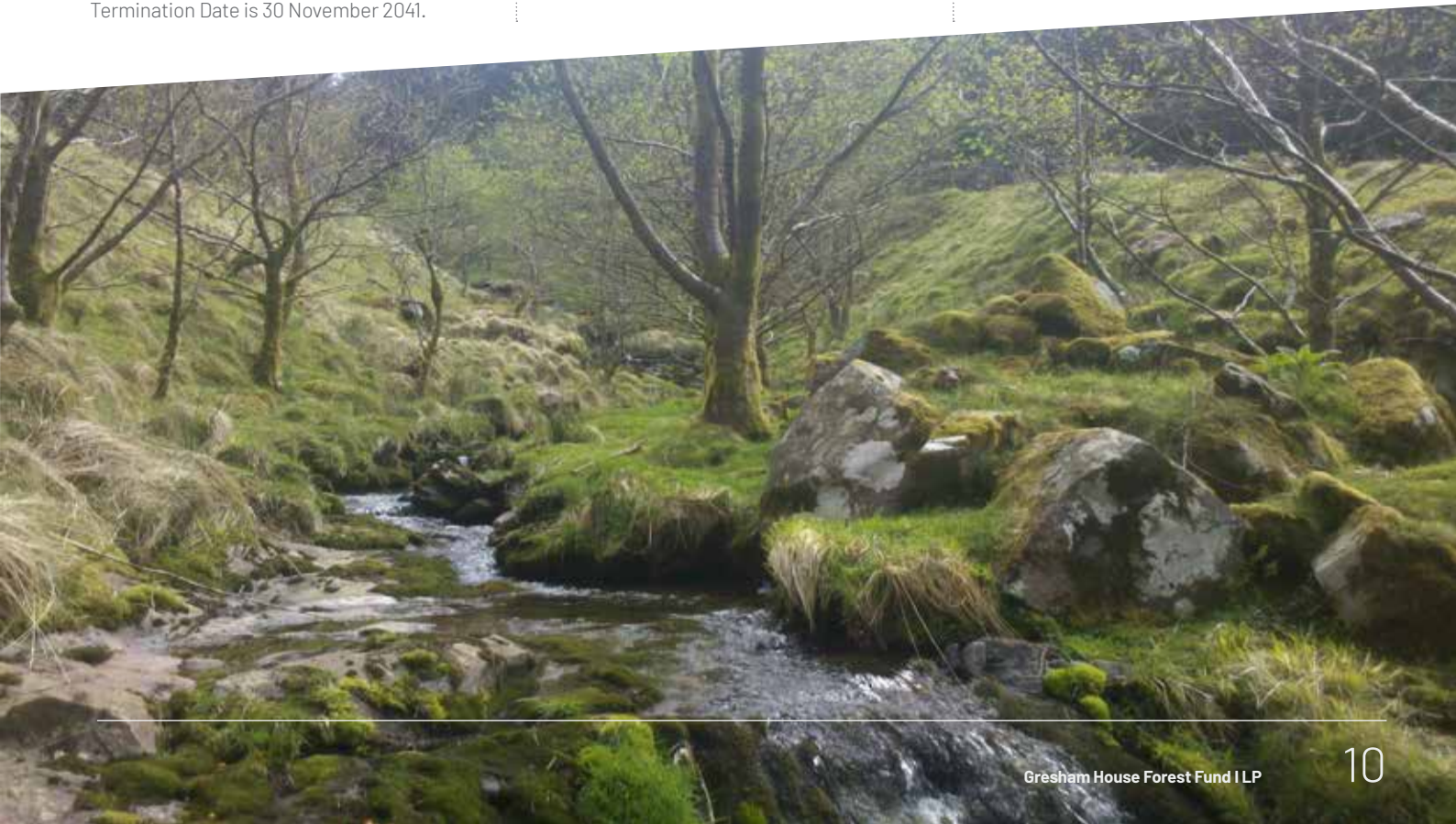
Higher and Better Use

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

There have been encouraging levels of interest from wind farm developers during the year, reflecting the improving efficiency and cost competition of wind turbine generators which is enabling economically viable wind farm developments, subject to planning and suitable access to grid connections.

There are currently three signed Option for Lease agreements which could generate additional income streams to the Partnership should the projects receive planning consent, grid connection and become operational. This includes Craigen Gillan North, Dryfehead and Hartwood Hill, all of which are part of wider proposals with experienced wind farm developers.

All the legal costs are met by the developer and there is no cost to the Partnership in exploring the proposals. The upside, which would be delivered by way of lease rental payments to the Partnership, is significant should they be successfully developed.



Market Review and Outlook

Gresham House (GH) UK Timber Index to September 2020

In a year defined by the COVID-19 pandemic, the timber markets have proven robust. The sudden shockwave experienced by most markets was easily avoided by the timber grower's ability to leave crops standing. Any fall in demand recovered very quickly and standing timber prices reached record levels by the end of 2020. With strong global demand for timber products underpinned by the climate agenda and silvicultural constraints on supply, the outlook remains very positive for UK timber growers.

The long term trend of improving prices continues and timber prices over the ten years to 30 September 2020, as measured by the GH UK Timber Price Index, increased at an annualised rate of 6.3%. This significantly exceeded UK inflation (CPI), which averaged 1.97% per annum over the same period.

The Index shows that prices fell 17% over the year and 10.9% over the six months to September 2020.

However, through targeted marketing GH saw standing prices stabilise during Q1 2020 and actually improve over the year to September 2020. To understand this contrast, it should be noted that the Gresham House Timber Index is comprised from the statistics released by Forest Research and is based on figures for the public forest estate only. They note that in the six months to September 2020 the overall log price was reduced by a high number of sales including logs from infected larch stands. Furthermore, the figures have excluded sales in Wales since April 2017, where GH have seen significant price increases over the year to September 2020.

Timber End Product Markets

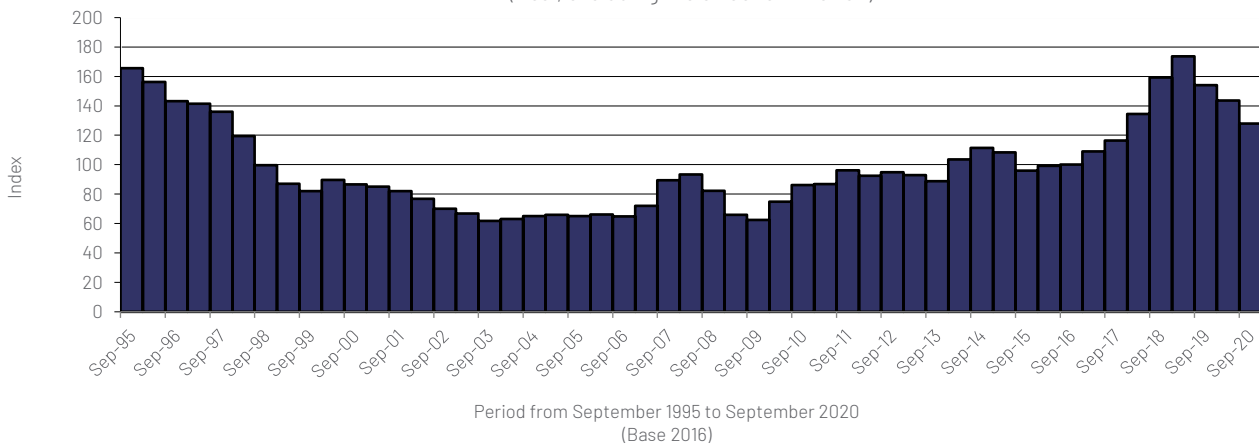
After a promising start to 2020, demand for timber end products dropped off significantly in late March as the world economy slowed, although demand continued in key sectors such as biomass, pallets and packaging. Demand soon flourished for sawn timber products with lockdown restrictions seeing an increase in domestic garden and home projects.

This effect, not unique to the UK, has seen an unprecedented situation where the builders merchants have depleted all stocks of sawn timber and so prices for the end products have increased significantly.

The jump in demand in the US, set against slow production in British Columbia, saw US lumber futures triple between April 2020 and August 2020. They have remained at a high level which is attracting European exports traditionally destined for the UK. With the lumber futures reaching a new peak in January 2021 this trend looks set to continue and so UK end product prices continue to increase.

Since March 2020, demand for board products such as OSB, MDF and Particle Board has also improved, although it was notably slower to recover. With these products being more reliant on the recovery of the construction sector there was a longer period of poor demand after the initial lockdown. With energy prices also tumbling, many processors saw a drop off in demand for energy from their Combined Heat and Power plants (CHP).

Gresham House Forestry Timber Price Index
(Real, excluding the effect of inflation)



Source: Forestry Commission, National Audit Office

The GH UK Timber Index uses statistics published by Forest Research. 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 Public Forest estate.

Construction recovered and continued during subsequent lockdowns, seeing a recovery in demand. Coupled with resumed seasonal strong energy demand, small roundwood processors returned to full production towards the end of 2020.

With the UK importing c.80% of its timber products consumption, it is unlikely that any barriers to the trade of timber products will emerge in post Brexit Britain. Concerns over friction to trade are largely around the bureaucracy of transactions and the fact that most timber products are traded in bulk shipments makes this less of a concern. In the past, a strengthening pound has been a threat to UK end product demand as it reduces the relative price of imports. The GBP remains stable and at a favourable level and any significant increase in the value of GBP will likely be neutralised by the strong demand (notably increased housebuilding) that is likely to accompany it.

UK Timber Markets Review

With forestry recognised as a key industry, UK sawmills reopened relatively quickly after the initial lockdown with demand for end product surging. With the sawmills running at full speed a supply shortage developed, exacerbated by reduced supply from the public forest estate due to difficulties adapting to COVID-19 restrictions. GH has seen sawlog prices rise by over 37% during 2020. Notably this rise, in contrast to the previous market peak in 2018/19, is underpinned by significant increases in end product prices.

However, demand for standing sales was slightly subdued by poor demand for small roundwood. In line with the end product markets, the board mills took longer to return to production. The complexity of the manufacturing processes in these plants is such that it is not possible to switch production on and off as with a sawmill. With the sawmills running at full capacity a surplus of both small roundwood from the forest and sawmill coproducts resulted in an oversupply.

Through targeting local demand GH were able to achieve strong prices during Q2 2020 despite the COVID-19 turbulence. During Q3 and Q4 targeted marketing of higher log content parcels wherever possible enabled clients to benefit from rising sawlog prices whilst avoiding deterioration to the small roundwood prices. By the end of 2020 GH saw standing prices recover to levels in line with the previous market peak, with potential for further improvement looking forward.

On the west coast of Scotland standing prices have increased to record levels over 15% ahead of the previous market peak. Whilst demand has risen in line with the UK trends already described, the west coast prices have been driven further by truly exceptional demand for sawlogs from Irish sawmills. Due to issues with the felling licensing and appeals process in Ireland the availability of timber is a fraction of the usual level. As the west coast of Scotland is a designated "Pest Free Zone" for the *Dendroctonus Micans* bark beetle, timber can be exported to Ireland without the need for the bark to be removed. Set against exceptional demand for sawn timber products, GH saw a rise in the "Free Alongside" price of west coast sawlogs of over 50% during 2020. Whilst action has been taken by the Irish Government to correct the issues with the appeals process it is proving slow to implement and demand from Irish sawmills remains strong in early 2021.

The Ips Typographus bark beetle damage remains a significant feature of the European timber markets. In Central Europe the perfect storm of drought stressed, wind damaged forests and shorter winter seasons are resulting in beetle damage being much higher than usual. In Sweden, damage continues to spread resulting in further harvesting. However, strong appetite for timber products from both the US and China has absorbed this excess volume. It should be noted that the ideal climate for growing Sitka spruce in the UK and Ireland make crops here highly resilient to this threat.

Continuing investment in the UK timber processing sector is driven by confidence in end product demand. Whilst larger processors continue to invest in line with global trends it is also important to recognise the role of smaller sawmills in maintaining a diverse and competitive market for UK roundwood. Many smaller sawmills in the UK are family owned businesses which is often key to their resilience. Taylormade are a great example of this and in the past year have completed an investment of c.£7 million into new treatment and grading lines at their Durham sawmill, increasing capacity by c.10%. There is now potential for further investment into a new sawline, which could increase the capacity of the mill by c.20%. They target fencing, pallets and packaging markets which have been more consistent than the construction markets, which are more vulnerable to imports. It is having confidence in the supply of timber that will likely determine further investment.

Long Term Global Supply and Demand

Over the next 30 years, GH expects global timber consumption to rise by 3.1% per annum, driven by urbanisation, decarbonisation and increased housebuilding. Globally, the vast majority of countries have set significant targets to reduce carbon emissions towards net zero by 2050. Timber will play a critical part in this transformation. The dual effects of urbanisation and decarbonisation will mean more new homes and cleaner low carbon intensity buildings being built from timber. Wood will increasingly replace high carbon intensive steel and concrete.

Rising demand for timber is set against a constrained supply due to the long rotation length of the trees and competition for land use. This supply demand imbalance will result in increased timber prices over the medium to long term. Commercial forestry remains an excellent diversifying investment, uncorrelated to other asset classes, offering inflation protection. It is underpinned by income from timber sales and the biological growth of the trees.

ADMINISTRATION

Ongoing Charges Figure

The Ongoing Charges Figure (OCF) includes all recurring expenditure incurred by the Partnership, being the management fee, timber marketing fee, legal and professional fees arising at the Partnership 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 NAV of the Partnership.

The OCF excludes any non-recurring expenditure including fundraising fees, transaction fees due on the acquisition or disposal of assets 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 Partnership 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 2020	0.63%
Year Ended 30 November 2019	0.57%

The management fee for 2020 will be fixed at 0.5% of the NAV as determined at the Independent Valuation Date of 30 November 2019, plus capital subscribed after the Independent 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 Independent Valuation Dates the management fee will be increased annually in arrears in line with RPI.

The Manager receives a fixed administration fee of £30,000 per annum (index-linked to RPI).

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.

During the year the Advisory Committee were consulted on and accepted GHAM's Potential Conflicts of Interest Policy in relation to the proposed capital raise, as set out in the Memorandum to Limited Partners dated 25 February 2020. One Advisory Committee member retired after the year end and was replaced by a designated representative of the pension fund in accordance with the Terms of the Side Letter.

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.

Liquidity – Sale of Partnership Shares

During the year all 545 Partnership Shares offered for sale were sold. The Manager arranged deals between vendors and purchasers.

The weighted average purchase price was £3,017.28 per share, a 10.4% premium to the opening NAV of £2,733.64 at the start of the year. The average transaction time was 33 days from commencement of marketing to receipt of funds.

Valuations

During the year Limited Partners voted to increase the frequency of Independent Valuations from four yearly to two yearly, as set out in the Memorandum to Limited Partners dated 25 February 2020.

An Internal Valuation of the Partnership's forest portfolio was carried out by the Manager as at 30 November 2020. The valuation was implemented in accordance with the RICS Valuation Global Standards (Red Book). 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 Independent Valuation date is 30 November 2021.

Annual General Meeting

The last Annual General Meeting (AGM) of Limited Partners was held by conference call on 24 March 2020. The Manager intends to conduct the next AGM on 24 March 2021 to discuss the results of the Partnership and its future business. Due to COVID-19 restrictions this will be held by conference call.

Change of Registered Name of the Partnership to Gresham House Forest Fund I LP

During the year the Manager updated the registered business name of the Partnership to reflect the change of the Manager.

Taxation and National Insurance Contributions

The Manager issued Taxable Income Statements for the tax year 2019/20 to Limited Partners on 19 June 2020, giving details of figures which are required to be included in Limited Partners' tax returns for 2019/20.

In the tax year 2019/20 no NICs were assessable on Limited Partners based solely on their holding in the Partnership.

The Manager does not anticipate any liability to NICs in the tax year 2020/21 in relation to Limited Partners in the Partnership as there are not expected to be any taxable profits in the tax year 2020/21 which are subject to NICs.

The Manager plans to issue Taxable Income Statements for the 2020/21 tax year in June 2021.

Alternative Investment Funds Managers Directive

The Partnership 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 Partnership has appointed Augentius as its provider of Depositary Services. In this regard, Augentius provides independent governance oversight and cash monitoring services to the Partnership as required by AIFMD. The Manager remains authorised and regulated by the Financial Conduct Authority with authorisations in place to manage the Partnership.

Additions to Limited Partners' Holdings

Limited Partners have the opportunity to add to their holding in the Partnership 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.

Additional Information

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

<https://fimltd.co.uk/client/login>

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 our clients are met at all times and would therefore welcome any suggestions to improve our service delivery.

E.C. Latter

Signed by Edward Latter
Investment Director

24 February 2021

On behalf of Gresham House Asset
Management Limited



Environmental, Social and Governance

Meeting our Sustainable Investment commitments within our Forestry strategy

Gresham House has a clear commitment to sustainable investment as an integral part of its business mission. The purpose of this section is to set out the manner in which the commitments we have made at a group level to integrate ESG considerations throughout our business will be implemented within our Forestry Division:

- We take steps to consult and understand the views, concerns and ambitions of our stakeholders in seeking sustainable outcomes from the investments we are involved in.

We recognise that as stewards of the countryside we have responsibilities in being a good neighbour in conservation matters, landscape visual amenity, and provision of recreational access where safe to do so, while avoiding negative impacts on local communities wherever possible.

- We undertake good practice public consultation where new plantations involve change of land use and keep local communities informed of felling plans and other significant operational activities. We integrate Environmental, Governance, Social and Economic benefit considerations into our selection, evaluation, governance and management processes across the lifecycle of each investment.

- We drive rigour and consistency by applying our sustainable investment framework and system, including clearly defined processes and expert tools and methods.

We have a clear understanding of the sensitivities, issues and opportunities to be managed across the investments in our portfolio and have a process to profile and prioritise these at the stages of the investment lifecycle where they are most relevant. Our sustainable investment framework (see next page) is used to structure our processes for completeness and consistency.

- We ensure our team understands the imperative for effective ESG management and is empowered and equipped to carry this out through management support and training.

Our forestry team has significant specialist expertise, including professional qualifications from the Institute of Chartered Foresters (ICF), spanning both sustainable forestry practices and sustainable investment. We undertake regular relevant CPD to keep knowledge and outlook up to date and will continue to invest in developing our expertise and good practice in sustainable forestry asset management.

- We conduct regular monitoring of ESG risks, opportunities and performance in our investments and over time will prepare comparative data analysis for reporting to our investors.

We will re-assess our ESG risk, opportunity and performance profiling periodically and will report this to the Gresham House Sustainable Investment Committee for analysis and action as necessary.

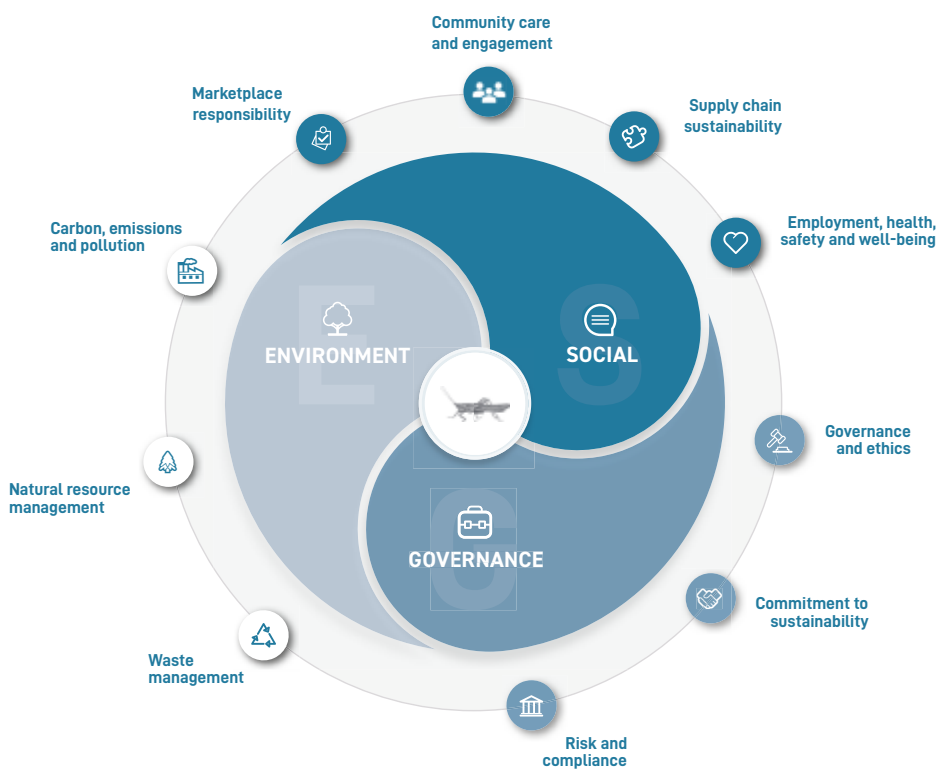
We actively monitor and assess key data related to forestry and the wider sustainability performance of the assets we manage. In turn, we use these to review our contribution to sustainable development, particularly meeting the challenge of climate change and relevant Sustainable Development Goals.

- Our certified sites are independently assessed by FSC appointed auditors and in addition we conduct our own in-house auditing against agreed standards and management objectives.



As signatories to the PRI we will complete comprehensive annual reporting within its required framework and use this to guide our own internal assessment of our performance and to drive our results upwards.

Gresham House has been awarded the highest rating possible, A+, for its Strategy and Governance, a reflection of the robust and transparent approach that has been adopted by the Group.



Report of the General Partner and Audited Financial Statements for the year ended 30 November 2020 for Gresham House Forest Fund I LP (previously FIM Forest Fund I LP)

The General Partner presents the Report and Financial Statements of Gresham House Forest Fund I LP (previously FIM Forest Fund I LP) (the LP) for the year ended 30 November 2020.

The LP changed its registered name on 23 June 2020.

General Partner

The General Partner is Gresham House 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 20.

The General Partner is pleased with the results.

Statement of 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.



Signed by Stephen Beck
Director, Gresham House Forest Funds General Partner Limited

24 February 2021

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the financial statements of Gresham House Forest Fund I LP (the LP) for the year ended 30 November 2020, 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 2020 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 Partnership 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 17, 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.

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 LP 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's 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: 24 February 2021

Income Statement

	Notes	2020 (£)	2019 (£)
Turnover	3	8,451,056	7,001,510
Other operating income		132,192	96,731
Total turnover		8,583,248	7,098,241
Operating costs *		(2,186,565)	(1,802,003)
Administrative expenses		(1,297,083)	(892,538)
General Partner's share	3	(100)	(100)
Operating profit before depreciation		5,099,500	4,403,600
Interest receivable		6,078	-
Interest payable		(579,345)	(299,822)
Profit for the year before revaluation	4	4,526,233	4,103,778
Unrealised surplus on revaluation of forest properties **		23,622,409	16,803,264
Profit for the year after revaluation		28,148,642	20,907,042
Number of shares		92,524	57,262
Profit per share before revaluation		48.9p	71.7p
Statement of Comprehensive Income			
Profit for the year after revaluation		28,148,642	20,907,042
Total comprehensive income for the financial year		28,148,642	20,907,042

*Operating costs - the total includes restocking costs of £735,506.

**The accounting value of harvested commercial timber is charged indirectly in the Income Statement as part of the annual revaluation of the investment in forest properties.

Balance Sheet

	Notes	2020 (£)	2019 (£)
Fixed Assets			
Forest Properties*	5	217,500,000	170,000,000
		217,500,000	170,000,000
Current Assets			
Debtors	6	2,835,314	1,746,614
Cash at bank		72,891,723	1,467,268
		75,727,037	3,213,882
Creditors: amounts falling due within one year	7	(1,217,159)	(1,306,427)
Net current assets		74,509,878	1,907,455
Creditors: amounts falling due after one year	8	(5,000,000)	(15,373,730)
Total assets less liabilities and net assets attributable to Partners		287,009,878	156,533,725
Represented by			
Limited Partners' capital		187,767,494	82,046,637
Revaluation reserve		84,003,549	60,381,139
Profit and loss account		15,238,835	14,105,949
Limited Partners' funds	9	287,009,878	156,533,725
Total Limited Partnership Shares	7	92,524	57,262
Net Asset Value per Limited Partnership Share		3,102.00	2,733.64

*Additions to Forest Properties comprise the cost of acquired Forest Properties and the cost of additions (such as new forest roads) that permanently enhance the value of the properties.

These financial statements were approved by the General Partner and authorised for issue on 24 February 2021 and are signed on their behalf by:



Stephen Beck
On behalf of Gresham House Forest Funds General Partner Limited, General Partner

Statement of Cash Flows

	Notes	2020 (£)	2019 (£)
Cash flows from operating activities			
Operating profit		5,099,500	4,403,600
(Increase)/decrease in debtors	6	(1,088,701)	552,473
Increase/(decrease) in creditors	7	(89,264)	210,045
Net cash flow from operating activities		3,921,535	5,166,118
Cash flows from investing activities			
Purchase of investment assets	5	(23,877,591)	(12,246,736)
Sale of investment assets		-	50,000
Interest paid		(573,268)	(299,822)
Net cash flow from investing activities		(24,450,859)	(12,496,558)
Cash flows from financing activities			
Loan received		9,071,130	11,373,730
Loan repayment in year		(19,444,862)	-
C Shares subscription - net of costs	9	105,218,853	-
Funds raised - C Shares - not cleared bank at year end		502,004	-
		95,347,125	11,373,730
Distributions to Limited Partners	9	(3,393,346)	(3,338,375)
Net cash flow from financing activities		91,953,779	8,035,355
Net (decrease)/increase in cash		71,424,455	704,915
Cash at the start of the year		1,467,268	762,353
Cash at the end of the year		72,891,723	1,467,268

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 24 February 2021.

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 2020 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:

	2020 (£)	2019 (£)
Auditors' remuneration – audit services	7,000	6,750

5. Investments

All forest properties were internally valued at 30 November 2020, as detailed in Note 3d to the accounts.

	Forest Properties (£)
As at 1 December 2019	170,000,000
Additions	23,877,591
Disposals	-
Revaluation	23,622,409
As at 30 November 2020	217,500,000

6. Debtors

	2020 (£)	2019 (£)
Trade debtors	1,424,528	1,583,700
Sundry Debtors	1,362,427	99,933
Accrued income	48,359	62,981
	2,835,314	1,746,614

Notes to the Financial Statements continued

7. Creditors: amounts falling due within one year

	2020 (£)	2019 (£)
Trade creditors	757,323	723,315
Deposits and down-payments	52,690	75,000
VAT	245,048	335,336
Accruals and sundry creditors	162,098	172,775
	1,217,159	1,306,426

8. Creditors: amounts falling due after one year

	2020 (£)	2019 (£)
Bank Loan	5,000,000	15,373,730

9. Statement of Changes in Capital

	Founder & Initial Limited Partnership Shares (£)	"A" Additional Limited Partnership Shares (£)	"B" Limited Partnership Shares (£)	"C" 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 Shares	-	-	14,115,422	-	-	-	-	14,115,422
As at 1 December 2018	25,503,786	17,946,819	38,595,933	-	100	43,577,876	13,340,545	138,965,059
Revaluation	-	-	-	-	-	16,803,263	-	16,803,263
Profit for the year	-	-	-	-	-	-	4,103,778	4,103,778
Distribution	-	-	-	-	-	-	(3,338,375)	(3,338,375)
Issue of Shares	-	-	-	-	-	-	-	-
As at 1 December 2019	25,503,786	17,946,819	38,595,933	-	100	60,381,139	14,105,948	156,533,725
Revaluation	-	-	-	-	-	23,622,409	-	23,622,409
Profit for the year	-	-	-	-	-	-	4,526,233	4,526,233
Distribution	-	-	-	-	-	-	(3,393,346)	(3,393,346)
Issue of Shares	-	-	-	105,720,857	-	-	-	105,720,857
As at 30 November 2020	25,503,786	17,946,819	38,595,933	105,720,857	100	84,003,548	15,238,835	287,009,878

	2020 No.	2019 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	16,915
"C" Limited Partnership Shares	35,262	-
Total Limited Partnership Shares allotted	92,524	57,262

10. Related Parties

Controlling Entity

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

Related Party Transactions

Gresham House Asset Management Limited

GHAM is the Manager of the LP. The accounts include the following amounts paid to GHAM and Gresham House Holdings Ltd.

	2020 (£)	2019 (£)
Recurring fees		
Management charges	987,202	658,263
Timber marketing fees	177,254	139,260
Sundry	940	7,026
Total recurring fees	1,165,396	804,549
Non-recurring fees		
Insurance Commission	4,422	6,854
Sundry fees	18,537	1,010
Fund raising fees	2,233,106	-
Investment acquisition and disposal fees	527,521	196,331
Total non-recurring fees	2,783,586	204,195
Total fees	3,948,982	1,008,744

An amount of £562,471 was due to GHAM at 30 November 2020 (2019: £396,379).

Gresham House Forest Funds General Partner Limited is the General Partner of Gresham House 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 eight forest properties for £45 million in December 2020. The purchase was funded from the deployment of the cash from the capital raised.

Partnership Information

Limited Partnership Number: SL006597

Manager and Operator

Gresham House Asset Management Limited
Glebe Barn
Great Barrington
Burford
Oxon
OX18 4US

General Partner

Gresham House Forest Funds General
Partner Limited
5 New Street Square
London
EC4A 3TW

Solicitors

Brodies LLP
15 Atholl Crescent
Edinburgh
EH3 8HA

Auditors & Tax Advisors

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

IQ EQ Depository Company (UK) Limited
2 London Bridge
London
SE1 9RA

Note for recipients: For investors whom it is addressed to only – not for use by any other third party. This document is strictly for information purposes and should not be considered as an offer or solicitation to deal in any of the investments mentioned herein. This document is given to the recipient on condition that the recipient accepts that GHAM is not providing any financial or other advice to it. This document has been issued by GHAM, whose registered office is 5 New Street Square, London, United Kingdom, EC4A 3TW and is authorised and regulated by the UK Financial Conduct Authority. This document is confidential, is for information purposes only, and is intended only for the person to whom it is delivered. It may not be reproduced, photocopied or disseminated to any other person without the express prior written consent of GHAM. The information in this document is subject to change without notice, its accuracy is not guaranteed, and it may be incomplete and is condensed. This document is not intended to provide and should not be relied on for legal or tax advice or investment recommendations.

To the greatest extent permitted by law, GHAM, its affiliates, agents, service providers and professional advisers assume no liability or responsibility and owe no duty of care for any consequences of any person acting or refraining to act in reliance on the information contained in this report or for any decision based on it.

The Partnership's Management Team

Please do not hesitate to contact a member of the Team if you wish to discuss your investment or provide any feedback on this report.



Oliver Hughes
Fund Director

Olly Hughes has been Managing Director and Investment Committee member of the Forestry division of Gresham House since January 2019. He is responsible for managing the growth and development of Gresham House's forestry activities including acquisitions, fund and private client management and forestry asset management.

Olly has over 20 years of investment experience and has also obtained the Investment Management Certificate from the CFA Society in the UK.

Tel No: 01451 843905
Email: o.hughes@greshamhouse.com



Edward Latter
Fund Manager

Ed joined FIM Services (now part of the Gresham House Group) in 2012. He manages Gresham House Forest Fund I LP and Gresham House Sustainable Timber and Energy LP, and is primarily responsible for implementing the fund's strategy, operational oversight and investor reporting. His role also involves the valuation of UK forestry assets.

Ed is a Chartered Surveyor and a RICS Registered Valuer. He has 12 years of experience and holds a postgraduate diploma (PG Dip) in Financial Strategy from Saïd Business School, University of Oxford. He also holds the Investment Management Certificate.

Tel: 01451 843090
Email: e.latter@greshamhouse.com



Stephen Beck
Divisional Finance Director

Stephen Beck joined Gresham House in May 2018 following the acquisition of FIM Services Ltd. He was Chief Financial Officer and Compliance Officer at FIM Services Ltd since 2013.

Stephen worked at E.ON from 2000, where he held a variety of financial and commercial roles, ranging from leading large finance teams, developing power station projects, M&A transactions and working with HM Government delivering low carbon solutions. He has 24 years of industry experience and is a law graduate and Barrister and was called to the Bar in 1996.

Tel: 01451 843097
Email: s.beck@greshamhouse.com



Joshua Phillips
Investment Manager

Josh is an Investment Manager focusing on forestry acquisitions and the fund management of Forestry Limited Partnerships. He holds a BA (Hons) from Reading University, is an ACA chartered accountant and is currently studying towards the Investment Management Certificate.

Previously, Josh was awarded a place on PricewaterhouseCoopers' prestigious Flying Start degree programme before joining the firm full time as a Senior Associate, specialising in financial services. He then moved onto Hazlewoods LLP to focus on mergers and acquisitions concentrating on corporate due diligence.

Tel: 01451 843092
Email: j.phillips@greshamhouse.com



Matthew Giles
Forestry Asset Manager

Matthew Giles has been an Investment Director and the Head of the Forestry Asset Management Team at Gresham House since November 2015 following the successful acquisition of Aitchesse by Gresham House.

Prior to joining Gresham House, Matthew was a Senior Forest Manager for 12 years covering all aspects of forest management across the UK for family offices and high net worth individuals. His previous experience includes responsibility for FSC (Forestry Stewardship Council) audits on all the forest areas. He has over 20 years' experience in forestry and qualified as a Professional Member of the Institute of Chartered Foresters (MICFor) in 2004.

Tel: 01738 631949
Email: m.giles@greshamhouse.com



Gemma Richards
Senior Finance Manager

Gemma joined Gresham House in February 2019. She is the Finance Manager for Gresham House Forest Fund I LP, Gresham House Solar Distribution LLP, and Gresham House Timberland LP. Prior to joining Gresham House she gained 20 years' experience as a management accountant in a variety of industries, including renewable energy, during her time with Opus Energy Ltd. Gemma has a BSc (Hons) in Mathematics from Cardiff University and is ACCA qualified.

Tel: 01451 843087
Email: g.richards@greshamhouse.com



Victoria Larkin
Fund Administrator

Victoria is an Executive Administration Manager responsible for several Gresham House Funds. She is the lead on the development of the Group database and other IT projects. She joined FIM in November 2004.

Tel: 01451 843083
Email: v.larkin@greshamhouse.com



Since 1837

Gresham House

Specialist asset management