



30 Nov
2021

Gresham House Forest Fund I LP Annual Report & Financial Statements

Annual Report

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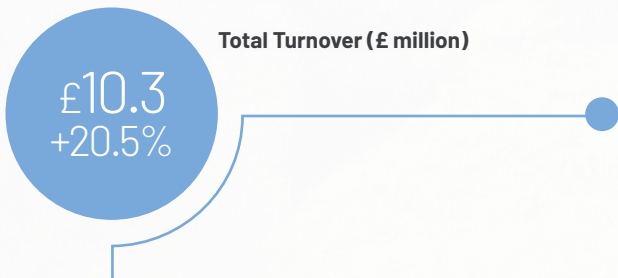
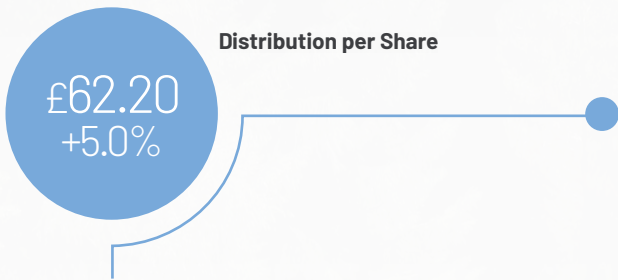
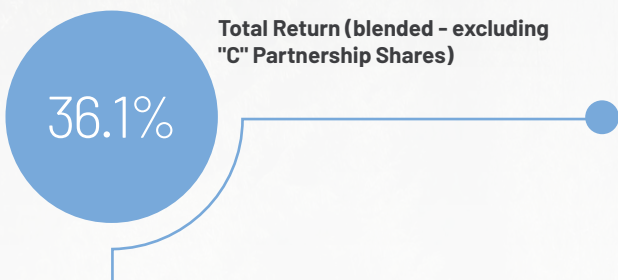
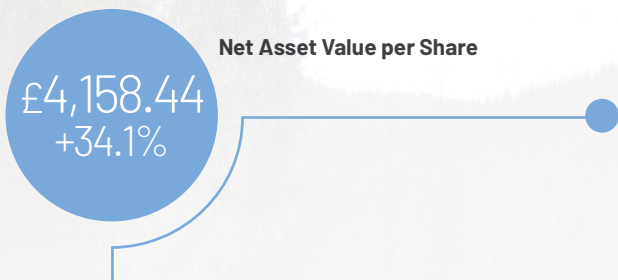
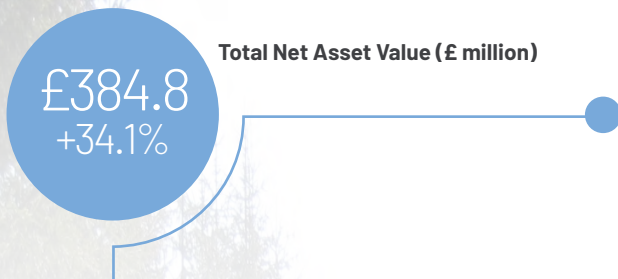
Gresham House Asset Management Limited (the Manager) presents its report on the results of Gresham House Forest Fund I LP (the Partnership) for the year ended 30 November 2021.

The Partnership has benefited from strong performance during the year, principally due to the independent revaluation of the Partnership's assets, reflecting the significant increase in UK forestry values.

The Partnership also achieved good operational and trading performance during the year, and all share classes eligible for the November 2021 distribution received an increase of 5% from the previous year's distribution.

Overall the portfolio delivered a total return of 36.1% to all Limited Partners (except those recently subscribed under the "C" Share Issue). This comprised a 34.1% increase in Net Asset Value, and a distribution of 2.0%.

Financial highlights



£287.0m
Nov 20

£384.8m
Nov 21

£3,102.00
Nov 20

£4,158.44
Nov 21

15.6%
Nov 20

36.1%
Nov 21

£59.26
Nov 20

£62.20
Nov 21

£8.6m
Nov 20

£10.3m
Nov 21

Performance highlights

- The total return to all Partnership Shares (excluding "C" Partnership Shares) was 36.1% during the 12 month period to 30 November 2021. This is the highest annual return since the Partnership's formation.
- Net assets increased by £98 million during the year, from £287 million to £385 million, equating to £4,158.44 per Partnership Share.
- In total £94.3 million has been deployed into new assets.
- A distribution of £62.20 per Partnership Share was paid in November 2021 on all Partnership Shares excluding "C" Partnership Shares.
- To date all share classes have performed very well, in excess of the Partnership's target IRR of 7%, with a blended Internal Rate of Return of 15.1% to 30 November 2021).

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 2021.

EXECUTIVE SUMMARY

The Manager is pleased to report excellent results for Gresham House Forest Fund I LP, which has achieved its operational and investment objectives during the year ended 30 November 2021.

Total return

The total return to all Partnership Shares (excluding "C" Partnership Shares) was 36.1% during the 12 month period to 30 November 2021, or £1,118.64 per Partnership Share, comprising the distribution paid of £62.20 (2.0%) and an increase in Net Asset Value (NAV) of £1,056.44 (34.1%).

		% of Beginning NAV
Beginning NAV per Share	£3,102.00	
Ending NAV per Share	£4,158.44	
Increase in NAV per Share	£1,056.44	34.1%
Distribution per Share	£62.20	2.0%
Total return per Share	£1,118.64	36.1%

The total return to "C" Partnership Shares was 34.1% during the 12 month period, as they did not receive the November 2021 distribution.

Net Asset Value

An independent external valuation of the Partnership's forestry portfolio was conducted by Savills plc which resulted in an increase of £95.4 million to the revaluation reserve. The surplus on the profit and loss account increased by £2.3 million as a result of the year's trading operations. The NAV per share increased by 34.1% over the year, to £4,158.44 per Partnership Share (2020: £3,102.00).

The overall NAV increased by £97.7 million to £384.8 million (2020: £287.0 million).

The significant rise in NAV reflects the increased investor interest towards forestry as an asset class, which has led to a highly competitive market for UK forestry assets.

Deployment of capital raised from the "C" Partnership Share Issue

In total 35,262 "C" Partnership Shares were issued, which raised £105.7 million (net of issue expenses) for investment in the Partnership's business. This facilitated the capital raise objectives by financing a significant expansion of the Partnership's asset base, and a reduction to the level of gearing.

The Manager is pleased to report completion of the deployment of the funds raised from the "C" Partnership Share Issue, as shown in the table below. In addition to deployment of the "C" Partnership Share proceeds, £8.0 million of operating cash generated over the last two years has also been reinvested into new forestry assets.

Source of funds	£ million
"C" Partnership Share equity (net of fees)	£105.7
Operating cash	£8.0
Total funds for deployment	£113.7
Forest acquisitions FY 2019/20	£23.6
Forest acquisitions FY 2020/21	£70.7
Total forest acquisitions	£94.3
Debt repayment	£19.4
Total deployed	£113.7

In total £94.3 million has been deployed into new assets, and £19.4 million was used to reduce the loan balance.

Gearing

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

During the year the Partnership maintained a debt balance of £5.0 million, which equates to a gearing ratio of 1.3% of NAV (November 2020: 1.7%) which the Manager considers to be a readily serviceable level of debt for the portfolio. Based on the latest trading results this represents an interest coverage ratio of 58, where a ratio above 3 is generally considered comfortable.

The Manager refinanced the Partnership's debt facility with Barclays Bank on 18 October 2021 with a bespoke, three year term facility which incorporated a refinance of the existing debt of £5 million, and also established an accordion facility of up to an additional £15 million, which is currently undrawn. The establishment of the accordion facility provides the Partnership with flexibility to take advantage of favourable acquisition opportunities on competitive financial terms (up to the accordion limit) without requiring a new loan application process on each occasion.

The advantage in terms of timing can be useful for acquiring value enhancing strategic opportunities that may arise, and there is no ongoing interest charged on the accordion amount while it is undrawn.

Distribution

A distribution of £62.20 per Partnership Share was paid in November 2021 on all Partnership Shares excluding "C" Partnership Shares, providing an increase of 5.0% from the distribution paid in the previous year of £59.26 per Partnership Share. The level of the distribution was calculated in accordance with the distribution policy which aims to adjust the November 2017 distribution of £55.00 per Partnership Share annually by the Consumer Prices Index (CPI) + 1%, on a compound basis.

The distribution was higher than forecast due to the sharp increase in CPI during the period. "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 Limited Partnership Agreement refers to adjusting distributions by the Consumer Prices Index, however the CPIH (which includes owner occupied housing costs) has become the lead CPI and creates the 'official' CPI number. Therefore the Manager will use the CPIH index for calculating distributions from November 2022 onwards.

The target distribution planned to be paid on all Partnership Shares in November 2022 is £62.20, adjusted by the 12 month CPIH + 1% as detailed above. 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 very well, in excess of the Partnership's target IRR of 7%, with a blended Internal Rate of Return of 15.1% to 30 November 2021.

Share class	Internal Rate of Return (IRR)	Since
Founder	13.9%	December 2008
Initial	13.7%	January to August 2009
A	14.0%	August 2012 to March 2013
B	17.1%	September to December 2017
C	31.7%	July to October 2020
All	15.1%	

It should be noted that the IRR for "C" Partnership Shares is based on a relatively short holding period of just under one year, whereas the IRR's for the other share classes span a longer time horizon of four to 13 years, which are a more representative average of the long term returns generated by the Partnership.

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 have accrued 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. The Manager will update Limited Partners once the index is re-established to confirm whether there is any carried interest due.

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

Storm Arwen

In late November 2021, the UK suffered strong winds from Storm Arwen which caused significant damage across many parts of the country. Following the storms the Partnership's forests were inspected to identify any areas of meaningful damage to the crops.

Unsurprisingly, the Partnership's portfolio has suffered some crop damage as a result of these storms. Thankfully, in relative terms there has been a low level of crop damage across the portfolio. It is currently estimated that c.200 hectares of crops have been damaged. This equates to c.1% of the Partnership's commercial crops, which demonstrates the benefits of geographic and age class diversification across the portfolio. The most significant area of damage occurred at Forest of Deer in Aberdeenshire, where a total of c.70 hectares of crops have been windblown.

The majority of the windblown crops were late rotation (30+ years old) and will therefore not be subject to insurance claims. The Manager is arranging for windblown crops to be incorporated into the harvesting schedule at the earliest opportunity in order to maximise the potential sale price of the timber. Much of the crop damage is purely wind blow, rather than wind snap, which means that the crops are expected to realise a high proportion of the value that would have otherwise been achieved for standing crops. Where the crops have suffered wind snap, there is likely to be more of a reduction in financial value compared to standing crops upon harvesting.

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

COVID-19 update

The Manager continues to monitor the development of the COVID-19 pandemic and is pleased that as the pandemic has unfolded, both timber prices and asset values have remained resilient. The requirement for wood in essential products, such as pallets, paper and packaging enabled board mills to continue operating through lockdown restrictions.

The 'key industry' status awarded to UK forestry allowed forest operations (including harvesting) to continue during the peak of the lockdown restrictions.

At the present time, the Partnership's business activities are not being negatively impacted by any COVID-19 restrictions, and normal service has been resumed.

Currently, the principle risk is considered to be the emergence of a more severe variant of the disease, which could require the reintroduction of restrictive measures.

The Manager has robust business continuity arrangements in place to effectively manage the Partnership in the event of a change in circumstances.

Carbon Sequestration Report

Carbon offsetting

The total recurring sequestration of carbon dioxide by the forestry portfolio is estimated to be c.230,000 tonnes per annum. This equates to c.2.5 tonnes of carbon per Partnership Share per annum.

The total carbon dioxide currently stored in the Partnership's forestry portfolio to date is estimated to be c.4,900,000 tonnes, which equates to c.53 tonnes per Partnership Share.

For comparison, the annual sequestration is equivalent to the carbon emissions released from c.1.3 billion car miles, or construction of c.4,800 six-storey tower blocks.

There are currently no carbon credits generated by established UK forestry plantations. However, this sector is 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.

Results from carbon captured analysis of forestry portfolio:

Portfolio: Gresham House Forest Fund I LP

Current carbon calculations:

Total carbon captured (tCO ₂)=	4,918,398
Total carbon captured per year (tCO ₂)=	233,156
Total portfolio shares =	92,524

Hectares:

Sitka spruce	12,717
Norway spruce	371
Japanese larch	177
Hybrid larch	44
Scots pine	81
Lodgepole pine	410
Douglas fir	139
Mixed conifer	874
European larch	8
Grand fir	1
Noble fir	2
Commercial conifers (CC)	14,823
Mixed broadleaf (MB)	972
Integral open ground	2,642
Restock sites	527
Unplantable land	995
Water	19
Total	19,977

Relative carbon results:

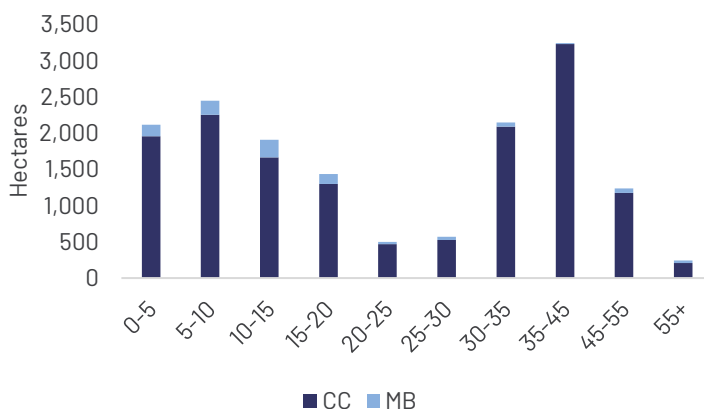
Carbon captured per share (tCO ₂)=	53.16
Carbon captured per share per year (tCO ₂)=	2.52
Total tonnes sequestered per CC (incl. MB) hectare =	301
Tonnes per year sequestered per CC (incl. MB) hectare =	14

Comparables:

The carbon sequestered in the year is equivalent to:

- 1.3 billion car miles
- 51x the CO₂ used in the first moon landing
- 4,840 six-storey tower blocks embodied*

Tree age structure



The above calculations are estimates and do not take into account any carbon sequestered by bogs, submerged plants in water etc.

Nor do they account for any emissions associated with planting, forest management and harvesting.

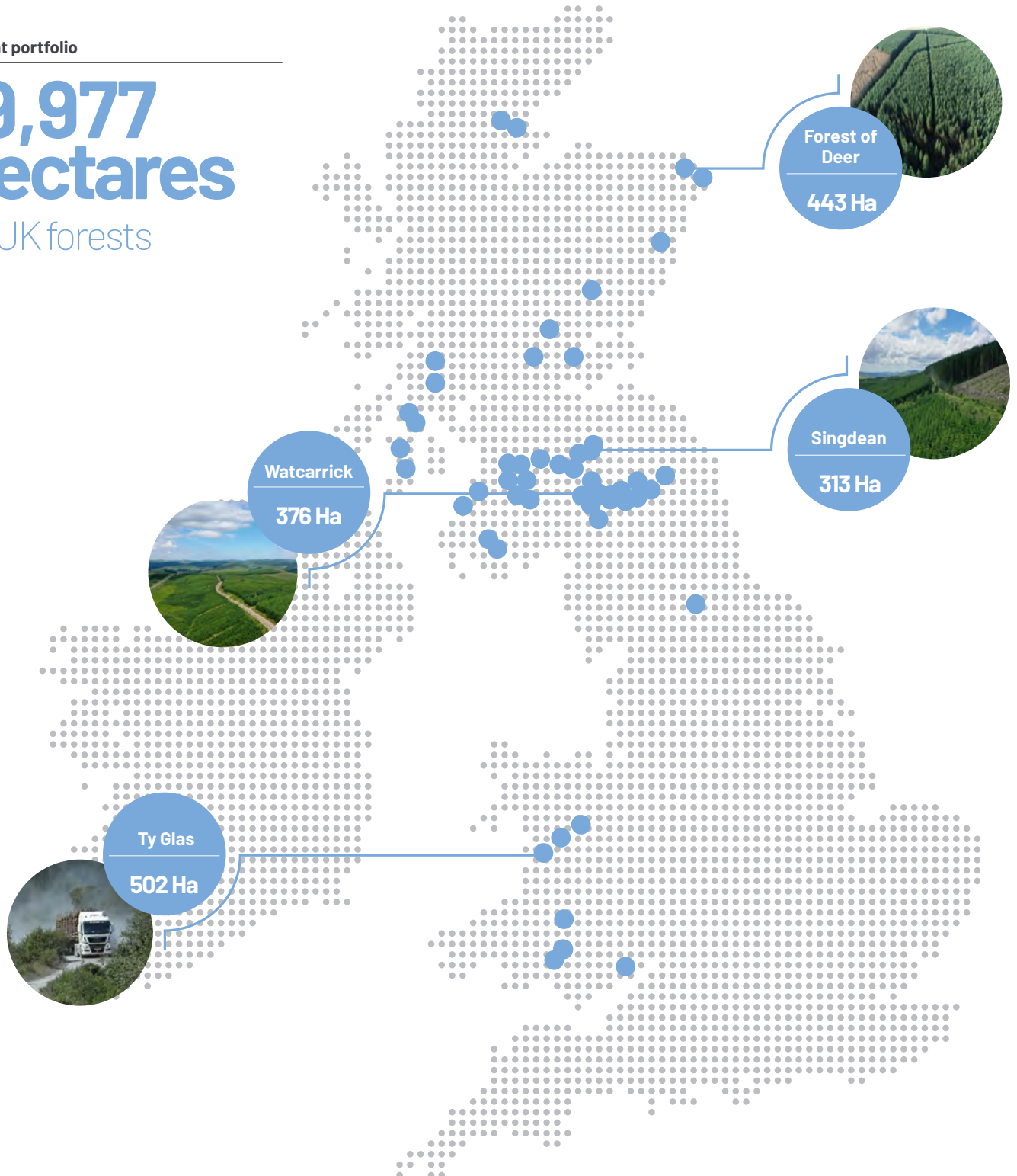
* Assuming a six-storey tower block contains c.1,000 tonnes of carbon.

Forest Portfolio

Current portfolio

19,977
hectares

60 UK forests



Portfolio overview

The portfolio currently totals 19,977 hectares (December 2020: 18,930 hectares) over 60 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 11 forests extending to 3,788 hectares at a total cost (including purchase costs) of £70.7 million as shown in the table across.

The Acquisitions team is responsible for identifying opportunities on and off market. The team conducts a rigorous and consistent multi-disciplinary due diligence acquisition process, targeting high-quality commercial forests across diversified age groups and geographies.

All forests acquired are taken through a detailed legal and technical due diligence process prior to approval from the Forestry Investment Committee and the Fund Manager.

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.

Region	Area (hectares)	Purchase cost (£ million)
Central Scotland	232	£7.1
South Scotland	224	£4.6
East Scotland	203	£7.6
West Scotland	958	£9.4
South Scotland	170	£1.4
West Scotland	129	£2.1
North Scotland	116	£1.9
North Scotland	714	£10.9
North Wales	831	£22.4
South Scotland	128	£2.7
West Scotland	83	£0.6
Total	3,788	£70.7

The principal crop species is Sitka spruce, the UK's principal coniferous tree species, around which the UK's timber processing industry is built. It is vigorous and fast-growing, making it less susceptible than other species to pests and disease. 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.

The forests are located within practical reach of multiple timber markets, well positioned to capitalise on projected timber price growth. Geographically the acquisitions are predominantly located in Scotland; as the Partnership's portfolio was already heavily weighted towards South Scotland, there is diversification provided by several of the forests being located in other areas of Scotland, as well as a large forest which has been acquired in North Wales.

The Manager has also agreed terms to acquire a small (34.7 hectare) area of unplanted land adjoining the Partnership's existing holding Greenland Forest, near Campbeltown in the Mull of Kintyre. The land and legal access rights have been secured at a very advantageous price of £0.1 million. The proposal is to plant the land in 2023 with a commercial conifer scheme in accordance with UKWAS guidelines, which will then be incorporated into Greenland Forest. The land has already passed an Environmental Impact Assessment Determination so is already 'Consented' for woodland creation.



Post balance sheet events

In December 2021 the Manager agreed terms on behalf of the Partnership to acquire a forest in Lanarkshire, South Scotland for £3.8 million which directly adjoins existing Partnership holdings. The forest is stocked with late rotation Sitka spruce crops and occupies a strategic location for the Partnership in an area with imminent renewable energy development prospects. Legal and technical due diligence is currently being conducted on the site, and subject to satisfactory responses the transaction is expected to complete in March 2022.

The acquisition will be financed partly with cash and the remainder with funds to be drawn from the debt accordion facility.

Disposals

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

Crop analysis

The forest portfolio comprises a total area of 19,977 hectares, of which 15,350 hectares (81%) 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 87% Sitka spruce, 13% other conifer species and land which is awaiting restocking.

The portfolio continues to contain a well-balanced age class distribution, capable of supporting the Partnership's objectives. The portfolio has some 6,685 hectares of commercial conifers over 30 years of age, 45% of the total commercial crop area, of which some 2,325 hectares (16%) 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.

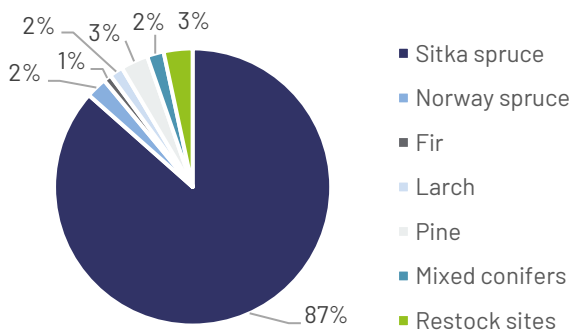
The weighted average age of the commercial crop within the portfolio is 23 years, which is distributed as shown in the bar chart below.

Under sustainable practice regulations such as UKWAS, a more diverse range of species will be introduced as the forests are restructured to ensure a greater variety of species and to promote biodiversity across the portfolio.

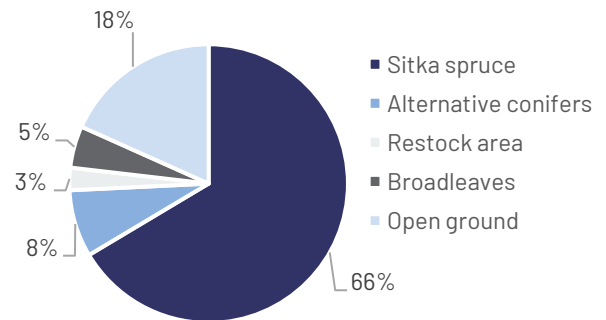
The Partnership's portfolio contains a significant area of land outwith the core commercial crop area which is largely retained as open ground, but also includes native and mixed broadleaves which provide environmental benefits and habitat for wildlife.

The Manager has commissioned reviews into the potential uses and environmental benefits of the unplanted areas owned by the Partnership with a view to maximising the environmental and social benefits that these areas could provide.

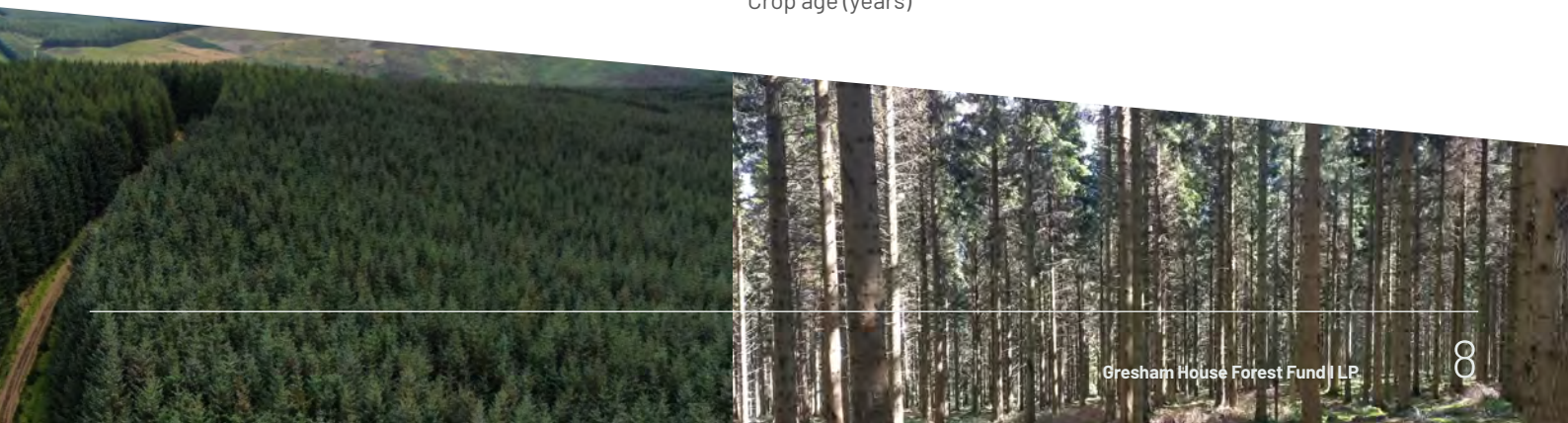
Commercial crop area



Portfolio area breakdown



Age class distribution of commercial conifer species



OPERATIONS REVIEW

Trading during the year ended 30 November 2021

	2020/21 (£ million)	2019/20 (£ million)
Total turnover	10.3	8.6
Operating costs	(2.7)	(2.2)
Administrative and other expenses	(1.7)	(1.3)
Operating profit	6.0	5.1
Interest payable	(0.1)	(0.6)
Profit for the year	5.9	4.5
Distribution	(3.6)	(3.4)
Profit for the year after distribution	2.3	1.1

(Rounded to one decimal place)

The surplus for the year on the Profit and Loss Account after the distribution was £2.3 million, increasing the retained profit to £17.6 million (2020: £15.2 million).

Net current assets at the year end were £4.8 million. The cash balance was reduced by £45.0 million during December 2020 to acquire eight new forestry assets.

Total turnover for the year was £10.3 million (2020: £8.6 million), primarily comprised of £9.9 million of timber income (2020: £8.4 million) generated from harvesting 359.5 hectares as shown in the table below.

Summary of timber harvesting contracts

In addition to the timber harvesting contracts in the table below, £0.1 million 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.

During 2021 timber markets were operating at high capacity with timber mills receiving strong demand for timber from end users. This enabled the planned harvesting programme to be successfully implemented, with competitive bidding on the timber tenders released, resulting in a record average timber price being achieved.

Timber sales 2020/21	Area (hectares)	Tonnes/ hectare	Price £/ per tonne	Total revenue (£ million)	Revenue/ hectare
Budget	443.5	420	49.46	9.2	£20,777
Actual completed in 2020/21	359.5	435	63.61	9.9	£27,664

In particular, the demand for construction grade timber during Q1 and Q2 2021 was very strong due to the pickup in UK construction activity as projects previously deferred due to COVID-19 started to recommence. The Manager also took advantage of geographic variances, and capitalised on a period of very strong demand in Wales to achieve the Partnership's record timber price of over £100 per tonne for a contract in Wales. In accordance with the Partnership's strategy of restricting harvesting where possible, three contracts that were not required were deferred for future periods.

The Partnership achieved an average timber price of £63.61 per tonne during the year, well above budget of £49.46 per tonne. This follows the record average price achieved in the previous year (2020: £53.17), which reflects the strength of the market and also the higher element of large diameter trees suitable for construction grade timber that were released during the year.

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 33% above budget. This enabled the Manager to preserve 84 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 £2.4 million for the year (2020: £1.9 million), below budget of £3.8 million as some expenditure was not required following deferral of harvesting contracts. Administration and overhead costs were £1.7 million, which was on budget (2020: £1.3 million).

Capital expenditure was £1.2 million, below the budget of £2.0 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 2022

Total turnover for the year ending 30 November 2022 is budgeted to be £13.4 million, of which £12.4 million is from timber sales.

Harvesting is planned on 547 hectares, including the areas under contract carried forward from the previous year. The blended budget timber price is set at £54.98 per tonne. These timber sales are expected to comprise a lower proportion of the highest value construction grade timber compared to the previous year.

	Area (Ha)	Tonnes/ Ha	Price £/ per tonne	Total (£m)	Revenue/ Ha
Budget	547	413	54.98	12.4	£22,690

The Partnership is budgeted to generate a net operating profit before distribution of £6.3 million (2021: £5.9 million) in order to fully cover the planned distribution in November 2022 on all Partnership Shares, based on the November 2021 distribution of £62.20 per Partnership Share adjusted by the 12 month CPIH+ 1%. This is expected to generate an operating surplus after distribution of £0.3 million.

£1.6 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.

Forest expenditure is budgeted at £4.1 million, an increase from the previous year (2021: £2.4 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 (£3.8 million).

Administration and overhead expenses are budgeted at £2.4 million (2021: £1.7 million), inclusive of loan interest, insurance, Gresham House fund management fee and legal, audit and professional fees. The budgeted increase in administration expenses is primarily due to the increase in the fund management fee following the external valuation in November 2021 which aligns the fund management fee to the Partnership's Net Asset Value.

The Manager will continue to put in place insurance for substantial loss from fire or wind damage to protect the Partnership's capital value. The premium is budgeted at £250,000 (2021: £159,000).

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.

Partnership duration

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 Manager continues with the process of certifying, to Forest Stewardship Council (FSC®) standards, the forests within the portfolio. At the time of writing all forests are certified except for one recently acquired forest which is in the process of gaining certification. 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%) and planted with diverse broadleaves (minimum 5%) for biodiversity. This provides opportunity for wildlife, nature and people to benefit from our forest habitats.

Higher and better use

The Manager continues to seek to generate additional income on the Partnership's forest portfolio by working with renewable energy developers to agree and manage Option for Lease agreements primarily for wind farm developments. The level of interest from developers has continued to rise during the year, reflecting the drive for renewable and sustainable energy development.

The Partnership's forests of Hartwood Hill and Scotston South are both subject to lease access agreements which benefit Kennoxhead and Griffin wind farms respectively. The Manager expects the Partnership to receive £0.1 million of income during FY2022.

There are currently five signed Option for Lease agreements which may generate additional income streams to the Partnership should the projects receive planning consent, grid connection and become operational.

These are:

- Craigengillan North which forms part of Shepherds Rig wind farm;
- Drum Complex which forms part of Drum wind farm;
- Dryfehead which forms part of Scoop Hill wind farm;
- Hartwood Hill which forms part of Glentaggart wind farm; and
- Achaglass which forms part of Sheidrim wind farm.

All of the renewables projects are being progressed by experienced wind farm developers with the Partnership incurring no legal costs, in order to absolve development risk. 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

FORESTRY

Gresham House UK Timber Index to December 2021

After a breathless 18 months of unprecedented demand, Q4 2021 finally saw supply of UK sawn timber catch up with demand. Inevitably this has seen price drops in sawn timber which has led to some reduced production in UK sawmills. Gresham House slowed timber sales in line with reduced processor demand and avoided significant downward price movement. The Gresham House standing timber price index graph shows the price movements in real terms across the three main timber market regions in the UK. The graph shows that whilst there has been a reduction in prices since the market peak in Spring 2021, generally prices remain at a relatively high level and above the long term trend.

Whilst there remains some uncertainty in early 2022 there are positive signs that the market will improve. With US lumber futures once again at historically high levels this should attract imports from Scandinavia and stabilise or improve the UK sawn timber price.

UK construction activity eased in December 2021 with the Omicron variant creating some market slow down. The outlook for 2022 is positive, with the Construction Products Association forecasting increased activity compared with 2021. Wood Resources Quarterly reported that the European Sawlog Price Index rose to an all time high in Q3 2021 having risen 50% over the year. The Global Sawlog Price Index has also risen to within 1% of the all time high indicating that constrained global supply is maintaining price pressure on end products.

Together, Gresham House believe all of this data points to continued support in the sawn timber and log markets and continued high pricing levels.

Timber end product markets

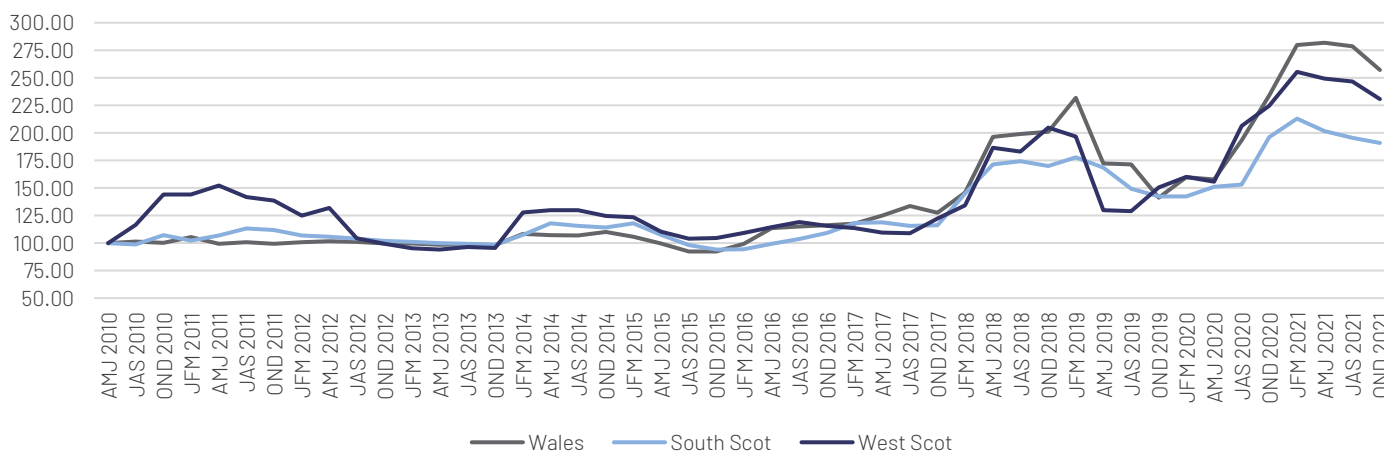
Europe's oversupply of timber is beginning to diminish, with harvesting levels returning to normal following the bark beetle outbreak. The US market has seen strong demand with increasing housing starts set against constrained supply due to storms and flooding disrupting the supply chain. After a significant drop in Summer 2021, the US lumber futures price recovered to within 25% of the previous peak in Spring 2021.

It is clear that the long term decline of timber production in British Columbia, due to beetle and wildfire damage, is constraining supply to the US market creating positive price pressure. Although volatile, it is likely that US lumber prices will remain at a relatively high level, attracting imports from Europe and creating positive price pressure in the UK markets.

Sawn timber demand in the UK was exceptional during 2021 as demonstrated by the Builders' Merchant Building Index which shows that demand for timber products in Q3 2021 was nearly 50% ahead of the previous peak in Q3 2018. Imports still dominate the UK market at over 80% of consumption with Sweden representing around 40% of imported timber products. Consistent with demand, softwood imports have been at record levels during 2021, with August 2021 seeing over 20% more than the pre-pandemic peak.

In Sweden, the timber processing industry has enjoyed a year of record profits with end product prices for some products rising by over 100%. Meanwhile the prices paid to the forest owners saw very modest increases of around 1.5%.

Gresham House Standing Timber Prices - Real Index



Source - Gresham House Data. The index is based on the standing prices calculated from the highest end product prices evidenced in Gresham House timber sales during the quarter. The standing prices assume consistent working/haulage costs and crop quality to show a transparent view of the effect of the market movements.

Whilst many owners are part of cooperatives such as Sodra and benefit from the profits of the processors, it is clear there is an opportunity for roundwood prices to rise significantly. This was echoed in Germany where the President of the German Forestry Council called for fair log prices and for German forest owners to go on a logging strike in Spring 2021. In China, the Russian timber export ban is causing significant disruption and will likely see them draw more timber from Europe. Rising timber prices in Europe, as verified by the European Sawlog Price Index, should underpin a higher level of end product prices which is good for UK forest owners.

Timber demand for fencing and home improvements/garden products eased during the backend of 2021, which is back in line with the historic seasonal trends. With construction also slower, timber merchants managed to replenish their stocks which in turn has reduced the prices offered to UK processors. However, it is important to note that sawn timber prices more than doubled for some products during 2020/21. Coupled with the pressures in the European markets, we therefore believe there remains considerable headroom for sawn prices to stabilise at a level that supports the current level of price for UK sawlogs.

UK timber markets review

As demand for sawn timber eased in the backend of 2021, UK sawmillers reduced production and took the opportunity to undertake maintenance. James Jones & Sons Limited reduced shifts at their Lockerbie mill and sawmillers extended Christmas holidays and reduced production in line with demand. Inevitably this saw a reduction in demand for UK roundwood and Gresham House reduced standing timber sales and sought to manage stock levels on existing contracts.

Downward pressure on sawlog prices continued as we entered the new year with sawmills nervous of their falling end product prices and attempting to be opportunistic following the damage suffered during Storm Arwen in November 2021.

Whilst Gresham House saw a large number of cases of small scale windthrow across the Scottish forests, the area of damage is limited to less than 1% of a typical large portfolio. Some individual forests on the east of Scotland have suffered significant damage but the increased felling volumes will displace other timber sales restricting the market impact to localised areas. With the significant wind damage largely confined to the east side of Scotland, it is notable that there is a high proportion of mixed conifer and uncertified volume affected. Whilst the processors will no doubt seek this volume at advantageous prices, they are required to maintain an 80% proportion of certified timber in their roundwood supply to be able to maintain the certified status of their end products. As more than 99% of Gresham House timber is sold as certified, we believe that with targeted marketing and favourable end product markets the effects of Storm Arwen will be limited.

After a stagnant year for small roundwood prices with an excess of sawmill coproduct supply there could be an opportunity for improvement. Iggesund are now set to restart production from their combined heat and power plant at Workington which will result in a significant increase in demand for fuelwood. This comes as outputs of coproducts are reduced, with sawmills having steadied production, and at a time of increased seasonal demand for biofuel.

As we have had a relatively mild winter so far, in-forest stocks have been kept to modest levels and Gresham House now seek to test the market in the new year. Across the regions during Q4 2021, we have seen sawlog prices on timber sales fall by less than 5% against the market peak. There is continued momentum for increasing consumption of timber as it is recognised as a sustainable building material. Gresham House considers the medium and long term market drivers to be compelling and that there is cause for optimism despite some recent headwinds.

Long term global supply and demand

Over the next 30 years, Gresham House 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 be more new homes and cleaner low carbon intensity buildings being built from timber.

Wood will increasingly replace high carbon intensive steel and concrete. The COP26 summit proved to be a useful opportunity for the timber industry to showcase the important role that timber construction can play in the fight against climate change. The summit also saw more than 100 world leaders including China, Brazil and the USA pledge to end deforestation by 2030.

Rising demand for timber is set against a constrained supply due to the long rotation length of the trees and competition for land use. Gresham House believe 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 and administration fees, 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 Net Asset Value of the Partnership.

The OCF excludes any non-recurring expenditure including fundraising fees and transaction fees due on the acquisition or disposal of assets.

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 2021	0.51%
Year ended 30 November 2020	0.63%

The OCF percentage during the year was lower than previous periods as the calculation uses the average net assets during the period, whereas the management fee is based on the previous years' NAV. Due to the increase in net assets this increases the denominator of the calculation which reduces the OCF. It is expected to revert to c.0.6% in future periods.

The management fee for 2022 will be rebased at 0.5% of the NAV as determined at the external Valuation Date of 30 November 2021. In each year between external Valuation Dates, the management fee will be increased annually in arrears in line with 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 in the management of the Partnership.

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.

One member of the Advisory Committee retired during the period and was replaced with another long standing Limited Partner of the Partnership.

During the year no meetings with the Advisory Committee were required or held.

Liquidity – sales of Partnership Shares

During the year all 2,705 Partnership Shares offered for sale were sold. The Manager arranged deals between vendors and purchasers using our established share sale procedure.

The weighted average purchase price was £3,884.94 per share, a 25.2% premium to the opening NAV of £3,102.00 at the start of the year. The average transaction time was 37 days from commencement of marketing to receipt of funds.

Valuations

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

An external Valuation of the Partnership's forest portfolio was carried out by Savills plc as at 30 November 2021. The valuation was conducted 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 external Valuation date is 30 November 2023. For the intervening year the Manager will provide an internal valuation in accordance with the RICS Valuation Global Standards as at 30 November 2022.

Annual General Meeting

The last Annual General Meeting (AGM) of Limited Partners was held by conference call on 24 March 2021.

The Manager intends to conduct the next AGM on 7 April 2022 to discuss the results of the Partnership and its future business. This will be an in person meeting with the option of attending the meeting via video conference. A Notice of the meeting will be circulated to Limited Partners.



Taxation and National Insurance Contributions

The Manager issued Taxable Income Statements for the tax year 2020/2021 to Limited Partners on 23 June 2021 giving details of figures which are required to be included in Limited Partners' tax returns for 2020/2021.

In the tax year 2020/21 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 2021/22 in relation to Limited Partners in the Partnership, as there are not expected to be any taxable profits in the tax year 2021/22 which are subject to NICs.

The Manager plans to issue Taxable Income Statements for the 2021/22 tax year in June 2022.

Alternative Investment Fund Managers Directive

The Partnership is classified as an Alternative Investment Fund (AIF) under the Alternative Investment Fund Managers Directive (AIFMD). The main implication of this classification is that the Partnership has appointed IQ EQ as its provider of Depositary Services. In this regard, IQ EQ 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.

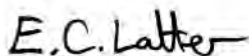
Additions to Limited Partners' holdings

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.

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.



Signed by Edward Latter
Investment Director

18 February 2022

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 strategy:

- 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.

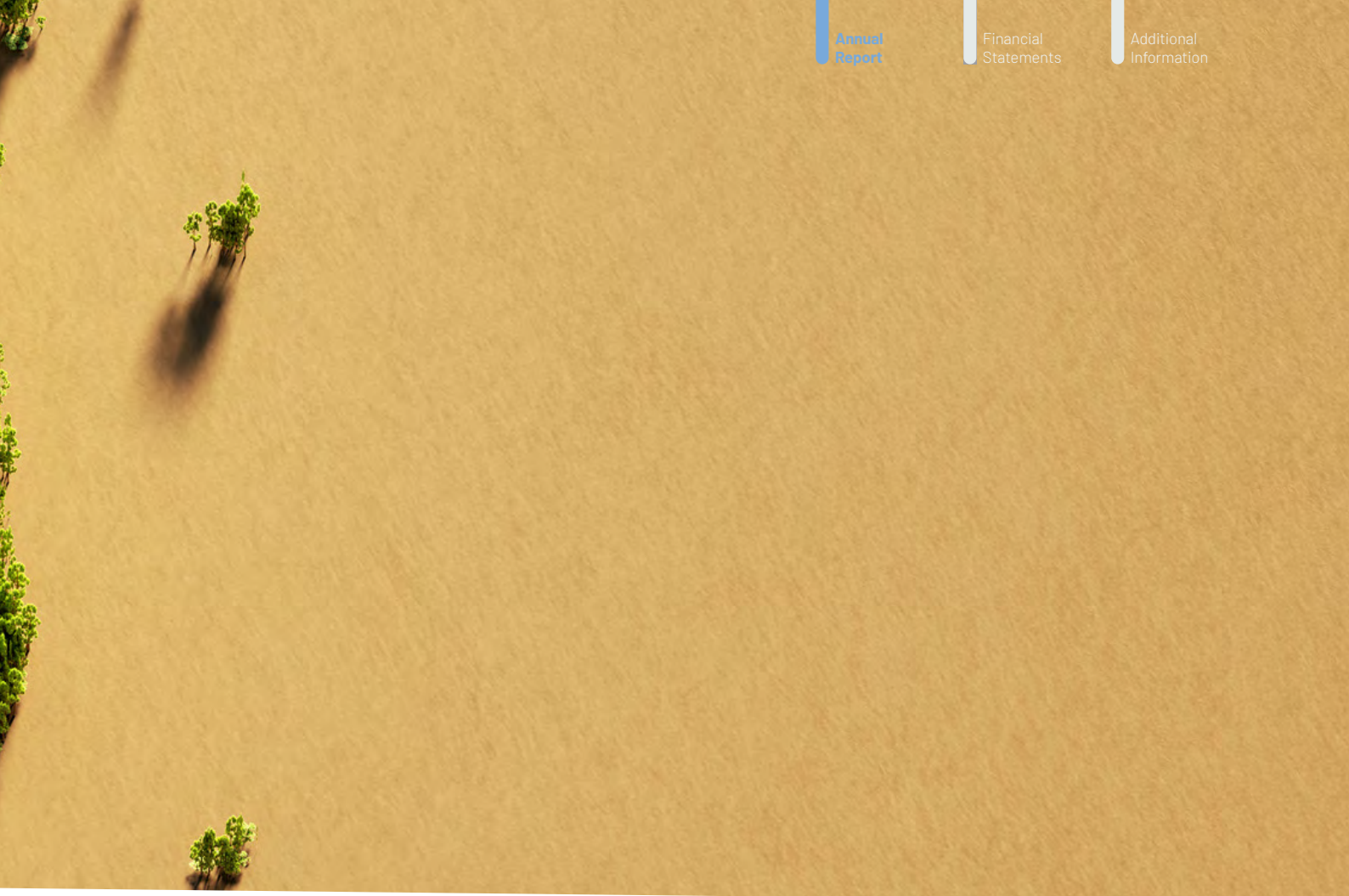
- We drive rigour and consistency by applying our sustainable investment framework and system, including clearly defined processes and expert tools and methods.
- We have a clear understanding of the sensitivities, issues and opportunities to be managed across the investments in our portfolio and have 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.

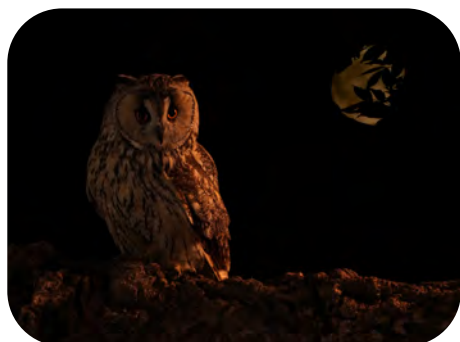
We actively monitor and assess key data related to forestry and the wider sustainability performance of the assets we manage. In turn, we use these to review our contribution to sustainable development, particularly meeting the challenge of climate change and relevant Sustainable Development Goals.



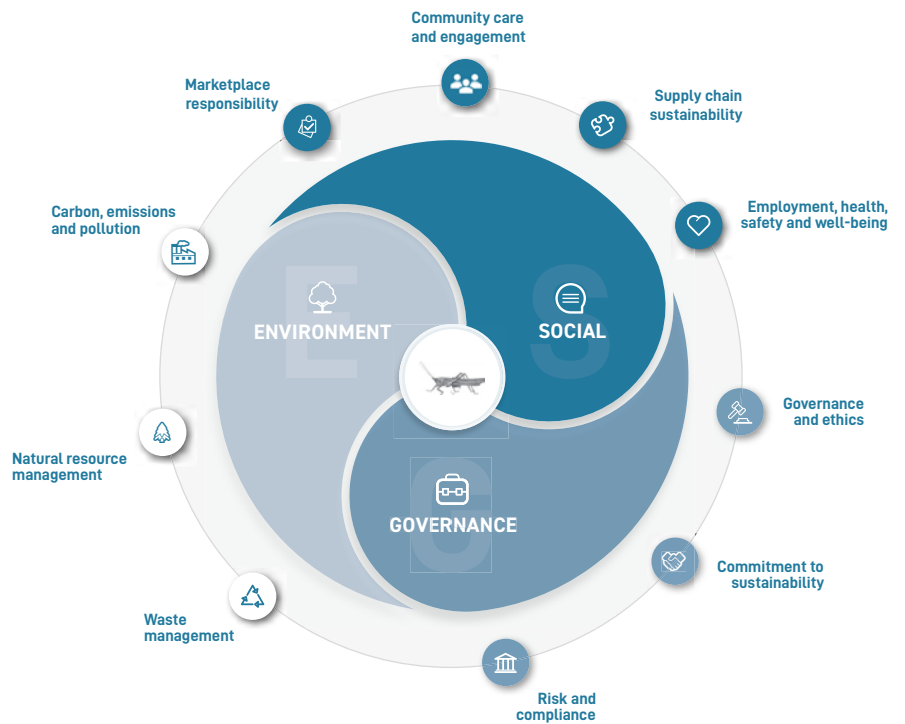


Our certified sites are independently assessed by FSC appointed auditors and in addition we conduct our own in-house auditing against agreed standards and management objectives. As signatories to the PRI we will complete comprehensive annual reporting within its required framework and use this to guide 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 company.



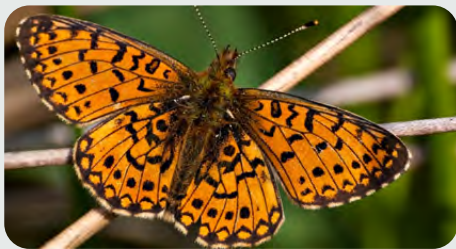
Gresham House sustainable investment framework



Environmental, Social and Governance - Case studies

Some examples of ESG related activity across the Partnership's portfolio are presented below:

South Scotland forest acquisition



The small pearl bordered fritillary butterfly is a priority species under the current UK biodiversity action plan. They can be quite common in parts of Scotland and Wales, but populations have declined in England. Parts of Dumfries and Galloway sustain strong populations and its preferred habitat types are wet/moist grassland, forest and woodland open areas. Such habitats can be found across properties in the portfolio in South Scotland, of particular note is Blaze Hill, a short distance from the village of Johnstonebridge.

The mainstay of the colony inhabit an existing electricity line wayleave, where suitable wet grassland and flushes are key to maintenance of the population, with food sources available from violet plant species. Emergence from caterpillar stage can be seen from June onwards in Scotland, though this occurs earlier in southern England. Improvement of habitat can be achieved through small scale strimming to create glade pockets and manage any shrub encroachment particularly near standing water.

A small pond is present close to the wayleave where in 2020, following harvesting, broadleaf tree species were planted at sparse densities to expand habitat and food source, thereby creating a further diverse habitat corridor.



Pictured above: Pond where broadleaves have replaced conifers to create a buffer and improved habitat corridor.

Welsh forest acquisition

Mid way through the year the acquisition of a large forest, located a short distance east of Bala, Wales, was added to the portfolio. The property was unusual given its scale (831 hectares) and location. At present the stocked conifer area totals 413 hectares with a modest increase expected in 2022 once legacy harvested areas from the previous ownership are replanted. The remainder of the property consists of a mixture of broadleaf species, internal open ground, and open moorland.

The open moorland area (322.51 hectares) is an important habitat in its own right as well as providing quality habitat for a number of protected flora and fauna. Accordingly, the area is afforded statutory protection through designations and some of the area within the Partnerships ownership sits within The Berwyn Site of Special Scientific Interest (SSSI), Berwyn & South Clwyd Mountains

Special Area of Conservation and the Berwyn Special Protection Area (SPA). Habitats of high conservation importance such as European Dry Heaths and blanket bogs are present in the designations which provide nesting habitat and food source for ground nesting birds such as the protected hen harrier. The Berwyn SPA is recognised as holding the largest populations of hen harrier and merlin in Wales.

Natural regeneration of trees is a risk to the designated area and through 2022 and subsequent years such natural regeneration will be monitored and controlled through a rolling maintenance programme. To carry out operations of this nature within statutory designations, permissions must be sought from the statutory bodies and therefore this maintenance programme will be implemented in consultation with the approving body.

Approximately 15 hectares of dwarf shrub heath falls within the property boundary but outwith the statutory designation. Dwarf shrub heath is a UK Biodiversity Action Plan (BAP) priority habitat because the majority of examples of this habitat are found in the UK and the western seaboard of Europe. This area will be monitored and as per the statutory designation, where natural regeneration is occurring it will be controlled.

The property contains areas classified as a Plantation on Ancient Woodland Site (PAWS) which is defined as "a site which is believed to have been continuously wooded for over 400 years and currently have a canopy cover of more than 50 percent non-native conifer tree species". Approximately 14 hectares of this area exhibits good quality natural or old woodland characteristics which is evident through the ground vegetation and broadleaf species mixture present.



Protected moorland.



Natural regeneration within protected area.



Area of scots pine which will be gradually removed.



Birch in the foreground which will expand once gaps are created in the canopy.



Birch on the right with beech on the left. The objective will be to transition to as near to a natural woodland as possible, therefore areas of beech such as this will be targeted as part of thinning.



Informal path through the woodland with a mixture of species.

Over the coming years a series of phased selective thinnings will be planned commencing in 2022. These thinnings will create gaps in the canopy thus allowing penetration of light further into the forest floor, encouraging expansion through natural regeneration of existing broadleaf species. The current species present of note are birch, rowan, holly and hazel, with a lesser element of oak which represents an excellent opportunity through the existing natural seed source to transition to a semi natural woodland. This is due to the mixture of a pioneer species such as birch and a successor species such as oak which will be supplemented through enrichment planting where there is insufficient seed source nearby.

Selective thinning interventions will be phased to ensure disturbance to the existing understorey is as limited as possible, to ensure the overall integrity of the woodland is maintained, minimise any risk of wind damage and to ensure colonisation from previous interventions are allowed to establish successfully. It is envisaged that process of restoration will take place over the next ten years.

Following the restoration of this area the property will comprise c.50% productive conifers, 4% broadleaf species and 46% open ground (inclusive of the protected moorland).

It is a requirement of forest certification bodies such as the Forest Stewardship Council (FSC®) and Programme for the Endorsement of Forest Certification (PEFC) that forests are composed of a mixture of species and habitats to demonstrate a forest is being managed sustainably. Forest management in this way allows for the maximisation of biodiversity benefits whilst at the same time ensuring there is no material impact on productivity.

Report of the General Partner and Audited Financial Statements for the year ended 30 November 2021 for Gresham House Forest Fund I LP

The General Partner presents the Report and Financial Statements of Gresham House Forest Fund I LP for the year ended 30 November 2021.

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 Partnership is the ownership of commercial woodlands for the production of timber.

Results for the year

The results for the year are shown on page 22.

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 Partnership and of the results of the Partnership 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 Partnership 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 Partnership 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 Partnership 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 Partnership's auditors in connection with preparing their report) of which the Partnership'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 Partnership's auditors are aware of that information.



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

18 February 2022

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 2021 which comprise the Income Statement, Statement of Comprehensive Income, Balance Sheet, Statement of Cash Flows, and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 limited partnership's affairs as at 30 November 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice
- have been prepared in accordance with the provisions of the limited partnership agreement.
- 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 limited partnership 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

In auditing the financial statements, we have concluded that the members' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the limited partnership's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the members with respect to going concern are described in the relevant sections of this 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 other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The General Partner is responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

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;
- the financial statements are not in agreement with the accounting records and returns; 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 General Partner's responsibilities statement set out on page 19, 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 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 qualifying Partnership'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 limited partnership or to cease operations, or has 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the limited partnership through discussions with members and other management, and from our commercial knowledge and experience of the client's business sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the limited partnership, including the Companies Act 2006, as modified by SI 2008/569;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the limited partnership's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates set out in Note 2 were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance; and
- enquiring of management as to actual and potential litigation and claims.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance.

Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the members and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities.

This description forms part of our auditor's report.

Use of our report

This report is made solely to the 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 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 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: 18 February 2022

Income Statement

	Notes	2021 (£)	2020 (£)
Turnover	3	10,040,292	8,451,056
Other operating income		301,196	132,192
Total turnover		10,341,488	8,583,248
Operating costs *		(2,683,537)	(2,186,565)
Administrative expenses		(1,627,971)	(1,297,083)
General Partner's share	3	(30,500)	(100)
Operating profit before depreciation		5,999,480	5,099,500
Interest receivable		6,268	6,078
Interest payable		(109,854)	(579,345)
Profit for the year before revaluation	4	5,895,894	4,526,233
Unrealised surplus on revaluation of forest properties **		95,411,837	23,622,409
Profit for the year after revaluation		101,307,731	28,148,642
Number of shares		92,524	92,524
Profit per share before revaluation		63.7p	48.9p
Statement of comprehensive income			
Profit for the year after revaluation		101,307,731	28,148,642
Total comprehensive income for the financial year		101,307,731	28,148,642

*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	2021 (£)	2020 (£)
Fixed Assets			
Forest Properties*	5	385,000,000	217,500,000
Current Assets			
Debtors	6	1,636,445	2,835,314
Cash at bank		4,619,151	72,891,723
		6,255,596	75,727,037
Creditors: amounts falling due within one year	7	(1,499,683)	(1,217,159)
Net current assets		4,755,913	74,509,878
Creditors: amounts falling due after one year	8	(5,000,000)	(5,000,000)
Total assets less liabilities and net assets attributable to Limited Partners		384,755,913	287,009,878
Represented by			
Limited Partners' capital		187,767,494	187,767,494
Revaluation reserve		179,415,387	84,003,549
Profit and loss account		17,573,032	15,238,835
Limited Partners' funds	9	384,755,913	287,009,878
Total Limited Partnership Shares	7	92,524	92,524
Net Asset Value per Limited Partnership Share		4,158.44	3,102.00

*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 18 February 2022 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	2021 (£)	2020 (£)
Cash flows from operating activities			
Operating profit		5,999,480	5,099,500
(Increase)/decrease in debtors	6	1,198,869	(1,088,701)
Increase/(decrease) in creditors	7	282,524	(89,264)
Net cash flow from operating activities		7,480,873	3,921,535
Cash flows from investing activities			
Purchase of investment assets	5	(72,088,163)	(23,877,591)
Sale of investment assets		-	-
Interest paid		(103,586)	(573,268)
Net cash flow from investing activities		(72,191,749)	(24,450,859)
Cash flows from financing activities			
Loan received		-	9,071,130
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
		(72,191,749)	95,347,125
Distributions to Limited Partners	9	(3,561,696)	(3,393,346)
Net cash flow from financing activities		(75,753,445)	91,953,779
Net (decrease)/increase in cash		(68,272,572)	71,424,455
Cash at the start of the year		72,891,723	1,467,268
Cash at the end of the year		4,619,151	72,891,723

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 18 February 2022.

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 £30,500 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 externally revalued at 30 November 2021 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:

	2021 (£)	2020 (£)
Auditors' remuneration – audit services	7,750	7,000

5. Investments

All forest properties were externally valued at 30 November 2021, as detailed in note 3d to the accounts.

	Forest Properties (£)
As at 1 December 2020	217,500,000
Additions	72,088,163
Disposals	-
Revaluation	95,411,837
As at 30 November 2021	385,000,000

6. Debtors

	2021 (£)	2020 (£)
Trade debtors	1,295,540	1,424,528
Sundry debtors	282,997	1,362,427
Accrued income	57,908	48,359
	1,636,445	2,835,314

Notes to the Financial Statements continued

7. Creditors: amounts falling due within one year

	2021 (£)	2020 (£)
Trade creditors	1,145,973	757,323
Deposits and down-payments	-	52,690
VAT	72,185	245,048
Accruals and sundry creditors	281,525	162,098
	1,499,683	1,217,159

8. Creditors: amounts falling due after one year

	2021 (£)	2020 (£)
Bank loan	5,000,000	5,000,000

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
Revaluation	-	-	-	-	-	95,411,837	-	95,411,837
Profit for the year	-	-	-	-	-	-	5,895,894	5,895,894
Distribution	-	-	-	-	-	-	(3,561,696)	(3,561,696)
Issue of Shares	-	-	-	-	-	-	-	-
As at 30 November 2021	25,503,786	17,946,819	38,595,933	105,720,857	100	179,415,386	17,573,033	384,755,913

	2021 No.	2020 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	35,262
Total Limited Partnership Shares allotted	92,524	92,524

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

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

	2021 (£)	2020 (£)
Recurring fees		
Management charges	1,641,055	987,202
Timber marketing fees	275,896	177,254
Sundry	(450)	940
Total recurring fees	1,916,501	1,165,396
Non-recurring fees		
Insurance commission	16,882	4,422
Sundry fees	7,318	18,537
Fund raising fees	-	2,233,106
Investment acquisition and disposal fees	1,716,730	527,521
Total non-recurring fees	1,740,930	2,783,586
Total fees	3,657,431	3,948,982

An amount of £817,528 was due to Gresham House Asset Management Limited at 30 November 2020 (2020: £562,471).

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

The Partnership agreed terms in December 2021 to purchase a forest in Lanarkshire for £3.8 million. This will be funded from the undrawn loan facility with Barclays Bank plc.

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 is a Managing Director and a member of the Forestry Investment Committee at Gresham House since January 2019 leading the Forestry Division. 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. Prior to joining Gresham House, he was a Partner and Head of Infrastructure at Oxford Capital for six years where he built and managed a portfolio of over £300 million of solar and wind renewable energy assets.

Olly has over 25 years' of investment experience and holds a Bachelor of Arts and a Master's degree from the University of Oxford in Biological Science. He also obtained the Investment Management Certificate from the CFA Society in the UK.

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Email: o.hughes@greshamhouse.com



Edward Latter
Fund Manager

Edward Latter joined Gresham House in May 2018 following the acquisition of FIM Services Ltd. He is Fund Manager of Gresham House Forest Fund I LP and Gresham House Sustainable Timber & 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 and overseeing fund deal flows. Prior to joining Gresham House, he worked at FIM Services Ltd as an Assistant Fund Manager from 2012 and was appointed Fund Manager in 2016.

Ed is a Chartered Surveyor and a RICS Registered Valuer. He has 13 years' of experience and holds a postgraduate diploma (PG Dip) in Financial Strategy from Saïd Business School, University of Oxford, and a RICS accredited BA (Hons) degree in Real Estate from Oxford Brookes University. He also obtained the Investment Management Certificate.

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



Stephen Beck
Divisional Finance Director

Stephen Beck joined Gresham House as a Divisional Finance Director in May 2018 when the acquisition of FIM Services Ltd completed. He was Chief Financial Officer and Compliance Officer at FIM Services Ltd since 2013 expanding the forestry and renewable energy asset portfolio.

His experience includes leading on the commercial aspects of the acquisitions of many power projects and the sale of Horizon Nuclear Power to Hitachi. Stephen started his career at PwC in 1996 and trained as a Chartered Accountant with an emphasis on corporate tax issues. He has 26 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
Associate Director

Joshua Phillips is the Fund Manager of Gresham House Forest Growth & Sustainability LP and presides over the day to day management of Gresham House Sustainable Timber and Energy LP, Gresham House Forest Fund I LP and Gresham House Timberland LP. He is primarily responsible for implementing fund strategy, operational oversight and investor reporting. In addition, Josh leads on the development of renewable energy agreements as well as sourcing and analysing UK forestry acquisitions.

He holds a BA (Hons) from Henley Business School (University of Reading) and is an ACA chartered accountant with the ICAEW. Previously, Josh was awarded a place on PricewaterhouseCoopers' prestigious Flying Start programme before joining the firm full-time as a Senior Associate, specialising in financial services.

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



Ciarán Walsh

Forestry Asset Manager

Ciarán joined Gresham House as an Asset Manager within the forestry team in March 2021. He has experience in both the public and private sectors in the UK and Ireland. He has experience of working within the forestry regulatory environment and in large-scale commercial forest management, resource planning and timber harvesting. Ciarán achieved a first class degree in Forestry from University College Dublin following which he began his forestry career as a timber harvesting manager in Ireland and over the next eight years went on to work in a variety of roles in commercial forest management and regulation.

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Francis Ireland

Analyst

Francis joined the Forestry division of Gresham House in February 2021 as an Analyst. Francis obtained a first class degree from the University of Manchester reading International Business, Finance & Economics. Following this he completed a Master's in Finance, also at the University of Manchester, for which he was awarded a Distinction and the Alliance Manchester Business School Academic Scholarship. Francis has obtained the Investment Management Certificate for the CFA Society in the UK.

Tel: 01451 843089

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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

Partnership Information

Limited Partnership Number: SL006597

Manager and Operator

Gresham House Asset Management Limited
5 New Street Square
London
United Kingdom
EC4A 3TW

General Partner

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

Solicitors

Brodies LLP
Capital Square
58 Morrison Street
Edinburgh
EH3 8BP

Auditors & Tax Advisors

Critchleys Audit LLP
Beaver House
23-38 Hythe Bridge Street
Oxford
OX1 2EP

Principal Bankers

Virgin Money (formerly Clydesdale Bank plc)
215 High Street
Cheltenham
GL50 3HH

Barclays Bank plc
1 Churchill Place
Canary Wharf
London
E14 5HP

Depository Services

IQ EQ Depository Company (UK) Limited
4th Floor, Forsyth House
Cromac Square
Belfast
BT2 8LA

Notes for recipients

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