



## FIM Services Limited

### Press Release – Lively UK Forestry Investment Market

27 May 2010

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Investor interest in forestry has been strong over recent months. The attractions of a long term, tangible, growing asset are being seen against an uncertain outlook for stock markets and more concerningly for inflation. Further, investors are well aware that higher income tax rates are here to stay for some time, and it is probable that CGT rates will also rise, possibly substantially. The tax free returns of forestry, there being no liability to income tax or capital gains tax on income or gains arising from the occupation of commercial forestry, combined with 100% relief of inheritance tax, are seen as distinctly advantageous.

Fortunately investor interest is being matched with expanded opportunities available to acquire forests at a time when timber prices are increasing from historically low levels. The Forestry Commission (FC) in Scotland, as part of a rationalisation process, is transferring assets from the public to the private sector by implementing a series of disposals, increasing the supply of properties to the market. It presents an unrivalled opportunity for investors to access large scale commercial investments, as the FC are the UK's largest forest owner with some 821,000 hectares; 29% of the overall forest estate.

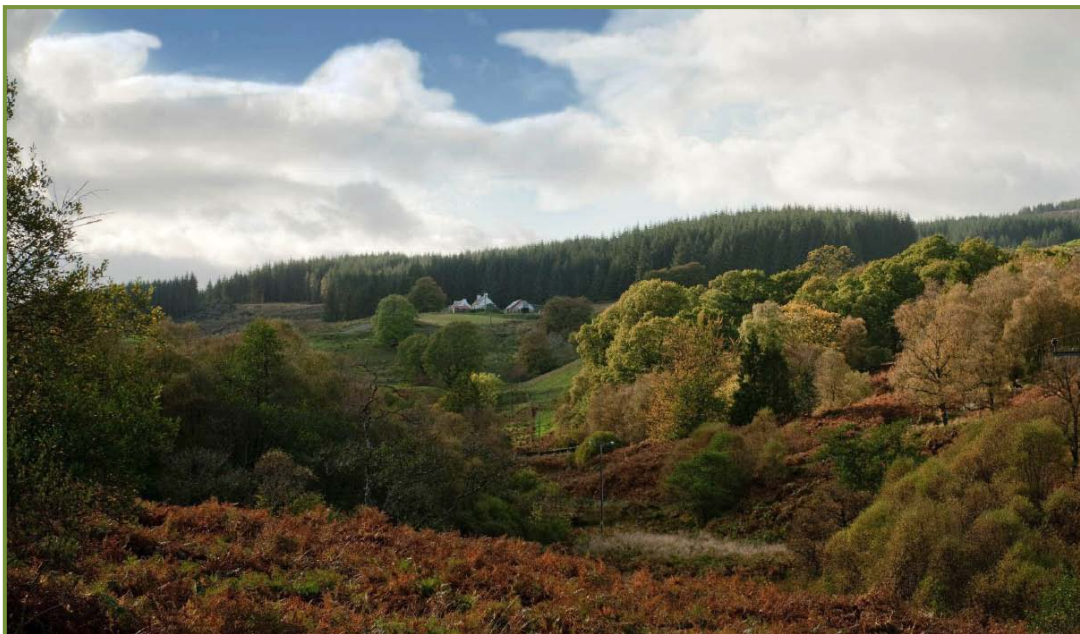
The investments made reflect the wide range of opportunities available. With careful selection these can be utilised to fulfil a range of investment scenarios, from long term capital growth, through the acquisition of young crops or the planting of land, through to immediate income from harvesting.

### **Recent Transactions**

FIM's clients have taken full advantage of the opportunities available. In the first four months of 2010:

- Purchases of 3,150 hectares have been concluded, with £8 million invested.
- 1,315 hectares are under offer, for a total consideration of £4.6 million.

The transactions ranging from £275,000 to over £2 million include:



- Two large scale, trophy properties with advanced aged class crops, both in Argyll. Both have been acquired from the FC, allowing a scale of investment in a single ring fenced property, which is not generally available to the private sector. Both require significant further investment in improving infrastructure before production commences.
- Two farms, for planting under Scottish Rural Development Plan (SDRP), one in Argyll and one in the Scottish Borders. The Scottish Government is currently seeking to encourage forestry expansion and has launched a new package of grant aid to encourage afforestation under the SRDP. The grant aid includes a combination of capital grants and annual payments over 10 years for this type of project which generate a surplus over the cost of establishment.



*“The SDRP is actively encouraging expansion of forestry in Scotland. The grants provide an attractive income profile for 10 years as the crop is established and allows low productive, marginal land to be converted into highly productive forests”.*  
**Richard Crosbie Dawson, Managing Director, FIM.**

### **New Opportunities**

FIM remain positive about the outlook for forestry. Timber prices have shown a strong recovery, reverting to pre-recession levels.

FIM are currently targeting sales of nearly 15,000 hectares, which will be coming to the market over the summer. A significant proportion are further FC disposals.

*“This promises to be an exciting year, with further opportunities to invest substantial sums in a wide range of commercial forests. This is the second tranche of FC sales out of three planned. We will act for both individual investors and FIM managed funds to seek to acquire these assets, focussing on large scale units which provide strong economies of scale, and expand the private sector”.* **Richard Crosbie Dawson, Managing Director, FIM.**

FIM will shortly be launching a fundraising for a new low risk, tax efficient investment vehicle. The fund has been formed by amalgamating a number of forestry trusts into a single large scale unit comprising 7,150 hectares and a value of some £23 million.

The core business will remain investment in commercial, sustainable forests to provide tax free returns and 100% relief from inheritance tax (IHT).

In addition, the LP will set out to enhance returns to investors without significantly raising the risk profile from that of long term ownership of forestry plantations. This will be achieved by actively pursuing mechanisms whereby the return from the LP's land and timber can be increased in a sustainable, renewable environment, leveraging off FIM's proven expertise in both securing and managing option for lease agreements with developers for renewable energy generating projects and in financing, constructing and managing renewable generating assets.

FIM as Manager will seek to position the LP's portfolio to take advantage of these opportunities by concentrating on larger scale commercial plantations of high yield class Sitka spruce. Prior to harvesting timber, the properties will be managed to the internationally recognised Forest Stewardship Council (FSC) standard. Certification ensures forests are managed on an environmentally sustainable, socially responsible and economically sound basis and allows the timber to be sold with the FSC woodmark.

The minimum investment will be £28,750 and the closing date is 29 October 2010.

*"We see exciting opportunities to acquire substantial commercial forests to expand the LP's portfolio and to add value through investment into sustainable renewable energy, focusing on wind, hydro and biomass.*

*The LP will thus draw directly on FIM's proven expertise in forestry and renewable energy investments". **Richard Crosbie Dawson, Managing Director, FIM.***

## **FIM Services Limited**



# **FIM**

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FIM Services Limited is authorised and regulated by the Financial Services Authority.

## Notes to Editors

- FIM was established in 1979 and is authorised and regulated by the FSA. It has funds under management of some £200 million across a range of asset backed investments and renewable energy projects.
- FIM provides investment advice on the management of some 55,000 hectares of land and forests. FIM has used this asset base to expand into renewables.
- Acting on behalf of landowners, FIM has marketed potential wind farm sites to developers. There are currently some 800MW of potential capacity in various stages of the lease/option/planning process. To date three projects have been consented by developers on FIM clients' land.
- Expertise also extends to managing the risk capital associated with progressing sites through the planning process. The first site was submitted for planning permission in April 2007 with an application for 40MW and received planning approval in February 2008.
- Understanding the economics of renewable developments has allowed FIM to design and implement competitive financing packages for the construction and operation of consented wind farms. Three schemes are now operational with a fourth under construction. FIM has raised a total of over £40 million in debt and equity for the projects:

	<b>MW</b>	<b>Turbines</b>
Arnish Moor, Lewis	3.9	Nordex N60
Wharrels Hill, Cumbria	10.4	Nordex N60
Carno 2, Powys	15.6	Siemens 1.3
Darracott, Devon	2.5	Under construction
<b>Total</b>	<b>32.4</b>	