

THE SCOTTISH FORESTRY TRUST

Charity No: SCO08465



2007-2008

www.scottishforestrytrust.org.uk

SELECTED ITEMS FROM THIS YEAR'S REPORT

In September the Trust moved, with the Confederation of Forest Industries, to 59 George Street, Edinburgh

The Trust over the past year has received a greater number of good and commanding applications for grant aid. In fact the project portfolio is currently the largest and best in terms of quality and relevance than it has ever been.

The diversity of SFT's funding is demonstrated in the five projects completed this year – recruitment and retention of female staff in the Forest Industries, habitat management for biodiversity, memorial to Women's Timber Corp, identification of superior beech trees, timber quality of older Sitka spruce.

Industry representatives, researchers and funding organisations met in February to discuss priorities and strategies for the future. Recommended actions are being followed up.

The Trustees awarded the 2008 SFT Fellowship to Dr Phil Comeau, University of Alberta to work on stand density indices in continuous cover forestry systems. He will spend several months working with Forest Research staff.

Net assets of the Trust at 31st March 2008 were £2,289,693. This is a decrease of £272,902 reflecting primarily the fall in the stock market.

A Newsletter was started to improve communication about the Trust's activities. This is being distributed three times in the year after each of the Trustees' meetings.

Visit our web site, www.scottishforestrytrust.org.uk for news about the Trust's activities. A list of completed projects since the Trust was established is available on the website.

CONTENTS

	Page
Selected Items from This Year's Report	inside front cover
Chairman's Foreword	4
Trustees' Report	5
Trustees, Officials and Advisers 2006-2007	5
Acknowledgements	5
Appointment of Trustees and Induction	6
Biographical Notes on Current Trustees	6
Structure, Governance and Management of the Trust	7
Reporting on Objectives	8
Activities and Achievements	8
Financial Review	9
Performance	10
Plans for the Future	10
Statement of Trustees Responsibilities	10
Financial Statements	11
Notes to Financial Statements	13
Recipients of John Eadie Memorial and SFT Fellowships	18
Report of the Independent Auditors	19
Gift Aid Declaration	Back Page

CHAIRMAN'S FOREWORD

In August, Sir Michael Strang Steel retired as Chairman of the Trust and on behalf of the Trustees I wish to acknowledge the significant contributions he has made during his time as a Trustee and his five and a half years as Chairman. During this time the Trust's reputation of sound governance and identifying and supporting important and timely projects has been enhanced.

The long anticipated move to 59 George Street was successfully completed in September. The Trust is continuing to rent office space and provision of secretarial services from ConFor (Confederation of Forest Industries). The Institute of Chartered Foresters is located on the same floor.

The introduction of a Newsletter, which is being produced three times during the year, has been well received and has helped to raise the profile of the Trust.

At a time of dramatic decreases in stock market values and therefore reduced value of the investment portfolio, the Trust is receiving more very good and relevant applications for grant aid. During the year, the Trust has provided over £65,000 supporting 15 projects. The assets of the Trust now stand at £2,289,693 a decrease of £272,902 over the year.

The Trustees in the next few months will be undertaking a comprehensive review of anticipated income and expenditure to set out how the limited resources available can be used most effectively during the next few years.

One of the initiatives this year was to organise a meeting in February of industry representatives, researchers and funding organisations to discuss priorities and strategies for the future. A report of this meeting is available and meanwhile recommended actions are being followed up.

The strength of the Trust is the commitment of the Trustees in freely sharing their knowledge and experience in pursuit of the Trust's objectives. I would like to thank them for the commitment they have shown over the year.

John Kissock

TRUSTEES' REPORT

TRUSTEES, OFFICIALS and ADVISERS 2007-2008

Chairman Sir F M Strang Steel Bt, CBE (to 7th August 2007)
Dr John A Kissock (from 7th August 2007)

Trustees Dr C M Cahalan**
A C Hart
Dr J A Kissock OBE (became Chairman on 7th August 2007)
C. Mann
W McGhee*
Dr C P Quine*
R W L Scott OBE
G R Watt*
M Williams MBE
Dr S Woodward*

*Member, Projects and Research Committee

**Chairman, Projects and Research Committee

Staff **Director:** Dr David A Rook: Responsible for day to day management of the Trust
Mrs Elizabeth Hughson, Confederation of Forest Industries provided secretarial assistance

Bankers
Adam & Company
22 Charlotte Square
Edinburgh
EH2 4DF

Legal Adviser
Mr D M Hunter
HBJ Gateley Wareing
Exchange Tower
19 Canning Street
Edinburgh
EH3 8EH

Auditors
Chiene + Tait
Chartered Accountants and Registered Auditors
61 Dublin Street
Edinburgh
EH3 6NL

Investment Managers

Adam & Company (to 22/6/07)
22 Charlotte Square
Edinburgh
EH2 4DF

Cornelian Asset Managers Ltd (from 22/06/07)
21 Charlotte Square
Edinburgh
EH2 4DF

REGISTERED OFFICE

59 George Street (Third Floor)
Edinburgh
EH2 2JG

Tel: 0131-240 1413 Fax: 0131-240 1411

Email: sft@ednet.co.uk

www.scottishforestrytrust.org.uk

Registered Charity No SCO08465

ACKNOWLEDGEMENTS

The Chairman and Trustees wish to acknowledge with gratitude the generosity of the following donors to the Trust's funds:

£100 to £1000
Mr Anthony Gunn
Mr Robert Scott OBE
The Callendar Charitable Trust

APPOINTMENT OF TRUSTEES AND INDUCTION

Trustees are appointed for their experience, expertise and objectivity, and to provide a good balance of appropriate skills on the Board according to the Trust's constitution. The views of others within the general forestry sector are normally sought before the appointment is made.

The new appointee is invited to attend a meeting prior to taking up the appointment and comprehensive information is provided on the Trust including its management and achievements to date.

BIOGRAPHICAL NOTES ON CURRENT TRUSTEES

Sir Michael Strang Steel Bt CBE has been Chairman of the Scottish Forestry Trust since 2002 and retired from the Trust in August. He lives near Selkirk, in the Scottish Borders, where he has farming and forestry interests. He was a Forestry Commissioner from 1988-99 and Chairman of the Native Woodlands Advisory Panel during this time. He is Chairman of the Royal Scottish Forestry Society Forest Trust Co and Chairman of the Timber Marketing Group. Sir Michael is a member of the Confederation of Forest Industries, the Scottish Rural Property and Business Association, Deer Commission for Scotland, the Royal Society for Protection of Birds, and is Chairman of the Southern Uplands Partnership.

Dr. John A Kissock OBE became Chairman of the Scottish Forestry Trust in August. He graduated with a B.Sc. Hons in Forestry from Aberdeen University in 1974 and received an honorary doctorate from Napier University in early 2007. In 1974 he joined James Jones and Sons as a Graduate Trainee, progressing to Area Manager, Director and ultimately Joint Managing Director. After 33 years of service to the Company he stood down from his senior position to take up a consultancy role with the Company. He continues to maintain a strong interest in timber processing and the development of engineered solutions to increase the use of timber in the construction process. A past president of the UK Softwood Sawmillers Association he has also served as a Director of TRADA and Chairman of the Management Board for the Centre for Timber Engineering, Napier University. He is currently Chairman of the UK Timber Grading Committee.

Dr Christine Cahalan is Senior Lecturer and Acting Head of the School of the Environment and Natural Resources, Bangor University. She is a current member of the Forestry Commission Advisory Committee on Forest Research, the editorial board of *Forestry*, the Executive Committee of the Royal Forestry Society (North Wales Division) and the QAA (Quality Assurance Agency) benchmark group for Agriculture, Forestry, Food and Consumer Sciences. Christine has more than 20 years experience of university and public sector research, and has been external examiner for taught and research degrees at universities in the UK and elsewhere in Europe.

Anthony Hart has been based in Perth since 1990 and is one of 22 Equity Partners of Bidwells Property Consultants - a firm of over 500 staff operating from 15 offices in the UK. Anthony has overall responsibility for the firm's business throughout Scotland. As the son of HM Senior Verderer of the Forest of Dean, Anthony has been immersed in forestry since an early age. A graduate of University College of North Wales, commercial forestry is Anthony's professional specialism. Subsequent training in Land Economy at Reading University has led him to provide advice to a wide range of clients, from financial institutions, through family trusts to private individuals.

Colin Mann graduated with a BSc. Hons. in Forestry in 1977 from Aberdeen University. In the same year, he started work with SWOAC Ltd as a Trainee Forest Manager, the forerunner of Scottish Woodlands Ltd, the firm of which he is now Managing Director. Through his career he has worked in all aspects of forest management in Scotland but between 1992 and 2005 specialised in the promotion of forestry as an investment medium in the capacity as the company's Investment Director before taking up the post as MD at the end of that period. His work in investment marketing has encompassed a wide geographic area including, as well as the UK, long term business development in Hong Kong, mainland Europe and Canada. He has served on the Council of the Institute of Chartered Foresters for two terms and is now a member of the Scottish Forest Industry Advisory Board which was formed in spring 2008. He is also a director of Northern Energy Developments Ltd which is a young company specialising mainly in the development of small scale renewable energy projects, utilising fuels derived from forest harvesting operations. His career has allowed him to develop expertise particularly in the economic development of the UK's commercial forest resource and the production of timber for utilisation by the country's expanding wood processing and renewable energy industries.'

Willie McGhee is a forest ecologist whose pioneering work in social and environmental forestry has influenced the direction of community and native woodland initiatives in the UK. His main interest is promoting environmentally and socially responsible forest management and he is Acting Director of the Plan Vivo Foundation, which channels climate change finance to communities and peasant farmers in developing countries. Willie is the Executive Director of Borders Forest Trust Scotland's leading community led environmental NGO. He is a Trustee with Scottish Power's Green Energy Trust and a Director of Tweed Forum. Recent publications include two chapters on ecosystem services in *Restoring Natural Capital* (Island Press, 2007).

Dr Chris Quine is Head of Ecology Division and Head of Station at the Northern Research Station (NRS) of Forest Research, the research agency of the Forestry Commission. He studied for a first degree in geography at Cambridge University, followed by a Masters in Forestry at Oxford University, and then joined the Forestry Commission in South Scotland. After five years of forest management he moved to Forest Research, and has since conducted research in silviculture (particularly windthrow) and forest ecology, obtaining a PhD in forest ecology from Edinburgh University. He is a Fellow of the Institute of Chartered Foresters.

Robert Scott OBE FRICS, studied Rural Estate Management at RAC Cirencester. Based at Baronscourt in Co Tyrone, Robert has been Agent and Factor with Abercorn Estates since 1977, where his responsibilities include the management of approximately 2,400 hectares of woodlands in Scotland and Northern Ireland. From 2002 to 2004 he was Chairman of the Forestry & Timber Association. He has been a non-executive director of Balcas Timber Ltd since 2005. He has a keen interest in continuous cover (close-to-nature) forestry, in developing the sporting and recreational potential of woodlands, and in forest industry development in Great Britain and Ireland.

Guy Watt is Managing Director of John Clegg Consulting Ltd which provides business, economic and rural development consultancy services. He is a forestry graduate of Aberdeen; has a B.Litt in forest economics from Oxford and is a Fellow of the Institute of Chartered Foresters and a Member of the Institution of Economic Development. He worked in the South Pacific for two years followed by four years at the Forest Research Institute in New Zealand. He has undertaken consultancy assignments for over 20 years in the South Pacific, Asia, Africa and South & Central America. In the UK he has undertaken a wide variety of consultancy assignments over the last 20 years firstly while with EFG as a forest economist followed by 13 years with John Clegg & Co where he was responsible, as a partner, for consultancy work, before starting John Clegg Consulting Ltd in 2003. He is Vice Chair of the Central Scotland Forest Trust, a partner in Beacon Forestry and was Chairman of the Scottish Hardwood Timber Marketing Group for 5 years.

Michael Williams MBE is a farmer from East Lothian with a deep interest in farm conservation and farm woodlands. Michael is currently a Trustee of Farming and Wildlife Advisory Group, Director of Southern Upland Partnership. He is also a member of Scottish Biodiversity Forum Rural and Landuse Working Group and has been a Trustee of the Scottish Forestry Trust since 2002.

Dr Stephen Woodward is reader in forestry in the Department of Plant and Soil Science, School of Biological Sciences at the University of Aberdeen, specialising in tree pathology and urban forestry. He is editor-in-chief of *Forest Pathology* and associate editor of *Phytopathological Mediterranea*; currently he is leading the EU-funded COST Action FP0801 on impacts of *Phytophthora* species in European forest ecosystems. Since joining the staff at Aberdeen in 1989, Dr Woodward's research has focused on root-infecting pathogens of forest trees, including leading four major EU-funded projects on *Heterobasidion* (*Fomes*); other research includes the ecology of wood inhabiting micro-organisms, modelling of forest disease dynamics, fine root pathogens in Scots pine forests and biological control of pathogens. The current emphasis is on alien invasive pathogens impacting on European forestry. In addition to work in north temperate forests, Dr Woodward has also worked on pathogenic fungi in tropical forests and on genotyping of important tropical timber species. During the course of this work, he travelled extensively in Europe, North America, Africa, Asia and Australasia.

Structure, Governance and Management of the Trust: The Scottish Forestry Trust is a charitable trust established in 1983. The Board of Trustees has the sole power to make decisions for the Trust. Full meetings of the Trustees are held three times per year and the Projects and Research Committee, which evaluates applications for grant aid, meets a month before each Trustees' meeting. Trustees give freely of their time. In the case of the Chairman and members of the Projects and Research Committee, this is in excess of ten days per person each year. The Director is responsible directly to the Chairman for the day-to-day organisation and management of the Trust's business.

The Trustees review annually the measures in place to alleviate danger of major risks to its continued operation. It has been agreed with the Investment Managers that the investment portfolio should be managed on a medium to low-risk, total return basis with due consideration to the Trust's aims and

objectives. The Trust's administration, provision of professional services and management procedures are periodically reviewed and in June 2007, the Investment Management was transferred to Cornelian Asset Managers Ltd, Edinburgh.

Reporting on Objectives: The primary objective of the Scottish Forestry Trust is to support British forestry by contributing to the scientific, technical and economic information required to support its development. Projects in all of the sciences, which bear upon forestry, may be supported. Priority is given to proposals that address industry needs related to policy formation and execution, and to broad management questions. "Forestry" is defined in the widest sense, and includes production and use of all forest products and its contribution to landscape, recreation, wildlife, the environment and rural development. In general terms, preference is given to studies of an applied nature where the benefits are more immediately available to the profession. Notwithstanding that, fundamental work, with potential to resolve outstanding problems, or reveal new opportunities, is also supported. Overall the Trustees take a flexible approach and are open to discuss new research projects.

The Trust's major contribution has been in funding research projects, although as opportunities arise educational and training projects are supported. A small proportion of the budget is set aside for publications and travel.

The objectives of the trust continue to be met fully with grant aid being provided for projects on research (approximately 80% of the aid), and education (about 20%) aimed at the general public. A proportion of the "research component" is providing education and training of post-graduate students. The projects being supported are enhancing various aspects of British forestry by contributing scientific and technical information as well as making the general public more aware of the many benefits from forestry.

Activities and Achievements: A list of projects supported since it started providing grant aid in 1986 is provided on the web site (www.scottishforestry.org.uk). This year the Trust has received many more good quality and relevant applications for support than it can support or even partially support. The current portfolio of projects (see below) is greater in number and breadth of coverage of subjects than at any previous time. This has placed considerable pressure on the Trust's resources and every opportunity is made to use the Trust's support to lever funds from other sources.

In February the Trust organised and partially sponsored a meeting to discuss with industry representatives, researchers and funding organisations on how and what research is being and has been undertaken and priorities and strategies for the future. A report of this meeting is available and meanwhile recommended actions are being followed up to make more effective use of private and government funds.

Completed Projects

Forest Industries Recruitment & Retention Strategy. (Centre for Timber Engineering, Napier University). The recommendations from this study include the need for recruitment processes that engage women such as flexible working opportunities, part-time working and supporting women returning to work after maternity leave. More positive female role models within industry and more information of opportunities including training/apprenticeships would help recruitment.

Analysis of the Processes of Species Colonization in Wooded Landscapes (University of Bournemouth) This investigation indicated that the overall success of woodland conservation for woodland invertebrates lies in adopting a multi-scale and multi-management strategic approach. The current initiatives focussing on restoration and re-instatement of traditional management activities within existing woodlands were found to be highly beneficial for wood cricket. The PhD thesis has been awarded and publications are in preparation.

Memorial to the Women's Timber Corp (Forestry Commission) The Trust contributed to a sculpture as a permanent memorial to the Women's Timber Corp which was unveiled by Mr Michael Russell, Minister for the Environment, at the David Marshall Lodge in the Queen Elizabeth Forest Park in October.

Location and Description of Superior Stands and Plus Trees of Scottish Beech (Dr Scott Wilson) Beech may increase in importance to Scottish forestry over the next century as predicted climate change shifts its optimum range in Britain northwards. Thirty-one superior stands ranging in age from ~50 to 320 years old distributed across Scotland were identified as well as 47 "plus" trees. Details of the stands and "plus" trees are contained in a report to the Trust and a publication has been prepared.

Effects of Rotation Length on the Grade Recovery and Wood Properties of Sitka Spruce (*Picea sitchensis*) Structural Timber Grown in Great Britain (Centre for Timber Engineering, Napier University) The properties of Sitka spruce timber from an 83 years old stand in Kielder Forest were studied. Measurements of modulus of elasticity, modulus of rupture and density were taken from pith to bark. This study showed that longer rotations will result in timber with improved mechanical properties and a lower propensity to distort. A report is available and publication is in preparation.

Ongoing Projects

Genetic Heritability of Wood Properties of Sitka Spruce Critical to Timber Strength (University of Aberdeen). In this study timber stiffness was found to be mainly determined by microfibril angle and wood density. With increasing growth rate, wood density generally decreases however there is little correlation between growth rate and microfibril angle. The moderate heritability of microfibril angle should enable gains in wood stiffness to be achieved without compromising growth rate.

Incidence and Biology of *Anisogramma virgultorum* on Birch in Scotland. (Forest Research)

This is the first comprehensive study of this pathogen in Scotland and it confirmed that both *Betula pendula* and *B. pubescens* are susceptible to infection in spring from bud break through to shoot elongation. Cankers develop within three to four months from initial infection. A survey of 90 site-natural birch stands across Scotland found *A. virgultorum* on only 13, and at each site, except three, there was a low incidence. The final report is expected in May 2008.

Scottish Finest Woods Awards. The Trust is one of the major sponsors of the awards. The Tim Stead Trophy is awarded for social and community forestry, the Hunter Blair Trophy for silviculture excellence and the F.E.I. award to schools. These awards will take place at different venues by the Minister for Environment, Mr Michael Russell.

Adaptation of British Tree Populations to Climate Change (University of Bangor, Wales). The aim of this PhD is to study the implications of climate change on ash. The adaptability of native ash across a range of UK locations will be matched against the predicted climates in 2050 and 2080. Satisfactory progress is being made with work concentrated on phenology of budburst and flowering, seed biology, stratification and testing, and seedling production.

Survey of Bechstein's Bats (Bat Conservation Trust). The Bechstein's bat is a rare tree-dwelling bat, mostly found in old growth woodlands. The bat is difficult to detect using standard methods due to elusive feeding, roosting and echolocation behaviour, so little is known about its distribution in the UK. This three year study is designed to improve our knowledge of the species and help protect them.

Volunteering in Woodlands (Forest Research and Deakin University, Australia) The aim of this project is to provide a better understanding of the motivations for, barriers to and benefits of environmental volunteering for volunteers and the organisations involved. Primary data collected in the autumn 2007 was from 13 organisations across Britain involving 88 volunteers, 11 national/regional and 15 local organisation representatives. Talks on the results of the project were given at Alice Holt Lodge and Edinburgh. The final report will be submitted in the summer 2008 and will be available on request.

Timber Quality Model for Scots Pine (University of Aberdeen). The objective is to develop a model to predict the effects of silviculture on Scots pine and to use the model to improve the accuracy and applicability of field stem-quality assessments.

Testing the Adaptive Significance of Seed Zones in Scots Pine (University of Edinburgh). This project will use a combination of molecular markers and growth experiments to assess the effectiveness of designated seed zones in Scots pine for the conservation of adaptive variation.

Guides to Collection of Bulbs & Mosses (Reforestation Scotland). Codes for the responsible collection of mosses and bulbs in Scotland have now been prepared for publication and distribution.

The Trust has also supported the inquiry by the Royal Society of Edinburgh into *The Future of Scotland's Hill and Island Areas* and a visit by Professor Jan Cermak, Mendel University of Agriculture and Forestry, BRNO, Czech Republic to demonstrate new technology for root area measurements in forests.

Financial Review: The financial statements prepared comply with the requirements of the Trust Deed and the Charities Accounts (Scotland) Regulations 2006. The audited accounts are presented later in this report. The auditors observe that the financial statements give a true and fair account of the Trust's affairs at 31 March 2008.

The Trust has the following **Socially Responsibility Policy for its assets.**

The management of the investment portfolio of the Scottish Forestry Trust takes due consideration of the Trust's aims and objectives. The Trustees seek to invest in companies that will successfully develop their business financially in the interests of their shareholders, and demonstrate responsible employment and best corporate governance practices. The companies should be conscientious with regard to human rights and environmental performance, including the sustainability of forests. Moreover, companies should act with sensitivity to the communities in which they operate. Investment in any company that promotes pornography, or where the principal business is in tobacco or weapons manufacturing is avoided. Given the complexity of many companies, some will have business interests in areas we seek to avoid: these investments are monitored to evince that they meet our broader criteria.

The performance of the investment portfolio and expenditure is reviewed every four months and action taken where appropriate to improve the financial position of the Trust. It has been agreed with the Investment Managers that the investment portfolio should be managed on a medium to low-risk, total return basis with due consideration to the Trust's aims and objectives. The Trust's administration, provision of professional services and management procedures are periodically reviewed. At the 31st March 2008 the net assets of the Trust were £2,289,693 compared to £2,562,595 at the same date in 2007, due primarily to a decrease in the market value of the investment portfolio.

In general the Trustees in drawing up budgets look for a target of total expenditure on project grants, administration and professional services of 5% of the average market value of the investment portfolio of the previous year. The resources expended this year are within that target, however the value of the investment portfolio decreased due to the significant fall in the stock market. Total costs were £106,535 while the income from dividends, bank account interest and donations was £91,096. The shortfall of £15,439 was taken out of the investment assets. The loan of £60,000 continued to be provided to the Confederation of Forest Industries on payment of interest at 2.5% per annum above the bank base rate and waiving of rent and secretarial charges. The loan was completely repaid on 4th June 2008.

Performance: The quality of the projects being supported is of a high standard and relevant to the needs of people and organisations using British forests and in addressing future issues. The investment portfolio significantly decreased in value this year after several buoyant years.

Plans for the Future: The Trust's funds over the next three years are under pressure as there are commitments of £168,443 to support projects and greater uncertainty in the stock market has arisen. The Trustees are reviewing this financial situation in August. There is no intention of the Trustees ceasing to provide grant aid for new projects, but the selection process will have to be even more rigorous than in the past and we will look to other funding bodies to help support important work.

Statement of Trustees' Responsibilities: The Trustees are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Law applicable to Charities in Scotland requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the charity's financial activities during the year and of its financial position at the end of the year. In preparing the financial statements the Trustees are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

The Trustees are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements, comply with the Charities and Trustee Investment (Scotland) Act 2005. The applicable law also sets out the Trustees' responsibilities for the preparation and content of the Trustees' Annual Report. The Trustees are also responsible for safeguarding the assets of the Charity and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the Trustees

Date: 12th August 2008

Dr John Kissock OBE

THE SCOTTISH FORESTRY TRUST

STATEMENT OF FINANCIAL ACTIVITIES (Incorporating the Income and Expenditure Account)

For the year ended 31 March 2008

	Notes	Unrestricted 2008 Total £	2007 Total £
Incoming resources			
Incoming resources from generated funds:			
Voluntary income		720	620
Investment income	2	90,351	82,823
Incoming resources from charitable activities		25	3,334
Total incoming resources		<u>91,096</u>	<u>86,777</u>
Resources expended			
Cost of generating funds:			
Investment management costs		10,940	15,335
Charitable activities	3	93,164	80,020
Governance costs	6	2,431	2,772
Total resources expended		<u>106,535</u>	<u>98,127</u>
Net outgoing resources before other recognised (losses)/gains		(15,439)	(11,350)
Other recognised gain/(loss)			
(Loss)/gain on investment assets			
Realised		(57,064)	56,302
Unrealised	9	(200,399)	93,643
Net movement in funds		(272,902)	138,595
Reconciliation of funds			
Total funds brought forward		<u>2,562,595</u>	<u>2,424,000</u>
Total funds carried forward		<u><u>2,289,693</u></u>	<u><u>2,562,595</u></u>

All of the above results are derived from continuing activities. All gains and losses recognised in the year are included above.

The notes on pages 13 to 18 form part of these financial statements.

THE SCOTTISH FORESTRY TRUST

BALANCE SHEET

As at 31 March 2008

	Notes	2008 £	2007 £
Investments	9	1,980,661	2,343,343
Current Assets			
Investment - loan	10	60,000	60,000
Bank	11	257,136	178,253
Debtors	12	5,414	3,185
		-----	-----
		322,550	241,438
Creditors: amounts falling due within one year	13	(13,518)	(22,186)
		-----	-----
		309,032	219,252
Net assets		-----	-----
		2,289,693	2,562,595
		=====	=====
Represented by:			
Unrestricted funds	14	2,289,693	2,562,595
		=====	=====

Approved by the Board of Trustees on 12th August 2008 and signed on its behalf by:

.....Chairman
Dr J A Kissock OBE

.....Trustee
Mr Guy Watt

The notes on pages 13 to 18 form part of these financial statements

THE SCOTTISH FORESTRY TRUST

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

1. Accounting Policies

Basis of accounting

The financial statements are prepared under the historical cost convention modified to include the revaluation of investments at market value, and they comply in every material respect with the applicable accounting standards, the Statement of Recommended Practice - Accounting and Reporting by Charities 2005 (SORP), and the Charities Accounts (Scotland) Regulations 2006.

Tangible fixed assets

Tangible fixed assets are capitalised at cost.

Depreciation

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost less estimated residual value of each asset evenly over its expected useful life as follows:

Office equipment	-	20%
Computer equipment	-	33%

Assets below £100 are not capitalised in the balance sheet.

Investments

Investments are included in the balance sheet at their market value at the balance sheet date. Gains and losses arising are recognised in the Statement of Financial Activities.

Investment income

Investment income is recognised when receivable, together with any recoverable tax credits.

Donations

Donations are recognised when receivable.

Expenditure Allocation

Where possible expenditure has been charged direct to charitable expenditure, cost of generating funds or governance costs. Where this is not possible the expenditure has been allocated on the basis of time spent by staff on each activity.

- Charitable expenditure comprises those costs incurred by the charity in the delivery of its activities and services for its beneficiaries.
- Costs of generating funds comprise investment management fees.
- Governance costs include those costs associated with meeting the constitutional and statutory requirements of the charity and include the audit fees and costs linked to the strategic management of the charity.

Value Added Tax

The company is not registered for Value Added Tax and accordingly expenditure is stated gross.

Trust funds

The Trust has a General Fund which is split between capital and revenue. Under the Trust Deed, the Trustees are empowered to use both capital and revenue for any of the purposes of the Trust and to accumulate revenue. This is modified by the Trust rules to require the Trustees not to so deplete capital that the Trust cannot act properly as a charitable organisation.

THE SCOTTISH FORESTRY TRUST

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

For the year ended 31 March 2008

2. Investment income

	2008	2007
	£	£
UK listed investments	77,774	72,236
Loan interest receivable	4,503	4,749
Interest on cash deposits	8,074	5,838
	-----	-----
	90,351	82,823
	=====	=====

3. Charitable activities

	Grant funding	Support costs	2008	2007
	£	£	£	£
Education	9,000	5,480	14,480	7,347
Research	56,764	21,920	78,684	72,673
	-----	-----	-----	-----
	65,764	27,400	93,164	80,020
	=====	=====	=====	=====

4. Grant funding - project grants

	2008	2007
	£	£
Education		
Memorial to Women's Timber Corp	5,000	-
Scotland's Finest Woods Awards	3,000	3,000
Guide Notes: Collection of Mosses/Bulbs	1,000	-
Research		
Scots Pine Conserving Adaptive Variation	6,900	-
Scots Pine Timber Quality Model	10,525	-
Heritability of Sitka Wood Properties	8,775	18,122
Digitisation "Scottish Forestry"	-	1,500
<i>Anisogramma</i> on Birch	-	15,905
Volunteering in Woodlands	5,030	-
Sitka Spruce Rotations and Grade Recovery	5,000	-
Survey Bechstein's Bats	5,000	-
Measurement of Root Area*	1,500	-
RSE Inquiry into Future of Upland Areas	2,500	-
Species Colonization in Wooded Landscapes	5,634	5,633
Locations of Superior Scottish Beech*	2,300	-
Forest Industries Recruitment. & Retention	-	2,000
Adaptation of Tree Populations to Climate Change	2,000	2,000
Non-Timber Forest Products "Wild Harvests" seminar	-	8,623
Govt Intervention in Forestry: CJC Consulting Reports*	1,600	1,500
	-----	-----
	65,764	58,283
	=====	=====

All of the above grants were made to institutions or (*) consultants.

THE SCOTTISH FORESTRY TRUST

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

For the year ended 31 March 2008

5. Allocation of support costs

Support costs are allocated on the basis of estimated time spent on each activity and are shown in the table below:

Support costs	Charitable Activity Education £	Charitable Activity Research £	2008 Total £	2007 Total £
Employment costs	3,732	14,928	18,660	18,136
Office costs	378	1,514	1,892	197
Publicity	-	-	-	209
Trustees' expenses & meeting costs	443	1,771	2,214	1,406
Payroll	66	265	331	270
Solicitor's fee	841	3,363	4,204	1,399
Bank charges	20	79	99	120
	<u>5,480</u>	<u>21,920</u>	<u>27,400</u>	<u>21,737</u>

Support costs are allocated 20% to education and 80% to research which the Trustees consider to be a fair split of the amount of time spent on each charitable activity.

6. Governance costs

	2008 £	2007 £
Audit fees	2,030	2,297
Production of annual report	401	475
	<u>2,431</u>	<u>2,772</u>

7. Staff costs

	2008 £	2007 £
Director's salary	17,135	16,650
Social security	1,525	1,486
	<u>18,660</u>	<u>18,136</u>

The average number of employees during the year was:
Administration

No.	No.
<u>1</u>	<u>1</u>

During the year the trustees received no remuneration, but were reimbursed expenses totalling £1,273 (2007: £1,406). These expenses were incurred in respect of travel and subsistence while attending Trustees' meetings.

No employee received emoluments over £60,000.

THE SCOTTISH FORESTRY TRUST

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

For the year ended 31 March 2008

8. Fixed Assets

**Office
Equipment
£**

Cost

At 1 April 2007 and 31 March 2008

1,198

Depreciation

At 1 April 2007 and 31 March 2008

1,198

Net Book Value

At 31 March 2008 and 31 March 2007

-
=====

9. Investments – fixed assets

**2008 2007
£ £**

Market value at 1 April 2007

2,343,343 2,208,873

Additions at cost

721,946 540,773

Disposals

(884,229) (499,946)

Net unrealised (losses)/gains on revaluation

(200,399) 93,643

Market value at 31 March 2008

1,980,661 2,343,343
=====

Historical cost at 31 March 2008

1,697,030 1,719,912
=====

10. Investments – current assets

**2008 2007
£ £**

Loan to Association of Timber Growers and Forestry Professionals Limited
(known as the Confederation of Forest Industries)

60,000 60,000
=====

The loan is interest bearing and secured by a second ranking standard security.

The loan together with any interest thereon was due to be repaid no later than 31 December 2005. However the repayment of the loan was delayed while ConFor sold their premises and the proceeds received. The loan was repaid on 4 June 2008.

THE SCOTTISH FORESTRY TRUST

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 31 March 2008

11. Bank	2008	2007
	£	£
Operating accounts	39,126	71,608
Capital accounts with investment manager	218,010	106,645
	-----	-----
	257,136	178,253
	=====	=====

12. Debtors	2008	2007
	£	£
Other Debtor	941	25
Accrued income	4,301	2,943
Prepayments	172	217
	-----	-----
	5,414	3,185
	=====	=====

13. Creditors	2008	2007
	£	£
Other creditors	5,824	15,561
Accruals	7,694	6,625
	-----	-----
	13,518	22,186
	=====	=====

14. Movement in Funds	Balances at	Incoming	Outgoing Investment		Balances at
	1 Apr 2007	Resources	Resources	Loss	Transfer
	£	£	£	£	£
Unrestricted funds					
Revenue fund	130	91,096	(106,535)	-	15,309
Capital fund	2,562,465	-	-	(257,463)	(15,309)
	-----	-----	-----	-----	-----
	2,562,595	91,096	(106,535)	(257,463)	-
	=====	=====	=====	=====	=====

15. Analysis of Net Assets between funds

	Revenue	Capital	Total
	Fund	Fund	Total
	£	£	£
Investments	-	1,980,661	1,980,661
Current assets	-	322,550	322,550
Current liabilities	-	(13,518)	(13,518)
	-----	-----	-----
Total net assets	-	2,289,693	2,289,693
	=====	=====	=====

THE SCOTTISH FORESTRY TRUST

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 31 March 2008

16. Commitments

The Trust has made commitments to pay grants, conditional on the research continuing and satisfactory reports being received by the Trustees, as follows:

Financial year	Total £
2008/09	83,029
2009/10	40,230
2010/11	45,184

17. Related party transactions

The Trust rents office accommodation and receives administrative support from the Confederation of Forest Industries (ConFor) in accordance with an agreement dated 22 October 2002. Dr J A Kissock is a member of the Board of Directors of Confor. The Trust paid office rent of £Nil (2007: £Nil) and administrative support costs of £1,975 (2007: £1,360). In addition, the Trust made a loan of £60,000 to the ConFor (note 10), which is included within current asset investments and on which the Trust has received interest at the rate of 2.5% per annum above bank base rate. The loan was repaid in full on 4 June 2008.

£2,000 was paid as a grant during the year to the University of Wales, Bangor for a project on *Adaptation of Tree Populations to Climate Change*. Dr CM Cahalan, who is a Trustee of The Scottish Forestry Trust is senior lecturer in that department of the university.

£17,836 and £10,525 were paid as grants during the year to the University of Aberdeen for projects on *Heritability of Sitka Spruce Wood Properties* and a *Scots Pine Timber Quality Model*. Dr S Woodward, who is a Trustee of the Scottish Forestry Trust is a reader in that department of the university.

£5,060 was paid as a grant to Forest Research for a project on *Volunteering in Woodlands*. Dr Chris Quine is Head of Station at the Northern Research Station, Forest Research.

RECIPIENTS OF JOHN EADIE MEMORIAL and SFT FELLOWSHIPS

John Eadie Memorial Fellowships were awarded in 1998, 2000 and 2002. The aim of the fellowship is the betterment of British forestry by making use of expertise not readily available here.

1998: Professor Richard H Waring, Oregon State University, USA
Dr Euan G Mason, University of Canterbury, NZ
2000/01 Professor William R Burch, Yale University, USA
2002/03: Dr Jean-Michel Leban, INRA, FRANCE

The 2008 SFT Fellowship has been awarded to Dr Phil Comeau, University of Alberta, Canada

**INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES OF
THE SCOTTISH FORESTRY TRUST**



This report is issued in respect of an audit carried out under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005.

We have audited the financial statements of The Scottish Forestry Trust for the year ended 31 March 2008 set out on pages 11 to 18. These accounts have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the Trust's trustees, as a body, in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the trustees 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 Trust and the Trust's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Trustees and Auditors

The responsibilities of the trustees for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice are set out in the Statement of Trustees' Responsibilities.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006. We also report to you if, in our opinion, the information given in the Trustees' Annual Report is consistent with the accounts, if the Trust has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Trustees' Annual Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Trust's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the Trust's affairs as at 31 March 2008 and of its incoming resources and application of resources for the year then ended;
- the financial statements have been properly prepared in accordance with the Charities and Trustee Investment (Scotland) Act 2005, regulation 8 of the Charities Accounts (Scotland) Regulations 2006 and UK Generally Accepted Accounting Practice; and
- the information given in the Trustees' Annual Report is consistent with the financial statements.

CHIENE + TAIT

Chartered Accountants and Registered Auditors

61 Dublin Street

Edinburgh EH3 6NL 12th August 2008

THE SCOTTISH FORESTRY TRUST



59 George Street
EDINBURGH EH2 2JG

Gift Aid Declaration

Name of Charity : THE SCOTTISH FORESTRY TRUST (Registered UK Charity SC008465)

Details of donor

Title Forename(s) Surname

Address

.....

..... Post Code

I want the charity to treat (please tick appropriate box)

- the enclosed donation of £.....
- the donation(s) of £..... which I made on (date).....
- all donations I make from the date of this declaration until I notify you otherwise

As Gift Aid donations

Signed Date

Notes:

1. If you are unsure whether your donations qualify for Gift Aid tax relief, ask your local tax office for leaflet IR 65.
2. You must pay an amount of income tax and/or capital gains at least equal to the tax that the charity claims on your donations in the tax year (currently 28p for each £1 you give)
3. You may cancel this declaration at any time by notifying the charity.
4. If in the future your circumstances change and you no longer pay tax on your income and capital gains equal to the tax that the charity claims, you can cancel your declarations (see note 1.)
5. If you pay tax at the higher rate you can claim further tax relief in your Self-Assessment tax return.
6. Please notify the charity if you change your name or address.