



**ANNUAL REPORT
2010-2011**

Charity No. SC008465

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SUPPORTING RESEARCH & EDUCATION IN FORESTRY THROUGHOUT THE UNITED KINGDOM

SINCE ITS INCEPTION IN
1983 THE SCOTTISH
FORESTRY **TRUST**
HAS SUPPORTED **120**
PROJECTS WITH
£1.75M OF FINANCIAL HELP



- 1 Trustees hear about the Glentress Continuous Cover Forestry Project.
- 2 Tree marked for felling in Glentress.
- 3 Natterer's Bat (BCT – Shirley Thompson)
- 4 Clearing the 1953 windblow in Deeside (www.forestry-memories.org.uk – Sandy Tough).

CHAIRMAN'S FOREWORD

RWL Scott, OBE

I am pleased to report that the Trust made steady progress during the year to 31 March 2011, and start by highlighting the tremendous support we have received from the Forestry Commission in providing a £50,000 commitment to help fund a new joint Bursary Scheme aimed at supporting PhD and MSc students.

During the year we provided £46,485 to seven existing projects and with the gradual reduction in our commitments to existing projects we announced, in August, that we were once again in a position to consider new applications. In addition, the Trust provided financial support totalling £1,240 to two new General Assistance applications, and committed £34,925 to the first new Bursary Scheme application to be approved.

After the strong recovery in 2009/10 referred to in last year's report, the Trust's investment portfolio made further modest progress, and at 31st March 2011 was valued at £2,202,833, an increase of £81,306 for the year. In recent months we have undertaken a comprehensive review of our fund management arrangements and, following a tendering exercise, Brewin Dolphin is assuming responsibility for the Trust's portfolio from June 2011. Alan Black's fund management experience proved invaluable throughout this process and I am grateful to him and his committee for the professional and efficient way in which they undertook this review.

Two Trustees retired in December and we thank them both for their decade of service; Dr Christine Cahalan chaired the Projects and Research Committee and brought considerable science-based intellectual rigour to our deliberations. Anthony Hart's experience of the forestry investment market and woodland management issues have been of great help to the Trust, and we are also grateful to him for generously sponsoring a Perpetual Award in memory of his father The Late Dr Cyril Hart who served for many decades as HM The Queen's Senior Verderer for the Forest of Dean.

We have made one new Trustee appointment; Dr Michelle Pinard is a senior lecturer at Aberdeen University with over 20 years' experience in tropical forestry and a particular interest in natural forest management for production and conservation. Michelle also joins the Trust's Projects and Research Committee, which is now chaired by Guy Watt.

To all Trustees, all of whom give freely of their time, that most precious of all resources, I extend my sincere thanks.

Finally, on behalf of the Trustees I thank Bob Stubbs for his work during the last year. The joint Bursary Scheme represents a tangible recognition of the Forestry Commission's confidence both in him and in the Trust's rigorous assessment process.

DIRECTOR'S REPORT

Bob Stubbs, Director

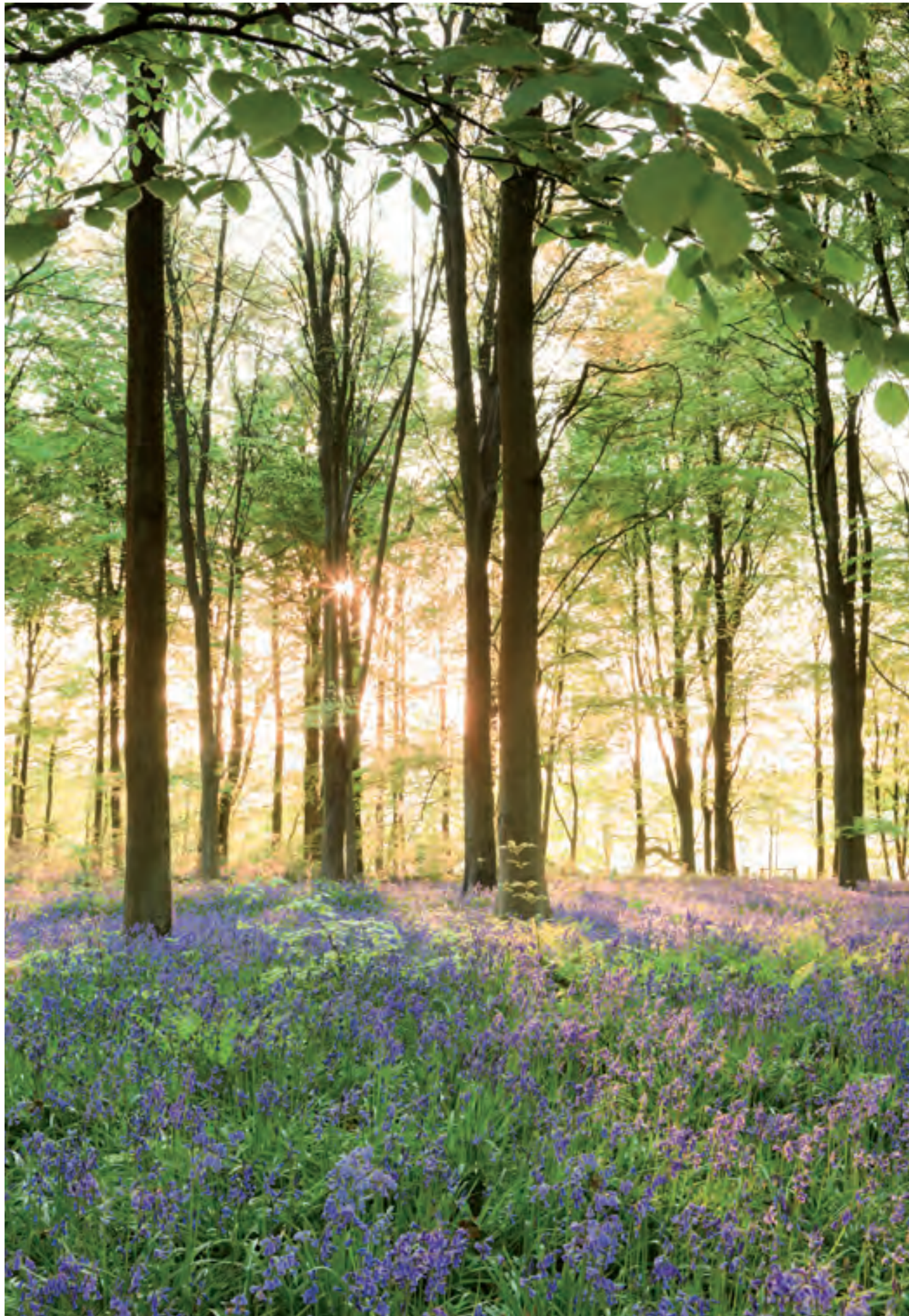
Having survived a particularly difficult period with the fortunes of the Trust's investment portfolio, Trustees felt confident to allow new applications for assistance to commence again and it is very reassuring to be back in business in that respect, once more. We were also able to continue to support some excellent research work, which I am delighted to report, is all progressing to time and on budget and you can read more about these further on in the report. Trustees are particularly keen to see further postgraduate research activity supported in the years ahead and we now have the funding platform to build on that in a more meaningful way.

A meeting, hosted by The Scottish Forestry Trust in 2008, between researchers and the wider forestry industry, highlighted the ability to access research findings as an important issue that needed to be addressed. We helped to facilitate a partnership of public and private sector organisations worked together to develop a new website, woodinfo.co.uk, which went live in February. The site is aimed at industry professionals and provides better communication, collaboration and dissemination of research.

It is worth reminding readers that since its inception in 1983, The Scottish Forestry Trust has supported 120 projects with over £1.75 million of financial support. Starting with a fund worth £1.3 million and now valued at just over £2.2 million at the year end, shows how prudent management over the intervening years, has led to a significant investment in research and education in the UK forestry sector.

'The Forestry Commission, have now agreed to provide £50,000 over a five year period to enable us to support a Bursary Award Scheme for PhD and MSc students'.

Finally and on behalf of Trustees, I would like to express my gratitude to Tayburn, who have once again designed and produced this Annual Report completely free of charge.



BY THE END OF MARCH
2010 THE PORTFOLIO
WAS VALUED AT
£2,202,833
AN INCREASE ON THE
PREVIOUS YEAR OF **£81,306**

TRUSTEES' REPORT

Trustees, officials and advisers 2010-2011

Chairman

R W L Scott OBE

Trustees

Dr C M Cahalan** (retired 16 December 2010)
A C Hart (retired 16 December 2010)
C. Mann
W McGhee*
Dr C P Quine*
G R Watt* (Chair of Projects and Research Committee from March 2011)
A Black
G Callander
M Williams MBE
Dr S Woodward*
Dr M A Pinard (appointed 01 January 2011)

Staff

Director: Mr Bob Stubbs, 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

Auditor

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

Investment Managers

Cornelian Asset Managers Ltd
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: director@scottishforestrytrust.org.uk
www.scottishforestrytrust.org.uk
Registered Charity No SC008465

Acknowledgements

The Chairman and Trustees wish to acknowledge with gratitude the generosity of the following donors to the Trust's funds:
£100 to £1,000
Mr Anthony Gunn
Mr Robert Scott OBE
The Callendar Charitable Trust

*Member, Projects and Research Committee

**Chairman, Projects and Research Committee

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 an appointment is made.

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

Biographical notes on Trustees in post during the year

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 forestry, in developing the sporting and recreational potential of woodlands, and in forest industry development in Great Britain and Ireland. Robert was appointed Lord Lieutenant for Tyrone in July 2009 and appointed Chairman of the Scottish Forestry Trust from January 2010.

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. Guy is the Deputy Chairman of the Scottish Forestry Trust since January 2010 and Chairman of the Projects and Research Committee effective from March 2011.

TRUSTEES' REPORT

Biographical notes on Trustees in post during the year

Dr Christine Cahalan is Senior Lecturer and Deputy Head of the School of the Environment and Natural Resources and Geography at Bangor University. She has a masters degree in forestry from the University of California at Berkeley and a PhD in plant genetics from the University of Wales. After a period of self-employment in forest nursery and woodland management, she moved to the Forestry Commission's Research Division and then to an academic position in Bangor. She has 25 years experience of research and teaching, working mainly in the UK but also in collaboration with academics and researchers from other EU countries, North America, Asia, Africa and Australia. Christine retired from the Trust at the December 2010 meeting.

Alan Black worked in the Scottish financial sector for 30 years, managing Private Client and Charitable monies for the Royal Bank of Scotland Investment Department and Capital House Investment Management. In 1996, he joined Newton Investment Management where he was a Director of Investment Management (Private Investment). He is currently a Director of the Aged Christian Friend Society of Scotland and a member of the Scottish Community Foundation Finance Committee.

Gordon Callander Having completed undergraduate and post graduate degrees at the University of Edinburgh and Imperial College respectively, Gordon joined the family sawmilling firm in 1986 and has been involved in all aspects of running the company with a day to day focus on processing. He has served on a number of industry related bodies over the years including as Convenor of U.K. Softwood Sawmillers Association Health & Safety sub-committee; Convenor of U.K. Forest Products Association Technical & Development sub-committee; President of U.K. Forest Products Association; Board member of Timber

Research and Development Association, Member of the Technical Sub-committee, Forestry Commission Advisory Panel.

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. Anthony retired from the Trust at the December 2010 meeting.

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 including the promotion of forestry as an investment medium in the capacity as the company's Investment Director before taking up the post as MD in 2005. 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 a member of the Scottish Forest Industry Advisory Board and Chairman of ConFor. 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 woodland and native woodland policy and practice in the UK. He has been a Trustee on the Millennium Forest for Scotland Trust and from 1996 to 2011 was the Executive Director of Borders Forest Trust, which involved him in the establishment of small-scale timber processing enterprises including Woodschool and Real Wood Studios. He is Executive Director of Bioclimate Research and Development Ltd. [BR&D], a world leader in the field of Payments for Ecosystem Services (PES), and which works principally in developing countries, linking forest conservation and ecosystem restoration with the rural poor. Willie is a founding member of, and Policy Officer for, the Forest Policy Group; a coalition of forestry focused NGOs and forestry and land use professionals in Scotland who research and promote new approaches to forestry and rural development. He served on the Forestry Commissions Native Woodland Advisory Panel and the Forestry for People Advisory Panel and is a Trustee on Scottish Power's Green Energy Trust.

Dr Chris Quine is Head of Centre of the Centre of Human and Ecological Sciences 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.

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 Land-use 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.

TRUSTEES' REPORT

Biographical notes on Trustees in post during the year

Dr Michelle A Pinard is a Senior Lecturer in Tropical Forestry in the Institute of Biological and Environmental Sciences at the University of Aberdeen and is a member of the Aberdeen Centre for Environmental Sustainability (ACES). She has more than 20 years of research experience in tropical forests, including work in Bolivia, Brazil, Ghana, Ethiopia, Malaysia and Sri Lanka. Her main research interests are in natural forest management for conservation and production and the interplay with rural livelihoods. Dr Pinard is currently involved in research on local institutional change and resource governance in Ethiopia, ecosystem services and

poverty alleviation in Brazil and Bolivia, and, drivers of mangrove degradation in the Philippines. She is also supporting the development of community monitoring programmes for natural resources in protected areas in Ethiopia. Dr Pinard serves on the Editorial Board for Conservation Biology and Biotropica, the journal supported by the Association of Tropical Biology and Conservation. At the University of Aberdeen she coordinates the taught postgraduate programmes in the School of Biological Sciences, supervises PhD students and teaches a range of courses in forestry and ecology, including courses on experimental design and statistics.

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 low-medium risk, with a bias to producing income. The Trust's administration, provision of professional services and management procedures are periodically reviewed and in March 2011, the Investment Management function was transferred to Brewin Dolphin Ltd, Edinburgh to run from June 2011 for a period of three years.

Reporting on objectives

The primary objective of the Scottish Forestry Trust is to support British forestry by contributing to 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 rural and urban 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 the 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.

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%). A proportion of the research component is providing education and training of post-graduate students, and this will be an increasing focus in years to come. The projects being supported are enhancing various aspects of British forestry by contributing scientific and technical knowledge as well as making the general public more aware of the many benefits from forestry.

Activities and achievements

A list of projects supported since the Trust started providing grant aid in 1986 is provided on the web site (www.scottishforestry.org.uk). The current portfolio of projects, as reported later, continues to be strong and varied in content. This always places considerable pressure on the Trust's resources but we are particularly grateful this year to The Forestry Commission, who have agreed five years of financial support to enable us to assist PhD and MSc students through a new joint Bursary Scheme. We are

continuing to investigate ways of partnering with other organisations in order to achieve even greater leverage from the funds we have available to us.

Having maintained a moratorium on investing in significant new project commitments for around eighteen months, Trustees reviewed the situation during the course of the year and agreed to start to accept new applications for both General Assistance and Bursary Scheme funding.

TRUSTEES' REPORT

Completed projects

Testing the Adaptive Significance of Seed Zones in Scots Pine (University of Edinburgh). To address the effectiveness of the Native Pinewood seed zone guidelines this study adopted two approaches. Firstly gathering data on the patterns of climatic variation across Scotland and asking whether the current seed zones map well onto this pattern of climatic variation. In the second approach, same environment experiments are used to establish the extent of genetic differentiation among native pine populations for characters related to adaptation to environmental variation experience across Scotland, specifically length of the growing season, low winter temperatures and moisture deficit during the growing season. The project is now complete and an article published (*Forestry* (2010) 83(5): 535-545) with another accepted for publication in *Forest Ecology and Management*.

Timber Quality Models for Scots Pine (University of Aberdeen, Forest Research). Changes in silvicultural practices in recent decades including wider initial spacings, a preference for artificial regeneration, and an increased use of mechanised thinnings, have led to concerns about the suitability of Scots pine timber for use in structural applications due to potentially poorer stem form, a greater proportion of juvenile wood and larger, more numerous knots. As part of the research presented in this study, novel predictive equations were developed for the key physical, mechanical and branching properties that determine structural timber quality in Scots pine, namely: microfibril angle, wood density, clearwood bending strength and stiffness, and branch number, size, insertion angle and status (alive or dead). Simulations were carried out using these equations to examine the effects of different silvicultural regimes on each wood and branch property of interest.

New projects

Retaining Timber Potential following PAWS Restoration (Scott McG Wilson). This study will evaluate retention of quality timber potential in forest stands subjected to PAWS restoration over recent years. Timber potential can be retained within a lightly-stocked high canopy of mature conifers, such as Douglas fir or larch, or by promoting and tending quality young hardwoods. The subject

will be investigated by research and reportage of short illustrated case-studies of silvicultural development in PAWS stands under varying climatic, edaphic and silvicultural conditions. The study will be completed during 2011.

Ongoing projects

Adaptation of British Tree Populations to Climate Change (Bangor University, Wales). Now in its sixth year, this part time Ph.D. is investigating the suitability of ten provenances of *Fraxinus excelsior* for production in the UK under predicted future climatic conditions. A series of reciprocal transplant experiments was planted in late 2008 along a latitudinal gradient from Inverness to the Pyrenees to test each provenance at each location, and were assessed for survival, growth and budburst in 2009 and 2010. Vole and frost damage in 2010 have conspired against the project and some work has had to be repeated. The project is now due to conclude in early 2012.

Survey of Bechstein's Bats (Bat Conservation Trust). The Bechstein's bat project aims to establish baseline distribution data for this rare tree-dwelling bat by surveying woodlands throughout its UK range. 2010 has been a very successful year for the project, with more woodlands surveyed, individuals caught and Bechstein's bats captured than other years of the project. Approximately 75 volunteers took part in summer 2010, learning new skills and gaining experience in survey techniques and bat identification. Bechstein's bats were caught across Buckinghamshire, Dorset, Gloucestershire, Kent, Somerset and Worcestershire during the year and added to records collected in Dorset, Kent and Surrey in 2008 and 2009. These records are providing a better understanding of Bechstein's bat distribution across Southern England.

A Social History of Scottish Forestry in the 20th Century (University of the Highlands and Islands Centre for History). Now into its second year, this project continued to research the social history of Scottish forestry in the 20th century, primarily using oral testimony and also documentary sources. The

interviewing phase was almost completed by the end of 2010 by which time a further 27 full interviews been conducted since May 2009. In addition, and as a result of a very successful event which took place at Huntly in June 2010, a further 12 short interviews were completed. Interviews also focused on the Borders, including a retired Buccleuch forester and a presentation was made to the south Scotland forestry cluster group in November 2010. Work started on drafting text for the project's book, which is due for completion in June 2012. A wartime chapter has so far been written. Another edition of *Offcuts*, the project newsletter, was produced in July 2010. The Centre for History also hosted a well-attended talk in Inverness in May 2011 about the Canadian Forestry Corps in Scotland during the Second World War. The year ahead will focus on writing the book using the material so far gathered and continuing to support the website (www.forestry-memories.org.uk).

Continuous Cover Forestry in Glentress (Edinburgh University / Forest Research). The Scottish Forestry Trust is supporting a Ph.D. "Developing the Silviculture of Continuous Cover Forestry: using the experience and data collected from the Glentress trial area". The scientific approach includes the examination of stand structure, assessments of sapling survival, regeneration physiology and modelling. The data collected will allow the parameterisation of the hybrid patch model, PICUS V1.4. Stand information collected during the Ph.D. will be used in conjunction with historical data sets to enable analysis and prediction of future forest structure. This work will contribute to an improved understanding of upland CCF management. The research is scheduled to conclude during the course of 2011.

TRUSTEES' REPORT

Financial review

The financial statements prepared comply with the requirements of the Trust Deed and the Charities Accounts (Scotland) Regulations 2006. The audited financial statements are presented later in this report. The auditors observe that the financial statements give a true and fair view of the Trust's affairs at 31 March 2011.

The Trust has the following Social 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, with a bias to producing income. The Trust's administration, provision of professional services and management procedures are periodically reviewed. At 31 March 2011 the net assets of the Trust were £2,299,710 compared to £2,232,420 at the same date in 2010, due primarily to an increase 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, and the value of the investment portfolio increased due to the continuing recovery in the stock market. Total costs were £92,369 while the income from dividends, bank account interest and donations was £88,319. The shortfall of £4,050 was taken out of the investment assets.

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 increased in value this year although Trustees continue to monitor the portfolio and adjust their future commitments accordingly.

Plans for the future

The Trust's funds over the next three years are under pressure as there are commitments of £80,552 to support projects and some uncertainty in the stock market continues to exist.

The Trustees review the situation at each Trustees' Meeting and have taken steps to appoint new fund managers with a higher income target to reach.

There is no intention of the Trustees ceasing to provide grant aid for new projects, but the selection process will have to continue to be rigorous and we will look to other funding bodies to help support important work.

TRUSTEES' REPORT

Statement of Trustees' responsibilities

The Trustees are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The 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 state of affairs of the charity and of the incoming resources and application of resources of the charity for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and apply them consistently;
- observe the methods and principles in the Charities Statement of Recommended Practice;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any departures disclosed and explained in the financial statements; and
- 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 that 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 Charities Accounts (Scotland) Regulations 2006 and the requirements of the charity's trust deed. 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 for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees are responsible for the maintenance and integrity of the charity and financial information included on the charity's web site. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Trustees



Robert Scott OBE
12 August 2011

STATEMENT OF FINANCIAL ACTIVITIES

Incorporating the Income and Expenditure Account

	Notes	Unrestricted 2011 Total £	2010 Total £
Incoming resources			
Incoming resources from generated funds:			
Voluntary income		1,610	620
Investment income	2	85,335	63,462
Incoming resources from charitable activities		1,374	1,957
Total incoming resources		88,319	66,039
Resources expended			
Cost of generating funds:			
Investment management costs		10,718	8,601
Charitable activities	3	79,300	104,651
Governance costs	6	2,351	2,205
Total resources expended		92,369	115,457
Net outgoing resources before other recognised gains/ (losses)		(4,050)	(49,418)
Other recognised gains/ (losses)			
Gain/(loss) on investment assets:			
Realised		(29,917)	241,812
Unrealised	9	101,257	279,571
Net movement in funds		67,290	471,965
Reconciliation of funds		2,232,420	1,760,455
Total funds carried forward		2,299,710	2,232,420

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 21 to 30 form part of these financial statements.

BALANCE SHEET


As at 31 March 2011

	Notes	2011 £	2010 £
Investments	9	2,202,833	2,121,527
Current Assets			
Bank	10	95,391	127,680
Debtors	11	8,553	24
		103,944	127,704
Creditors: amounts falling due within one year	12	(7,067)	(16,811)
		96,877	110,893
Net assets		2,299,710	2,232,420
Represented by:			
Unrestricted funds	13	2,299,710	2,232,420

Approved by the Board of Trustees on 12 August 2011 and signed on its behalf by:



Chairman
Mr Robert Scott OBE



Trustee
Mr Guy Watt

The notes on pages 21 to 30 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended
31 March 2011

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), the Charities Accounts (Scotland) Regulations 2006, and the Charities and Trustee Investment (Scotland) Act 2005.

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.

Grants

Grants payable are charged in the year in which they are approved by the Trustees except in those cases where the offer is conditional and meets the necessary conditions for recognition in a later accounting period.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended
31 March 2011

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.

2. Investment income

	2011 £	2010 £
UK listed investments	85,326	63,462
Interest on cash deposits	9	–
	85,335	63,462

3. Charitable activities

	Grant funding	Support costs	2011 £	2010 £
Education	240	6,315	6,555	6,749
Research	47,485	25,260	72,745	97,902
	47,725	31,575	79,300	104,651

NOTES TO THE FINANCIAL STATEMENTS

For the year ended
31 March 2011

4. Grant funding - project grants

	2011 £	2010 £
Education		
RSFS Forest Trust Company	-	300
18th Commonwealth Forestry Conference	240	-
Research		
Scots Pine Conserving Adaptive Variation	13,795	13,605
Scots Pine Timber Quality Model	9,755	21,330
Heritability of Sitka Wood Properties	-	8,395
SFT Fellowship	-	3,900
Continuous Cover Forestry Glentress	9,735	9,979
Sitka Spruce Raw Material Segregation	6,700	6,700
Survey Bechstein's Bats	-	5,000
Scotland's Finest Woods	-	200
Finding David Douglas Documentary	-	3,000
Funding for the UHI Centre	3,000	-
Adaptation of British Tree Populations to Climate Change	2,000	-
PAWS Retained Timber Potential	2,500	-
	47,725	72,409

All of the above grants were made to institutions.

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:

	Charitable Activity Education £	Charitable Activity Research £	2011 Total £	2010 Total £
Support costs				
Employment costs	3,782	15,128	18,910	18,910
Office costs	2,073	8,293	10,366	10,519
Trustees' expenses & meeting costs	379	1,514	1,893	746
Payroll	92	369	461	385
Solicitor's fee	(30)	(120)	(150)	1,618
Bank charges	19	76	95	64
	6,315	25,260	31,575	32,242

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

	2011 £	2010 £
Audit fees	2,351	2,205

NOTES TO THE FINANCIAL STATEMENTS

For the year ended
31 March 2011

7. Staff costs

	2011 £	2010 £
Director's salary	17,500	17,500
National Insurance contributions	1,410	1,410
	18,910	18,910

	No.	No.
The average number of employees during the year was:		
Administration	1	1

During the year the trustees received no remuneration, trustees reimbursed expenses totalled £915 (2010: £nil). These expenses were incurred in respect of travel and subsistence while attending Trustees' meetings.

No employee received emoluments over £60,000.

8. Fixed assets

	Office equipment £
Cost	
At 1 April 2010 and 31 March 2011	1,198
Depreciation	
At 1 April 2010 and 31 March 2011	1,198
Net Book Value	
At 31 March 2011 and 31 March 2010	-

9. Investments - fixed assets

	2011 £	2010 £
Market value at 1 April 2010	2,121,527	1,540,186
Additions at cost	820,423	516,403
Disposals	(840,374)	(214,633)
Net unrealised gains on revaluation	101,257	279,571

Market value at 31 March 2011 2,202,833 2,121,527

Historical cost at 31 March 2011 1,878,742 1,751,434

Investments at 31 March 2011 which represent over 5% of portfolio value are:

	2011 £	%
M&G Corporate Bond Fund Inc £	130,029	6
Fidelity SterlingCore Plus Bond Inc	110,794	5
Royal London Sterling Extra Yield Bond	117,147	5
Veritas Asset Management Global Income Fund	117,527	5

Market value at 31 March 2011 475,497 21

NOTES TO THE FINANCIAL STATEMENTS

For the year ended
31 March 2011

10. Bank

	2011 £	2010 £
Operating accounts	17,358	28,337
Capital accounts with investment manager	78,033	99,343
	95,391	127,680

11. Debtors

	2011 £	2010 £
Accrued income	8,530	1
Prepayments	23	23
	8,553	24

12. Creditors

	2011 £	2010 £
Other creditors	2,026	12,290
Accruals	5,041	4,521
	7,067	16,811

13. Movement in funds

	Balances at 1 Apr 2010 £	Incoming Resources £	Outgoing Resources £	Investment Gain £	Transfer £	Balances at 31 Mar 2011 £
Unrestricted funds						
Revenue fund	-	88,319	(92,369)	-	4,050	-
Capital fund	2,232,420	-	-	71,340	(4,050)	2,299,710
	2,232,420	88,319	(92,369)	71,340	-	2,299,710

During the year transfers of £4,050 were made from the capital fund to the revenue fund to cover deficits incurred on revenue unrestricted funds during the year.

14. Analysis of Net Assets between funds

	Capital Fund £	Total £
Investments	2,202,833	2,202,833
Current assets	103,944	103,944
Current liabilities	(7,067)	(7,067)
Total net assets	2,299,710	2,299,710

NOTES TO THE FINANCIAL STATEMENTS

To the trustees of the Scottish Forestry Trust

15. Commitments

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

	Total £
2011/12	49,527
2012/13	22,137
2013/14	5,894
2014/15	2,994

16. 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 7 October 2008 and 1 July 2010. Mr Colin Mann is a member of the Board of Directors of ConFor. The Trust paid office rent of £2,918 (2010: £2,856) and administrative support costs of £1,692 (2010: £3,383).

£9,735 was paid in grants to Forest Research for projects on Continuous Cover Forestry in Glentress. Dr Chris Quine is Head of Centre for Human and Ecological Sciences at the Northern Research Station, Forest Research.

£2,000 was paid in grant to the University of Bangor for the project on Adaptation of British Tree Populations to Climate Change. Dr Christine Cahalan is Senior Lecturer and Acting Head of the School of Environment and Natural Resources and Geography at Bangor University.

£20,420 was paid in grants to the University of Aberdeen for projects on Scots Pine Timber Quality Models, £10,665 of this sum was accrued in the previous financial year. Dr S Woodward is reader in forestry in the Department of Plant and Soil Science, School of Biological Sciences at the University of Aberdeen and Dr Michelle A Pinard is a Senior Lecturer in Tropical Forestry in the Institute of Biological and Environmental Sciences at the University of Aberdeen.

INDEPENDENT AUDITOR'S REPORT

To the trustees of the Scottish Forestry Trust

We have audited the financial statements of The Scottish Forestry Trust for the year ended 31 March 2011 which comprise the Statement of Financial Activities, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 Auditor

As explained more fully in the Trustees' Responsibilities Statement set out on page 12, the trustees are responsible for the preparation of financial statements which give a true and fair view.

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with regulations made under that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and nonfinancial information in the Trustees' Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

INDEPENDENT AUDITOR'S REPORT

To the trustees of the
Scottish Forestry Trust

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 March 2011 and of its incoming resources and application of resources, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charity Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- the information given in the Trustees' Annual Report is inconsistent in any material respect with the financial statements; or
- proper accounting records have not been kept; or
- 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.

CHIENE + TAIT

Chartered Accountants and Statutory Auditor
61 Dublin Street
Edinburgh
EH3 6NL

12 August 2011

Chiene + Tait is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.