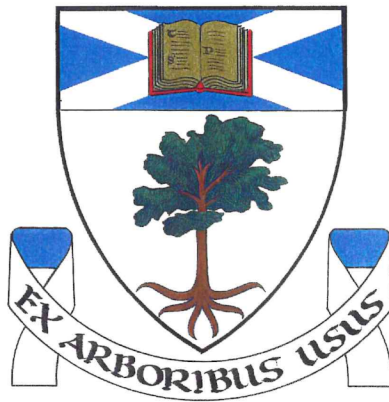


THE SCOTTISH FORESTRY TRUST



ANNUAL REPORT 2003-2004

www.scottishforestrytrust.org.uk

SELECTED ITEMS FROM THIS YEAR'S REPORT



Assets of the Trust at 31st March 2004 were £1,972,770, an increase of £228,469 over the previous twelve months.



Five major projects were completed and six are continuing.



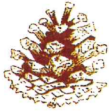
A timber quality model for Sitka spruce was developed and presented to the forest industry and timber growers.



A PhD study looking at genetic diversity of reproduction from fragmented populations of rowan and ash found that there was no decrease in diversity from one generation to the next.



A review of the role of UK's forests in the low carbon economy was commissioned; the report will be published in the autumn 2004.



Many projects require considerable discussion and amendments before funding is committed. Delays in finalising some projects have resulted in projects and expenditure being carried over to the next three years.



Total expenditure was well within the 5% budget of the market value of the investment portfolio.



For news of the Trust visit our web site, www.scottishforestrytrust.org.uk. This now includes a full list of completed projects.

CONTENTS

	Page
Selected Items from This Year's Report	inside front cover
The Objectives of The Scottish Forestry Trust	3
Trustees, Officials and Advisers 2003-2004	4
Acknowledgements	4
Chairman's Foreword	5
Trustees' Report	6
Recipients of <i>John Eadie Memorial Fellowship</i>	8
Projects Completed This Year	8
Ongoing Projects	9
Biographical Notes on Current Trustees	10
Audited Accounts and Financial Statements	12 to 19
Gift Aid Declaration	Back Page

THE SCOTTISH FORESTRY TRUST AND ITS OBJECTIVES

The Scottish Forestry Trust is a charitable trust established in 1983 to promote education, training and research in forestry.

The Trustees have determined that, for the time being, the Trust's major contribution should be towards funding research projects, although as opportunities arise educational and training projects may be supported. A small proportion of the budget is set aside for publications and travel.

The Trust's primary objective is to support British forestry by contributing to the scientific, technical and economic information it requires to enable it to support its development. "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.

Projects in all of the sciences, which bear upon forestry, may be supported by the Trust. Priority is given to proposals that address industry needs related to policy formation and execution, and to broad management questions. In general terms, preference is given to studies of an applied nature where the benefits are more immediately available to the industry. Notwithstanding that, fundamental work, with potential to resolve outstanding problems, or reveal new opportunities, is also supported.

TRUSTEES

Chairman Sir F M Strang Steel Bt, CBE

Trustees Dr C M Cahalan*
J R Firn*
A Hart
J Kissock
W L Mason*
W McGhee*
Dr J A Petty**
R W L Scott
M Williams MBE

*Member, Projects and Research Committee

**Chairman, Projects and Research Committee

STAFF

Director Dr David A Rook
Director's Secretary Mrs Elizabeth Hughson

LEGAL ADVISER

Mr D M Hunter
Henderson Boyd Jackson WS
Exchange Tower
19 Canning Street
Edinburgh EH3 8EH

BANKERS and INVESTMENT MANAGERS

Adam & Co
22 Charlotte Square
Edinburgh EH2 4DF

AUDITORS

Chiene & Tait CA
61 Dublin Street
Edinburgh EH3 6NL

REGISTERED OFFICE

5 Dublin Street Lane South
Edinburgh EH1 3PX
Tel: 0131 478 7044 Fax: 0131 538 7222
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:

£10 to £100 Mr A Gunn
£100 to £1000 Callendar Charitable Trust

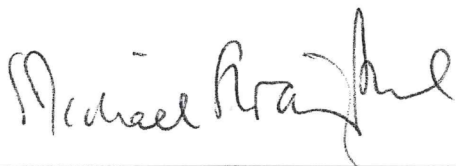
CHAIRMAN'S FOREWORD

It is pleasing to report an upturn in the market value of the investment portfolio. The net assets at the end of this year stand at almost £2 million compared with just under £1³/₄ at the end of March 2003. Expenditure on project grants has declined significantly over the past four years from almost £100,000 in 2001 to only £40,000 this year. £20,000 in this year's budget was carried forward due to delays in agreeing and starting new projects to which support had been agreed in principle. This is discussed further in the Trustees' Report. The underspend over the past two years carried over to 2004/05 enhances a total budget now in excess of £100,000 and there is a strong indication that this money will be spent.

The Trust continues to review regularly its constitution and procedures. A statement of the Trust's ethical investment stance was agreed at the end of last year. The investment portfolio will continue to be managed on a low-risk, total return basis with due consideration of the Trust's aims and objectives. The Trust's UK remit (i.e. not confined to Scotland) was re-affirmed and the publicity strategy was re-examined. In addition, a review of the benefits and impacts of projects funded five to eight years ago was undertaken to help advise on future funding strategy.

Although a reduced programme of projects was funded, five projects were completed and six are ongoing. These are making significant contributions to enhancing knowledge of forestry by the general public and within the profession. During the year, Dr Leban completed his tenure of a *John Eadie Memorial Fellowship* having collaborated with staff at the Northern Research Station, Forest Research in developing a wood quality model for Sitka spruce. This is another excellent demonstration of the value of this Fellowship in making it possible for forest scientists from other countries to comment on forestry practices in Britain and provide expertise not available in this country. This model is of considerable interest to the wood processing industry as well as to growers. A PhD thesis on *Effects of Chronic Habitat Fragmentation on Population Genetic Processes in Temperate Tree Species*, part funded by the Trust, was completed and the results have attracted considerable attention as it is especially relevant to those establishing native woodlands. Information about the other projects is provided later in this report.

Once again I wish to acknowledge the time and commitment of the Trustees who provide their knowledge and expertise free and to our hardworking Director, who promotes the activities of the Scottish Forestry Trust to a wide and international audience.

A handwritten signature in dark ink, appearing to read 'Michael Strang', written in a cursive style. The signature is positioned above a horizontal line.

Sir F Michael Strang Steel Bt, CBE

TRUSTEES' REPORT

The primary objective of the Scottish Forestry Trust is to support research, education and training in forestry in the U.K., and the Board of Trustees has the sole power to make decisions for the Trust. Trustees are appointed for their experience, expertise and objectivity, and provide a good balance of appropriate skills on the Board according to the Trust's constitution. 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 full 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.

Statement of Trustees' Responsibilities

Charity law requires the Trustees to prepare financial statements, which give a true and fair view of the state of affairs of the Scottish Forestry Trust at 31st March 2004 and of its income and expenditure for the previous twelve months. In preparing those financial statements, the Trustees are required to:

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

The Trustees are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Trust and ensure that the financial statements comply with charities' legislation and good corporate governance. They are also responsible for safeguarding the assets of the Trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Review of Projects Portfolio

During the past year five major projects were completed and six are continuing. Dr Jean-Michel Leban, who was awarded a John Eadie Fellowship in 2002, worked with staff at the Northern Research Station, Forest Research to develop a timber quality model for Sitka spruce. This model was based on research carried out at INRA in France mainly on Norway spruce and made use of a limited number of previous studies on Sitka spruce carried out by Forest Research and British universities. This approach has saved a significant amount of time and cost. Presentations of this model were made to forest growers and industry groups as well as to universities and other scientists. The next stage in the development of these models for the forest industry is to produce a user-friendly decision support system. Further work is also required to incorporate stem form since this is a key criterion involved in timber quality. The Trust supported a brief visit by a member of the Northern Research Station, Forest Research, to a conference in Sweden to gain first hand information about an instrument, *SilviScan*, which can rapidly assess a comprehensive range of wood properties. Although costly, this technology offers an alternative to laborious and time consuming measurements. A project to select plus trees to provide the genetic material for the establishment of improved ash plantations was supported. The Trust helped to fund the production and launch of a sustainability strategy for the UK forest industries sector. This strategy, "Naturally Wood", was produced by the Forest Industries Development Council and addresses environmental, economic and social aspects of sustainability. Results of study carried out at Edinburgh University on genetic effects of chronic habitat fragmentation on rowan and ash are encouraging for reforestation. Both rowan and ash remnants maintained high levels of genetic diversity in mature trees, in the seed produced and in recently established individuals. This is due to extensive pollen and seed mediated gene exchange on a much wider catchment scale.

An ongoing project on *Modelling Growth of Sitka Spruce and Birch* at University of Wales, Bangor is exploring new methods of collecting data for profiling tree crowns. The production of a series of TV programmes on *Man's Relationship with Trees and Forests* is being pursued. The Centre for Timber Engineering, Napier University was established and had its first intake of students in 2003: £10,000, is being provided over its first three years to support this major initiative. The Trust is providing some "private sector" funding in support of an EU Northern Periphery project on the *Suitability of Sitka and Norway Spruces for Use as External Timber Cladding on the Maritime Periphery of Europe*. A total of £10,000 also is being provided over two years by the Trust to help construct the Loch Lomond Native Forest Centre at Cashel. This will help fund a visitor centre and residential, conference and training facilities, which it is anticipated, will be used extensively by schools. A study has been commissioned from the Edinburgh Centre for Carbon Management to provide a "business relevant" summary for policy makers and forest industries of the potential economic and environmental benefits from carbon sequestration and storage, substitution of brick, steel, plastics with timber, and the displacement of fossil fuels by wood. The report will be published in the autumn of 2004.

As part of responsible governance of the Trust's management and procedures, the Trustees assessed the benefits and impacts of projects, which the Trust had supported five to eight years ago. Since many projects run for three years, the sample of projects covered a period of four years. The Trust provided £391,211 supporting this sample of twenty projects. Other organisations also supported some projects with cash or "in kind". The total cost of these was considerably in excess of £2.5 million with the Trust money providing, conservatively, "leverage" in excess of 5.4. The projects covered a very broad range of topics and subject areas in forestry and its products. Although this exercise was subjective, it did provide a useful indication of the relative values of the projects, but further refinements are desirable to increase the soundness of future impact assessments. There were no clear indications as to which projects, subject areas or contractors should be favoured over others; rather the diversity of projects and range of persons/organisations supported by the Trust is seen as a major strength. In the twenty projects, eight post-graduate degrees were awarded, which is a major contribution to improving expertise in forestry.

Financial Review

The financial statements prepared comply with the requirements of the Trust Deed and the Charities Accounts (Scotland) Regulations 1992. The audited accounts, prepared by Chiene & Tait CA, 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 2004.

The Trust has the following ***Socially Responsible Investment Policy***.

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 Trustees continue to take measures to alleviate danger of major risks to its continued operation. 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. During the year the Trustees re-affirmed with the Investment Managers the policy that the investment portfolio be managed on a 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. This year the Trust changed its bank to Adam & Co to facilitate money transfers between the banking and investment accounts.

At the 31st March the net assets of the Trust were £1,972,770. The total return of the investment portfolio, taking into account both income and increase in market value, was 18.8% over the 12 months. When money transfers, payment of management fees, bank charges and custody fees are taken into account, the market valuation *per se* increased by approximately 14%. The Trustees in drawing up the budgets for the year had a target of total expenditure on project grants, administration and professional services of 5% of the average market value of the investment portfolio in 2003-04. Budgets are based on total returns on investments and not restricted to income from dividends, interest and sales of reports. Delays in finalising and starting several projects resulted in £20,000 less being spent this year of the Projects and Research Budget. Delays in initiating projects are not unusual. Many applications received require considerable discussion, further development and a revised application before being accepted and that can take many months. Delays may also be encountered due to difficulties in recruiting appropriate students or other commitments of the applicants. Our priority is to fund quality and relevant projects rather than stick rigorously to annual budgets. The under spending in the Projects and Research budget normally is carried forward to the next year. £5,000 was provided from the publicity fund for the journal *Scottish Forestry* to accept regular contributions from and information about the Trust.

Income was received from donations, sales of reports and royalties. The Trustees are very grateful for the donations received and are looking at ways that these might be increased. A grant of £2,500 was received to help fund a project under discussion on *Non-Timber Forest Products*, and that will proceed in 2004-05. Over the next three years there are commitments of almost £150,000 for projects, which is much greater than in the past several years and in part reflects the delays in starting projects.

RECIPIENTS OF JOHN EADIE MEMORIAL FELLOWSHIPS

A John Eadie Memorial Fellowship is awarded normally every two years. 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

PROJECTS COMPLETED THIS YEAR

Genetics of Fragmented Populations of Native Trees (Dr R Ennos and C Bacles, Edinburgh University): This project had the objective of assessing the genetic quality of seed derived from fragmented populations of rowan (*Sorbus aucuparia*) and ash (*Fraxinus excelsior*) in Moffat Dale, Dumfries-shire. The number of adult trees which contributed to seed production was estimated and gene exchange between remnant populations measured. Results for both rowan and ash indicated that the genetic diversity of seeds and seedlings collected in the combined remnant stands were as high as in the adult populations. Mating patterns in the fragmented populations ensured that the genetic diversity present in the remnant population of adults was effectively transmitted to the seeds and seedlings of the next population. Another significant result indicated substantial exchange of pollen and seed from outside the area of the remnant populations.

UK Forest Industries Sector Sustainability Strategy (Forestry Industry Development Council): Publication of an action plan with targets, reporting system and review mechanisms to provide a framework for industry to improve its overall sustainability. Each link in the wood-chain from forest to production and distribution of wood based products is addressed in this sustainability strategy. This document aims to demonstrate the sector's commitment to action and provide a basis for advocacy on behalf of the sector.

Selection of Ash (University of Central Lancashire, Newton Rigg): SFT funding helped in selecting 301 plus trees of *Fraxinus excelsior* across Britain. Further selections are required to meet the desired numbers in each of the different regions. A database, which contains complete records of each plus tree, has been developed. In 2003 detailed floral surveys were carried out on one site of 1296 ten-year old trees, of which 544 produced flowers. Trees were noted as male, female and hermaphrodite, but some individuals were of mixed sex. These studies on flowering will be continued.

SilviScan (Forest Research): Shaun Mochan from the Northern Research Station attended a conference in Sweden on new technology being introduced into the forestry industry – in particular the new *SilviScan-3* scanner. *SilviScan* can provide pith-to-bark assessments of several wood properties, e.g. fibre diameter, wall thickness, fibre orientation, and crystallinity, plus ring width and latewood proportion, using 12 mm core samples. The instrument in Sweden is available to process samples; costs of processing vary with numbers of samples, characters and accuracy of measurements.

John Eadie Memorial Fellowship: This year Dr Jean-Michel Leban from INRA, Nancy was awarded the fellowship to allow him to make several visits and spend time working with scientists at the Northern Research Station, Forest Research to develop and help validate a wood quality model for Sitka spruce (*Picea sitchensis*) based on a model for Norway spruce (*P. abies*) in use in France. Initial work has concentrated on developing and testing a wood density model. Models of stem taper and branching will be developed next, and these will then be integrated with ring width and density models. Dr Leban has given lectures at Universities and Forest Research and a seminar was held in 2003 for forest growers and the sawmilling industry to demonstrate the model and its uses.

ONGOING PROJECTS

Development of a Single Tree Distance Dependent Growth Model for Sitka Spruce (*Picea sitchensis*) and Birch (*Betula spp.*) (Dr A Pommerening and O Davies, University of Wales, Bangor): New tree growth models are required with greater spatial and temporal resolution to accommodate the greater complexity of continuous cover forestry silvicultural systems compared with clear felling silviculture. Experimental and permanent sample plots in planted and semi-natural forest have been established to provide data from a “growth series”. Early results of crown profile modelling based on crown radii and crown lengths unfortunately did not yield reliable results and other methods had to be investigated. Current studies using digital terrestrial photogrammetry are however now encouraging, but further trials with older material and denser stands are required.

Centre for Timber Engineering (Napier University): A UK Centre of Excellence providing university courses and degrees in timber engineering has been established at Napier University. Market research identified that few engineers are graduates in timber engineering and there is little about designing in timber in curricula of either undergraduate or graduate engineering degree courses. Training of timber technicians and operatives is also being undertaken as at present industry’s requirements are not being met. As research in timber engineering is fragmented and the results poorly disseminated to industry, importance is attached to establishing research programmes addressing both strategic issues and applied near to market problems. The first intake of students occurred in autumn 2003. The Trust agreed to give some financial support over the first three years.

TV Forestry Programmes (Forest Green Mantle Ltd): The Trust is supporting the initial preparation of a potential series of TV programmes, which will explore the controversial story of people using and abusing the world’s forests. The series attempts to trace the worldwide careless exploitation of natural forest and contrasts this with successful management that can ensure sustained production. It would show the part forests play in buffering climate change and serving as reservoirs of biodiversity. The programmes intend to take a world view, presenting human stories, ecological controversies, and national and international political dilemmas. Enquiries are continuing to determine level of interest of TV producers and identify sources of financial support.

External Timber Cladding (The Highland Council): The Highland Council is acting as project leader of partner organisations to undertake a three year trans-national research project on *External Timber Cladding in Maritime Conditions*. The project budget is some £680,000 provided mainly from the *EU Northern Periphery INTERREG III Programme* and includes Scotland, Norway, Faroes and Iceland. The Scottish Forestry Trust’s contribution of £15,000 over three years was important as a significant source of “private match funding” to secure the EU funding. The project aims to improve the performance, cost effectiveness, and sustainable development benefits of timber clad housing in the exposed maritime areas of the northern Atlantic.

UK Forests: Carbon Assets (Edinburgh Centre for Carbon Management): This study commissioned by the Trust is to provide an accessible and “business relevant” summary for policy makers and the forest industries of the available evidence for the total potential greenhouse gas benefit from the UK forest sector over the next fifty years, taking into account the CO₂ uptake and storage of forests and the substitution of energy intensive products and fossil fuels by wood products.

Loch Lomond Native Forest Centre (Royal Scottish Forestry Forest Trust Co Ltd): The steading at Cashel Farm is being renovated as a residential centre for groups who have an interest in forestry, the environment and outdoor activities. This development should have economic benefits for the area and the Loch Lomond & the Trossachs National Park through accommodating and attracting tourists, students and school parties.

BIOGRAPHICAL NOTES ON CURRENT TRUSTEES

Sir Michael Strang Steel Bt CBE has been Chairman of the Scottish Forestry Trust since 2002 and a Trustee from 1997. 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; President of the Royal Scottish Forestry Society in 2003; Chairman of the Timber Marketing Group; and Chairman of Alba Trees plc (until 27 May 2003). Sir Michael is a member of the Forestry and Timber Association, the Scottish Landowners Federation, Deer Commission for Scotland, the Royal Society for Protection of Birds, and is a Director, Southern Uplands Partnership.

Dr Christine Cahalan is Senior Lecturer in Agricultural and Forest Sciences, University of Wales, Bangor. She is a current member of Forestry Commission Advisory Committee on Forest Research and member of the editorial board of *Forestry*, the Forest Research Timber Quality Steering Group, the Executive Committee of the Royal Forestry Society (North Wales Division), and Welsh Woodland Forum (Working Group 2). Christine is the current external examiner for BSc Forest and Woodland Management and BSc Forestry, University of Central Lancashire. She is a former member of: QAA (Quality Assurance Agency) benchmarking group of Agriculture, Forestry, Agricultural, Food and Consumer Sciences, and the Technical Sub-Committee of the Forestry Commission's Advisory Panel.

John R Firth is Managing Director of Firth Crichton Roberts Ltd, an economic development consulting company based in Pittenweem, Fife. He is a graduate of both the Edinburgh School of Agriculture and the University of Sussex. He founded Firth Crichton Roberts Ltd in 1984, and directed nearly 500 assignments for private and public sector clients throughout the United Kingdom, Europe and internationally. Prior to that he was for seven years Deputy Director of Planning and Projects and Head of Industrial Programmes at the Scottish Development Agency, responsible for the Agency's sectoral development initiatives and its rural development programmes. He is currently a senior advisor on international investment policy and MNE projects to UNCTAD and UNIDO, undertaking assignments in Europe, the Middle East, Africa and Asia. John has been a Trustee of the Scottish Forestry Trust since 1996; is currently the UK Chair of the Forestry and Timber Association and a Director of the Confederation of Forest Industries (UK) Ltd – ConFor.

Anthony Hart has been based in Perth since 1990 and is one of 17 Equity Partners of Bidwells Property Consultants - a firm of over 350 staff operating from 13 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.

John A Kissock graduated with a B.Sc.Hons. in forestry from Aberdeen University in 1974. From there he joined James Jones & Sons as a Graduate Trainee, progressing to Area Manager, Director and now Joint Managing Director. His main interest lies in the processing and marketing of the sawn products from UK sawlogs. James Jones currently produces in excess of 300,000 m³ of sawn timber. In addition, he has a strong interest in the development of engineered timber products having worked with colleagues to set up the first production line in the UK for I Joists. 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.

Bill Mason is based at the Northern Research Station of Forest Research near Roslin. He joined the Forestry Commission in 1977 following studies at Cambridge, Bangor and Imperial College, London. He was a forest manager in Suffolk and in south Scotland before coming to NRS in 1982 to lead the programme on forest nursery research. In 1991, he was appointed Head of the Silviculture Branch at NRS and he is now Head of Forest Management Division as well as leading the programme on Alternative Silvicultural Systems for Conifer Forests. He has been a Trustee of the Scottish Forestry Trust since 1997. He and his family also own and manage woodlands in the north Midlands of England.

Willie McGhee is Director and one of the founders of Edinburgh Centre for Carbon Management. He 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. He has extensive experience of establishing and assessing forestry programmes and projects, both in Europe and in developing countries. He has carried out forest based ecological research and silvicultural assessment for governmental organisations such as Scottish Natural Heritage and the Forestry Commission, the private sector such as Shotton Forest Management and the environmental sector such as World Wide Fund for Nature Scotland. Publications include jointly authored papers for the OECD, the United Nations FAO (State of the World's Forests 2001) and World Wide Fund for Nature. Willie is a Director of Borders Forest Trust, managing projects on floodplain woodland restoration, community woodland establishment and ancient semi-natural woodland conservation. He is Chairman of Habitat Scotland; a Director with Tweed Forum; and a member of the Forestry for People Advisory Panel to the Forestry Commission.

Dr Alan Petty was formerly Reader in Forestry at Aberdeen University and is a graduate of the Universities of Oxford, Leeds and Aberdeen. His research interests lie mainly in wood science, particularly fluid flow in sawn timber and the living tree, wood quality and wind damage to trees. He has been awarded the Mallinson Gold Medal for Timber Research and also the Scientific Achievement Gold Medal of the International Union of Forestry Research Organisations. He is former Editor of *Forestry* and Council Member of the Institute of Chartered Foresters. He is currently on the board of the International Academy of Wood Science. Alan has been a Trustee of the Scottish Forestry Trust since 1995 and has been Chairman of the Projects and Research Committee since January 2001.

Robert Scott, 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 forestry in Scotland and Northern Ireland. He currently represents Northern Ireland on the board of the Forestry & Timber Association, following two years as the UK Chairman of the Association. He is also FTA's representative on European Confederation of Forest Owners, and is the Northern Ireland representative on the Royal Forestry Society Council. He has a keen interest in continuous cover forestry, and forest industry development in the UK and Ireland.

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, and member of Scottish Natural Heritage East Board. 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.

THE SCOTTISH FORESTRY TRUST
AUDITOR'S REPORT and FINANCIAL STATEMENTS

For the year ended 31 March 2004

**INCOME and EXPENDITURE ACCOUNT and STATEMENT of FINANCIAL
ACTIVITIES**

	Notes	Restricted Fund	Un- restricted Fund	2004 £	2003 £
Incoming resources					
Activities in furtherance of the Charity's objectives:					
Donations		-	550	550	-
Grants		2,500	-	2,500	-
Investment income		-	83,984	83,984	78,590
Other income		-	104	104	316
Total incoming resources		2,500	84,638	87,138	78,906
Resources expended					
Cost of generating funds:					
Investment management fees		-	12,250	12,250	16,519
Costs of activities in furtherance of the charity's objectives:					
Project grants	2	-	40,046	40,046	57,687
Publicity – Royal Scottish Forestry Journal		-	5,000	5,000	-
Management and administration	4	-	34,203	34,203	32,218
		-	79,249	79,249	89,905
Total resources expended		-	91,499	91,499	106,424
Net outgoing resources		2,500	(6,861)	(4,361)	(27,518)
Gains/(losses) on investments					
Realised		-	24,903	24,903	(76,868)
Unrealised	6	-	207,927	207,927	(480,269)
Net movement in funds		2,500	225,969	228,469	(584,655)
Fund balances at 1 April 2003		-	1,744,301	1,744,301	2,328,956
Fund balances at 31 March 2004	10	2,500	1,970,270	1,972,770	1,744,301

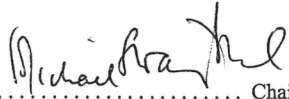
The notes on pages 14 to 18 form part of these financial statements

BALANCE SHEET

As at 31 March 2004

	Notes	£	2004 £	£	2003 £
Fixed Assets	5		-		272
Investments	6		1,819,344		1,634,260
Current Assets					
Bank		161,424		117,602	
Debtors	7	2,956		1,640	
		164,380		119,242	
Creditors: amounts falling due within one year	8	(10,954)		(9,473)	
			153,426		109,769
Net assets					
			1,972,770		1,744,301
Represented by:					
Unrestricted funds	9		1,970,270		1,744,301
Restricted funds	9		2,500		-
			1,972,770		1,744,301

Approved by the Board of Trustees on 3rd August 2004 and signed on its behalf by:


..... Chairman


..... Trustee

The notes on pages 14 to 18 form part of these financial statements

THE SCOTTISH FORESTRY TRUST

NOTES TO THE FINANCIAL STATEMENTS:

For the year ended 31 March 2004

1. Accounting Policies

Basis of accounting

The financial statements have been prepared on the historical cost convention as modified by the revaluation of investments and are in accordance with applicable accounting standards and the 2000 Statement of Recommended Practice "Accounting and Reporting by Charities".

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	- 20%
Computer equipment	- 33%

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 income and expenditure account and statement of financial activities.

Investment income

Investment income is recognised when received together with the related recoverable tax credits.

Donations

Donations are recognised when receivable.

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 so 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 Trust also has a designated fund, which may be used by the Trustees to fund market research and publicity. Details of the Restricted Fund of the Trust are given in note 9.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
For the year ended 31 March 2004

2. Project grants	2004	2003
	£	£
Use of Genetically Modified Trees	-	9,471
Birch Stem Form	-	11,600
Management Strategies for Capercaillie in Commercial Forests	-	4,600
Wood Properties of Genetically Improved Sitka Spruce	-	5,680
Genetics Fragmented Populations	4,735	-
Pleasure in Scottish Trees	-	875
TV Forestry Series	124	2,375
Sitka & Birch Model	3,607	9,336
Centre for Timber Engineering	3,000	4,000
Exploration of Public Values	-	2,750
Sector Sustainability Report	3,000	3,000
Selection of Ash	5,000	-
External Timber Cladding	5,000	-
UK Forests – Carbon Assets	6,250	-
Cashel Forest Centre	5,000	-
Silviscan	330	-
John Eadie Memorial Fellowship	4,000	4,000
	<u>40,046</u>	<u>57,687</u>

All of the above grants were made to institutions.

3. Staff costs	2004	2003
	£	£
Director's salary	15,375	15,000
Social security	1,377	1,225
	<u>16,752</u>	<u>16,225</u>

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

During the year the Trustees received no remuneration, but were reimbursed expenses totalling £905 (2003: £1,059). These expenses were incurred in respect of travel and subsistence while attending Trustees' meetings.

No employee received emoluments over £50,000.

4. Other management and administration expenditure	2004	2003
	Total	Total
	£	£
Employment costs (Note 3)	16,752	16,225
Office costs	11,437	11,702
Trustee expenses	905	1,059
Professional fees	3,883	1,999
Bank charges	54	14
Annual report costs	900	955
Depreciation	272	264
	<u>34,203</u>	<u>32,218</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
For the year ended 31 March 2004

Net outgoing resources is stated after charging:	2004	2003
	£	£
Operating leases	3,200	3,200
Auditors' remuneration	1,260	881
- audit fee		
- other	165	-
Depreciation	272	264
5. Fixed Assets		
		Office Equipment
		£
Cost		
At 1 April 2003		2,935
Additions		-
Disposals		-
At 31 March 2004		2,935
Depreciation		
At 1 April 2003		2,663
Charge for year		272
At 31 March 2004		2,935
Net Book Value		
At 31 March 2004		-
At 31 March 2003		272
6. Investments	2004	2003
	£	£
Market value at 1 April 2003	1,634,260	2,175,884
Additions at cost	519,249	366,634
Disposals	(542,092)	(427,989)
Net unrealised gains/(losses) on revaluation	207,927	(480,269)
Market value at 31 March 2004	1,819,344	1,634,260
Historical cost at 31 March 2004	1,811,131	1,837,912
Investments which exceed 5% of the total portfolio valuation are as follows:		£
Treasury 5% 2008		111,945
First State Inv UK Corporate Bond		108,020
7. Debtors	2004	2003
	£	£
Taxation recoverable	2,911	1,598
Prepayments	45	42
	2,956	1,640

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
For the year ended 31 March 2004
8. Creditors

	2004 £	2003 £
Other creditors	1,190	1,131
Accruals	9,764	8,342
	<u>10,954</u>	<u>9,473</u>

9. Movement in Funds

	Balances at 1 Apr 2003 £	Incoming Resources £	Outgoing Resources £	Investment Gains £	Balances at 31 Mar 2004 £
Unrestricted funds					
Revenue fund	72,734	84,638	(85,569)	-	71,803
Capital fund	1,658,599	-	(930)	232,830	1,890,499
Designated Publicity Fund	12,968	-	(5,000)	-	7,968
Restricted fund					
Wild Harvests contract	-	2,500	-	-	2,500
	<u>1,744,301</u>	<u>87,138</u>	<u>(91,499)</u>	<u>232,830</u>	<u>1,972,770</u>

The Restricted fund represents funds received from partners to a contract to produce a report entitled "Wild Harvests from Scottish Woodlands; Exploring social, cultural, and economic values of contemporary non-timber forest products". The Trust is responsible for coordinating the project and for holding funds contributed by the partners.

10. Analysis of Net Assets Between Funds

	Revenue Fund	Capital Fund	Designated Publicity Fund	Restricted	
Fund	Total				
	£	£	£	£	£
Investments	-	1,819,344	-	-	1,819,344
Current assets	82,757	71,155	7,968	2,500	164,380
Current liabilities	(10,954)	-	-	-	(10,954)
Total net assets	<u>71,803</u>	<u>1,890,499</u>	<u>7,968</u>	<u>2,500</u>	<u>1,972,770</u>

11. 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 £
2004/05	83,666
2005/06	32,506
2006/07	24,866

12. Related party transactions

The Trust rents office accommodation and receives administrative support from the Forestry & Timber Association (FTA) in accordance with an agreement dated 22 October 2002. Mr RWL Scott, a Trustee of The Scottish Forestry Trust (appointed 1 January 2003) was chairman of the FTA until he was replaced by Mr JR Firn, who is also a Trustee of The Scottish Forestry Trust, in August 2004. In the year ended 31 March 2004, the Trust paid office rent of £3,200 (2003: £3,200) and administrative support costs of £8,237 (2003: £5,640).

During the year, the Trust paid £5,000 to the Royal Scottish Forestry Society for publicity in the journal "Scottish Forestry", and £5,000 to the Royal Scottish Forestry (RSFS) Forest Trust Co. towards the construction of *Loch Lomond Native Forest Centre*. Sir Michael Strang Steel, who is Chairman of The Scottish Forestry Trust, was President of the Society in 2003 and Chairman of RSFS Forest Trust Co. In addition, the Trust provided a guarantee to the RSFS Forest Trust Co., further details of which are disclosed in Note 13.

£3,607 was paid as a grant during the year to the University of Wales, Bangor for a project on *Sitka and Birch Model*. Dr CM Cahalan, who is a Trustee of The Scottish Forestry Trust, is Senior Lecturer in that department of the university.

£330 was paid as a grant during the year to Forest Research for a report on *Silviscan*. Mr WL Mason, who is a Trustee of The Scottish Forestry Trust, is Head of Department at Forest Research.

£6,250 was paid as a grant during the year to the Edinburgh Centre for Carbon Management (ECCM) for a review of *UK Forests – Carbon Assets*. Mr W McGhee is a director of ECCM.

13. Guarantee

The Trustees have agreed to underwrite £18,000 of the proposed funding from any entity other than the Millennium Commission for the Loch Lomond Native Forest Centre (Cashel Forest Centre) until the earlier of:

- (i) the first date at which the RSFS (Royal Scottish Forestry Society) Forest Trust Company has in aggregate received at least £18,000 of non-Commission funding;
- (ii) the first date at which the Trustees have paid in aggregate £18,000 in satisfaction of the obligation of the Trustees to pay funds to the RSFS Forest Trust Company;
- (iii) 11 February 2005,

upon which date the payment obligation shall expire.



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

We have audited the accounts of the Scottish Forestry Trust for the year ended 31 March 2004 set out on pages 12 to 18. These accounts have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out therein.

This report is made solely to the charity's trustees, as a body, in accordance with Section 7 of the Charities Accounts (Scotland) Regulations 1992. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditors' 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 charity and the charity'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

As described in the Statement of Trustees' Responsibilities the charity's trustees are responsible for the preparation of the accounts in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Law Reform (Miscellaneous Provisions) (Scotland) Act 1990, the Charities Accounts (Scotland) Regulations 1992 and the constitution of the charity. We also report to you if, in our opinion, the Trustees' Report is not consistent with the accounts, if the Trust has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding trustees' remuneration and transactions with the Trust is not disclosed.

We read the Trustees' 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the trustees in the preparation of the accounts, and of whether the accounting policies are appropriate to the charity'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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the Charity's affairs as at 31 March 2004 and of its incoming resources and application of resources including, in its income and expenditure account, the surplus or deficit for the year then ended and have been properly prepared in accordance with the Law Reform (Miscellaneous Provisions) (Scotland) Act 1990, the Charities Accounts (Scotland) Regulations 1992 and the Trust Deed.

Chiene & Tait CA
Registered Auditors
61 Dublin Street
Edinburgh
EH3 6NL

3rd August 2004

The Scottish Forestry Trust's financial resources are able to support only some of the very worthwhile applications it receives. The demands for funding are intense. The Trustees would be grateful to receive any contributions in the form of donations or legacies to enhance British forestry through supporting the Trust's activities.

GIFT AID DECLARATION

The Scottish Forestry Trust

Donor's details

Title

Mr/Mrs/Miss/Rev/Prof/Dr/Other

.....

Full name (in CAPITALS)

Address (in CAPITALS)

Postcode

I want The Scottish Forestry Trust to treat:

the enclosed donation of £.....

the donation(s) of £..... which I made on / /

all donations I make from the date of this declaration until I notify you otherwise.

all donations I have made since 6 April 2000, and all donations I make from the date of this declaration until I notify you otherwise.

as Gift Aid declarations

delete as applicable

Donor's signature **Date**

Notes:

- 1. You can cancel this declaration at any time by notifying The Scottish Forestry Trust.**
- 2. You must pay an amount of income tax and/or gains tax at least equal to the tax that The Scottish Forestry Trust reclaims on your donations in the tax year (currently 28p for each £1 you give).**
- 3. If in future your circumstances change and you no longer pay tax, and capital gains equal the tax The Scottish Forestry Trust reclaims, you can cancel your declaration (see note 1).**
- 4. If you pay tax at the higher rate you can claim further tax relief in your Self Assessment tax return.**
- 5. If you are unsure whether your donations qualify for Gift Aid tax relief, ask The Scottish Forestry Trust. Or ask your local tax office for leaflet *IR113 Gift Aid*.**
- 6. Please notify The Scottish Forestry Trust if you change your name or address.**