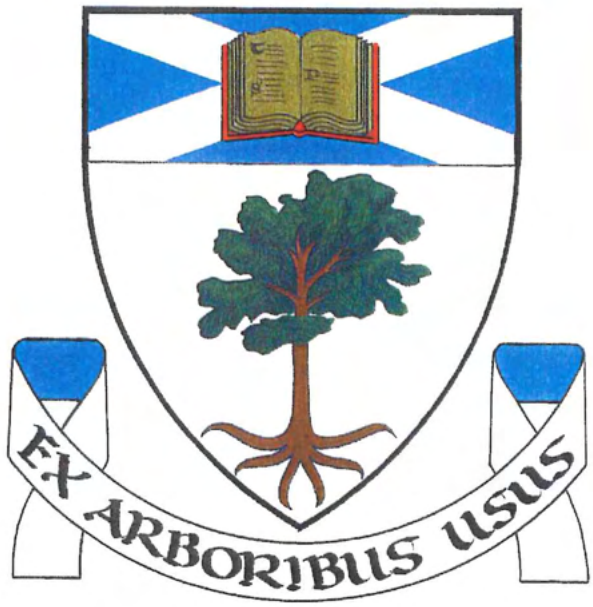
THE SCOTTISH FORESTRY TRUST

Charity No: SCO08465



ANNUAL REPORT 2005-2006

www.scottishforestrytrust.org.uk

SELECTED ITEMS FROM THIS YEAR'S REPORT

The Trust was established with a donation of £1.52 million in 1983. Grant aid amounting to £1.55 million has now been provided to support projects since its inception.

Among the seven new or ongoing projects are four PhD studies: genetic heritability of wood properties of Sitka spruce, *Anisogramma vilgultorum* (a pathogen on birch), species colonisation of wooded landscapes in the Isle of Wight, and the impact of climate change on British ash populations.

A survey of the social, cultural and economic values of non-timber forest products carried out during the past two years raised several important issues such as access, sustainability, and ownership. A meeting has been organised to discuss these with a wider gathering of interested parties in May 2006.

The subject range of projects completed this year included two on silviculture, two on timber use, two on tree breeding, one on carbon trading, and two on general public education.

Publications on the use of spruce as external timber cladding in maritime conditions and the impact on timber quality and log supply of transforming conifer stands to a continuous cover forestry system are scheduled for late 2006.

Net assets of the Trust at 31st March 2006 were £2,424,000. This is an increase of £343,936 over the previous twelve months.

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

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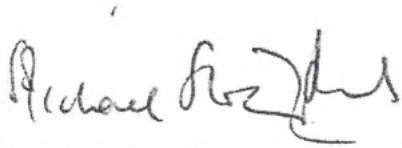
CHAIRMAN'S FOREWORD

The Scottish Forestry Trust was set up in 1983 with the generous gift of share capital worth £1.52 million from the Scottish Woodland Owners Association (Commercial) Ltd. The first project grants were provided in 1986. During the past twenty years the Trust has exceeded the sum originally donated, as it has provided more than £1.55 million in grant aid. All projects are selected only after being rigorously reviewed and payments are linked to satisfactory progress and publication of results. The mix of very relevant and important topics supported has and continues to provide new knowledge and understanding for forestry and its associated activities in Britain. Over this period administration costs, excluding professional fees, were under £0.5 million and procedures and costs are rigorous and regularly reviewed. At 31st March 2006, the value of the investment portfolio stood at £2.4 million. The Trust is fortunate to have had and still have Trustees with expert knowledge in many aspects of forestry including land use, business and forest policy issues and backgrounds in practical forestry and forest sciences.

The records of projects supported, which are listed on our web site, illustrate the UK-wide remit of the Trust. The inclusion of the word "Scottish" in the Trust's title, properly, recognises the Scottish basis of the Trust's foundation, but the Trust is interested in the development and well-being of British forestry. The Trust receives many more requests to fund worthwhile projects than it can possibly support. If you would like to support an active independent, private sector forestry research fund and approve of our track record, in these times of a "relatively buoyant" forest industry, we would be grateful to receive any donations or legacies. The Trust has the potential to play a greater role in shaping the research priorities of forest industries in the UK. Please contact the Director or complete and return the gift aid form which is provided on the back page of this report.

This year sees the incorporation of the 2005 SORP (Statement of Recommended Practice) for accounting and reporting of charities, which has involved some further changes from last year's report. Over the next six months, the Trustees will review how the Trust's activities are reported. Consideration will be given to publishing an Annual Review and providing a separate report on the audited accounts. Both of these would be posted on the web site. The aim would be to make the review a fuller and more interesting read for those who follow the activities of the Trust than the current annual report.

Finally I would like to express my thanks to the Director and Trustees for their time and expertise, which is invaluable and ensures that the research, which the Scottish Forestry Trust supports is of the highest standard.



Sir F Michael Strang Steel Bt, CBE

TRUSTEES' REPORT

TRUSTEES, OFFICIALS and ADVISERS 2005-2006

TRUSTEES

Chairman Sir F M Strang Steel Bt, CBE

Trustees

Dr C M Cahalan*
J R Firn* (retired 31/12/2005)
A C Hart
J A Kissock OBE
W L Mason**
W McGhee*
R W L Scott OBE
G Watt* (appointed 1st January 2006)
M Williams MBE
Dr S Woodward*

*Member, Projects and Research Committee
**Chairman, Projects and Research Committee

STAFF

Director Dr David A Rook: Responsible for day to day management of the Trust

Mrs Elizabeth Hughson, Forestry & Timber Association provides secretarial assistance

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

BANKERS and INVESTMENT MANAGERS
Adam & Co
22 Charlotte Square
Edinburgh EH2 4DF

AUDITORS
Chiene + Tait
Chartered Accountants
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:

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

APPOINTMENT OF TRUSTEES AND INDUCTION

Trustees are appointed for their experience, expertise and objectivity, and to provide a good balance of appropriate skills on the Board according to the Trust's constitution. Often the views of others outwith the Trust or other organisations are sought before the appointment is made.

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

BIOGRAPHICAL NOTES ON CURRENT TRUSTEES

Sir Michael Strang Steel Bt CBE has been Chairman of the Scottish Forestry Trust since 2002 and 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 and Chairman of the Timber Marketing Group. Sir Michael is a member of the Forestry and Timber Association, the Scottish Rural Property and Business Association, Deer Commission for Scotland, the Royal Society for Protection of Birds, and is Chairman of the Southern Uplands Partnership.

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

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 OBE graduated with a BSc. 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 m^3 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 1996. 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.

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 forestry in Scotland and Northern Ireland. From 2002 to 2004 he was Chairman of the Forestry & Timber Association, and continues to be FTA's representative on European Confederation of Forest Owners, the Northern Ireland representative on the Royal Forestry Society Council, and Director of the Confederation of Forest Industries (UK) Ltd. He has a keen interest in continuous cover forestry, in developing the sporting and recreational potential of woodlands, and in forest industry development in the UK and Ireland.

Guy Watt is Managing Director of John Clegg Consulting Ltd which provides business, economic and rural development consultancy services. He is a forestry graduate of Aberdeen; has a B.Litt in forest economics from Oxford and is a Fellow of the Institute of Chartered Foresters. 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 worked for 10 years 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 setting up John Clegg Consultancy in 2003. He is Vice Chair of the Central Scotland Forest Trust, a partner in Beacon Forestry which provides an internet timber marketing service, and a Director of Evans Rankin Services Ltd. He was Chairman of the Scottish Hardwood Timber Marketing Group for 5 years.

Michael Williams MBE is a farmer from East Lothian with a deep interest in farm conservation and farm woodlands. Michael is currently a Trustee of Farming and Wildlife Advisory Group, Director of Southern Upland Partnership, 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.

Dr Stephen Woodward is senior lecturer in forestry in the School of Biological Sciences at the University of Aberdeen, specialising in tree pathology and urban forestry. He is editor of *Forest Pathology* and associate editor of *Phytopathological Mediterranea* and the *Journal of Plant Pathology*; currently he acts as secretary to the EU-funded COST Action C15 on urban infrastructure-vegetation interactions. Since joining the staff at Aberdeen in 1989, Dr Woodward's research has focused on root-infecting pathogens of forest trees, including leading three major EU-funded projects on *Heterobasidion* (*Fomes*); other research has included the ecology of wood inhabiting micro-organisms, modelling of forest disease dynamics, fine root pathogens in Scots pine forests and biological control of pathogens. 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, Africa, Asia and Australasia.

Structure, Governance and Management of the Trust

The Scottish Forestry Trust is a charitable trust established in 1983.

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

The Trustees review annually the measures in place to alleviate danger of major risks to its continued operation. 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 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.

Reporting on Objectives

The primary objective of the Scottish Forestry Trust is to support research, education and training in forestry in the U.K. to support British forestry by contributing to the scientific, technical and economic information it requires to enable it to support its 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. "Forestry" is defined in the widest sense, and includes production and use of all forest products and its contribution to landscape, recreation, wildlife, the environment and rural development. In general terms, preference is given to studies of an applied nature where the benefits are more immediately available to the industry. Notwithstanding that, fundamental work, with potential to resolve outstanding problems, or reveal new opportunities, is also supported.

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

Activities and Achievements

In the past year the Trust has continued to support a diverse range of relevant and timely projects of a high standard as in fact it has done over the past twenty years. A list of projects supported since it started providing grant aid in 1986 is provided on the web site. (www.scottishforestry.org.uk). This year ten projects were completed and seven ongoing or new projects are being supported.

Completed 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. The objective of the *Tyfiant Coed* project is to produce a model capable of predicting the yield, economics and ecological consequences of alternatives to clear felling. Within the context of this project, tree crown morphology is an important input for competition indices to be used to predict stem diameter growth. Crown profile models were parameterised and sub-models were developed, using stem and spatial variables, to account for differences in parameter values between individuals. Model performance was assessed in terms of bias, accuracy, efficiency and biological realism. None of the crown radius models tested can be recommended for widespread use with birch. More sophisticated modelling approaches are required for that species. For spruce, the best predictions of maximum crown radius are based on simple, linear relationships with diameter at breast height. The most robust predictions of total crown length for both species are based on tree height. All light crown profile models perform extremely well for both species, whereas the shade crown profile model results were highly variable. A photogrammetric technique for crown profiling was developed and tested. Although the results for spruce trees up to four metres were acceptable, larger trees proved difficult.

TV Forestry Programmes (Forest Green Mantle Ltd): This project to produce a series of TV programmes on mankind's use and abuse of the world's forests, unfortunately has had to be discontinued as sufficient funding could not be found. The series was attempting to trace the worldwide careless exploitation of natural forest and contrasts this with successful management that can ensure sustained production. It was also to show the part forests play in buffering climate change and serving as reservoirs of biodiversity. The programmes intended to take a world view, presenting human stories, ecological controversies, and national and international political dilemmas.

External Timber Cladding in Maritime Conditions (The Highland Council): The Highland Council has been acting as project leader of partner organisations from UK, Norway, the Faroes, and Iceland to provide more specific information on the design and detailing of timber cladding to guide the construction sector. The project focuses on the use of spruce. Much has been gained from the sharing of knowledge and trials undertaken, which have contrasted the performances of cladding under extremely wet conditions with those exposed in drier sites. A conference was held in Aviemore in September which was attended by 285 delegates, including architects, engineers, building surveyors, specifiers, and planners. A major publication of the work carried out is planned to be published during the summer of 2006.

The Implications of Transformation to Continuous cover Forestry Systems for Conifer Timber Quality and Log Supply in the UK (Forest Research). It is concluded that CCF systems do have the potential to produce high quality timber, providing the quality of the original stand is of a sufficient standard. A key factor is likely to be continuity of management, as the transformation process may take 15-30 years and subsequent CCF management will require an ongoing commitment to monitoring and control. Careful silviculture is required with particular attention to the timing of interventions in relation to crown development and to selection during thinning. There is likely to be greater variation in the characteristics of future timber supplies in terms of size and wood properties. Wider use of crown thinning will result in an increased quantity of young sawlog-size material being processed, which is likely to have inferior mechanical properties and dimensional stability than older material of the same dimensions. Changes in the available supply of timber may arise from changes in the total volume produced, especially if there are major changes in species mixtures and from the assortment of products that can be cut.

Better Trees: Better Profits (Royal Forestry Society of England, Wales and Northern Ireland). The Trust supported the publication of a special issue of "Forestry" on *Genetic Improvement of Broadleaved Trees* from a conference in March 2004 organised by RFS.

Hardwood Grading (Forestry Commission). Financial support was provided to carry out a grading study on British hardwoods and the results are presented in a very useful publication by the Forestry Commission, *Making the Grade: A Guide to Appearance Grading UK Grown Hardwood Timber.*

Deer and Oak Regeneration (Centre for Ecology & Hydrology, Banchory). Assessments were carried out to determine whether changes in deer management resulted in increased growth of oak. Plots in Glen Nant and Glen Etive which were monitored between 1998 and 2000 were re-assessed. Planting of oak saplings between brash lines in areas cleared of conifers showed reduced damage. However management policies of protection will need to be continued for many years as growth rates of saplings are generally low. This work was presented at a conference on *Atlantic Oakwoods* organised by the Royal Botanical Society of Edinburgh in September 20065 and will be included in the published proceedings in volume 57 of that society's journal.

Carbon Trading (Stephen Prior) Prior's report notes potential obstacles to forestry's entry into carbon markets represented by technical issues such as permanence and additionality. The principle of additionality is enshrined in the Kyoto Protocol and requires savings should be in addition to business as usual. He notes that "permanence" differs from forests guaranteed for 100 years in Australia and 35 years in New Zealand. Further detailed discussions with government and potential buyers of carbon credits in the UK are urgently required.

Loch Lomond Native Forest Centre, Cashel (Royal Scottish Forestry Society Forest Trust Co Ltd). Last year the Interpretation and Display area was opened and to improve the presentation of information about the forest and its activities, the Trustees agreed to provide funding for a projector. The potential educational value about forestry of this centre particularly for school children and the general public is great and the Trustees considered continued support a high priority.

Marker Selection Sitka Spruce (Forest Research). A travel grant was provided to enable a tree breeder to join other staff from Forest Research working on the genetic mapping of Sitka spruce to look at developing a marker aided selection programme for Sitka spruce with their opposite numbers within the Genome Canada project based at the University of British Columbia.

Ongoing and New Projects

Genetic Heritability of Wood Properties of Sitka Spruce Critical to Timber Strength (University of Aberdeen). The properties being examined are density, grain angle, microfibril angle, knot size and distribution of 20 year old trees from a progeny trial in Speyside.

Digitisation of first 100 Years of the Journals of the Royal Scottish Forestry Society (Royal Scottish Forestry Society). The Trust is helping to fund the posting of the early volumes of "Scottish Forestry", which have been digitised, on the RFS web site.

Distribution and Biology of *Anisogramma virgultorum* on Birch in Scotland (Forest Research). This is the second year of the PhD study. Natural birch stands and three birch provenance trials have been assessed for crown dieback and incidence of *A. virgultorum.* Natural infection experiments at three sites are being carried out as well as other artificial inoculation experiments.

Non-Timber Forest Products. The Trust has been a major funder of this project along with the Scottish Forest Industries Cluster, Forestry Commission and Forest Research. The results of the research are being published by the Forestry Commission, titled "*Wild Harvests from Scottish Woodlands*". A meeting is being organised in Beauly in May to include a wide range of interested parties in discussing many of the issues raised in this publication.

Processes of Species Colonisation in Wooded Landscapes (Bournemouth University). The presence/absence of wood cricket in the different woodlands on the Isle of Wight has been examined and possible factors regarding its dispersal have been identified. It is suggested that age, size and connectivity of the woodlands are critical.

Forest Industries Recruitment & Retention Strategy (Centre for Timber Engineering, Napier University). The aim of this project, which has just started, is to understand better the causes for the difficulties in attracting and retaining staff in the forest industries. For example, few females are employed in education, industry and innovation in the 'Wood Chain'.

Adaptation of British Tree Populations to Climate Change (University of North Wales). Another PhD study, which has just started, will focus primarily on ash (*Fraxinus excelsior)* and will test 'home' and 'away' populations from five locations from Scotland, through England to France for germination, survival and growth. The primary aim is to provide evidence of the potential impact of climate change on British trees and forests.

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 Chartered Accountants, 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 2006.

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 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 low-risk, total return basis with due consideration to the Trust's aims and objectives. The Trust's administration, provision of professional services and management procedures are periodically reviewed.

At the 31st March the net assets of the Trust were £2,424,000 compared to £2,080,064 at the same date in 2005. £369,165 of this increase was due to unrealised gains from the investment portfolio. It is worthy of note that this year over £1.5 million has been provided as grant aid in the twenty years that the Trust has been supporting projects. The Trust was initially set up with £1.52 million provided by the Scottish Woodland Owners Association (Commercial) Ltd so this is a major milestone.

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. Budgets are based on total returns on investments and not restricted to income from dividends, interest and sales of reports. The cost of provision of these services was approximately 4.8% this year. Expenditure was £108,883 of which £15,168 was the cost of investment management and £2,713 were governance costs. During the year a loan of £60,000 was provided to the Association of Timber Growers and Forestry Professionals Ltd on payment of interest at 2.5% per annum above the bank base rate and waiving of rent and secretarial charges for the period of the loan. The loan is in place at 31st March 2006 but is expected to finish by 31 March 2007. Again delays in finalising and starting several projects due to a variety of reasons resulted in over £32,000 being carried over to next year. Many applications received require considerable discussion, further development and a revised application before being accepted and that can take many months. It was decided to use the total £7,821 in the Publicity Fund to purchase in large part a special projector for the Loch Lomond Native Forest Centre. The Trust's donation of the projector will be clearly acknowledged.

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 problems. Although delays in starting some projects contributed to an underspend of that budget, the time was used to discuss and agree improvements in the programme planned. Our priority is to fund quality and relevant projects rather than stick rigorously to annual budgets. The investment portfolio has increased significantly over the year due to a buoyant equity market and the costs of administration and professional fees were well within the limits set of 5% of the market value of the assets.

Plans for the Future

The Trust has committed £124,194 over the next three years to support the projects noted above of ongoing and new projects. Budgets currently agreed to support these projects is £233,426 which allows further projects to be included. The Trustees intend to continue to support a wide range of projects and will collaborate with other organisations to continue to improve British forestry and the general public's appreciation of the benefits that woodlands provide.

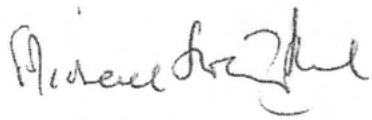
Statement of Trustees' Responsibilities

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 2006 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.

On behalf of the Trustees



Sir Michael Strang Steel

Date: 10th August 2006

RECIPIENTS OF *JOHN EADIE MEMORIAL FELLOWSHIPS*

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

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

The conditions and frequency of the fellowship are being reviewed as no suitable applications were received this year.

THE SCOTTISH FORESTRY TRUST

INCOME and EXPENDITURE ACCOUNT and STATEMENT of FINANCIAL ACTIVITIES

For the year ended 31 March 2006

	Notes	Un Restricted Fund £	Restricted Fund £	2006 Total £	Restated 2005 Total £
Incoming resources					
Incoming resources from generated funds:					
Voluntary income		620	-	620	620
Investment income	2	79,569	-	79,569	76,695
Incoming resources from charitable activities		101	6,147	6,248	5,636
Total incoming resources		80,290	6,147	86,437	82,951
Resources expended					
Cost of generating funds:					
Investment management costs		15,168	-	15,168	12,964
Charitable activities	3	91,002	4,844	95,846	112,957
Governance costs	6	2,713	-	2,713	2,230
Total resources expended		108,883	4,844	113,727	128,151
Net (outgoing)/incoming resources before other recognised gains and losses		(28,593)	1,303	(27,290)	(45,200)
Other recognised gains/(losses)					
Gains/(losses) on investment assets					
Realised		2,061	-	2,061	(26,617)
Unrealised	9	369,165	-	369,165	179,111
Net movement in funds		342,633	1,303	343,936	107,294
Reconciliation of funds					
Total funds brought forward		2,080,064	-	2,080,064	1,972,770
Total funds carried forward		2,422,697	1,303	2,424,000	2,080,064

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 14 to 18 form part of these financial statements.

THE SCOTTISH FORESTRY TRUST

BALANCE SHEET

As at 31 March 2006

	Notes	£	2006 £	£	2005 £
Fixed Assets	8		-		-
Investments	9		2,208,873		1,906,647
Current Assets					
Investment - loan	10	60,000		-	
Bank	11	161,322		180,116	
Debtors	12	1,163		1,324	
		222,485		181,440	
Creditors: amounts falling due within one year	13	(7,358)		(8,023)	
			215,127		173,417
Net assets			2,424,000		2,080,064
Represented by:					
Unrestricted funds	14		2,422,697		2,080,064
Restricted funds	14		1,303		-
			2,424,000		2,080,064

Approved by the Board of Trustees on 10th August 2006 and signed on its behalf by:

Chairman

Sir FM Strang Steel Bt, CBE

Trustee

W L Mason

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

For the year ended 31 March 2006

1. Accounting Policies

Basis of accounting
The financial statements are prepared under the historical cost convention modified to include the revaluation of investments at market value, and they comply in every material respect with the applicable accounting standards, the Statement of Recommended Practice - Accounting and Reporting by Charities 2005 (SORP), and the Charities Accounts (Scotland) Regulations 1992.

Change in presentation of financial information
As a consequence of the adoption of the revised SORP 2005, the comparative figures for the prior year have been restated in accordance with the revised structure and format for the Statement of Financial Activities and the balance sheet.

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%

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 receivable, 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 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. Details of the Restricted Fund of the Trust are given in note 14. The Trust also has a designated fund, which may be used by the Trustees to fund market research and publicity.

2. Investment income

	2006	2005
	£	£
UK listed investments	72,820	70,836
Loan interest receivable	2,474	-
Interest on cash deposits	4,275	5,859
	79,569	76,695

For year ended 31 March 2006.

3. Charitable activities	Grant funding £	Support costs £	2006 £	Restated 2005 £
Education	8,333	5,428	13,761	11,053
Research	60,375	21,710	82,085	101,904
	68,708	27,138	95,846	112,957

4. Grant funding - project grants	2006 £	2005 £
Education		
TV Forestry Series	233	148
Loch Lomond Native Forest Centre	8,100	5,000
Research		
Hardwood Grading	2,000	2,000
Wood Fuel for Communities	-	1,210
Continuous Cover Forestry	7,986	16,000
Heritability of Sitka Spruce Wood Properties	8,968	-
Digitisation "Scottish Forestry"	1,500	-
Anisogramma on Birch	7,955	15,905
Non-timber Forest Products	1,000	14,000
Better Trees Better Profits	740	207
Sitka & Birch Model	4,366	7,367
Centre for Timber Engineering	-	3,000
External Timber Cladding	5,000	5,000
UK Forests – Carbon Assets	50	11,137
John Eadie Memorial Fellowship – Dr Leban	20	459
Beyond Wood	-	2,000
Species Colonisation	5,633	-
Deer and Oak Regeneration	4,213	-
Forest Industries Recruitment & Retention	3,000	-
Adaptation Tree Populations to Climate Change	2,000	-
Carbon Trading	350	-
Marker Selection Sitka Spruce	750	-
Non-Timber Forest Products "Wild Harvests" seminar	4,844	-
	68,708	83,433

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:

Support costs	Charitable Activity Education £	Charitable Activity Research £	2006 Total £	Restated 2005 Total £
Employment costs	3,543	14,172	17,715	17,171
Office costs	1,084	4,337	5,421	8,614
Publicity	9	37	46	147
Trustees' expenses	196	782	978	1,168
Payroll	48	193	241	175
Solicitor's fee	520	2,078	2,598	2,033
Bank charges	28	111	139	216
	5,428	21,710	27,138	29,524

For the year ended 31 March 2006

6. Governance costs	2006	Restated 2005
	£	£
Audit fees	2,113	1,829
Production of annual report	600	401
	2,713	2,230

7. Staff costs	2006	2005
	£	£
Director's salary	16,260	15,760
Social security	1,455	1,411
	17,715	17,171

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

During the year the trustees received no remuneration, but were reimbursed expenses totalling £978 (2005: £1,168). These expenses were incurred in respect of travel and subsistence while attending Trustees' meetings.

No employee received emoluments over £50,000.

8. Fixed Assets	Office Equipment
	£
Cost	
At 1 April 2005	2,935
Disposals	(1,737)
At 31 March 2006	1,198
Depreciation	
At 1 April 2005	2,935
Disposals	(1,737)
At 31 March 2006	1,198
Net Book Value	
At 31 March 2006	-
At 31 March 2005	-

9. Investments – fixed assets	2006	2005
	£	£
Market value at 1 April 2005	1,906,649	1,819,344
Additions at cost	313,763	378,772
Disposals	(380,704)	(470,580)
Net unrealised gains on revaluation	369,165	179,111
Market value at 31 March 2006	2,208,873	1,906,647
Historical cost at 31 March 2006	1,643,268	1,673,026

For the year ended 31 March 2006

9. Investments (continued)

	2006	2005
	£	£
Investments which exceed 5% of the total portfolio valuation are as follows:		
Treasury 5% 2008	111,473	111,374
BP Ord $0.25	112,370	-
First State Inv UK Asia Pac B NAV	112,316	-

10. Investments – current assets

	2006	2005
	£	£
Loan to Association of Timber Growers and Forestry Professionals Limited (known as the Forestry & Timber Association)	60,000	-

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

11. Bank

	2006	2005
	£	£
Operating accounts	53,632	64,887
Capital accounts with investment manager	107,690	115,229
	161,322	180,116

12. Debtors

	2006	2005
	£	£
Accrued income	1,077	1,180
Prepayments	86	144
	1,163	1,324

13. Creditors

	2006	2005
	£	£
Other creditors	250	1,219
Accruals	7,108	6,804
	7,358	8,023

14. Movement in Funds

	Balances at 1 Apr 2005	Incoming Resources	Outgoing Resources	Investment Gains	Balances at 31 Mar 2006
	£	£	£	£	£
Unrestricted funds					
Revenue fund	30,004	80,290	(100,117)	-	10,177
Capital fund	2,042,239	-	(945)	371,226	2,412,520
Designated Publicity Fund	7,821	-	(7,821)	-	-
Restricted fund					
Wild Harvests	-	6,147	(4,844)	-	1,303
	2,080,064	86,437	(113,727)	371,226	2,424,000

The Restricted fund represents funds received from partners to help finance a seminar on 'Wild Harvests from Scottish Woodlands' in Beauly in May 2006.

For the year ended 31 March 2006

15. Analysis of Net Assets between funds

	Revenue Fund	Capital Fund	Restricted Fund	Total
	£	£	£	£
Investments	-	2,208,873	-	2,208,873
Current assets	17,535	203,647	1,303	222,485
Current liabilities	(7,358)	-	-	(7,358)
Total net assets	10,177	2,412,520	1,303	2,424,000

16. Commitments

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

Financial year	Total
	£
2006/07	65,660
2007/08	26,547
2008/09	31,987

17. 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 JR Firn, a Trustee during the year of The Scottish Forestry Trust is chairman of the FTA. In the year ended 31 March 2006, the Trust paid office rent of £1,600 (2005: £3,200) and administrative support costs of £2,350 (2005: £5,183). In addition, the Trust made a loan of £60,000 to the FTA (note 10), which is included within current asset investments and on which the Trust has received interest at the rate of 7.25% during the year amounting to £2,474. It is intended that the loan is repaid before 31 March 2007.

£6,366 was paid as a grant during the year to the University of Wales, Bangor for projects on *Sitka and Birch Model* and *Adaptation of British Tree Populations to Climate Change*. Dr CM Cahalan, who is a Trustee of The Scottish Forestry Trust for part of the year, is senior lecturer in that department of the university.

Grants totalling £16,941 were paid during the year to Forest Research for reports on *Distribution and Biology of Anisogramma virgultorum on Birch*, *Implications of Transformation to Continuous Cover Forestry on Conifer Timber Quality and Log Supply*, and *Non-Timber Forest Products*. Mr WL Mason, who is a Trustee of The Scottish Forestry Trust, is a senior member of staff at Forest Research.

£50 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.

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 2006 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 (United Kingdom Generally Accepted Accounting Practice).

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

We report to you our opinion as to whether the 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 International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the 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 in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Charity's affairs as at 31 March 2006 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
Chartered Accountants and Registered Auditors
61 Dublin Street EH3 6NL
Edinburgh
EH3 6NL

10th August 2006

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.