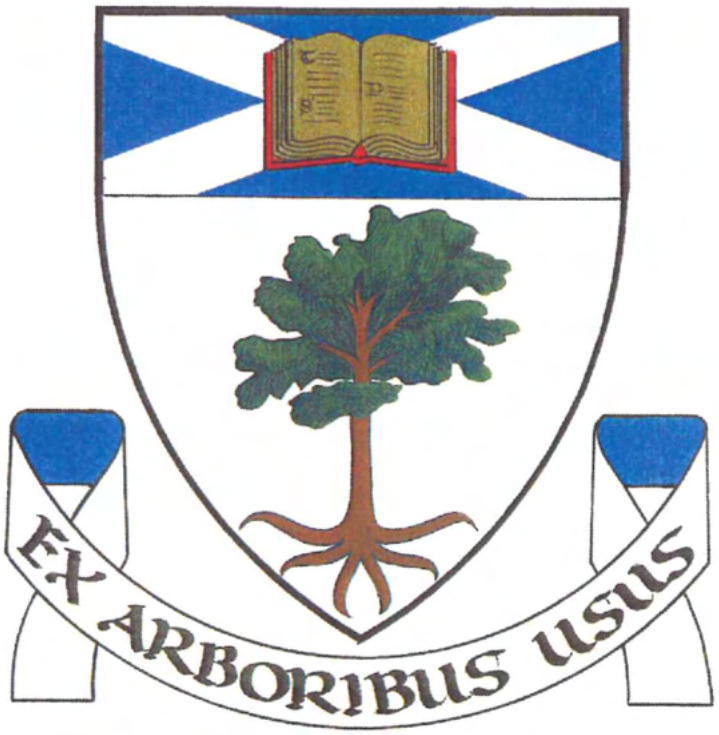
THE SCOTTISH FORESTRY TRUST

Charity No: SCO08465



2006-2007

www.scottishforestrytrust.org.uk

SELECTED ITEMS FROM THIS YEAR'S REPORT

In May 2006 a conference on "Wild Harvests from Scottish Woodlands" discussed issues such as access, sustainability, and ownership. Future policy needs to strike a balance between over exploitation and the benefits derived from these wild harvests.

Three ongoing PhD projects are on wood properties of Sitka spruce, forest pathology of birch, and adaptation of ash to climate change.

With concerns over skills shortages in forestry, the Trust is part funding the Centre for Timber Engineering, Napier University to examine the recruitment and retention of females in the forest industries.

The Trust is part funding a series of awards in silviculture, and in the management of community woods under the auspices of "Scotlands Finest Woods". There is a special category of awards to schools which is popular and proving successful.

Net assets of the Trust at 31st March 2007 were £2,562,595. This is an increase of £138,595 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 available on the website.

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CHAIRMAN'S FOREWORD

It has been a huge privilege and pleasure to be for ten years a Trustee and for the last five years, Chairman of the Scottish Forestry Trust. During this period the Trust has established itself as a potent force in the promotion of all aspects of forest research and of a variety of projects to broaden the understanding of woodlands to the general public and to help strengthen forestry in this country. Many of these achievements have been noted in previous Annual Reports.

The total value of net assets of the Trust now stands at over £2.5 million. There has been a steady increase in stock market values over the last four years, while project budgets, and administration costs and fees have been closely controlled.

In the coming year, several changes are taking place. I retire as Chairman in August and John Kissock takes over as Chairman. Colin Mann, Managing Director, Scottish Woodlands has agreed to become a Trustee. Meanwhile the Trustees are reviewing the future direction of the Trust. If you have any comments please do not hesitate to contact the Director.

It is anticipated that the Trust will move with ConFor (Confederation of Forest Industries) to other office accommodation later this year, which will be shared with the Institute of Chartered Foresters. The Trustees are grateful to ConFor for including the Trust in this move, as it is important that the Trust's staff do not become isolated and remain in close contact with day-to-day forestry and rural affairs.

I should like to pay tribute to the immense contribution to all aspects of the Trust's affairs made by Dr David Rook, the Director, and to the Trustees, who so willingly give of their time and expertise.

Sir F. Michael Strang Steel Bt CBE

TRUSTEES' REPORT

TRUSTEES, OFFICIALS and ADVISERS 2006-2007

Chairman Sir F M Strang Steel Bt, CBE

Trustees
Dr C M Cahalan**
A C Hart
Dr J A Kissock OBE
W L Mason (retired 31 December 2006)**
W McGhee*
Dr C P Quine* (appointed 1 January 2007)
R W L Scott OBE
G R Watt*
M Williams MBE
Dr S Woodward*

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

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

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

Bankers and Investment Managers
Adam & Company
22 Charlotte Square
Edinburgh
EH2 4DF

Auditors
Chiene + Tait
Chartered Accountants and Registered Auditors
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 Confederation of Forest Industries, the Scottish Rural Property and Business Association, Deer Commission for Scotland, the Royal Society for Protection of Birds, and is Chairman of the Southern Uplands Partnership.

Dr Christine Cahalan is senior lecturer and Deputy Head of the School of the Environment and Natural Resources, 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 has been external examiner for taught and research degrees at universities in the UK and elsewhere in Europe. 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 24 Equity Partners of Bidwells Property Consultants - a firm of over 450 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.

Dr John A Kissock OBE graduated with a BSc. Hons. in Forestry from Aberdeen University in 1974 and received an honorary doctorate from Napier University in early 2007. In 1974 he joined James Jones & 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 was a Trustee of the Scottish Forestry Trust from 1996 to 2006. He is a member of the Confederation of Forest Industries and with his family also owns and manages 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 Chris Quine is Head of Ecology Division and Head of Station at the Northern Research Station (NRS) of Forest Research, the research agency of the Forestry Commission. He studied for a first degree in geography at Cambridge University, followed by a Masters in Forestry at Oxford University, and then joined the Forestry Commission in South Scotland. After five years of forest management he moved to Forest Research, and has since conducted research in silviculture (particularly windthrow) and forest ecology, obtaining a PhD in forest ecology from Edinburgh University. He is a Fellow of the Institute of Chartered Foresters.

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

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

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

Dr Stephen Woodward is 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 are reviewed every four months and action taken where appropriate to improve the financial position of the Trust. It has been agreed with

the Investment Managers that the investment portfolio should be managed on a medium to low-risk, total return basis with due consideration to the Trust's aims and objectives. The Trust's administration, provision of professional services and management procedures are periodically reviewed and in June 2007, the Investment Management will be transferred to Cornelian Asset Managers Ltd, Edinburgh

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 profession. Notwithstanding that, fundamental work, with potential to resolve outstanding problems, or reveal new opportunities, is also supported. Overall the Trustees take a flexable approach and are open to discuss new research projects.

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 85% 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.

Activities and Achievements

A list of projects supported since it started providing grant aid in 1986 is provided on the web site (www.scottishforestry.org.uk).

This year has seen delays in publication of results from projects. The publication on the use of spruce as timber cladding in maritime conditions has been delayed to allow further work on fire hazard to be completed and a manuscript on log supply of transforming conifer stands to a continuous cover forestry system has also been held up to incorporate further work. Copies of the final (unpublished) reports to the Trust are available meanwhile. The Trustees, while accepting that the further work is important to confirm the reliability of the results, are none the less concerned over any prolonged delays.

Ten projects covering a diverse range of forestry subjects have been supported during the year. Two projects were completed. Four new projects which have involved lengthy discussions are about to start.

Completed Projects

Digitisation and "Web Enabling" of the First 100 Years of the Journals of the Royal Scottish Forestry Society. (Royal Scottish Forestry Society) The Trust provided some financial support to develop a web site to carry the first journals published from 1858 to 1939. The Trustees considered it important that the journals, which relate in detail the history and thinking of many of the people who were the architects of the 20th century forestry revolution, were available to a wider audience. The web site allows the complete set of works to be searched and referenced electronically.

Wild Harvests from Scottish Woodlands. The Trust with the Forestry Commission and Scottish Enterprise commissioned a study into the importance of non-timber forest products (NTFP) in Scotland today, exploring its social, cultural and economic benefits. NTFPs, include collection of different species of plants, fungi and lichens, and are collected to eat, make into drinks, and use for small scale home crafts. The study found tremendous personal rewards that people enjoy from the gathering activity. In May 2006 a conference was convened at Beauly to help develop thinking on how to ensure their sustainable use. Future policy needs to strike a balance between over exploitation and the benefits derived from these wild harvests, which also include health benefits, sense of cultural identity and reconnection of people to the natural environment.

Ongoing Projects

Genetic Heritability of Wood Properties of Sitka Spruce Critical to Timber Strength (University of Aberdeen). Tree breeders worldwide have highlighted the importance of wood quality in the juvenile core in determining final timber strength. The properties being examined within the outer zone of the juvenile core are density, grain angle, microfibril angle, knot size and distribution of 20 year old trees from a progeny trial in Speyside.

Distribution and Biology of *Anisogramma virgultorum* on Birch in Scotland (Forest Research). Surveys of the presence of *A. virgultorum* across Scotland have been completed showing generally low incidences. The release of aescospores occurs primarily in spring when the host tissues are most susceptible. DNA extraction and amplification of a number of gene regions have been completed for several Scottish isolates. This study is now nearing completion and the PhD thesis written up.

Processes of Species Colonisation in Wooded Landscapes (Bournemouth University). This PhD study is being carried out on the Isle of Wight with the wood cricket (*Nemobius sylvestris)* which is seen as a model species representing the group of invertebrate species that favour a transition between woodland and more open habitats.

Forest Industries Recruitment & Retention Strategy (Centre for Timber Engineering, Napier University). The aim of the part of the overall project being supported by the Trust is to identify, and propose solutions for, barriers to progression and retention for women once they have entered employment and education. Semi-structured interviews with key industry informants have been carried out to gather the perceptions of those working in various industry-representation capacities on the main recruitment and retention issues currently facing the forest industries.

Adaptation of British Tree Populations to Climate Change (University of Bangor Wales). Ash (*Fraxinus excelsior)* is one of the most common and important hardwoods in Britain. It is the foundation of many valued ecosystems an important element in the landscape and produces valuable timber. The aim of this PhD is to study the implications of climate change on ash. The adaptability of native ash across a range of UK locations will be matched against the predicted climates in 2050 and 2080.

Scottish Finest Woods Awards. The Trust is one of the major sponsors of the awards, which recognise excellent forest practices, as well as a Schools award.

The Economic Case for Government Intervention in Forestry: A Critique of the CJC Consulting 2003 and 2004 Reports to the Forestry Commission. (Dr D. MacMillan) The CJC Reports have been widely disseminated and are regarded as influential among the forestry policy community and have the potential to influence the future direction and emphasis of government funding. Concerns have been raised that the CJC Reports seriously underestimate the value of forests to British society and the CJC analysis requires closer scrutiny.

Financial Review

The financial statements prepared comply with the requirements of the Trust Deed and the Charities Accounts (Scotland) Regulations 2006. The audited accounts are presented later in this report. The auditors observe that the financial statements give a true and fair account of the Trust's affairs at 31 March 2007.

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

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

The performance of the investment portfolio and expenditure is reviewed every four months and action taken where appropriate to improve the financial position of the Trust. It has been agreed with the Investment Managers that the investment portfolio should be managed on a medium to low-risk, total return basis with due consideration to the Trust's aims and objectives. The Trust's administration, provision of professional services and management procedures are periodically reviewed.

At the 31st March 2007 the net assets of the Trust were £2,563,095 compared to £2,424,000 at the same date in 2006, due to an increase in the market value of the investment portfolio.

In general the Trustees in drawing up budgets look for a target of total expenditure on project grants, administration and professional services of 5% of the average market value of the investment portfolio of the previous year. This year it was approximately 3.4%. Total costs were £97,627 while the income from dividends, bank account interest and donations was £86,777. While the shortfall of £10,850 was more than covered by gains in investment assets, in future the investment manager is being instructed that income should cover expenditure. During the year the loan of £60,000 continued to be provided to the Confederation of Forest Industries on payment of interest at 2.5% per annum above the bank base rate and waiving of rent and secretarial charges for the period of the loan. The loan is now expected to be completely repaid by the end of 2007. Delays in finalising and starting several projects over the past three years resulted in almost £50,000 being carried over to 2007/08. Many applications received require considerable discussion, further development and a revised application before being accepted and finding a suitable student can take many months.

Performance

The quality of the projects being supported is of a high standard and relevant to the needs of people and organisations using British forests and in addressing future issues. 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 overall costs of administration, professional fees and projects supported were well within the limits set of 5% of the market value of the assets.

Plans for the Future

The Trust has committed £112,025 over the next four years to support the projects noted above as ongoing and new projects. Budgets currently agreed to support these projects are £308,088, 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

Law applicable to Charities in Scotland requires the Trustees to prepare financial statements for each financial year which gives a true and fair view of the Trust's financial activities during the year and of its financial position at the end of the year. In preparing the financial statements the Trustees should follow best practice and:

- Select suitable accounting policies and apply them consistently
- Make judgements and estimates that are reasonable and prudent; and
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Trust will continue in operation

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

On behalf of the Trustees

Date: 7th August 2007 Sir Michael Strang Steel .....

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 SCOTTISH FORESTRY TRUST

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

For the year ended 31 March 2007

	Notes	Un Restricted Fund	Restricted Fund	2007 Total	2006 Total
		£	£	£	£
Incoming resources					
Incoming resources from generated funds:					
Voluntary income		620	-	620	620
Investment income	2	82,823	-	82,823	79,569
Incoming resources from charitable activities		14	3,320	3,334	6,248
Total incoming resources		83,457	3,320	86,777	86,437
Resources expended					
Cost of generating funds:					
Investment management costs		15,335	-	15,335	15,168
Charitable activities	3	73,397	6,623	80,020	95,846
Governance costs	6	2,772	-	2,772	2,713
Total resources expended		91,504	6,623	98,127	113,727
Net (outgoing) resources before transfers		(8,047)	(3,303)	(11,350)	(27,290)
Gross transfers between funds		(2,000)	2,000	-	-
Net outgoing resources before other recognised gains and losses		(10,047)	(1,303)	(11,350)	(27,290)
Other recognised gains					
Gains on investment assets					
Realised		56,302	-	56,302	2,061
Unrealised	9	93,643	-	93,643	369,165
Net movement in funds		139,898	(1,303)	138,595	343,936
Reconciliation of funds					
Total funds brought forward		2,422,697	1,303	2,424,000	2,080,064
Total funds carried forward		2,562,595	-	2,562,595	2,424,000

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

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

THE SCOTTISH FORESTRY TRUST

BALANCE SHEET

As at 31 March 2007

	Notes	2007		2006	
		£	£	£	£
Fixed Assets	8		-		-
Investments	9		2,343,343		2,208,873
Current Assets					
Investment - loan	10		60,000		60,000
Bank	11		178,253		161,322
Debtors	12		3,185		1,163
			241,438		222,485
Creditors: amounts falling due within one year	13		(22,186)		(7,358)
			219,252		215,127
Net assets			2,562,595		2,424,000
Represented by:					
Unrestricted funds	14		2,562,595		2,422,697
Restricted funds	14		-		1,303
			2,562,595		2,424,000

Approved by the Board of Trustees on 7th August 2007 and signed on its behalf by:

..... Chairman
Sir FM Strang Steel Bt, CBE

..... Trustee
Dr J A Kissock OBE

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

Accounting Policies

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

Tangible fixed assets
Tangible fixed assets are capitalised at cost.

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

Office equipment	-	20%
Computer equipment	-	33%

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

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

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

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

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

Trust funds
The Trust has a General Fund which is split between capital and revenue. Under the Trust Deed, the Trustees are empowered to use both capital and revenue for any of the purposes of the Trust and to accumulate revenue. This is modified by the Trust rules to require the Trustees not to so deplete capital that the Trust cannot act properly as a charitable organisation. Details of the Restricted Fund of the Trust are given in note 14.

2. Investment income

	2007	2006
	£	£
UK listed investments	72,236	72,820
Loan interest receivable	4,749	2,474
Interest on cash deposits	5,838	4,275
	82,823	79,569

3. Charitable activities

	Grant funding	Support costs	2007	2006
	£	£	£	£
Education	3,000	4,347	7,347	13,761
Research	55,283	17,390	72,673	82,085
	58,283	21,737	80,020	95,846

4. Grant funding - project grants

	2007	2006
	£	£
Education		
TV Forestry Series	-	233
Loch Lomond Native Forest Centre	-	8,100
Scotland's Finest Woods Awards	3,000	-
Research		
Hardwood Grading	-	2,000
Continuous Cover Forestry	-	7,986
Heritability of Sitka Wood Properties	18,122	8,968
Digitisation "Scottish Forestry"	1,500	1,500
Anisogramma on Birch	15,905	7,955
Non-timber Forest Products	-	1,000
Better Trees Better Profits	-	740
Sitka & Birch Model	-	4,366
External Timber Cladding	-	5,000
UK Forests – Carbon Assets	-	50
John Eadie Memorial Fellowship – Dr Leban	-	20
Species Colonisation	5,633	5,633
Deer and Oak Regeneration	-	4,213
Forest Industries Recruitment. & Retention	2,000	3,000
Adaptation Tree Populations	2,000	2,000
Carbon Trading	-	350
Marker Aided Selection in Sitka Spruce	-	750
Non-Timber Forest Products "Wild Harvests" seminar	8,623	4,844
Govt Intervention in Forestry: CRJ Reports	1,500	-
	58,283	68,708

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 £	2007 Total £	2006 Total £
Employment costs	3,627	14,509	18,136	17,715
Office costs	39	158	197	5,421
Publicity	42	167	209	46
Trustees' expenses	281	1,125	1,406	978
Payroll	54	216	270	241
Solicitor's fee	280	1,119	1,399	2,598
Bank charges	24	96	120	139
	4,347	17,390	21,737	27,138

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

6. Governance costs

	2007 £	2006 £
Audit fees	2,297	2,113
Production of annual report	475	600
	2,772	2,713

7. Staff costs

	2007 £	2006 £
Director's salary	16,650	16,260
Social security	1,486	1,455
	18,136	17,715

	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 £1,406 (2006: £978). These expenses were incurred in respect of travel and subsistence while attending Trustees' meetings.

No employee received emoluments over £60,000.

8. Fixed Assets

	Office Equipment £
Cost	
At 1 April 2006 and 31 March 2007	1,198
Depreciation	
At 1 April 2006 and 31 March 2007	1,198
Net Book Value	
At 31 March 2007 and 31 March 2006	-

9. Investments – fixed assets

	2007 £	2006 £
Market value at 1 April 2005	2,208,873	1,906,649
Additions at cost	540,773	313,763
Disposals	(499,946)	(380,704)
Net unrealised gains on revaluation	93,643	369,165
Market value at 31 March 2007	2,343,343	2,208,873
Historical cost at 31 March 2007	1,719,912	1,643,268

Investments which exceed 5% of the total portfolio valuation are as follows:	£
First State Inv UK Asia Pac B NAV	130,320

10. Investments – current assets

	2007 £	2006 £
Loan to Association of Timber Growers and Forestry Professionals Limited (known as the Confederation of Forest Industries)	60,000	60,000

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

11. Bank

	2007	2006
	£	£
Operating cash	71,608	53,632
Cash held with investment manager	106,645	107,690
	178,253	161,322

12. Debtors

	2007	2006
	£	£
Other Debtor	25	-
Accrued income	2,943	1,077
Prepayments	217	86
	3,185	1,163

13. Creditors

	2007	2006
	£	£
Other creditors	15,561	250
Accruals	6,625	7,108
	22,186	7,358

14. Movement in Funds

	Balances at 1 Apr 2006	Incoming Resources & Transfers	Outgoing Resources & Transfers	Investment Gains	Balances at 31 Mar 2007
	£	£	£	£	£
Unrestricted funds					
Revenue fund	10,177	83,457	(93,504)	-	130
Capital fund	2,412,520	-	-	149,945	2,562,465
Restricted fund					
Wild Harvests	1,303	5,320	(6,623)	-	-
	2,424,000	88,777	(100,127)	149,945	2,562,595

The Restricted fund represents funds received from partners to help finance a seminar on 'Wild Harvests from Scottish Woodlands' in Beauly. During the year a transfer of £2,000 was made from the unrestricted revenue fund to the 'Wild Harvests from Scottish Woodlands restricted fund' to cover final costs of the seminar.

15. Analysis of Net Assets between funds

	Revenue Fund	Capital Fund	Restricted Fund	Total
	£	£	£	£
Investments	-	2,343,343	-	2,343,343
Current assets	22,316	219,122	-	241,438
Current liabilities	(22,186)	-	-	(22,186)
Total net assets	130	2,562,465	-	2,562,595

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 £
2007/08	43,407
2008/09	43,468
2009/10	15,900
2010/11	9,250

17. Related party transactions

The Trust rents office accommodation and receives administrative support from the Confederation of Forest Industries (ConFor) in accordance with an agreement dated 22 October 2002. Dr J A Kissock is a member of the Board of Directors of ConFor. The Trust paid office rent of £Nil (2006: £1,600) and administrative support costs of £1,360 (2006: £2,350). In addition, the Trust made a loan of £60,000 to the ConFor (note 10), which is included within current asset investments and on which the Trust has received interest at the rate of 2.5% per annum above bank base rate. It is intended that the loan is repaid in 2007.

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

£9,061 was paid as a grant during the year to the University of Aberdeen for a project on *Heritability of Sitka Spruce Wood Properties*. Dr S Woodward, who is a Trustee of the Scottish Forestry Trust is a senior lecturer in that department of the university.

£15,905 was paid during the year to Forest Research for reports on *Anisogramma on Birch*. Mr WL Mason, and Dr C P Quine, who were Trustees of The Scottish Forestry Trust during parts of the year, are senior members of staff at Forest Research.

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

Chiene+Tait

We have audited the financial statements of the Scottish Forestry Trust for the year ended 31 March 2007 set out on pages 11 to 18. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the charity's trustees, as a body, in accordance with paragraph 10 of the Charities Accounts (Scotland) Regulations 2006. 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
The responsibilities of the trustees for preparing the Trustees Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Trustees' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) and report under section 44(1)(c) of the Charities and Trustees Investment (Scotland) Act 2005.

We confirm that we are eligible to act as auditor in terms of section 25 of the Companies Act 1989.

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

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 financial statements. It also includes an assessment of the significant estimates and judgments made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion
In our opinion the financial statements:

- give a true and fair view of the state of the Charity's affairs as at 31 March 2007 and of its incoming resources and application of resources including, in its income and expenditure account, the surplus for the year then ended; and
- have been properly prepared in accordance with the Charities and Trustee Investment (Scotland) Act 2005, Regulation 8 of the Charities Accounts (Scotland) Regulations 2006 and the constitution of the charity.

CHIENE + TAIT
Chartered Accountants and Registered Auditors
61 Dublin Street
Edinburgh EH3 6NL

Chiene + Tait

7th August 2007

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.**