

THE HIGHLAND COUNCIL

PLANNING, ENVIRONMENT & DEVELOPMENT COMMITTEE

18 JANUARY 2012

Agenda Item	17
Report No	PED 15/12

HIGHLAND BIRCHWOODS: REPORT OF THE TRUSTEES AND AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2011

Report by Director of Planning and Development

SUMMARY

This paper introduces the 'Report of the Trustees and Financial Statements for Highland Birchwoods for the financial year to 28th February 2011'. It briefly summarises the organisation's aims and objectives, the review of the past years activity and planned future developments. The Council's relationship with Highland Birchwoods is also briefly considered alongside developing projects. The report recommends that Committee

- (a) notes the Financial Statements of Highland Birchwoods to 28th February 2011, and the organisation's proposals for the year ahead:
- (b) notes the joint project work undertaken to date.

1. Introduction

- 1.1 Highland Birchwoods (HB) is a company limited by guarantee. It was incorporated on 26th February 1993 with no share capital and is a recognised Scottish Charity. It is based at Munloch on the Black Isle.
- 1.2 Highland Council was a founding member of Highland Birchwoods alongside Forestry Commission Scotland and Scottish Natural Heritage. The Council is represented on the board of trustees by Cllr Isobel McCallum. Since company formation until 2007/08 the Council provided £20,000 per annum of core funding to Highland Birchwoods. As a result of the drive to achieve efficiencies and to assist Highland Birchwoods focus on commercial opportunities, the Council's core funding contribution was cut to £10,000 during 2008/09 and ceased all together during 2009/10.
- 1.3 Two of the three member organisations (Scottish Natural Heritage and Forestry Commission Scotland) no longer appoint a trustee. Other trustees are now recruited from the private sector. One trustee is replaced or re-appointed each year on a rotational basis. At the time of writing there are 4 trustee board members including Cllr McCallum.
- 1.4 Partnership is the foundation of HB, which has presided over 17 years of successful partnership project delivery involving many agencies, Non Government Organisations, community groups and private landowners. The organisation has developed a strong and wide reaching network of working relationships.
- 1.5 A network of partners is the vehicle for progressing innovative, cross sectoral

research, development and demonstration projects that promote the company's aims and objectives. It also provides the finance required for securing the match funding required for competitive EU fund applications.

- 1.6 Details of HB aims and objectives, financial review, achievements and performance during the year to 28th February 2011 are provided on pages 4 - 7 of the Report of the Trustees at appendix 1.
- 1.7 HB identifies and manages 5 areas of financial risk. These are:
- Pursuance of compensation for inappropriate advice or poorly completed works
 - Losses as a result of damage to persons or property during works or events carried out by the company
 - Potential reclaims of funding as a result of project failure
 - Uncertainty in relations to the customary sources of funding (including core funding)
 - Losses incurred as a result of exchange rate fluctuation
- 1.8 HB currently employs 10 staff members. There are 5 part time and 5 full time staff members.

2. Points of note from the financial statements

- 2.1 HB carried forward £396,192 from 2010/11 activities, which compares with a carry forward of £416,720 in the previous year.
- 2.2 The year to 28th Feb 2011 has been a difficult year for the organisation as a result of the economic landscape, limited financial resources for projects work generally and core funding from member organisations becoming very difficult to secure or ceasing completely.
- 2.3 Recognising diminishing availability of core funding and subsequent difficulties securing match funding for projects the trustees made the decision to pursue commercial activities in order to bridge the anticipated funding gap and to direct the organisation towards financial self sufficiency.
- 2.4 HB is also now engaged in commercial activity and is currently building more conventional client relationships with existing and potential customers. The move to increase commercial activity carries its own risks, which are recognised by the trustees.
- 2.5 Two of the private sector trustees resigned in February and March 2011. Two further directors were recruited from senior positions in Highlands and Islands Airports Ltd (HIAL) and Highland and Islands Social Enterprise Zone (HISEZ) in April 2011. These appointments were facilitated by the Highland Council and have added crucial skills and knowledge (HR and management) to the HB organisation.
- 2.6 Linked to the push towards commercialisation, a woodland research group has been established to develop forestry research capacity in the Highlands and the Hutton Institute has recently joined the group. Continuing project work has mainly

focused on promoting bio-energy and adaptive woodland management.

3. Future plans

- 3.1 HB is making significant progress in growing its commercial activity. It has secured GIS mapping work and ecological survey work from a number of organisations. Clients appear to be very happy with the work of HB to date and have indicated that they will continue to use their services. A new website is also planned for 2012 which is expected to help enhance the organisation's presence in the marketplace.
- 3.2 A trading subsidiary was formed during October/November 2011 to further develop commercial activity without compromising the organisations charitable status.
- 3.3 Project work continues alongside the development of commercial activity. Projects currently underway or in the development phase include:
- **Mountain Woodland** – a landscape scale planting project which aims to plant over 500,000 native non-commercial trees in upland areas;
 - **Local Power** – investigating the business case for energy supply companies that will supply local communities including Ullapool, Caithness and Applecross with renewable energy;
 - **Coppicing** – feasibility study into the viability of coppicing as a means of bringing previously unmanaged woodlands into management for wood fuel;
 - **Community Orchard** – Proposals being developed for a project seeking to establish community owned and managed orchards;
 - **Low Impact Silviculture Systems** – a project supporting owners of small woodlands with low impact solutions to manage their woodland, provide them with training and help developing local markets.

4. Highland Birchwoods and the Highland Council

- 4.1 Highland Council has always been keen to consider partnership proposals developed by Highland Birchwoods and this remains the case. The Council has been a partner in many projects run by HB; most recently the 3 year, transnational Renewable Heat Advice and Support project to which the Council contributed £20,000. The total value of the project was £228,779.
- 4.2 Highland Council is also a partner in the current Highland Rhododendron Project. This project seeks to increase the uptake of existing Government funding to help eradicate this invasive non-native species. The project also promotes best practice in removal and management. The partnership involves SNH, FCS and Highland Birchwoods, a project officer is in post and the Council has agreed to contribute £4,000 towards a total project value of £44,000. It is hoped the project can be extended for a further year to run during 2012/13.
- 4.3 A further project that the Council has been asked to consider is the Local Power Project being developed by Highland Birchwoods and mentioned in the financial report. The majority of the funding required has been awarded by the Esmee Fairbairn Trust. £8,000 remains to be found to fully fund the project and this has been sought from Highland Council. The project is Jointly funded by the Esmee Fairbairn Trust, Ullapool Community Trust, Applecross Community Trust and

Pentland Energy Advice. Highland Birchwoods is the lead partner in the 18 month project with total value of £88,000. A short summary of the project aims and objectives can be found at appendix 2.

- 4.4 Other projects mentioned in paragraph 3.3 above may also become the subject of discussion with the Highland Council as partnership and funding package details become available. These will be reported as they arise.

5. Financial Implications

- 5.1 There are no additional financial implications resulting from this report. Highland Birchwoods receives no core funding from the Highland Council. However the organisation currently receives project funding from the Council as described within section 4.0 above.

RECOMMENDATION

It is recommended that Committee

- (a) notes the Financial Statements of Highland Birchwoods to 28th February 2011, and the organisation's proposals for the year ahead:
- (b) notes the joint project work undertaken to date and the potential future project.

Designation: Director of Planning and Development

Date: 16th December 2011

Author: G Hamilton, CHNR Manager (Tel: 2568)

Background papers: Report of the trustees and audited financial statements for the year ended 28 February 2011 for Highland Birchwoods – approved by the Board on 1st November 2011.

REGISTERED COMPANY NUMBER: SC142892
REGISTERED CHARITY NUMBER: SC021146

**REPORT OF THE TRUSTEES AND
AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2011
FOR
HIGHLAND BIRCHWOODS**

HIGHLAND BIRCHWOODS

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for the year ended 28 February 2011**

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HIGHLAND BIRCHWOODS

REPORT OF THE TRUSTEES for the year ended 28 February 2011

The trustees who are also directors of the charity for the purposes of the Companies Act 2006, present their report with the financial statements of the charity for the year ended 28 February 2011. The trustees have adopted the provisions of the Statement of Recommended Practice (SORP) 'Accounting and Reporting by Charities' issued in March 2005.

REFERENCE AND ADMINISTRATIVE DETAILS

Registered Company number

SC142892

Registered Charity number

SC021146

Registered office

Redwood
19 Culduthel Road
Inverness
IV2 4AA

Trustees

A J MacKay	- appointed 10/5/2010 - resigned 10/2/2011
I G S McCallum	
J R Hunter	- resigned 31/3/2010
W S Meikle	
R C Stubbs	- resigned 2/3/2011
J G McGlade	- appointed 10/5/2010 - resigned 10/2/2011
G Haston	- appointed 7/4/2011
B W Weaver	- appointed 7/4/2011

Company Secretary

Miss C Gethin

Senior Statutory Auditor

John Fraser, MA, CA

Auditors

MacKenzie Kerr
Chartered Accountants and
Statutory Auditor
Redwood
19 Culduthel Road
Inverness
IV2 4AA

Bankers

Bank of Scotland
23 High Street
Fortrose
IV10 8SX

Chief Executive Officer

Cliff Beck - to 30 June 2011

HIGHLAND BIRCHWOODS

REPORT OF THE TRUSTEES for the year ended 28 February 2011

STRUCTURE, GOVERNANCE AND MANAGEMENT

Governing document

Highland Birchwoods is a company limited by guarantee incorporated on 26th February 1993 with no share capital, and is recognised by Her Majesty's Revenue and Customs (HMRC) as a Scottish Charity.

Recruitment and appointment of new trustees

Two of the three member organisations (Scottish Natural Heritage and Forestry Commission Scotland) no longer appoint a trustee, although the third member, Highland Council, currently continues to do so. Other trustees are now recruited from the private sector and by word of mouth. One trustee is replaced or re-appointed each year on a rotational basis.

Induction and training of new trustees

A new trustee is briefed by the other trustees and/or the Chairman as deemed appropriate by the existing board. Relevant information and documents, as determined by the existing trustees and Company Secretary, are passed to the new trustee.

Organisational structure

All staff, with the exception of the Research Manager, Finance Manager and IT/GIS Officer, report to the Programme Manager. The Research, Finance and Programme Managers comprise the Management Team, which reports directly to the Board of Trustees, of whom the Chairman acts as their Line Manager for day to day purposes. The IT/GIS Officer reports to the Finance Manager.

All decisions concerning overall strategic direction and organisational structure are taken by the board of trustees in discussion with the Management Team. The Board's approval is also required for all recruitment, all drawing on company financial reserves, and all decisions to develop projects or accept offers of funding.

All decisions on day to day running of the organisation and project implementation are taken by staff. The Management Team approves all major items of expenditure (although in reality this is after discussion with the Chairman).

External relationships

Complex partnerships reflecting wide-ranging interests are the foundation of Highland Birchwoods' work. Through 17 years of successful partnership project delivery involving several hundred agencies, NGOs, community groups and private landowners, Highland Birchwoods has developed a strong and wide reaching network of working relationships based on trust and mutual respect.

This network is the vehicle for progression of innovative, cross-sectoral research, development and demonstration projects that promote the company's aims and objectives, as well as providing the financial mechanism through which the company secures the match funding necessary to support competent applications for EU structural funds.

Now actively engaged in commercial activity, the organisation is currently building more conventional 'client relationships' with its existing and potential customers, who until recently have been somewhat removed from its traditional partners.

HIGHLAND BIRCHWOODS

REPORT OF THE TRUSTEES for the year ended 28 February 2011

STRUCTURE, GOVERNANCE AND MANAGEMENT

Risks and uncertainties

As noted in the previous report, there are five areas of financial risk for the company in terms of project based activity. The first is the possibility that the company is pursued for compensation by a third party because inappropriate advice was given by the company. The company has Professional Indemnity insurance to protect against such an event.

The second area of risk concerns claims arising from loss or damage to a person or property during work or events carried out by the company. This risk is minimised by site control always being made the responsibility of either the site owner or a contractor as appropriate. Conferences, open days and similar events organised by the company are covered by appropriate insurance.

The third area of risk is concerned with potential reclaim of funding due to the failure of a project partner to meet its obligations or maintain adequate financial records. Projects are governed by a detailed memorandum of agreement which provides a mechanism for the company to retrieve any losses arising from a partner being in default. The company endeavours to maintain a high standard of record-keeping for both project and commercial work, and also retains copies of all relevant partner records.

The fourth risk area is uncertainty in relation to the availability of customary sources of funding, and the fifth is that the organisation may incur losses in transnational EU-funded projects due to the variances in exchange rate throughout the projects' lifetimes.

Whilst efforts are made to minimise these final two risks through the use of long-term funding agreements and memoranda of understanding, indications are that the risks are increasing, and to some extent they are drivers for the proposed establishment of a separate trading subsidiary.

The move towards undertaking commercial activities brings an entirely new set of financial risks, although these will primarily be the responsibility of the trading subsidiary once established. These include the risk that work is undertaken and a client disputes or fails to pay the sums due for the work undertaken. A comprehensive set of terms and conditions will accompany any offer to engage our services and, depending on the size of the contract, may include stage payments to further minimise the risk of any financial loss.

There is also the risk of underestimating the staff time required to complete an assignment. We have established procedures whereby all tender proposals are double checked for financial accuracy and to ensure sufficient time has been allowed; this skill will be developed internally as our experience grows.

Risk management

The trustees have assessed the major risks to which the charity is exposed, in particular those related to the operations and finances of the company, and they are satisfied that systems are in place to mitigate its exposure to these risks.

HIGHLAND BIRCHWOODS

REPORT OF THE TRUSTEES for the year ended 28 February 2011

OBJECTIVES AND ACTIVITIES

Objectives and aims

Highland Birchwoods was formed as a multi-agency partnership to develop and deliver cross cutting approaches to multi purpose native woodland management.

As such Highland Birchwoods is a vehicle for "joined up government" in both its horizontal dimension, through its capacity for cost effective delivery of groundbreaking multi-sectoral strategies beyond the scope of any one agency, and in its vertical dimension, through integrating policy and implementation, agency and Non Government Organisations, private sector and local stakeholders.

The following company objectives are extracted from the company Memorandum:

(a) to promote education, training and research for the benefit of the public in the matters of environment and native woodlands, and in particular to strengthen and focus efforts to restore and extend native broad-leaved woodlands within the Highlands, to promote good management of native broad-leaved woodlands including birch woods for conservation and amenity, timber production and agricultural benefits, to disseminate information gained by such research and generally to improve the levels of skill, knowledge and understanding in matters of environmental protection and woodland conservation and management.

(b) to promote, for the benefit of the public, the preservation and conservation of natural broad-leaved woods and trees by encouraging better methods of management and the production of timber and wood from native tree species by methods which do not reduce the scientific, scenic or historic interest present.

These objects are still of paramount importance to the company, but they are now under review as it is recognised that improved management and diversification of non-native woodlands, and closer integration of forestry and agriculture both have the potential to contribute significantly to the conservation, amenity, timber and rural development values of all woodlands.

Significant activities

The principal activity of the company is to raise the profile of native woodlands and stimulate their management and expansion. In order to achieve this objective, the company acts as beneficiary, lead partner, and partner in externally-funded projects for woodland restoration, management, and sustainable exploitation.

Grantmaking

The company receives grant money on behalf of the projects it manages, and disburses that money in compliance with the regulations governing that funding, the proposals contained in the application for that funding, and the formal agreement between the partners in that project.

FINANCIAL REVIEW

Reserves policy

The General Fund represents the unrestricted funds arising from past operating results. It also represents the free reserves of the charity, as all fixed assets are included in restricted funds.

Financial results

Income from continuing activities of £1,086,416 was received during the year, of which £1,000,964 related to projects and £85,452 to the company's core funding. In addition the company earned interest income of £861. The company incurred costs of £1,107,805, which included £322,822 of grants payable to partners and projects under Developing Scots Pine, East Sutherland Woodlands, Species Action Framework, Action for Mountain Woodland, Forestry and Rural Development Scheme, and Regional Woodland Parks projects. A further £624,050 was incurred in project costs and £160,933 in management, administration, and preparation of project bids.

The surplus on unrestricted funds of £33,940 has been added to unrestricted reserves.

Two restricted funds are in deficit at the end of the year as a result of expenditure in advance of grant claims. It is anticipated that funding will be received to eliminate the deficits.

HIGHLAND BIRCHWOODS

REPORT OF THE TRUSTEES for the year ended 28 February 2011

FINANCIAL REVIEW

Principal funding sources

Highland Birchwoods receives annual contributions from its members that are used to offset some of the core staff, administration and overhead costs, essential in order to support existing projects, although recent cuts mean that this funding can no longer contribute towards the development of new projects. During the 2010-11 financial year, these annual contributions were:

Highland Council	£nil
Scottish Natural Heritage	£43,520
Forestry Commission Scotland	£17,000

Forestry Commission Scotland (FCS) also provided one core staff member as an 'in kind' contribution, valued at £19,020.

It should be noted that the current year 2011/2012 is the last year in which FCS will provide core funding support. The staff member who represented the 'in kind' contribution was redeployed within FCS in January 2011. FCS membership will cease at the end of the 2011/12 financial year.

During 2010-11 the following projects also made a significant contribution:

Action for Mountain Woodlands (budget £800,000 2007-10)

Highland Birchwoods managed this project, which ended in November 2010, on behalf of partners including Scottish Natural Heritage, Forestry Commission Scotland, RSPB, Trees for Life, Clydemuirshiel Regional Park and the Montane Scrub Action Group. It was 57% funded by Heritage Lottery Fund, and aimed to raise levels of awareness and understanding of the importance of this habitat, and, develop and disseminate best practice management.

PELLETime (Scottish budget €600,000 2008-10)

Highland Birchwoods was lead Scottish Partner in this project, which was 60% funded by the EU Northern Periphery Programme. Other Scottish partners included the Forestry Commission, Orkney Islands Council, Highland Council, Shetland Islands Council and Highlands & Islands Enterprise. The overall management of the project was the responsibility of North Karelia University of Applied Sciences. The project aimed to address the technological limitations and lack of knowledge regarding the production of biomass pellets due to its current small-scale production. This project ended in December 2010.

Developing the Scots Pine Resource (budget €1.72m 2008-10)

This project, managed by Highland Birchwoods, again included Forestry Commission Scotland, Highlands & Islands Enterprise, the Finnish Forest Research Institute and North Karelia University of Applied Sciences amongst its partners, as well as both the Swedish and Norwegian Forest Agencies. This project was concerned with promoting greater use of Scots Pine by small and medium enterprises for the production of higher value end products, as well as increasing awareness of its technical properties and potential applications. This project completed in March 2011.

Make It Be (budget €235,000 2008-11)

Highland Birchwoods is lead Scottish partner for this project which is concerned with using integrated approaches to bioenergy planning to overcome non economic barriers to bioenergy market expansion. The key outputs in Scotland will be a Regional Biomass Partnership in the Highlands which will develop and implement a Regional Biomass Action Plan. The project is part funded in Scotland by Forestry Commission Scotland. International partners include organisations in Belgium, Germany, Austria, Italy and Slovenia. This project is due to complete in October 2011.

HIGHLAND BIRCHWOODS

REPORT OF THE TRUSTEES for the year ended 28 February 2011

FINANCIAL REVIEW

Principal funding sources

Renewable Heat Advice & Support (budget £200,000 2009-12)

This project is addressing several areas of market failure that are constraining development of renewable heat in the Highlands. Led by Highland Birchwoods, the vehicle for delivery is a wide ranging partnership of 16 different organisations involved in advising and supporting woodfuel and renewable heat development in the Highlands & Islands. This project is due to complete in May 2012.

Highland Rhododendron Project (budget £86,000 2010-12)

This is a partnership between SNH, FCS, THC and Highland Birchwoods which seeks to increase uptake of current Government funding to eradicate the invasive non-native species *Rhododendron ponticum*. The project also promotes best practice in removal and management, with the primary focus being the removal of cover in and around Sites of Special Scientific Interest and Special Areas of Conservation. This work is currently funded until March 2012.

HIGHLAND BIRCHWOODS

REPORT OF THE TRUSTEES for the year ended 28 February 2011

REVIEW OF YEAR AND FUTURE DEVELOPMENTS

This has been a difficult year for the organisation with some hard decisions having to be taken in light of core funding from member organisations either becoming difficult to secure or ceasing completely.

Board of Directors & Staffing

Prof. James Hunter stood down from the board in March 2010, this coincided with his retirement from the board of SNH. SNH declined to appoint a replacement director.

Stewart Meikle adopted the role of Chairman, and a further two directors were appointed from the private sector: Jim Mackay (financial expertise) and John McGlade (forestry expertise).

Recognising the diminishing availability of core funding and the difficulties associated with securing match funding for project work, the board made the decision that the organisation needed to pursue commercial activities in order to bridge the obvious forthcoming funding gap, as well as to direct the organisation towards a more self sustaining existence whilst enabling it to maintain its project based activities.

Progress towards commercial activity was initially very slow and the organisation's requirements, coupled with their own commitments, resulted in three directors submitting their resignations during February and March 2011.

An organisational review was undertaken and a decision taken that the CEO post (which had become part time at the post-holder's request) should be made redundant. This option provided the greatest opportunity for staff cost savings and allowed the organisation to retain expertise that was more commercially marketable. At the same time it was recognised that board input to the future of the organisation would require significantly more time from directors.

In April 2011 a further two directors were recruited, Gillian Haston, Head of HR and Organisational Development at HIAL and Brian Weaver, CEO of HISEZ. Both of these individuals have brought crucial skills and knowledge to the organisation. There are currently four trustees in place.

In line with the development of the commercial activity, a review of staff skills and expertise was undertaken. The majority of staff have since participated in some form of external training that has increased their skills and made the organisation more marketable in the commercial sector.

Review of performance against objectives

The planned renovation of the company premises has still not been undertaken due to financial uncertainties and the time it will take for final grant payments to arrive from the two completed Northern Periphery Programme projects.

The new woodfuel boiler has made significant improvements to working conditions and has been a major contributor towards reducing the organisation's carbon footprint. This has formed a key element of our carbon reduction plan and resulted in us graduating with the Carbon Trust's Carbon Reduction Programme. We have the honour of being the only non public sector organisation in Scotland (and also the smallest) to have achieved this.

The Make It Be and Renewable Heat Advice (Use Green Heat) projects continue to make significant contributions to the development of integrated approaches to biomass energy.

The Developing Scots Pine project has been successfully completed with a small underspend from the original budget.

Action for Mountain Woodlands has also been completed successfully, allowing us to develop a second phase project which was awarded development funding by HLF and has resulted in a full application going forward for decision in September 2011.

The Woodland Research Group is now established and we are working towards developing forestry research capacity in the Highlands and Islands. An Advisory Board has been established and the Hutton Institute has now joined the Group.

Project development work has focused on two main areas: bioenergy and adaptive woodland management strategies.

HIGHLAND BIRCHWOODS

REPORT OF THE TRUSTEES for the year ended 28 February 2011

PLANS FOR FUTURE PERIODS

Significant progress has been made in terms of commercial activity and the organisation has secured GIS mapping work and ecological survey work from a number of organisations within the first half of 2011-12. Indications are that clients are very pleased with the work and will continue to utilise our services in the future.

Creation of a trading subsidiary to fully develop our capacity for commercial activity whilst protecting our charitable status is at an advanced stage, and should be formally established by late October 2011.

Work is ongoing to increase our profile in the commercial market place and we hope to launch a new website early in 2012. At the same time a number of projects are either being developed or have recently been approved. These include:

Mountain Woodland

This is a landscape scale planting project which aims to plant over 500,000 native non-commercial trees, linking the commercial forest to the montane species in upland areas of Scotland. The Stage 2 application has been submitted to the Heritage Lottery Fund and a decision will be made on 17 September 2011.

Local Power

Funding has been awarded by the Esmé Fairbairn Foundation to enable Highland Birchwoods to examine the business case for setting up Energy Supply Companies (ESCOs) to supply local communities, including Ullapool, Caithness and Applecross, with renewable energy. The concept is based on the Güssing Model (Austria), where local communities are given technical assistance to develop their own renewable energy solutions and then the generated wealth is re-circulated into energy projects within the local area.

Coppicing

A large area of woodland in Scotland is not managed effectively, and until the recent increased demand for woodfuel, effective management was often not financially viable. The demand for woodfuel can now be used as a driver to encourage more sustainable woodland management for multiple benefits.

The use of coppice is one such management system to be considered as a viable option, and as such we are working on an application for a feasibility study. If the results are favourable, we will then be looking to follow up with a full project application.

Community Orchard

Highland Birchwoods has been working with community groups, orchard groups and SNH to identify support requirements in the restoration of community orchards. This is an area of growth in Scotland and demand has been demonstrated through successful funding bids in the central belt and borders. A project proposal will be developed towards the end of 2011.

A further review of staff skills will be undertaken to identify any further requirements, and appropriate funding sought towards any training costs.

We are also about to embark on engaging external expertise to take the organisation forward with ISO 9001. This will provide us with a recognised quality assurance standard and help us in the tendering process in the future.

HIGHLAND BIRCHWOODS

**REPORT OF THE TRUSTEES
for the year ended 28 February 2011**

STATEMENT OF TRUSTEES RESPONSIBILITIES

The trustees (who are also the directors of Highland Birchwoods for the purposes of company law) are responsible for preparing the Report of the Trustees and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing those financial statements, the trustees are required to

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charity SORP;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charitable company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the trustees are aware, there is no relevant information (as defined by Section 418 of the Companies Act 2006) of which the charitable company's auditors are unaware, and each trustee has taken all the steps that they ought to have taken as a trustee in order to make them aware of any audit information and to establish that the charitable company's auditors are aware of that information.

AUDITORS

The auditors, MacKenzie Kerr, will be proposed for re-appointment at the forthcoming Annual General Meeting.

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

ON BEHALF OF THE BOARD:

.....
W S Meikle - Trustee

Date: 1/11/11

REPORT OF THE INDEPENDENT AUDITORS TO THE TRUSTEES AND MEMBERS OF HIGHLAND BIRCHWOODS

We have audited the financial statements of Highland Birchwoods for the year ended 28 February 2011 on pages twelve to twenty five. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the charitable company's trustees, as a body, in accordance with Section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the members and the charitable company's members and 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 charitable company and the charitable company's members and 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 explained more fully in the Statement of Trustees' Responsibilities, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditors under Section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations made under those Acts.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 28 February 2011 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Trustees for the financial year for which the financial statements are prepared is consistent with the financial statements.

**REPORT OF THE INDEPENDENT AUDITORS TO THE TRUSTEES AND MEMBERS OF
HIGHLAND BIRCHWOODS**

Matters on which we are required to report by exception

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

- the charitable company has not kept proper and adequate accounting records or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the Report of the Trustees.

John Fraser, MA, CA (Senior Statutory Auditor)
for and on behalf of MacKenzie Kerr
Chartered Accountants and
Statutory Auditor
Eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006
Redwood
19 Culduthel Road
Inverness
IV2 4AA

Date: 2 NOVEMBER 2011

HIGHLAND BIRCHWOODS

STATEMENT OF FINANCIAL ACTIVITIES
(INCORPORATING AN INCOME AND EXPENDITURE ACCOUNT)
for the year ended 28 February 2011

	Note	Unrestricted funds £	Restricted funds £	2011 Total funds £	2010 Total funds £
INCOMING RESOURCES					
Incoming resources from generated funds					
Voluntary income	2	83,632	1,820	85,452	149,352
Investment income	3	861	-	861	1,723
Incoming resources from charitable activities					
Projects	4	-	1,000,964	1,000,964	803,215
Total incoming resources		84,493	1,002,784	1,087,277	954,290
RESOURCES EXPENDED					
Costs of generating funds					
Costs of generating voluntary income	5	132,178	-	132,178	152,008
Charitable activities					
Projects	6	-	946,872	946,872	764,716
Governance costs	9	28,755	-	28,755	22,878
Total resources expended		160,933	946,872	1,107,805	939,602
NET INCOME/(EXPENDITURE) FOR THE YEAR before transfers					
		(76,440)	55,912	(20,528)	14,688
Gross transfers between funds	17	110,380	(110,380)	-	-
Net income/(expenditure) for the year		33,940	(54,468)	(20,528)	14,688
RECONCILIATION OF FUNDS					
Total funds brought forward		346,952	69,768	416,720	402,032
TOTAL FUNDS CARRIED FORWARD		380,892	15,300	396,192	416,720

The notes form part of these financial statements

HIGHLAND BIRCHWOODS

BALANCE SHEET At 28 February 2011

	Note	Unrestricted funds £	Restricted funds £	2011 Total funds £	2010 Total funds £
FIXED ASSETS					
Tangible assets	13	34,022	29,080	63,102	42,569
CURRENT ASSETS					
Debtors	14	9,120	257,606	266,726	259,544
Cash at bank and in hand		<u>356,603</u>	<u>156,255</u>	<u>512,858</u>	<u>547,457</u>
		365,723	413,861	779,584	807,001
CREDITORS					
Amounts falling due within one year	15	(18,853)	(427,641)	(446,494)	(432,850)
NET CURRENT ASSETS/(LIABILITIES)		<u>346,870</u>	<u>(13,780)</u>	<u>333,090</u>	<u>374,151</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>380,892</u>	<u>15,300</u>	<u>396,192</u>	<u>416,720</u>
NET ASSETS		<u>380,892</u>	<u>15,300</u>	<u>396,192</u>	<u>416,720</u>
FUNDS					
	17				
Unrestricted funds:					
General fund				380,892	346,952
Restricted funds:					
Core Forest Sites				-	32,873
Urgent Conservation Measures for Scottish Capercaillie				-	71,160
Forest and Rural Development Scheme Developing Scots Pine				(5,790)	(31,106)
PelleTime				(54,493)	-
Regional Woodland Parks				-	(26,910)
Species Action Framework				2,229	(2,911)
Forest Habitat Network Planning and Implementation				-	24,403
Fixed Asset Fund				29,080	2,259
Make It Be				29,920	-
Renewable Heat Advice & Support Service				(1,712)	-
European Cooperation in Science and Technology				(1,932)	-
Highland Rhododendron Project				14,397	-
Mountain Woodlands (prep bid)				<u>3,601</u>	-
				<u>15,300</u>	<u>69,768</u>
TOTAL FUNDS				<u>396,192</u>	<u>416,720</u>

The notes form part of these financial statements

HIGHLAND BIRCHWOODS

BALANCE SHEET - CONTINUED

At 28 February 2011

These financial statements have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small charitable companies and with the Financial Reporting Standard for Smaller Entities (effective April 2008).

The financial statements were approved by the Board of Trustees on*1/11/11*..... and were signed on its behalf by:

.....
W S Meikle -Trustee

The notes form part of these financial statements

HIGHLAND BIRCHWOODS

NOTES TO THE FINANCIAL STATEMENTS for the year ended 28 February 2011

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention, and in accordance with the Financial Reporting Standards for Smaller Entities (effective April 2008), the Companies Act 2006 and the requirements of the Statement of Recommended Practice, Accounting and Reporting by Charities (issued in March 2005).

Incoming resources

All incoming resources are included on the Statement of Financial Activities when the charity is legally entitled to the income and the amount can be quantified with reasonable accuracy. Grants receivable are only recognised when the conditions for receipt have been met in full and there is a reasonable assurance of receipt. As a result, some grant income may have been treated as deferred income.

Gifts in kind

Gifts in kind are included at the cost of providing the goods and services.

Resources expended

Expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with the use of resources. Grants offered subject to conditions which have not been met at the year end date are noted as a commitment but not accrued as expenditure.

Cost of generating funds

The cost of generating funds are those costs attributable to generating incoming resources for the charity, other than those costs incurred in undertaking charitable activities.

Governance costs

Governance costs include those costs associated with meeting the constitutional and statutory requirements of the charitable company and include accountants' independent examination fees and costs linked to the strategic management of the company.

Allocation and apportionment of costs

The company's operating costs include both management and support costs. In the Statement of Financial Activities, support costs have been apportioned to charitable expenditure where these costs are agreed as eligible project management costs with the project funders. Management costs include ineligible project costs, bid development costs, and central administration costs.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off the cost less estimated residual value of each asset over its estimated useful life.

Leasehold improvements	- 20% on cost
Other equipment	- 10% on cost
Office equipment and furnishings	- 25% on cost

Fixed asset purchases of less than £100 are not capitalised.

Taxation

The organisation is recognised as a charity for taxation purposes. Interest received is shown gross and no provision for tax is considered necessary.

HIGHLAND BIRCHWOODS

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED for the year ended 28 February 2011

1. ACCOUNTING POLICIES - continued

Fund accounting

Unrestricted funds can be used in accordance with the charitable objectives at the discretion of the trustees.

Restricted funds can only be used for particular restricted purposes within the objects of the charity. Restrictions arise when specified by the donor or when funds are raised for particular restricted purposes.

Most of the activities of the company are funded by grants provided by project funders and public agencies. The funds thus provided are restricted because their use is confined to the purpose for which they were provided.

Further explanation of the nature and purpose of each fund is included in the notes to the financial statements.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Pension costs and other post-retirement benefits

Two employees are given contributions to make provision for their retirement pensions. The company makes salary related contributions, these contributions being percentage additions to gross salary. The company operates a defined contribution scheme for all other employees. Contributions payable for the year total £26,209 (2010 - £25,906) and are charged to the income and expenditure account.

Value Added Tax

The organisation is not registered for Value Added Tax (VAT). Irrecoverable VAT on incurred costs is included in the attributable expenditure.

2. VOLUNTARY INCOME

	2011 £	2010 £
Grants and contributions from partners	60,520	111,775
In kind contributions	12,526	17,242
Sundry income	<u>12,406</u>	<u>20,335</u>
	<u>85,452</u>	<u>149,352</u>

Grants received, included in the above, are as follows:

	2011 £	2010 £
Scottish Natural Heritage	43,520	55,490
Forestry Commission	17,000	17,000
Highland Council	-	10,600
Other grants	<u>-</u>	<u>28,685</u>
	<u>60,520</u>	<u>111,775</u>

HIGHLAND BIRCHWOODS

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
for the year ended 28 February 2011

3. INVESTMENT INCOME

	2011 £	2010 £
Deposit account interest	<u>861</u>	<u>1,723</u>

4. INCOMING RESOURCES FROM CHARITABLE ACTIVITIES

	Activity	2011 £	2010 £
Grants and contributions from partners	Projects	<u>1,000,964</u>	<u>803,215</u>

Grants received, included in the above, are as follows:

	2011 £	2010 £
Net grants in advance at start of year	44,208	169,296
Scottish Natural Heritage	84,568	92,990
Forestry Commission	61,500	61,500
Highland Council	14,927	15,167
Highlands and Islands Enterprise	30,236	49,769
Other European Union	469	-
Northern Periphery Programme	514,728	296,197
Heritage Lottery Fund	168,391	144,956
Other grants	-	(6,200)
Orkney Council	3,747	8,164
Shetland Council	2,630	1,084
Centro Ricerche Produzioni Vegetali	41,393	-
University of Highlands and Islands	-	5,500
Moray Council	3,000	5,000
Argyll and Bute Council	2,000	2,000
Highland Wildcat	-	2,000
Highlands and Islands Partnership Programme	19,504	-
ALI Energy	9,663	-
Net grants in advance at end of year	<u>-</u>	<u>(44,208)</u>
	<u>1,000,964</u>	<u>803,215</u>

HIGHLAND BIRCHWOODS

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
for the year ended 28 February 2011

5. COSTS OF GENERATING VOLUNTARY INCOME

	2011 £	2010 £
Staff costs	108,703	117,816
Rent, rates and insurance	2,529	2,402
Heat, light and cleaning	1,269	1,438
Telephone, fax and internet	2,969	2,604
Postage and courier	115	43
Sundries	323	962
Promotion and publicity	2,701	2,519
Recruitment and training	560	3,139
Repairs and maintenance	183	969
Stationery and printing	768	2,502
Equipment and computer running costs	2,837	2,766
Travel and subsistence	1,951	2,752
Legal and professional	300	300
Bank charges	105	75
Depreciation	6,865	10,316
Loss on sale of assets	-	1,405
	<u>132,178</u>	<u>152,008</u>

6. CHARITABLE ACTIVITIES COSTS

	Direct costs £	Grant funding of activities (See note 7) £	Support costs (See note 8) £	Totals £
Projects	<u>609,030</u>	<u>322,822</u>	<u>15,020</u>	<u>946,872</u>

7. GRANTS PAYABLE

	2011 £	2010 £
Projects	<u>322,822</u>	<u>359,238</u>

HIGHLAND BIRCHWOODS

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED for the year ended 28 February 2011

7. GRANTS PAYABLE - continued

Project direct costs include grants of £322,822 (2010 - £359,238) payable to partners and projects under the Developing Scots Pine, East Sutherland Woodlands, Species Action Framework, Action for Mountain Woodlands, Forest and Rural Development Scheme and Regional Woodland Parks as follows:

	2011 £	2010 £
Developing Scots Pine	232,325	114,412
East Sutherland Woodlands	4,406	-
Species Action Framework	18,533	80,767
Action for Mountain Woodland	83,702	54,462
Forest and Rural Development Scheme	(19,588)	108,951
Regional Woodland Parks	3,444	-
Capercaillie project	-	646
	<u>322,822</u>	<u>359,238</u>

8. SUPPORT COSTS

	Management £
Projects	<u>15,020</u>

9. GOVERNANCE COSTS

	2011 £	2010 £
Staff costs	17,766	17,457
Auditors' remuneration	5,628	4,196
Recruitment and training	780	610
Postage and courier	2	2
Stationery and printing	7	14
Promotion and publicity	633	528
Travel and subsistence	126	47
Sundries	18	24
Legal and professional	3,795	-
	<u>28,755</u>	<u>22,878</u>

10. NET INCOMING/(OUTGOING) RESOURCES

Net resources are stated after charging/(crediting):

	2011 £	2010 £
Auditors' remuneration	5,628	4,196
Depreciation - owned assets	11,198	11,532
Deficit on disposal of fixed asset	-	1,405
Project audits	2,943	3,266
	<u>29,769</u>	<u>29,399</u>

HIGHLAND BIRCHWOODS

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
for the year ended 28 February 2011

11. TRUSTEES' REMUNERATION AND BENEFITS

There were no trustees' remuneration or other benefits for the year ended 28 February 2011 nor for the year ended 28 February 2010.

Trustees' Expenses

There were no trustees' expenses paid for the year ended 28 February 2011 nor for the year ended 28 February 2010.

12. STAFF COSTS

	2011	2010
	£	£
Wages and salaries	308,464	282,524
Social security costs	28,630	26,589
Other pension costs	<u>26,209</u>	<u>25,906</u>
	<u>363,303</u>	<u>335,019</u>

The average monthly number of employees during the year was as follows:

	2011	2010
Administration	5	5
Projects	<u>7</u>	<u>7</u>
	<u>12</u>	<u>12</u>

Included in staff employment costs this year is £19,020 in kind staff costs (2010 - £20,320) which are met by the Forestry Commission.

There are no staff employed earning over the disclosure threshold of £60,000 in either year.

HIGHLAND BIRCHWOODS

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
for the year ended 28 February 2011

13. TANGIBLE FIXED ASSETS

	Leasehold improvements £	Other equipment £	Office equipment and furnishings £	Totals £
COST				
At 1 March 2010	17,384	38,354	54,973	110,711
Additions	-	30,570	1,161	31,731
Disposals	-	-	(17,275)	(17,275)
At 28 February 2011	<u>17,384</u>	<u>68,924</u>	<u>38,859</u>	<u>125,167</u>
DEPRECIATION				
At 1 March 2010	17,384	3,835	46,923	68,142
Charge for year	-	6,892	4,306	11,198
Eliminated on disposal	-	-	(17,275)	(17,275)
At 28 February 2011	<u>17,384</u>	<u>10,727</u>	<u>33,954</u>	<u>62,065</u>
NET BOOK VALUE				
At 28 February 2011	<u>-</u>	<u>58,197</u>	<u>4,905</u>	<u>63,102</u>
At 28 February 2010	<u>-</u>	<u>34,519</u>	<u>8,050</u>	<u>42,569</u>

14. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011 £	2010 £
Trade debtors	7,970	56,386
Other debtors	<u>258,756</u>	<u>203,158</u>
	<u>266,726</u>	<u>259,544</u>

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011 £	2010 £
Bank loans and overdrafts	294,037	151,515
Trade creditors	11,909	145,138
Taxation and social security	10,008	7,269
Other creditors	<u>130,540</u>	<u>128,928</u>
	<u>446,494</u>	<u>432,850</u>

Although no bank loans or overdrafts exist in actuality, at the balance sheet date there exists a cash surplus or deficit for each project, which relates to amounts included in debtors and creditors.

HIGHLAND BIRCHWOODS

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
for the year ended 28 February 2011

16. OPERATING LEASE COMMITMENTS

The following operating lease payments are committed to be paid within one year:

	2011 £	2010 £
Expiring:		
Within one year	5,500	5,500
Between one and five years	<u>107</u>	<u>107</u>
	<u>5,607</u>	<u>5,607</u>

17. MOVEMENT IN FUNDS

	At 1/3/10 £	Net movement in funds £	Transfers between funds £	At 28/2/11 £
Unrestricted funds				
General fund	346,952	(76,440)	110,380	380,892
Restricted funds				
Core Forest Sites	32,873	(85)	(32,788)	-
Caper EOP	71,160	398	(71,558)	-
Forest and Rural Development Scheme	(31,106)	19,588	11,518	-
Developing Scots Pine	-	(5,790)	-	(5,790)
Crofter Forestry Handbook	-	2,985	(2,985)	-
PelleTime	-	(54,493)	-	(54,493)
Regional Woodland Parks	(26,910)	8,896	18,014	-
Species Action Framework	(2,911)	2,229	2,911	2,229
Forest Habitat Network Planning and Implementation	24,403	-	(24,403)	-
Action for Mountain Woodlands	-	12,254	(12,254)	-
Fixed Asset Fund	2,259	26,821	-	29,080
Make It Be	-	29,920	-	29,920
Renewable Heat Advice & Support Service	-	(1,712)	-	(1,712)
East Sutherland Woodlands	-	538	(538)	-
European Cooperation in Science and Technology	-	(1,932)	-	(1,932)
Highland Rhododendron Project	-	14,397	-	14,397
Mountain Woodlands (prep bid)	-	3,601	-	3,601
Participatory Bioenergy Action Plan Development	-	(1,703)	1,703	-
	<u>69,768</u>	<u>55,912</u>	<u>(110,380)</u>	<u>15,300</u>
TOTAL FUNDS	<u>416,720</u>	<u>(20,528)</u>	<u>-</u>	<u>396,192</u>

HIGHLAND BIRCHWOODS

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
for the year ended 28 February 2011

17. MOVEMENT IN FUNDS - continued

Net movement in funds, included in the above are as follows:

	Incoming resources £	Resources expended £	Movement in funds £
Unrestricted funds			
General fund	84,493	(160,933)	(76,440)
Restricted funds			
Forest and Rural Development Scheme	-	19,588	19,588
Developing Scots Pine	375,170	(380,960)	(5,790)
PelleTime	185,848	(240,341)	(54,493)
Species Action Framework	23,129	(20,900)	2,229
Action for Mountain Woodlands	187,276	(175,022)	12,254
Make It Be	64,316	(34,396)	29,920
Renewable Heat Advice & Support Service	55,936	(57,648)	(1,712)
East Sutherland Woodlands	15,098	(14,560)	538
European Cooperation in Science and Technology	(1,869)	(63)	(1,932)
Highland Rhododendron Project	41,001	(26,604)	14,397
Mountain Woodlands (prep bid)	12,899	(9,298)	3,601
Participatory Bioenergy Action Plan Development	-	(1,703)	(1,703)
Caper EOP	469	(71)	398
Crofter Forestry Handbook	-	2,985	2,985
Regional Woodland Parks	12,357	(3,461)	8,896
Fixed Asset Fund	31,154	(4,333)	26,821
Core Forest Sites	-	(85)	(85)
	1,002,784	(946,872)	55,912
TOTAL FUNDS	1,087,277	(1,107,805)	(20,528)

HIGHLAND BIRCHWOODS

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED for the year ended 28 February 2011

17. MOVEMENT IN FUNDS - continued

Unrestricted funds

General fund - Free funds of the charity and not designated for any specific purpose.

Restricted funds

Forest and Rural Development Scheme - Increasing the contribution of forestry to rural development and assisting communities achieve greater social, economic and environmental benefits by participating in forestry.

Developing Scots Pine - Aims to encourage greater use of Scots pine in higher value end uses.

PelleTime - Aiming to produce a package of tools to enable SMEs to design a sustainable pellet supply-chain, enabling local renewable energy resources to be used and to support the energy and self-sufficiency of the northern periphery regions.

Regional Woodland Parks - Bringing together all the many natural and cultural heritage assets in an area in the context of woodland and forestry.

Species Action Framework - Land-management funding for Capercaillie habitat improvement.

Forest Habitat Network Planning and Implementation - Encouraging new native woodland planting to create links between existing forest habitat networks in Highland region.

Action for Mountain Woodlands - Assessing the current state of Scotland's threatened Mountain Woodlands and involving the public in working to restore this important habitat.

Participatory Bioenergy Action Plan Development - an IEE project proposal aimed at removing non-technological barriers through integrated, participatory bioenergy planning for the development and implementation of action plans at the regional and local level, as a framework for promoting secure, sustainable and competitively priced energy from solid biomass.

Make it Be - The MAKE-IT-BE project is aimed at delivering agendas for bio-energy promotion in 4 EU Regions (Austria, Italy, Slovenia and UK) by developing and applying decision-making tools that assist in extensively identifying, evaluating and initiating bio-energy chains.

East Sutherland Woodlands - Aims to add biodiversity, recreation, economic and tourism value to local woodlands by jointly working with local communities to promote, market and deliver relevant projects and encouraging those who live, work and visit the area to use East Sutherland's woodlands.

European Cooperation in Science and Technology - One of the longest-running instruments supporting co-operation among scientists across Europe. COST now has 35 member countries and enables scientists to collaborate in a wide spectrum of activities in research and technology.

Urgent Conservation Measures for Scottish Capercaillie - Improving the breeding success and halting the decline of populations of Scottish capercaillie.

Highland Rhododendron Project - Supporting land managers to tackle the spread of invasive non-native Rhododendron ponticum and promoting best practice in its removal.

Crofter Forestry Handbook - Renamed as 'Managing Small Woodlands in the Highlands & Islands', this is a guide for crofters, communities and owners of small woodlands, produced in conjunction with Forestry Commission Scotland and the Scottish Crofting Federation.

Fixed asset fund - Represents fixed assets purchased for use by the projects.

Renewable Heat Advice & Support Service - Promoting renewable heat in the North of Scotland and developing and providing a public advice service beginning early in 2010.

HIGHLAND BIRCHWOODS

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED for the year ended 28 February 2011

17. MOVEMENT IN FUNDS - continued

Core Sites for a Forest Habitat Network - Providing the necessary positive management for three types of woodland - Atlantic Oakwoods, Alder Floodplain Woods and Mixed Gorge Woodland.

Transfers between funds

Following agreement with the various project partners and funders on completion of the projects, the transfers between funds represent the surplus or deficits in the restricted funds. The large surpluses transferred from Core Forest Sites, Caper EOP and Forest Habitat Network Planning and Implementation relates mainly to bank interest earned over a number of years on the monies advanced to support the project.

18. RELATED PARTY DISCLOSURES

Trustee, W S Meikle received £16,708 in connection with seminar and conference work carried out by Stewart Meikle Business Services.

19. APB ETHICAL STANDARD - PROVISIONS AVAILABLE FOR SMALL ENTITIES

In common with many other businesses of our size and nature we use our auditors to assist with the preparation of the financial statements.

20. ULTIMATE CONTROLLING PARTY

Highland Birchwoods is a charitable company limited by guarantee and not having a share capital. The liability of each member is limited to £1 in the event of a winding up of the company.

The charity is controlled by the Board of Trustees. No one person exercises control over the charity.

HIGHLAND BIRCHWOODS**DETAILED STATEMENT OF FINANCIAL ACTIVITIES
for the year ended 28 February 2011**

	2011 £	2010 £
INCOMING RESOURCES		
Voluntary income		
Grants and contributions from partners	60,520	111,775
In kind contributions	12,526	17,242
Sundry income	<u>12,406</u>	<u>20,335</u>
	85,452	149,352
Investment income		
Deposit account interest	861	1,723
Incoming resources from charitable activities		
Grants and contributions from partners	<u>1,000,964</u>	<u>803,215</u>
Total incoming resources	1,087,277	954,290
RESOURCES EXPENDED		
Costs of generating voluntary income		
Wages	81,489	91,301
Social security	13,589	12,643
Pensions	13,625	13,872
Rent, rates and insurance	2,529	2,402
Heat, light and cleaning	1,269	1,438
Telephone, fax and internet	2,969	2,604
Postage and courier	115	43
Sundries	323	962
Promotion and publicity	2,701	2,519
Recruitment and training	560	3,139
Repairs and maintenance	183	969
Stationery and printing	768	2,502
Equipment and computer running costs	2,837	2,766
Travel and subsistence	1,951	2,752
Legal and professional	300	300
Bank charges	105	75
Depreciation	6,865	10,316
Gain on sale of fixed assets	<u>-</u>	<u>1,405</u>
	132,178	152,008
Charitable activities		
Wages	211,009	175,532
Social security	13,241	12,180
Pensions	12,584	12,034
Rent, rates and insurance	12,876	12,781
Heat, light and cleaning	3,055	2,810
Carried forward	252,765	215,337

This page does not form part of the statutory financial statements

HIGHLAND BIRCHWOODS

DETAILED STATEMENT OF FINANCIAL ACTIVITIES
for the year ended 28 February 2011

	2011 £	2010 £
Charitable activities		
Brought forward	252,765	215,337
Promotion and publicity	170,984	79,512
Sundries	484	496
Recruitment and training	649	3,344
Travel and subsistence costs	35,972	28,343
Legal and professional	143,843	58,402
Depreciation	4,333	1,216
Grants to estates	<u>322,822</u>	<u>359,238</u>
	931,852	745,888
Governance costs		
Wages	15,966	15,691
Social security	1,800	1,766
Auditors' remuneration	5,628	4,196
Recruitment and training	780	610
Postage and courier	2	2
Stationery and printing	7	14
Promotion and publicity	633	528
Travel and subsistence	126	47
Sundries	18	24
Legal and professional	<u>3,795</u>	<u>-</u>
	28,755	22,878
Support costs		
Management		
Telephone, internet and fax	4,362	3,660
Postage and courier	393	565
Sundries	3	-
Stationery and printing	3,247	5,143
Equipment and computer running costs	3,587	5,904
Project audit	2,943	3,266
Bank charges	<u>485</u>	<u>290</u>
	<u>15,020</u>	<u>18,828</u>
Total resources expended	1,107,805	939,602
Net (expenditure)/income	<u>(20,528)</u>	<u>14,688</u>

This page does not form part of the statutory financial statements

Appendix 2

Local Power Project.

Aim: The Local Power Project aims to create local Energy Supply Companies (ESCOs) which will be run by local social enterprises.

Partners: Highland Birchwoods will supply the technical expertise based on its experience of bioenergy and international bioenergy projects. The local partners are: Applecross Community Trust who have experience of community development and asset management; Pentland Energy Advice who are affiliated to Pentland Housing and will work on the provision of renewable energy to social housing and commercial properties; and Ullapool Community Trust who are planning a woodfuel supply chain and have funding for a district heating scheme. Highland Birchwoods have had considerable input into the design and commissioning of the boiler. Each partner has raised £5k as a contribution to the project.

Process: The project will assess the viability of local wealth creation from renewable biomass energy by carrying out assessments of the heat demand, potential bioenergy sites and local forestry resource in the three project areas.

Expected outcome: At the end of the project the three local partners will have a comprehensive assessment of the economic viability, and security of fuelstock for the creation of ESCOs in each area.

Timescale: The Esmee Fairbairn application is for an 18 month project. It is planned that the project will extend beyond the 18 months, and the three partner areas will be test sites for the development of a methodology for creating other community owned ESCOs.

The principles outlined in the successful application to the Esmee Fairbairn Foundation application were: **Energy is Wealth.** Highland Scotland has the means to generate energy from local resources. Why import fossil fuels?

Local ownership of decentralised energy leads to local self reliance. Using local resources is a sustainable way to insulate users from global shortages and price rises.

Decentralised energy generates local wealth. Social enterprises create local jobs and profits for local development. Energy wealth is generated and spent within the community rather than flowing out of it.

Funding: Total project cost: £ 88k

Funding approved to date:

Esmee Fairbairn Foundation	£ 65k
Local Groups	£15k
Total	£80k

The local groups have raised £15k. The Esmee Fairbairn Foundation will fund a contribution to the costs of the project and have agreed £ 65k of the £ 73k applied for.
