



Forestry and  
Land Scotland  
Coilltearachd agus  
Fearann Alba

# Forestry and Land Scotland

## Annual Report and Accounts 2024-25

The Annual Report & Accounts has been prepared in accordance with the financial reporting manual 2024-25 (FReM) as published by HM Treasury.

# Contents

## **1. Performance Report 4**

1.1 Chief Executive Statement	4
1.2 Statement of purpose	8
1.3 Performance summary	13
1.4 Performance analysis	16

## **Accountability Report**

## **2. Corporate Governance Report 29**

2.1 Directors' Report	29
2.2 Statement of Accountable Officer's responsibilities	32
2.3 Governance statement	33

## **3. Remuneration and Staff Report 43**

3.1 Remuneration Report	43
3.2 Staff Report	55

## **4. Parliamentary Accountability Report 63**

## **5. Independent Auditor's Report 65**

## **6. Financial Statements 70**

Statement of comprehensive net expenditure	70
Statement of financial position	71
Statement of cash flows	72
Statement of changes in taxpayers' equity	73
Notes to the accounts	74
Accounts direction	125

# Performance Report: Overview

## 1.1 Chief Executive Officer Statement by Kevin Quinlan



This Annual Report covers Forestry and Land Scotland's (FLS) sixth year since being established as a Scottish Government agency. Our purpose remains: *To manage forests and land owned by Scottish Ministers in a way that enables economically sustainable forestry; conserves and enhances the environment; and delivers benefits for people and nature.*

FLS has a vital role to provide positive outcomes for people, nature and economy and will do so in a way that is workable, affordable and sustainable for future generations. In 2024/25 we continued to deliver on this and remain resilient, despite the challenging operational and financial environments, thanks to the efforts of staff and our partners working together for the benefit of Scotland.

During the year we earned commercial income of £151m largely from timber sales and renewable energy generation. We also received project specific government funding of £37.5m. When set against total expenditure of £164m this result is an improved final position of £24m (compared with a deficit position of £8.1m in 2023/24).

A continued focus on timber volume (3.1m3 obs compared to 2.9m3 obs in 23/24) has resulted in improved timber sales performance compared to previous years (£99.5m income compared to £82.1m in 23/24) despite ongoing volatility in timber prices. As we supply c.40% increasing our production is vital to our timber customers as well as contributing to the financial sustainability of FLS.

As part of our response to the climate emergency and the transition to net zero we have been successful in the past year in making good use of public land for the purposes of renewable energy generation. There are now 27 operational wind farms on national forests and land and the first of those to be established over 20 years ago are now in the process of being considered for repowering. Substantial community benefits can and are being generated from these projects.

Providing public access to all and providing for over 10 million visits each year to our forests is a core element of our work which delivers significant social value. Looking ahead, we are developing ways of expanding the range of partnerships we have with others to further improve the quality of the visitor experience and outdoor recreation opportunities.

I am pleased to report that we have again surpassed our rainforest restoration target for 2024-25 by over 16% thanks to a major effort by our teams. Restoring this precious habitat on Scotland's national forests and land is one of a range of ways that we're working to fight the global decline in biodiversity.

This past year is one where FLS has continued to deal with the aftermath of extreme weather events including major storms, floods and wildfires, as well as trying to absorb the rise in the cost of goods and services. Thus looking ahead organisational resilience remains a priority. We have continued to work on responding to various threats and challenges, including removing extensive stands of diseased larch, dealing with sites impacted by significant wildfires and making improvements to cyber security through the adoption of cloud based information storage.

Looking ahead, my focus and that of my leadership team is to build on the recovery seen during this reporting year to ensure that we remain financially sustainable in order to deliver more for Scotland. We will continue to build a portfolio of change projects to innovate our ways of working, including use of technology, to optimise our commercial activities and our public services.

Kevin Quinlan  
Chief Executive Officer

## Aithris an Àrd-oifigeir le Kevin Quinlan



Tha an Aithisg Bhliadhnail seo ag aithris air an t-siathamh bliadhna aig Coilltearachd agus Fearann Alba bho chaidh a stèidheachadh mar bhuidheann-ghnìomha aig Riaghaltas na h-Alba. Is e ar n-amas fhathast: *Coilltean agus fearann a tha fo shealbh Mhinistearan na h-Alba a riaghladh ann an dòigh a chuireas an comas coilltearachd a tha seasmhach gu h-eaconamach; a ghleidheas agus a neartaicheas an àrainneachd; agus a bheir buannachdan do dhaoine agus do nàdar.*

Tha àite ro-chudromach aig Coilltearachd is Fearann Alba ann a bhith a' toirt seachad deagh bhuilean do dhaoine, do nàdar agus dhan eaconamaidh agus nì sinn sin ann an dòigh a tha practaigeach, air prìs reusanta agus seasmhach do na ginealaichean ri teachd. Ann an 2024/25 lean sinn oirnn a' libhrigeadh seo agus tha sinn fhathast seasmhach, a dh'aindeoin nan àrainneachdan obrachail is ionmhais dùbhlanaich, mar thoradh air oidhirpean ar luchd-obrach agus ar com-pàirtichean agus iad ag obair còmhla airson leas na h-Alba.

Tron bhliadhna choisinn sinn teachd a-steach coimeirsealta de £151m, a' mhòr-chuid bho reic fiodha agus bho dhèanamh cumhachd ath-nuadhachail. Fhuair sinn maoineachadh de £37.5m bhon riaghaltas airson pròiseactan sònraichte. Nuair a nithear coimeas leis a' chaiteachas iomlan againn de £164m, tha an toradh seo a' toirt dhuinn suidheachadh deireannach nas fheàrr de £24m (an taca ri easbhaidh de £8.1m ann an 2023/24).

Tha fòcas leantainneach air meud fiodha (3.1m<sup>3</sup> obs an taca ri 2.9m<sup>3</sup> obs ann an 23/24) air coileanadh reic fiodha nas fheàrr a libhrigeadh an taca ris na bliadhnaichean roimhe (£99.5m an taca ri £82.1m ann an 23/24) a dh'aindeoin 's gu bheil prìsean fiodha fhathast caochlaideach. A chionn 's gum bi sinn a' solarachadh mu 40%, tha leudachadh san t-solar againn ro-chudromach dhan luchd-ceannach fiodha againn a bharrachd air a bhith a' cur ri seasmhachd ionmhasail Coilltearachd agus Fearann Alba.

Mar phàirt den fhreagairt againn do dh'èiginn na gnàth-shìde agus dhan ghluasad gu cothromachadh-carboin, tha sinn air a bhith soirbheachail anns a' bhliadhna a dh'fhalbh le bhith a' dèanamh deagh fheum de thalamh poblach airson a bhith a' cruthachadh cumhachd ath-nuadhachail. Tha 27 tuathanasan gaoithe a-nis ag obrachadh air coilltean is fearann nàiseanta agus thathar a' beachdachadh a-nis air ùrachadh a dhèanamh air a' chiad fheadhainn a chaidh a thogail còrr is 20 bliadhna air ais. Nì na pròiseactan seo buannachdan mòra dhan choimhearsnachd.

Tha ruigsinneachd phoblach dhan a h-uile do na coilltean againn agus a' cur còrr is 10 millean tadhal an comas gach bliadhna na prìomh eileamaid den obair againn a bheir seachad luach sòisealta mòr. A' coimhead air adhart, tha sinn a' cruthachadh dhòighean gus leudachadh a dhèanamh air an fharsaingeachd de chom-pàirteachasan againn le buidhnean eile gus leasachadh a thoirt air càileachd turasan luchd-tadhail agus air cothroman cur-seachad air a' bhlàr a-muigh.

Tha mi toilichte aithris gu bheil sinn air a dhol thairis air an targaid ath-nuadhachadh coille-uisge againn a-rithist ann an 2024-25 le còrr is 16% mar thoradh air oidhirp mhòr leis na sgiobaidhean againn. Tha ath-nuadhachadh na h-àrainn prìseil seo ann an coilltean agus fearann nàiseanta na h-Alba air aon de ghrunn dhòighean anns a bheil sinn ag obair gus cur an-aghaidh crìonadh cruinneil na bith-iomadachd.

Sa bhliadhna a dh'fhalbh tha Coilltearachd agus Fearann Alba air leantainn oirre a' dèiligeadh ris a' bhuaidh aig fìor dhroch shìde, a' gabhail a-steach stoirmean mòra, tuiltean agus teintean, a bharrachd air a bhith a' feuchainn ri gabhail ris an àrdachadh ann an cosgaisean bathair is sheirbheisean. Mar sin, san àm ri teachd bidh ath-leumachd na buidhne fhathast na phrìomhachas. Tha sinn air leantainn oirnn ag obair gus aghaidh a chur air diofar chunnartan agus dhùbhlain, a' gabhail a-steach a bhith a' toirt air falbh craobhan-learaig air a bheil galar, a' dèiligeadh ri làraichean air an tug teintean fiadhaich buaidh agus leasachaidhean a dhèanamh air tèarainteachd saidhbear tro bhith a' cleachdadh stòradh fiosrachaidh stèidhichte air an neul.

A' coimhead air adhart, is e am prìomh fhòcas agam agus aig an sgioba-ceannais agam togail air an ath-shlànachadh a chunnacas sa bhliadhna aithris seo gus dèanamh cinnteach gun lean ar seasmhachd ionmhasail gus barrachd a lìbhrigeadh do dh'Alba. Cumaidh sinn oirnn a' togail portfolio de phròiseactan atharrachaidh gus ar dòighean-obrach ùrachadh, a' gabhail a-steach a bhith a' cleachdadh teicneòlas, gus piseach a thoirt air an obair choimeirsealta againn agus air na seirbheisean poblach againn.

Kevin Quinlan  
Àrd-oifigeir

## 1.2 Statement of Purpose

### 1.2.1 About us

Forestry and Land Scotland (FLS) was established as an executive agency of the Scottish Government on 1 April 2019, following completion of the devolution of forestry as a result of the Forestry and Land Management (Scotland) Act 2018.

FLS is classed as a public corporation, for the purposes of its accounts, under the definition set by the Office of National Statistics. Under the Forestry and Land Management (Scotland) Act 2018 (the Act), Scottish Ministers must have regard to the Forestry Strategy when managing forested land. The work of FLS is therefore informed by Scotland's Forestry Strategy.

As part of the Scottish Government, FLS contributes to the achievement of the Scottish Ministers' objectives and priorities, including Scotland's National Performance Framework and its Purpose, Values and National Outcomes.

FLS also contributes to the achievement of the Scottish Government's primary purpose of creating a more successful country with opportunities for all of Scotland to flourish through increased wellbeing, and sustainable and inclusive economic growth.

### 1.2.2 Purpose

FLS manages forests and land owned by Scottish Ministers (known as the national forests and land) in a way that supports and enables economically sustainable forestry; conserves and enhances the environment; and delivers benefits for people and nature. FLS may manage other forested and non-forested land by arrangement, as set out in the 2018 Act. As leaders of sustainable forest management and sustainable development, FLS supports Scottish Ministers through its stewardship of these national forests and land.

### 1.2.3 Corporate Plan (2022-2025)

Our Corporate Plan (2022 – 2025) was launched in April 2022, outlining our Purpose and Vision supported by clear and ambitious Strategic aims and priorities. This plan focussed on continuing to build on opportunities as we contribute to Scotland's recovery from economic, community and environmental perspectives. Additionally, it outlined contributions to addressing the climate and biodiversity emergencies through putting nature at the heart of our actions where we can truly make a difference. This included expanding Scotland's national forests and land; peatland and habitat restoration/conservation; and other nature-based solutions through adapting how we work.

Although our agency was established in April 2019, our plan was influenced by over 100 years of experience looking after the national forests and land helping us to identify and develop priorities



directly aligned to the Scottish Government's Purpose and National Outcomes demonstrating our contribution from activities.

Our Corporate Outcomes describe what we aim to achieve from our programme of activity. For each Corporate Outcome we developed actions, the delivery of which are crucial to achieving our Outcomes, Vision and Mission for the organisation. The Outcomes are reliant on each other, support the delivery of our vision and mission, and are aligned to the Scottish Government's outcomes and purpose. More information on the Corporate Plan and Outcomes can be found in the [FLS Corporate Plan 2022-2025](#).

Preparations are already underway to develop our next Corporate Plan.

## 1.2.4 Vision and Mission

[Scotland's Forestry Strategy 2019-2029](#) sets out the vision for forestry as a whole in Scotland:

"In 2070 Scotland will have more forests and woodlands, sustainably managed and better integrated with other land uses. These will provide a more resilient, adaptable resource, with greater natural capital value, that supports a strong economy, a thriving environment, and healthy and flourishing communities."

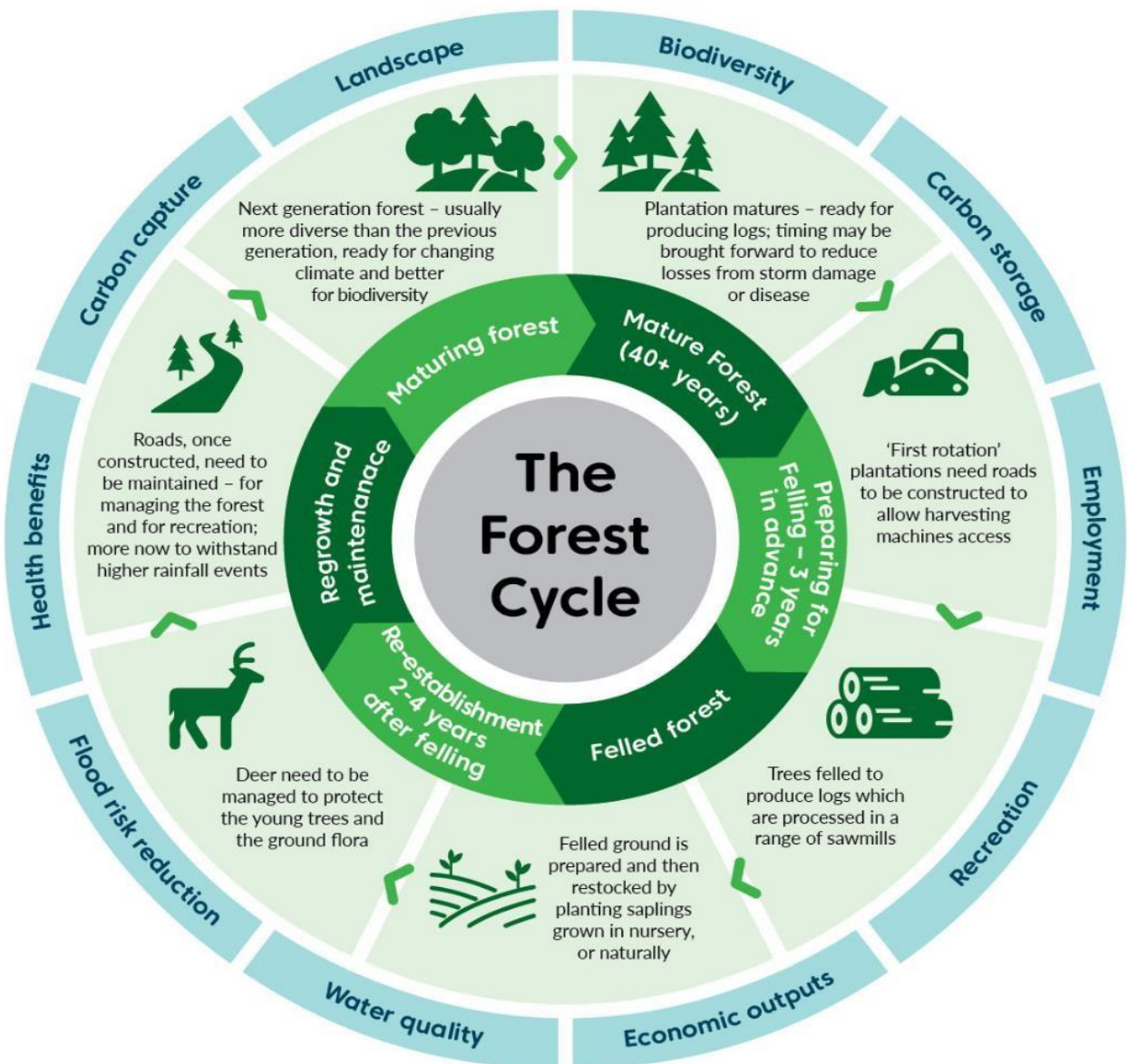
As FLS our **mission** is 'to look after Scotland's forests and land, for the benefit of all, now and for the future.' This leads to our **vision** of 'forests and Land that Scotland can be proud of.'

We will achieve these by making a positive contribution to the economy, environment and people of Scotland by:

- Protecting our forests and land;
- Growing the value of our business; and
- Investing in our people and communities"

## Our Responsibility

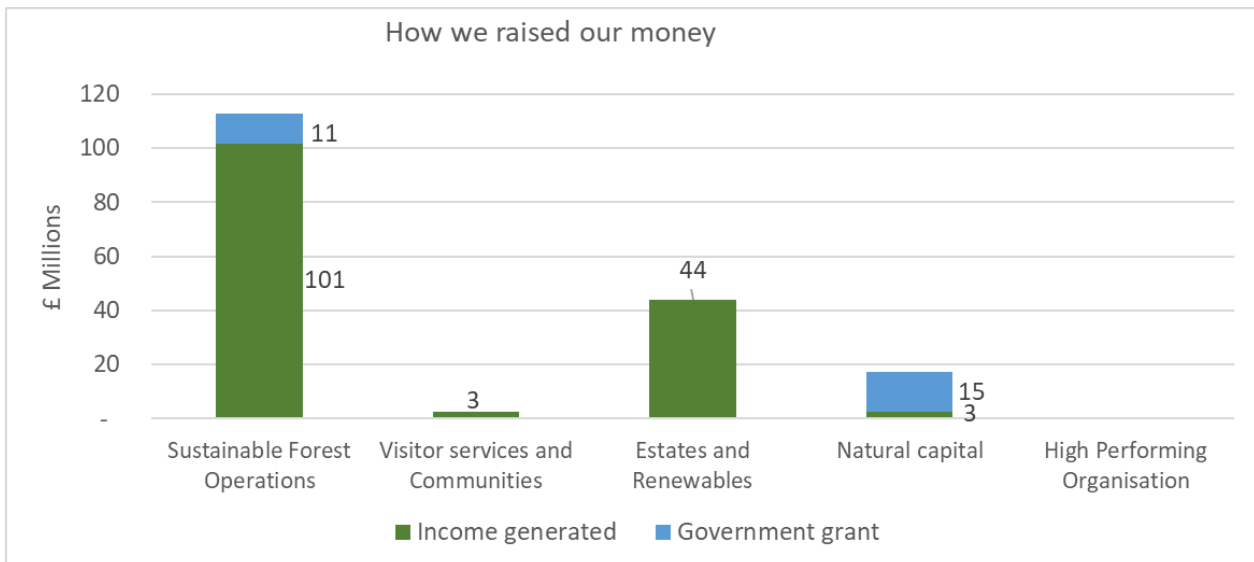
FLS is responsible for managing Scotland's national forests and land, an area that in total covers 630,000 hectares, 9% of Scotland's land area. The graphic below describes the full life cycle of creating, nurturing, harvesting and restocking our forests.



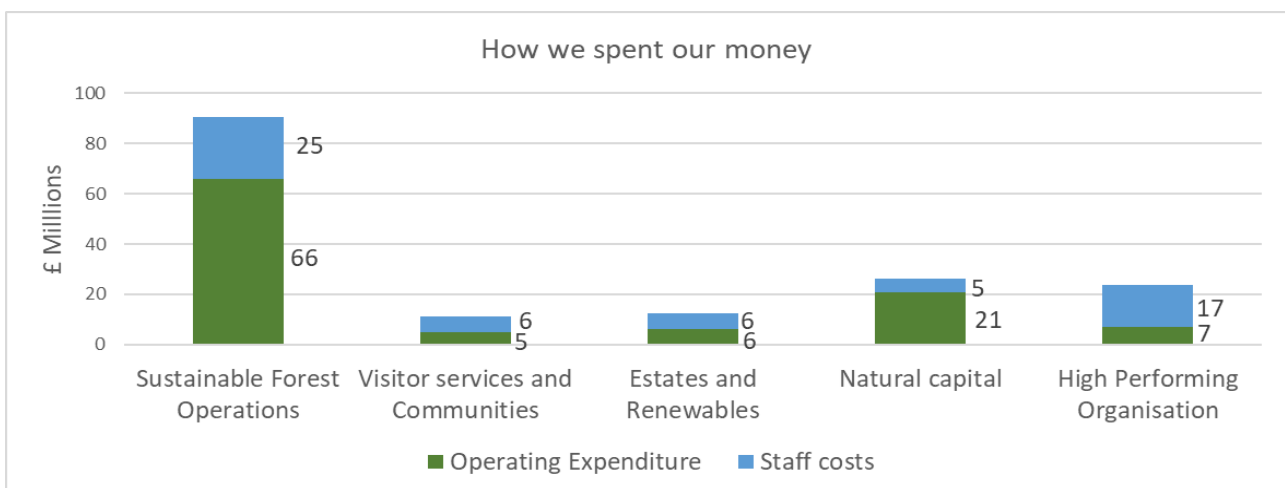
### 1.2.5 Financial Resources

FLS generated income of £151m in 2024-25 through its commercial trading activities including the sale of timber, renewables lease income, recreation, venison and leases to support the management and development of Scotland's national forests and land.

FLS also received Scottish Government funding of £37.5m, through our Annual Subsidy Limit of £17.2m and other funds of £20.3m in support of specific government priorities. As a public corporation FLS is permitted through the FLS Framework Document to retain a financial reserve to enable essential investment and to protect against trading cycles across financial years. FLS is aiming for a long-term sustainable financial plan, by 2027-28, with provision for reserves that protect liquidity and allow for investment in the protection and enhancement of the national forests and land.



As outlined in the graph above FLS earned 58% of its Income from Forest Operations, 20% from renewables, and a further 7% between Property and Land Agency and Visitor Services. Scottish Government Grants made up 15% of our income this year.



As outlined in the graph above FLS had total expenditure of **£164m** during the year with the majority being spent on Forest Operations and Natural Capital, which relates to Peatland and Woodland restoration.

## 1.2.6 Organisational Structure

Scottish Ministers are responsible for determining the overall policy and resources framework within which FLS operates and are accountable to the Scottish Parliament for FLS' functions and performance. The Director General Net Zero provides senior Scottish Government portfolio oversight of the agency whilst the Chief Executive Officer (CEO) is Accountable Officer.

The CEO delegates responsibility for strategic and operational delivery to the FLS Executives across four directorates. The CEO and his four directors collectively provide senior leadership to FLS as an Executive Leadership Team. The Chief Executive is supported in discharging their responsibilities by the Strategic Advisory Board and Audit and Risk Committee, which includes Non-Executive Advisors. See section 2.1 below for details of membership.

Operationally FLS operates a regional business structure for the delivery of its work across the national forests and land. There are five regions, each of which has a high degree of responsibility for delivery through a network of local offices with support from national offices in Edinburgh and Inverness. FLS employs c.1,100 staff in a variety of occupations across Scotland.

## 1.3 Performance

This report is produced in accordance with HM Treasury's published 'Government Financial Reporting Manual 2024-2025.'

### 1.3.1 2024-25 Key Performance Indicators (KPIs)

Corporate Outcome	Key Performance Indicator	Target	Target Met?	Actual Outcome
<b>Supporting a Sustainable Rural Economy</b>	Volume of Timber Brought to the Market.	3.3 million m3 obs	No	3.1 million m3 obs
<b>Looking after Scotland's National Forests and Land</b>	Area of Woodland Creation.	600 ha	Yes	648 ha
	Area of high conservation value forests and land.	Maintain 257,969ha	N/A	* See text below
	Total area of peatland with initial restoration action (ha).	1500 ha	Yes	1744 ha
	Percentage of Notified Features on Designated sites in favourable (or unfavourable recovering) Condition.	94%	Yes	94%
	Maintain UK Woodland Assurance Standard (UKWAS) Certification.	Maintain	Yes	Maintained
<b>Scotland's National Forests and Land for Visitors and Communities</b>	Number of community groups engaged in recognised partnerships and agreements.	90	Yes	90
<b>A Supportive, Safe and Inclusive Organisation</b>	Percentage of women in senior roles (SCS – PB2).	40%	No	20%
	Ratio of near miss/hazard reporting to total accidents and incidents reported.	20%	Yes	45%
	Average number of working days lost per FTE.	9 days	Yes	7.4 days
	Number of RIDDOR reportable accidents and injuries	5	No	6
<b>A High Performing Organisation</b>	Percentage of complaints responded to within statutory timescales	80%	Yes	95%
	Percentage of FOIs responded to within statutory timescales	95%	Yes	99%

\* The introduction of UKWAS 5 from 1<sup>st</sup> December 2024 changed the categorisation status of land, therefore we are unable to report on achievement against the stated target as we have had to revise our approach. Applying the tighter definition of High Conservation Value land resulted in an area of 124,268 ha as at 31<sup>st</sup> March 2025. We have also clarified which land meets the UKWAS 5 definition of Conservation Area Networks - 231,703 ha within the UKWAS certified area of the estate, as at 31<sup>st</sup> March 2025.

## 1.3.2 How we performed

### Outcome 1: Supporting a Sustainable Rural Economy

- Despite a slow timber market with for example sawmills operating at 80% capacity, 3.1 million m3 obs dispatched which although below target was an increase from 23/24 (2.9 million m3 obs). There was a slowdown in uplift in the latter part of the year. Delivering timber volume remained a key focus with improvements being made to planning, programming and getting to the market first. Despite the difficult market conditions timber prices were above budget.
- UKWAS certification retained after independent audit by Soil Association. A Correction Action Request (CAR) on first aid kits was closed before the final report was concluded.
- The area restocked was 6,347 ha which exceeded the target of 5,453 ha and was delivered within budget. This is a significant step up from previous years and leads into a plan to address a restock backlog.
- A pipeline of renewable energy projects was progressed towards construction stage in 2024/25. This resulted in 102 additional MW being subject to lease.

### Outcome 2: Looking after Scotland's National Forests and Land

- 648ha of new woodland was created compared to a target of 600ha.
- As we fight the global decline in biodiversity we are restoring precious habitat on Scotland's national forests and land through the eradication of *Rhododendron Ponticum* across 930 ha which has contributed to us achieving our rainforest restoration target for 2023-24 of 1246 ha.
- We further expanded on our peatland restoration programme by taking initial restoration action on approximately 1744 ha of peatland against a target of 1500 ha.

### Outcome 3: National Forests and Land for visitors and communities

- We continued to promote access for all to National forests and land which provides a wide range of social and economic benefits. As well as directly delivering a positive visitor experience through the provision and maintenance of trails and associated parking and toilet facilities, we also worked with a range of other organisations to provide improved recreation facilities. Our Stay the Night scheme for motorhomes was expanded and a new Forest Holidays destination opened at Glentress. Our future focus is to continue to improve the visitor experience in a financially sustainable way.
- We will also continue to support the success of 90 active community projects on land under FLS management for a wide variety of purposes including social housing and education.
- We identify opportunities to ensure best use of public land for a variety of purposes through land agreements with 3rd parties. 40 significant new land agreements were entered into during 2024/25.

### Outcome 4: A Supportive, Safe and Inclusive Organisation

- Positive steps have taken place regarding our focus on Health, Safety & Wellbeing (HS&W) during the year with increased reporting on Near Misses which is a key metric demonstrating a change in an organisation's safety culture. While there has also been a slight reduction in serious accidents and a decrease in average number of days lost per employee, we recognise that performance and culture can be improved further, and we are continuing to focus on

implementing changes through FY25/26 and this is being supported by a dedicated team of national and regional HS&W advisors.

- Recruitment and development of staff has also been a positive outcome in many areas as we have focussed on the employment of apprentices and students with the former being guaranteed posts following successful completion of their studies.
- Training and development for staff targeted professional training as well as enhancing leadership skills throughout FY24/25 as we look to develop the culture of being “better every day”. This has given staff the opportunity to grow in their existing professional membership or look to achieve a new accreditation.
- While recruitment of female staff has been positive, data on retention and promotion suggests that we need to do more in developing opportunities for women to advance in FLS. At 20% in March 2025 (9 female leaders out of 44) we fell short of our original target of 40% for women in leadership, and the percentage has decreased from 31% in 2022. This was highlighted as an area of concern in our Mainstreaming Report 2023-25. Recent staff turnover within senior leadership in March to June 2025 included two women appointed to senior posts (noting that one is for a fixed term). Including these changes, as of June 2025 our percentage of women in leadership is sitting at 23%. We hope to build on this positive recent trend. Whilst 40% may currently be an aspirational target for women in leadership in FLS in a forestry sector that is heavily a male dominated industry, we can do significantly better. We are developing an Equality, Diversity and Inclusion action plan for FY25/26 which will focus on shaping a more inclusive culture, and talent development strategies to bring greater diversity into our leadership.

## Outcome 5: A High Performing Organisation

- A key objective developed for FLS over the last year has been around developing the foundations and this focus has meant that we are moving in the right direction to achieve a High Performing Organisation.
- As part of developing these foundations we need modern and effective systems and our new finance system went live in November 2025, that will streamline our Finance and Procurement functionality providing new levels of detailed information regarding our financial and operational performance.
- We are a very much a stakeholder-facing organisation and have implemented improvements in both our Complaints and Freedom Of Information (FOI) procedures. These changes have positively contributed to the delivery of positive results regarding the management of both complaints and FOI requests with overachievement on these outcomes.



The three Key Performance Indicators that were not met are described in more detail below:

Key Performance Indicator	Target	Achievement	Reason for shortfall
Volume of timber brought to the market	3.3 million m3 obs	3.1 million m3 obs	A sluggish timber market with poor uplift in the last 2 months (when usually picks up).
Percentage of women in senior roles (SCS – PB2).	40%	20%	We are well short of our target and the percentage has decreased from 31% in 2022. This was highlighted as an area of concern in our Mainstreaming Report 2023-25. We are developing actions to support women's career progression.
Number of RIDDOR reportable accidents and injuries	5	6	The number of RIDDOR reportable employee injury accidents remains statistically stable. However, the absolute number of employee injury accidents increased slightly.

### 1.3.3 Principal Risks

FLS faced several key risks over the 2024-25 financial year affecting delivery of the organisation's targets and corporate outcomes (these can be found in section 2.3). As with many organisations, we have continued to operate in an environment with an ongoing cost of living crisis and high inflation, and challenges around attracting and retaining staff and suppliers. This has impacted on our performance during the year.

In addition, we continue to move FLS to a longer-term model to support and enable financial and business sustainability. As a Public Corporation with limited Scottish Government financial support, our ability to remain operational and achieve our outcomes is based on the ability to understand and plan the effective and efficient use of limited resources, while continuing to reflect and respond to often volatile markets.

Further detail on the key risks and our approach to managing those risks is provided in the Governance Statement in section 2.3 of this report.

## 1.4 Performance Analysis

The purpose of the performance analysis is to provide a more detailed look at FLS performance during the year. The section covers our performance, financial funding and outturn for the year past and a look at the future challenges that we face. The section also provides a view of environmental, social and health and safety matters



### 1.4.1 Performance and achievements in detail

Detailed information on performance and achievements can be found on [2024/25 Performance and achievements](#)

### 1.4.2 Financial Outturn

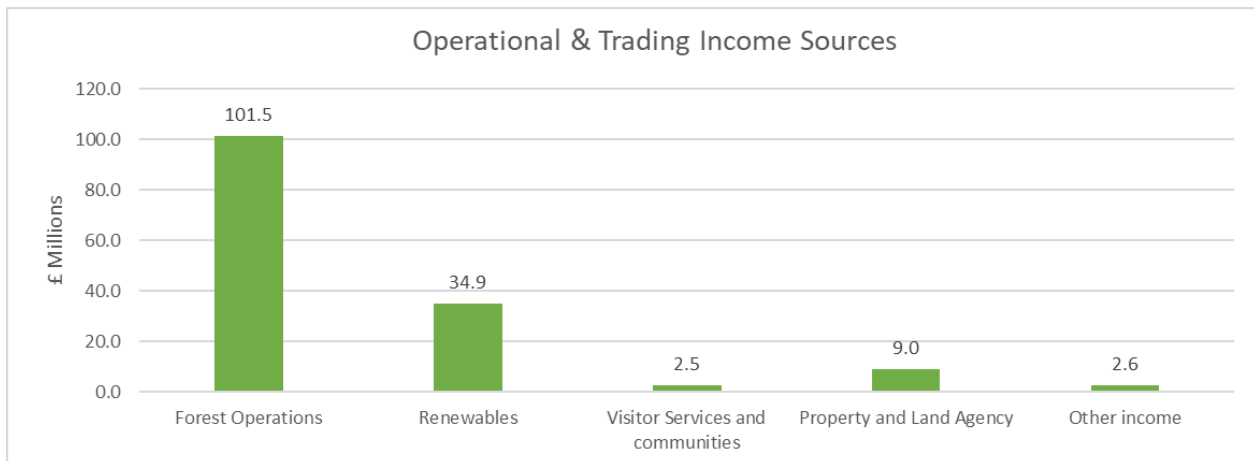
Whilst aspects of the economic climate remain challenging we have seen a significant increase in Operational and Trading income this year of **£20m**. The increase has predominately come from growth in our Timber Income, however Renewables has also performed well. This years performance allows our reserves to return to a more comfortable position and facilitate a continued to focus on a Forestry and Land Scotland which is fit for the future. In addition other income was received from Scottish Government of **£17.2m** Annual Subsidy and **£25.8m** relating to specific government objectives such as Woodland Creation and Peatland Restoration.

### Earned and Other income

#### Operational and trading income

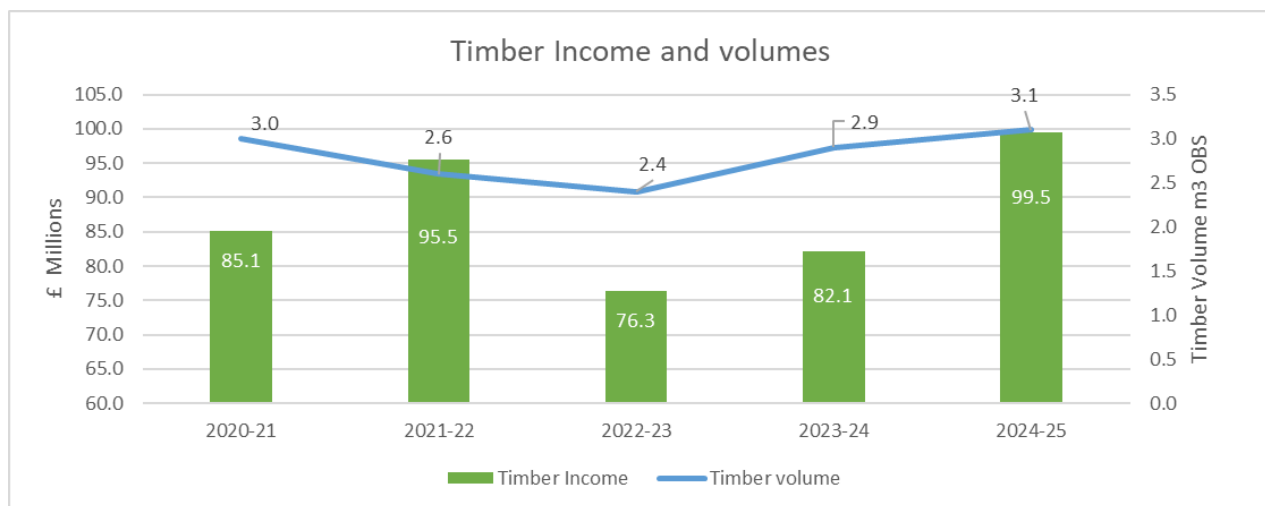


As shown in the above graph our operational income increased by almost 24% over the previous year to **£150.5m**. This growth was primarily driven by a rise in timber revenue to **£99.5m**, an increase of **£17.4m** on the previous year. Additionally, contribution from our renewable energy partners continued to perform strongly, with high energy prices and strong performance from both wind and hydro schemes generating **£34.9m** in 2024-25, an increase of **£10.7m** compared to the previous year.



As shown in the above graph Forest Operations (Timber and Venison) and Renewables are our primary sources of income, accounting for just over 91% of our total operational revenue.

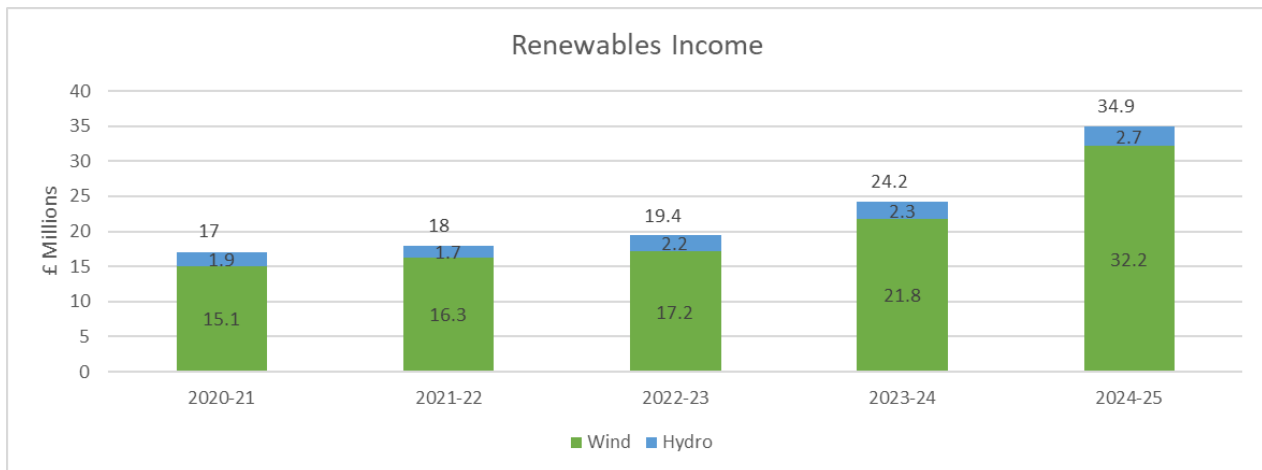
### Timber income



As shown in the above graph timber we drove a significant increase in timber income in 2024-25, rising from **£82.1m** to **£99.5m**, a growth of 21%. A combination of increased timber supply to the market (2.9m3 obs to 3.1m3 obs) and a 5% rise in the dispatch unit price has driven a strong overall performance, resulting in 2024–25 Timber Income the highest it's been in the past five years.

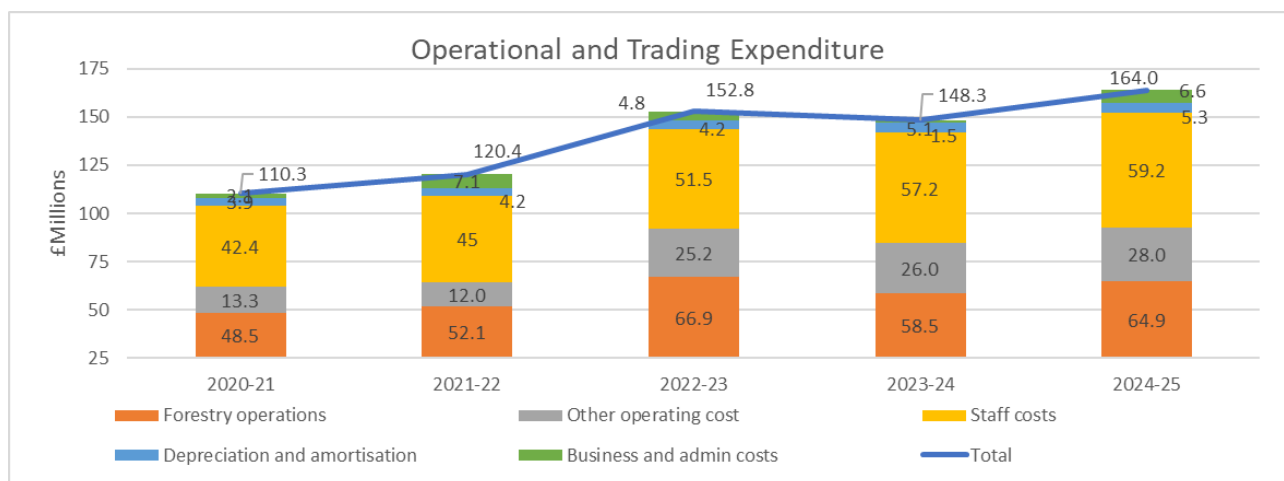
### Renewable energy income

A commitment by Scottish Government to achieve Carbon Net Zero by 2045 is, in part, enabled by increasing capacity in renewable energy. FLS continues to support this objective through its renewable energy activities and by 2030 we anticipate a third of our annual income to be earned from our renewables investments; similar to timber, this commodity is sensitive to global events.



As shown in the above graph we have driven renewables income growth year on year including in 2024-25, rising from £24.2m to £34.9m, a growth of 45%. While power prices are lower than they have been in recent years, albeit still higher than the long-term average, the commercial rent agreements have benefitted from hydro and wind schemes generating more output.

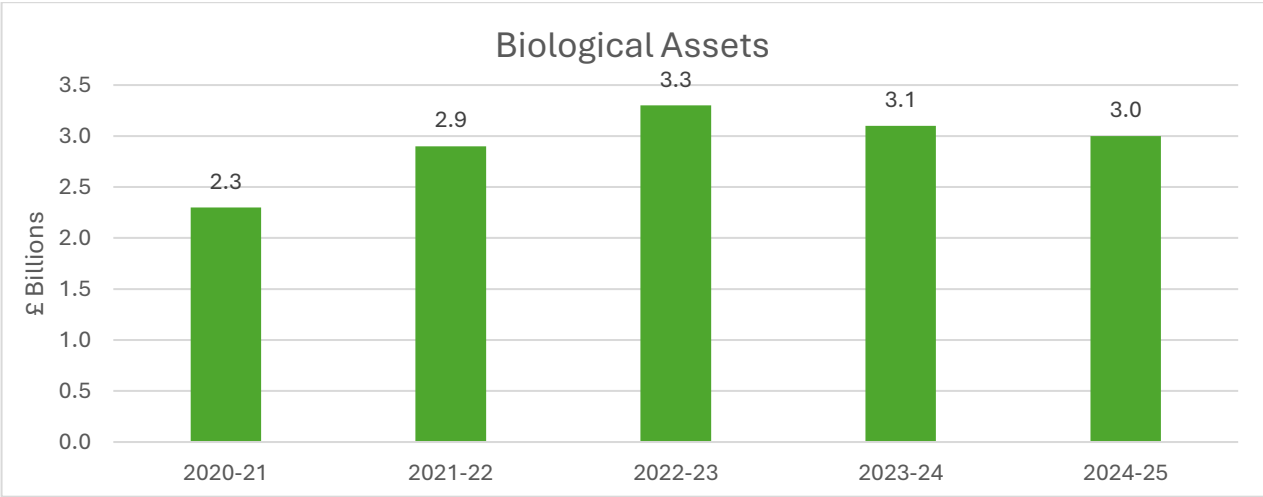
## Operational and trading expenditure



As shown in the above graph there has been an increase in operational and trading expenditure in 2024-25 of £15.7m (11%). The 11% increase in Forestry Operations expenditure has surpassed the 7% rise in timber volume output. Additionally, ongoing efforts to address the restocking backlog have contributed to increased costs in this area. Other Operating Expenditure has risen by £2m, largely due to additional spend on Peatland Restoration and Woodland Creation projects, where income is received from the Scottish Government to cover this spend. There have been continued efforts across the business to control Staff costs, with an increase of 3% relating to the annual pay award. Business and admin costs have increased this year by £5.1m, however a £5.6 provision adjustment in 2023/24 explains much of this movement. After adjusting for the adjustment, the true movement is a £0.7m reduction on 2023/24 costs. Ongoing inflationary pressures are still having a major impact on our ability to control costs as 57% of our spend relates

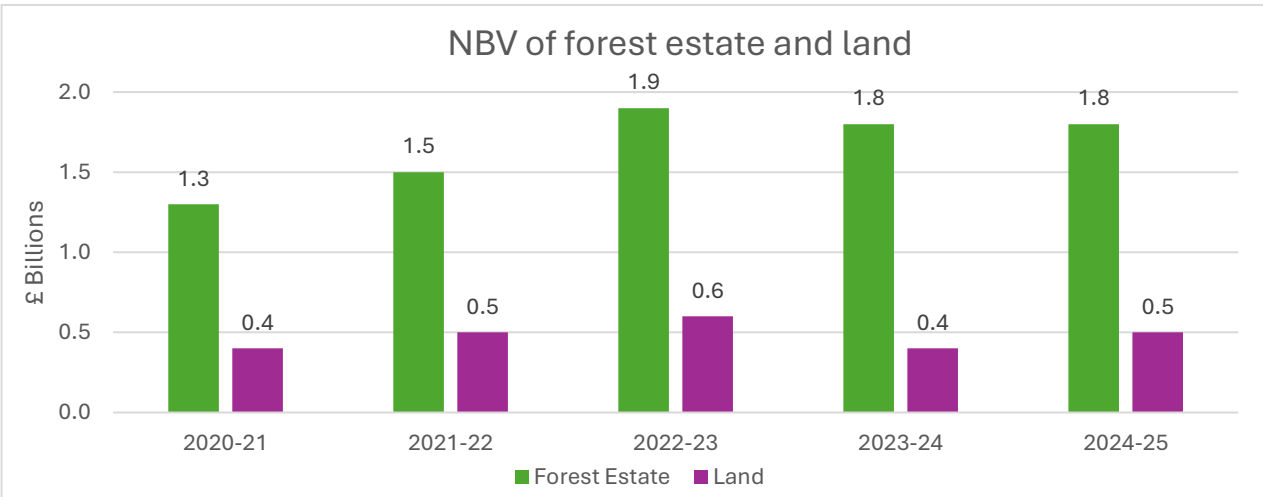
to external contract spend and 36% relates to internal staff costs. Our costs are heavily service / labour based, cost increases and pressures in these areas remain.

### Biological Assets



As shown in the above graph in 2024-25, there has been a marginal decrease of £100 million (3.0%) in the valuation of biological assets compared to the previous year. This is in line with the value of forestry land in Scotland stabilising. In the three years from 2020-21 to 2022-23 we have seen substantial increases in the portfolio, so at some point this stabilisation was expected.

### Forest Estate



Similar to biological assets, the net book value (NBV) of national forest and land has remained fairly static, increasing marginally from £2.2 billion in 2023-24 to £2.3 billion in 2024-25 (4.5%). The increase in Land value relates to our wind farm developments, with their strong performance over recent years being reflected in the Land value. As demonstrated in the above graph the five year picture remains positive with overall growth in the five years of 35%.

### 1.4.3 Funding

FLS received funding from two main sources in 2024-25: the Scottish Government allocation, and the income from FLS's own trading activities.

## Scottish Government Funding

Core Scottish Government (SG) funding received by FLS in 2024-25 was **£27.8m**, this included **£10.6m** which was restricted for new woodland creation and £17.2m ASL. **£9.6m** was also received to fund restoration of Peatland and Atlantic Rainforest. The total SG grants received is **£37.5m**, however some of this was deferred as in previous years. £28.4m of Scottish Government Grants is recognised as income in 2024-25.

## Reserves

FLS is permitted to have in place financial reserves to support financial planning and objectives, taking cognisance of cyclical fluctuations in income and expenditure in the short, medium and long term.

Three types of reserves are held, restricted, unrestricted and liquidity:

- Restricted with a specific purpose – **£26.2 m** (2023-2024: **£37.8m**).
- Earmarked – **£48.2m** (2023-2024: **£26.7m**). Earmarked to specific projects for protecting and enhancing the National Forests and Land in 2025-26 and beyond, these funds are allocated by the Chief Executive and ELT to protect the future sustainability of the organisation.
- Liquidity reserves - **£15m** (2023-2024: **£14.1m**). These are funds that enable the agency to manage the risks it faces from trading and timber price and fluctuations in demand. The reserves service any unexpected need for funds, such as covering unforeseen day to day operational costs, a shortfall in income or to fulfil its obligations, legal or otherwise.

### 1.4.4 Looking to the future

We are a strong organisation with an enduring mission “*to look after Scotland’s national forests and land, for the benefit of all, now and for the future*”. We are proud of the contributions that we make to our society, environment and economy. These include supplying 40% of Scotland’s timber, supporting the green energy transition as the largest UK estate of onshore windfarms, hosting 10m visitors per year and conserving and restoring iconic landscapes and nature across 9% of Scotland. We are here for good ... in the service of Scotland ...for the long term ... as One FLS.

We have achieved a great deal over 100 years, and we want to deliver even more for Scotland. But the going is getting tougher and “what got us here will not get us there”. Currently we are not financially sustainable and Scottish Government (SG) public sector reform is challenging us to be a more self-reliant agency and business. We raise around 80% of our funding from commercial sources and 20% from SG. We expect to continue to get some SG funding to sustain the important

public services that we provide for visitors, for communities and for nature. But it will be less certain and harder to secure than in the past.

Thus, we are challenging ourselves to be financially sustainable within the next three years to give us options for the future about what we invest in and how best to fulfil our mission. This means making a profit on all our commercial activities (timber, estates & renewables and commercial aspects of visitor services) to enable us to invest in our estate and the public services that we provide (visitor services and nature). We also want to deliver those public services as efficiently as we can with as much funding as possible from SG or other partners.

To achieve this, we have established three business change priorities as described below:

**To look after the estate and our people we will:**

- Continue managing our forests and land to the UK Woodland Assurance Standard delivering commercial value together with significant environmental and social benefit.
- Continue to invest in the skills and talents of our people, promote a safety-first culture, improve our leadership and performance management and foster wellbeing and inclusion.
- Continue to use workforce planning to make sure we have enough people, with the right skills, in the right places to help us achieve our organisational priorities.
- Work as a 'one FLS' team with all of us here to achieve the same, shared purpose; listening and learning from each other.

**To become financially sustainable we will:**

- Have better visibility and accountability for our revenues and costs supported by better business systems including Aspen to grip, benchmark and reduce our unit costs. The initial focus will tackle high-cost areas of civil engineering and forest establishment.
- Prioritise, simplify and reduce duplication of effort by working smartly to place effort on areas we see the greatest impact and by being clear on what we must do, and what we should and could do (if resources allowed). This includes continually improving the quality and cost effectiveness of our internal support services.
- Actively invest in our estate and assets to deliver a future return, taking and managing calculated risks.

**To become more commercially astute we will:**

- Drive good bargains through: understanding our customers' needs; robust negotiation on prices, costs and contract management; and managing our spend to ensure the very best value for public money.
- Get smarter on how we procure and manage contracts so that we get the best results for our agency (we outsource around half of our total expenditure).
- Apply commercial disciplines to offer as much public service delivery as we can fund by

right sizing our service offer, gripping costs, and seeking full cost recovery by service charges or grants, government funding and private investment.

### 1.4.5 Plans for 2024/25

The current financial situation in the UK with continued inflation, high energy prices and high interest rates, is putting considerable pressure on public sector budgets. FLS and the wider forestry sector is not immune to this pressure and 2025-26 will be another difficult year. However, we have set an ambitious Business Plan for the year based on the current financial outlook, with key activities that will help deliver our four Value Streams or business areas namely: ***Sustainable forest operations; Estates and renewables; Visitor services and communities*** and ***Natural capital***. All the value streams are reliant on each other to a greater or lesser extent, and all support the delivery of our priorities, vision and mission, and ultimately the Scottish Government's outcomes and purpose. Those business areas are supported by a range of business services.

Our priorities are set out in our Balanced Scorecard within the Business Plan for 2025-26:

Operational Performance				
Key Performance Indicator (KPI) Measure	FY 25/26 Target	Lead Directorate	Value Stream	
Harvesting Volumes	3.3 m m <sup>3</sup> OBS	Land Management	Sustainable Forest Operations	
Restocking Area	6,500 ha	Land Management	Sustainable Forest Operations	
Deer Cull	43.5 k	Land Management	Sustainable Forest Operations	
New Wind Energy Option Agreements	200 MW	Commercial Development	Estates & Renewables	
New Estate Agreements	44	Commercial Development	Estates & Renewables	

Stakeholder Satisfaction			
Key Performance Indicator (KPI) Measure	FY 25/26 Target	Lead Directorate	Value Stream
Visitor Site Rating	4.5 Google Rating	Commercial Development	Estates & Renewables
Community Projects	90	Commercial Development	Estates & Renewables
Woodland Created	700 ha (Gross)	Land Management	Natural Capital
Peatland Restored	1,700 ha	Land Management	Natural Capital
Rainforest Restored	1,500 ha	Land Management	Natural Capital

Financial Performance & Compliance			
Key Performance Indicator (KPI) Measure	FY 25/26 Target	Lead Directorate	Value Stream
Operating Surplus / (Deficit)	(£13.8 m)	Corporate Services	High Performing Organisation
Approved Investment Pipeline	£3.6 m	Corporate Services	High Performing Organisation
High / Medium Internal Audit Actions Closed	100%	Corporate Services	High Performing Organisation
UKWAS Certification	Retain	Land Management	Sustainable Forest Operations

Asset Management			
Key Performance Indicator (KPI) Measure	FY 25/26 Target	Lead Directorate	Value Stream
Outstanding Re-establishment Backlog	9,700 ha	Land Management	Sustainable Forest Operations
Designated Sites	94%	Land Management	Sustainable Forest Operations
Vehicle Utilisation	65%	Net Zero	High Performing Organisation



Health, Safety & Wellbeing			
Key Performance Indicator (KPI) Measure	FY 25/26 Target	Lead Directorate	Value Stream
Near Miss / Incident Ratio	40%	Corporate Services	High Performing Organisation
Accident Investigation Level Set Within Time Limit	80%	Corporate Services	High Performing Organisation

People			
Key Performance Indicator (KPI) Measure	FY 25/26 Target	Lead Directorate	Value Stream
People Survey Rating	65%	Corporate Services	High Performing Organisation
Staff Gender Balance	35% of staff being female	Corporate Services	High Performing Organisation
Mandatory Training Complete %	95%	Corporate Services	High Performing Organisation
Headcount (FTE's)	1,069	Corporate Services	High Performing Organisation

We will strive to deliver all our commitments set out in the plan but are mindful of the need to be ready to change plans to respond to local and global concerns.

### 1.4.6 Performance and Achievements in detail

Detailed information on performance and achievements can be found on [2024-25 Performance Report](#).

### 1.4.7 Environmental Matters

We are committed to reducing the environmental impact of our activities. Our aim is to adapt how we manage our land, reduce our emissions and capture more carbon, leading the way for the land-based sector.

Scotland's climate change legislation and National Performance Framework set a target date for net-zero emissions of all greenhouse gases by 2045. We are already major contributors to efforts to capture carbon and reduce emissions: leading the way in creating new woodlands; balancing timber production and replanting programmes; improving the condition of peatlands and other

degraded soils; and working with the wind and hydro sectors to realise the renewable energy potential of the national forests and land.

In line with our duties as a public body (as set out in the Climate Change (Scotland) Act 2009) we apply targets to reduce our emissions in key areas. Having identified our baseline for our contract emissions, are working with our high emission area suppliers to improve emissions data collection, monitor emissions over the lifetime of contracts, and to identify opportunities for emissions reduction. We are working with experts to understand our current and projected land-based emissions, to ensure we have a full picture of our emissions portfolio now and moving forward, and to identify any areas for improvement.

Our Climate Change Plan sets out some of the actions we will take to achieve zero 'direct' business emissions by 2045 and the targeting of reductions of our 'indirect' emissions. It also sets out our aims for capturing carbon, adapting the forests and land and conserving biodiversity in response to the twin emergencies of Climate Change and Biodiversity loss. An FLS National Climate Change Risk Assessment (CCRA) was recently completed to evaluate the organisation's primary and cascading risks in the changing climate. We are developing our Adaptation Strategy and Action Plan to guide our response to increasing climate risks. It will strengthen sustainable forestry, enhance ecosystem resilience, and support actions to reduce our risk to climate hazards. Our targets and our work to achieve them are detailed annually and published in a report via the Scottish Sustainability Network.

We are actively engaged in the cross-sector Adaptation and Resilience Steering Group to help shape Scotland's new Resilient Woodlands and Forests Strategic Action Plan. In anticipation of this, we are already diversifying tree species, embedding adaptation into land management plans, and promoting practices that reduce risk from pests, disease, and extreme weather.

More information on how we are tackling the climate emergency and biodiversity crisis, including our Climate Change Plan can also be accessed via our website.

### 1.4.8 Social Matters

We have well developed policies and procedures to address a wide variety of areas, in particular anti-corruption and anti-bribery, modern slavery, equality, diversity and inclusion, and Whistleblowing. More information can be found in the Remuneration and Staff Report and in the Governance Statement in these accounts. Staff are required at all times to act with honesty and integrity, adhering to the Civil Service Code and safeguard the public resources for which they are responsible. They are also encouraged to raise concerns about improprieties in the conduct of FLS' business whether in matters of financial, regulatory or other malpractices including fraud, and bribery. Our policies and reporting mechanisms encourage staff to raise concerns without fear of suffering retribution, ensuring there is a transparent and confidential process for dealing with concerns.

## Our hybrid working vision

As we continue to recover from wider external impacts and challenges we have sought to find the right balance in the way that we work, and we will continue to review this. The following ethos sets out our commitment to our people and how we will attract and retain future employees.

- We commit to supporting our people to work in the most appropriate way to maximise their effectiveness in their roles, supporting and enhancing collaborative teamwork across the agency,
- We empower managers to agree appropriate work arrangements within their teams, ensuring a balanced approach is taken to support all employees and enabling collaborative team working across FLS and with our key customers and stakeholders,
- We aim to be an employer of choice by enabling our people to optimise their outputs collaboratively and work flexibly within a considered, supportive and progressive environment.

To embed the FLS ethos, the following principles provide a framework to define our expectations:

- collaborative: we are fully supportive of a business central, collaborative approach,
- Expectations: business needs remain central to our hybrid working arrangements,
- Flexibility: we recognise that one size does not fit all, and Directorates will agree on varying arrangements that are appropriate for each function,
- Forestry and Land: we will use the opportunity of flexibility to work in different locations where possible and network with our colleagues across functions,
- Wellbeing and Inclusivity: We will advocate for a healthy work-life balance and culture.

### 1.4.9 Health and Safety

FLS continues to deliver its Health, Safety and Wellbeing improvement strategy, with a renewed focus on four key areas: Safety and risk zones, health and safety assurance systems, wellbeing, and improving skills. These priorities are aligned with our key health and safety risks the principles of ISO 45001, Occupational Health and Safety Management Systems, and maintain our commitment to the 'plan-do-check-act' approach.

Our ongoing research collaboration with the University of Aberdeen continues to explore the critical role of non-technical skills in forestry safety, helping shape evidence-based improvements. A focused campaign on the importance of safety zones in preventing serious and fatal accidents will launch in 2024/25.

We have further embedded our lone working systems and increased their uptake across the organisation. A full review of the National Health and Safety Committee and its associated network of regional and local forums has been completed, with improvements scheduled for implementation in 2024/25 to enhance governance and engagement.

Supporting mental and physical wellbeing remains a central priority. We delivered a rolling training programme for our mental health first aiders and completed the annual service review. Our

partnership with Able Futures continues to provide valuable support to staff. We have published new guidance on neurodiversity and continue to run regular menopause cafés alongside our menopause champions and resources.

We published a new Standard Operating Procedure for First Aid, ensuring greater consistency and clarity across FLS. We also continue to work closely with the Forestry Industry Safety Accord (FISA) to help shape sector-wide guidance—most recently contributing to the development of new materials on managing public safety.

To further support frontline capability, we have created a new role focused on work-based technical mentoring for Forest Craftspersons, which will roll out in 2024/25. Additionally, we successfully onboarded a new occupational health provider, enhancing service delivery and accessibility for staff across the organisation.

### Accidents

The number of Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (RIDDOR) reportable accidents (over seven days and specific injuries) in 2024–25 was eight, including two reported by contractors. The following table details this information alongside comparable data for 2023–24. We continue to rigorously promote health and safety good practice across FLS in recognition of the level of risk in the forestry industry.

RIDDOR Reportable Accidents	2024/25	2023/24
Employee	6	5
Contractor	2	4
Total	8	9



Kevin Quinlan  
Accountable Officer  
Date: 03 December 2025

# Accountability Report

The purpose of the accountability report is to meet key accountability requirement of the HM Treasury's Financial Reporting Manual for 2024-25. This report has three sections:

- Corporate Governance Report
- Remuneration and Staff Report
- Parliamentary Accountability and Audit Report

## 2. Corporate Governance Report

The Corporate Governance Report describes Forestry and Land Scotland's governance structures and it achieves its business objectives. It comprises the Directors' Report, the Statement of Accountable Officer's Responsibilities and the Governance Statement. This meets accountability requirements as specified in the HM Treasury's Financial Reporting Manual.

### 2.1. Directors' Report

#### 2.1.1 Relationship with Scottish Government

Scottish Ministers are responsible for determining the overall policy and resources framework within which FLS operates. Ultimately, they are accountable to the Scottish Parliament for its functions and performance. FLS is responsible for the day-to-day management of the agency. During FY 24-25 Ministerial responsibility for Forestry and Land Scotland, sat with Mairi Gougeon MSP, as the Cabinet Secretary for Rural Affairs, Land Reform and Islands. The responsibilities of Scottish Ministers in relation to the agency, are set out in the FLS Framework Document.

The Director General Net Zero provides senior Scottish Government policy oversight of the agency and of its relationship with Scottish Ministers during FY 24-25. The Director General has several responsibilities in relation to the agency, all of which are set out in the FLS Framework Document.

#### 2.1.2 The Chief Executive

Kevin Quinlan was Chief Executive of FLS over the reporting period. The Chief Executive is also the Accountable Officer of Forestry and Land Scotland, supported by and chaired the FLS Strategic Advisory Board and Executive Leadership Team.

### 2.1.3 FLS Strategic Advisory Board

- **Chief Executive Officer:** Kevin Quinlan (Attended all meetings)
- **Director of Net Zero:** Graeme Hutton (Attended all meetings)
- **Director of Corporate Services:** Michael Hymers (Attended all meetings, except September 2024)
- **Director of Corporate Services & Transformation:** Tom Greenan (Attended no meetings, as appointed 3 February 2025 on an interim basis).
- **Director of Commercial Development:** John Mair (Attended only May 2024, left August 2024)
- **Director of Commercial Development:** David Leven (Attended only November 2024, started August 2024)
- **Director of Land Management and Regions:** Graeme Prest (Attended all meetings, except November 2024)
- **Non-Executive:** Mark Pountain (Attended all meetings, except September 2024)
- **Non-Executive:** Clea Warner (Attended all meetings)
- **Non-Executive:** Therese O'Donnell (Attended all meetings)
- **Non-Executive:** Lyndon Jones (Attended all meetings)
- **Non-Executive:** Jo O'Hara (Attended all meetings)

### 2.1.4 FLS Executive Leadership Team

- **Chief Executive Officer:** Kevin Quinlan
- **Director of Net Zero:** Graeme Hutton
- **Director of Corporate Services:** Michael Hymers (Until 31 January 2025)
- **Director of Corporate Services & Transformation:** Tom Greenan (Interim basis From 3 February 2025)
- **Director of Commercial Development:** John Mair (Until 30 August 2024)
- **Director of Commercial Development:** David Leven (From 12 August 2024)
- **Director of Land Management and Regions:** Graeme Prest

Director of Corporate Services' / 'Director of Corporate Services & Transformation' are one role, but in February transformation was added to the responsibilities.

The information above represents the composition of the Executive Leadership Team at 31st March 2025. In February 2025 additional responsibilities were added to the role of the Director of Corporate to now include Transformation. The current post holder for this position has been appointed on a temporary basis for 18 months Full details are provided in the Remuneration report. Biographies for our Strategic Advisory Board and Executive Leadership Team members can be found on our [website](#).

### 2.1.5 Register of Interests

A register of interest of all Strategic Advisory Board and Executive Leadership Team members is maintained and published on the FLS [website](#).

### 2.1.6 Other Disclosures

There were eighteen non-reportable and zero reportable personal data incidents for FLS in 2024-25. This compares with eight non-reportable and zero reportable personal data related incidents in 2023-24.

### 2.1.7 Supplier Payment Policy

FLS is committed to the prompt payment of invoices, aiming to settle all undisputed invoices within contract terms and also in line with the Scottish Government's payment policy. Prompt payment clauses requesting 30 day payment terms are embedded within our contracts and these are required to be replicated throughout the supply chain.

As part of Scottish Government's continuing commitment to support economic recovery and sustainable economic growth in Scotland, we continue to aspire to a 10 day target for paying invoices to our suppliers wherever possible, going beyond our commitment to pay suppliers within 30 days.

We recognise the value of prompt payment through the supply chain and how this can affect cash flow positively or negatively; we will therefore embed all measures set out in SPPN 2/2022 with regard to prompt payment in the supply chain and we will respond to any issues raised formally by suppliers, sub-contractors and those further down our supply chains with regards to late or non-payment.

An analysis of bill payments for 2024-25 indicates that 78% were paid within the ten working days target (2023-24 - 80%) and a further 16% (2023-24 - 14%) were paid within 30 days. Arrangements for handling complaints on payment performance are notified to suppliers within contracts.

No interest was paid under the Late Payment of Commercial Debts (Interest) Act 1998.

### 2.1.8 Basis of Accounts

The Forestry and Land Scotland Resource Accounts are prepared in accordance with the Accounts Direction issued by Scottish Ministers under section 19(4) of the Public Finance and Accountability (Scotland) Act 2000.

## 2.1.9 Departmental Accounting Boundary

Forestry and Land Scotland is designated, by the Office of National Statistics, as a public corporation for national accounting purposes in accordance with European System of Accounts (ESA) 95. Accordingly, it is outside the departmental boundary for resource accounting purposes with the net funding reflected in the Scottish Government resource accounts.

## 2.1.10 Auditors

Grant Thornton UK LLP are appointed under the Public Finance and Accountability (Scotland) Act 2000 to carry out the external audit of Forestry and Land Scotland. No fees were charged for other services.

## 2.2 Statement of Accountable Officer's Responsibilities

Under the Public Finance and Accountability (Scotland) Act 2000, the Chief Executive is required to prepare and sign an Annual Report and Accounts to Scottish Ministers, and to arrange for laying them before the Scottish Parliament. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Forestry and Land Scotland, the income and expenditure, resources applied to objectives, recognised gains and losses and cash flows for the financial year.

In preparing the accounts, the Accountable Officer is required to comply with the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by Scottish Ministers, including relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the Government Financial Reporting Manual, have been followed, and disclose and explain any material departures in the accounts;
- prepare the accounts on a 'going concern' basis; and
- confirm that the Annual Report and Accounts as a whole are fair, balanced and understandable and that they take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

As far as the Accountable Officer is aware, there is no relevant audit information of which FLS's auditors are unaware. The Accountable Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that FLS's auditors are aware of that information.

Under section 15 of the Public Finance and Accountability (Scotland) Act 2000, the Principal Accountable Officer for the Scottish Administration has designated the Chief Executive of FLS as



Accountable Officer of FLS. The FLS Accountable Officer is personally answerable to the Scottish Parliament for the propriety and regularity of the FLS activities and for the economical, efficient and effective use of all associated resources. The Accountable Officer is also responsible for signing the accounts of FLS.

## 2.3. Governance Statement

### 2.3.1 Scope of Responsibilities

As the Accountable Officer at the date of signing this report, I am personally accountable to the Scottish Parliament for the proper management of public funds and for ensuring these resources are used efficiently, economically and effectively. In discharging this overall responsibility, as CEO of FLS I am responsible for putting in place appropriate arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes a sound system of control is maintained through the year and that arrangements are in place for the management of risk. I believe that FLS fully complies with the principles of the Scottish Public Finance Manual.

### 2.3.2 The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values, by which FLS is directed, controlled and led. It enables FLS to monitor the achievement of its corporate outcomes and to consider whether those outcomes have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of FLS policies, aims and outcomes, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

Scottish Ministers are responsible for determining the overall policy and resources framework within which FLS operates. Ultimately they are accountable to the Scottish Parliament for its functions and performance. FLS is responsible for the day-to-day management of the agency. The mandate of FLS is laid out in the agency Framework Document which was agreed by the then Cabinet Secretary for Rural Economy and Tourism.

The governance framework has been in place at FLS for the year ended 31 March 2025 and up to the date of approval of the Annual Report and Accounts and accords with Scottish Public Finance Manual Guidance.

### 2.3.3 Strategic Advisory Board

The Chief Executive, as Accountable Officer, is personally accountable to Scottish Ministers for the performance of FLS and delivery of its functions. In doing so he is supported by the FLS Strategic Advisory Board which comprises Executive Directors and Non-Executive Advisors.

The Board's role is to support and provide advice to the Chief Executive in order that they can reach robust and well-informed decisions, including:

- The organisation's strategic vision, aims, objectives and targets, and any steps required to deal with changes which are likely to impact on the strategic aims and objectives of FLS or on the attainability of its targets;
- The effectiveness of the arrangements that provide assurance on risk management (including in respect of personnel, physical and cyber risks/ threats/hazards), governance and internal control; and
- The systems that are in place to enable early identification/notification to be provided to the Scottish Government about emerging issues which will impact on the operation or reputation of FLS.

The Strategic Advisory Board met three times during the reporting period in May, Sept and Nov 2024 discussing a wide range of topics. Topics for discussion included long-term financial sustainability, Forestry Futures, Integrating and Resourcing Estates and Renewables, and changes in the political environment in which FLS operates.

Members of the Strategic Advisory Board during the year are outlined in 2.1.3. Minutes from the meetings are published on the FLS website.

### 2.3.4 Executive Leadership Team

The Executive Leadership Team supported the Chief Executive with the day-to-day running of FLS and provided advice and knowledge on professional, technical and regional matters. Membership includes the Executive Directors, with key business leads providing subject matter expertise as required. Meetings took place every two weeks over the period, with additional meetings scheduled to meet business requirements.

Examples of topics for discussion included financial and business planning, Hybrid Working, Workforce Planning, performance reporting, and replacing our finance system. Financial reporting was considered as a monthly agenda item, with Health, Safety and Wellbeing and risk management was discussed quarterly, or by exception where required.

Members of the Executive Leadership Team during the year are outlined in 2.1.4. Minutes from meetings of the Executive leadership Team are published on the FLS website.

### 2.3.5 Audit and Risk Committee

The Audit and Risk Committee (ARC) supports the FLS Chief Executive Officer by providing advice and constructive challenge, in particular providing support in relation to his responsibilities for issues of risk management, control, and governance and associated assurance to support year-end accountability and reporting. The ARC is supported by the Corporate Services Function.

The membership of the ARC comprises the Non-Executive Advisors, the Chief Executive, Director of Corporate Services & Transformation and Head of Finance routinely attend the ARC, along with representatives from Internal and External Audit. However the terms of reference, set out in Annex C of the [FLS Framework Document](#), provide for the ARC to sit privately without Executives present for all or part of a meeting if required.

The ARC met four times over the reporting period in June, Sept and Nov 2024 and March 2025. Minutes from meetings of the ARC are published on the [FLS website](#). Members of the ARC during the year were as follows:

- **Non Executive:** Mark Pountain (Chair)(Attended meetings in June, September and November 2024)
- **Non Executive:** Clea Warner (Attended all meetings, except September 2024)
- **Non Executive:** Therese O'Donnell (Attended all meetings, except September 2024)
- **Non Executive:** Jo O'Hara (Attended all meetings)
- **Non-Executive:** Lyndon Jones (Attended all meetings)

### 2.3.6 Risk Management

FLS is committed to achieving its aims as defined in our Corporate Plan and Business Plan. In doing so, we recognise that we will face a variety of risks.

We identify that effective risk management helps us to make better decisions and reassures our customers, partners and stakeholders. Our approach to risk is designed to identify risks and support the delivery of our organisational outcomes. We are committed to ensuring that the management of risk underpins all business activities and that thorough risk management procedures are in place across the organisation.

Full details of our approach to risk management can be found in our published [Risk Management Policy and Framework](#).

### 2.3.7 Our Risk Appetite

As a public body responsible for managing the national forests and land for multiple outcomes, the principal areas of risk we may be exposed to relate to the following categories:

- **Compliance/Regulatory** – our compliance with all relevant laws, regulations and governance requirements in the delivery of our duties and responsibilities

- **Reputation** – the decisions, actions, response or position we take in relation to the broad scope of our work
- **Financial Sustainability and Performance** – the decisions we take in how we will deploy, utilise and monitor our resources to maximise their public value and ensure long-term financial sustainability
- **Business Continuity** – the decisions we take to remain operational and structure the organisation, including our internal business process and delivery model, and the use of supporting equipment
- **People and Culture** – we provide a safe and inclusive workplace and service provision to internal and external customers and stakeholders
- **Innovation and Adaption** – we will continue to encourage an innovative environment, maximising opportunities and adapting our business model and approach where required
- **Environment and Social Responsibility** – the organisation aims to make a significant, sustainable, and socially responsible contribution to Scotland and its people, including contributing towards addressing the Climate Emergency and social inequalities.

The overall appetite to risk was assessed for the period as ‘Cautious’ i.e. that the organisation is willing to consider making decisions to deliver our Corporate Plan and associated outcomes which may involve a degree of risk taking in order to achieve the desired benefits. This would only be undertaken however where the relevant risks are judged to be within the organisation’s capacity to manage and deliver against them to achieve significant gains.

Each category of risk has been discussed and agreed by the Executive Leadership Team and Audit and Risk Committee (ARC) as to the appropriate risk appetite level. This provides a framework to help inform decision making. This looks at the level of risk which is deemed to be ‘manageable’ i.e. where the risks will need careful management but are considered to be worth taking. Where potential risks could breach the ‘manageable’ level assurance should be provided to the Executive Leadership Team and ARC that these can be appropriately controlled.

We recognise it is good practice to periodically review the organisation’s appetite for and attitude to risk. This includes reviewing the setting of risk tolerances at the different levels of the organisation, thresholds for escalation and authority to act, and evaluating the organisational capacity to handle risk. In addition, it provides the opportunity to reflect on the categorisation of risk to reflect and incorporate changing government principles and concepts to support good governance arrangements and feedback from internal and external assurance sources. It also ensures our approach remains up to date and aligned to organisational priorities to inform decision making at all levels.

Discussions with the Executive Leadership Team and Audit and Risk Committee have commenced during the period to begin the review of the organisation’s appetite for and attitude to risk, with the aim of publishing any amendments in the new financial year.

### 2.3.8 Key Risks

Throughout the financial year 2024-25 we continued to identify and manage organisational risks. The nature of our business means that health, safety and wellbeing remains an area of high risk across the organisation with regard to our staff, contractors and visitors and we continue to

proactively monitor controls and identify opportunities to further reduce risk through future planned actions and improvements.

We are also proactively considering risks that may affect us in the longer term, including the impacts of climate change and tree pests and diseases. These are important areas for us to monitor and take appropriate action on now as these risks impact on our ability to maintain a future timber supply, undertake our land management responsibilities and generate income to enable the organisation to continue to operate in a financially sustainable way.

The key risks over the financial year were as follows:

**Health and Safety:** The main risk remains a serious accident or loss of life on the national forests and land relating to an employee, contractor or member of the public. We have continued to take opportunities to review and revise ways of working to support improved health, safety and wellbeing practices.

**Financial Sustainability:** This risk is the lens we are using to evaluate how we change the business through our “Fit For our Future” transformation programme. We continue our work to move FLS to more sustainable activities to support and enable financial and business sustainability. The Annual Subsidy Limit (ASL) provided to FLS by Scottish Government will continue to be under pressure as the demand on public finances grows in relation to recovery from external factors such as the cost of living crisis, increased inflation and upsurge in supplier and material costs.

**Complexity of Change:** There are several risks rolled into this arising from the amount and complexity of change including financial challenges; organisational capacity for change; and the introduction of new legislation and regulations. Together these risks combine to produce risks of business failure, issues with staff retention and recruitment and potential impact on staff morale and productivity.

**Regulatory Compliance:** Work continues to raise awareness of and ensure regulatory compliance across the organisation through the Assurance Framework, supported by appropriate guidance and training. This includes an ongoing review to ensure the framework is regularly tested to ensure that the appropriate information is included, and outcomes shared with senior leaders and the wider staff groups.

**Procurement:** The organisation continues to have a requirement to deliver key activities via third party contracts that needs to meet both legislative requirements and business activities, supported by an appropriate supplier base. We continue to consider how procurement and business activities can be aligned to work effectively to deliver best value and organisational effectiveness.

### 2.3.9 Significant Governance and Risk Issues

Refer to the key issues and risks to delivery set out in the Governance Statement and the Performance Overview section of the Performance Report.

## Economic Recovery

As an agency of Scottish Government we recognise the substantial societal and economic impacts and the long-term response required to support financial security across Scotland and beyond.

We must remain agile and adaptive in ensuring that our activities, facilities and services remain responsive to the needs and requirements of our internal and external stakeholders, whilst balancing our long-term financial sustainability and contribution towards Scottish Government priorities and outcomes.

As we review and develop our plans going forward we know that we must also consider how they are impacted by wider societal, economic and international changes alongside pressures on funding across Scottish Government. This includes understanding and responding, where we can, to current and future impacts such as increased cost of living and rises in inflation, fuel price duty, and utilities costs.

We also recognise that as a business responsible for managing and delivering timber and land based assets with a long-term lifecycle, the decisions and actions we take now must be balanced against future requirements. This includes having the capacity and capability to respond to the Climate and Biodiversity crises, alongside anticipating and implementing robust strategies and policies for managing impacts from weather events; pests and disease and legislative land management and reform.

## Information Assurance

FLS's approach to information assurance is set by the organisation through the Security and Information Risk Assurance Board (SIRAB). The SIRAB co-ordinates and controls the implementation of information security across FLS to include:

- Effective policies and management arrangements
- Information handling approach that is communicated to the full organisation
- Co-ordination of information security activities including specific security requirements arising from data protection, confidentiality, information quality, records management and freedom of information
- Training made available and taken up by staff
- Providing assurance to the FLS Senior Management Team that the organisation's policies, procedures, processes and controls underpin good information governance.

The SIRAB reports into the FLS Executive Leadership Team and updates are provided to the Audit and Risk Committee. Training on information governance and data protection is mandatory for all relevant staff and non-executives.

### 2.3.10 Certifications

FLS achieved re-certification of its Information Security Management System (ISMS) against ISO 27001:2022, following an independent audit in January 2024. It confirms the organisation's compliance against the requirements of ISO 27001:2022, the International Standard for Information Security, Cybersecurity, and Privacy Protection.

A surveillance audit, completed in December 2024, did not identify any nonconformities demonstrating continued good practice against this standard. In addition, FLS successfully renewed its Cyber Essentials Plus (CE+) certification in April 2025 following an extensive cyber-testing and independent review process.

### 2.3.11 Data Protection

A Memorandum of Understanding between FLS and the Scottish Ministers is established to outline the roles, responsibilities and the relationship between the Agency and the Scottish Ministers in relation to compliance with data protection laws and provide a framework for establishing coordinated procedures in relation to Scottish Ministers data protection obligations. Mandatory Scottish Government data protection e-learning has been rolled out across FLS and is refreshed annually. FLS has a reporting process to capture all personal data breaches and security incidents, which are investigated in accordance with Scottish Government and Information Commissioner's guidance. There have been no Information Commissioner's Office reportable incidents during the year.

### 2.3.12 Public Records (Scotland) Act 2011

The Records Management Plan was submitted to the National Records of Scotland in August 2020, as per section 1(1) of the Public Records (Scotland) Act 2011 – to assess, with a view to agreeing, the records management plans of named public authorities. The Keeper of the Records of Scotland (The Keeper) agreed the FLS Records Management Plan in October 2021. FLS voluntarily submitted a Progress Update Review (PUR) in February 2024. The PRSA Assessment Team acknowledged that FLS continues to take the statutory obligations seriously and are working to bring all elements of FLS records management arrangements into full compliance with the Act and fulfil the Keeper's expectations.

### 2.3.13 Review of Effectiveness

The Accountable Officer had responsibility for reviewing the effectiveness of the governance framework. Their review was informed by:

- The executive managers within FLS who have responsibility for the development and maintenance of the governance framework;
- The work of the internal auditors, whose reports to the Audit and Risk Committee (ARC) include the Head of Internal Audit's independent and objective opinion on the adequacy and



effectiveness of the governance framework together with recommendations for improvement;

- Comments made by the external auditors in their management letters and other reports;
- Feedback and commentary from Non-Executive advisors through ARC meetings; and
- Feedback and commentary from Strategic Advisory Board members through regular meetings.

FLS has an Annual Assurance Framework in place that flows down from the Accountable Officer to Functional leads (Directors) and from them to every principal cost centre manager. This provides assurance on the standard of governance and control within their area of responsibility. Assurances are also received from the management team through their regular submission of reports and presentations to the Executive Leadership Team which is chaired by the CEO or relevant nominee and through line management responsibilities.

Throughout the year Directors reviewed specific business areas, using “lessons learned”, feedback and stakeholder engagement to review and improve activities. This, in addition to input from Internal Audit, helps to respond and progress improvements, as well as ensure good governance arrangements are applied and tested.

An example includes work to improve our finance systems and processes, engaging front end users and trade union representatives in developing appropriate solutions. We also established a number of Value Streams that will underpin a transformation programme, helping to identify areas for continuous improvement to deliver effective and efficient activities.

A review of the Assurance Framework was instigated in late 2024 providing the opportunity to ensure that the framework not only meets the requirements of the SPFM, but also provides the opportunity to incorporate recommendations and feedback from recent audits; ensure it is aligned with wider changes to ways of working across the agency, including performance monitoring and reporting; and anticipates and incorporates changes as we take forward our transformation programme. This will be concluded and rolled-out during the new financial year.

On the basis of these assurances the Accountable Officer confirms that sound systems of governance, risk management and internal control, consistent with the requirements of the Scottish Public Finance Manual (SPFM), have been developed and were operational over the year ended 31 March 2025 and up to the date of approval of the Annual Report and Accounts.

The National Fraud Initiative in Scotland is a national detection exercise carried out by Audit Scotland, which has identified fraud and error overpayments, savings, and other outcomes across the Scottish public sector. FLS is participating in this exercise and will follow up on any findings.

### 2.3.14 Internal Audit

The Directorate for Internal Audit and Assurance (DIAA) reviews specific areas within FLS as identified and agreed in the Annual Audit Plan. After reviews have been undertaken, reports are submitted which provide an assurance rating to me as FLS Chief Executive.

An annual rating of “Limited Assurance - Controls are developing but are weak’ was provided by DIAA. This is defined as ‘There are weaknesses in the current risk, governance and/or control



procedures that either do, or could, affect the delivery of any related objectives. Exposure to the weaknesses identified is moderate and being mitigated.’ The annual rating was based on the assurance reviews and advisory activity undertaken over the year, the findings and actions put in place to address recommendations. A total of three assurance reviews were completed in-year as follows:

- Cyber Security – Reasonable Assurance (13 medium recommendations)
- HR Recruitment and Retention – Limited Assurance (3 high and 4 medium recommendations)
- Regional Management – Limited Assurance (17 high recommendations)

We continue to engage with DIAA on progress and build actions to implement recommendations, received in-year and those carried forward from previous years, into our future work programme.

DIAA in their annual report provided a limited assurance report based on audit activity and information available to date on governance arrangements, supporting roles and responsibilities and management oversight on key areas. We continue implement a number of actions to address the weaknesses highlighted, some of which include:

- Ensuring all assurance review outcomes and recommendations are presented to and discussed with the Executive Leadership, ensuring wider ownership and progression of agreed actions, implementation and reporting
- Reflecting on and adapting our Governance Arrangements, with the focus now on implementing the revised responsibilities. This will include reflecting arrangements in revisions to our Ministerially approved Framework Document
- Engaging Internal Audit colleagues directly as a stakeholder in key work programmes, to ensure we gain valuable insights at an early stage to inform development and implementation plans. This includes involvement in key high risk areas such as major projects, as well as ad hoc special investigations such as auditing and advising on potential fraud.

### 2.3.15 External Audit

Grant Thornton UK LLP prepared an Annual Audit Report in December 2025 as part of its audit of the Annual Report and Accounts 2024-25. Matters/recommendations were raised and have either been addressed by management or actions have been put in place to address these within FLS.

### 2.3.16 Whistleblowing

FLS is committed to ensuring a high standard of conduct in all that it does, with a duty to identify and remedy any area of malpractice. This is achieved through encouraging a culture of openness, where employees feel confident to raise concerns about potential wrongdoing.

Employees have the opportunity to report any suspected wrongdoing through their own line management or via a Nominated Officer. They also have the opportunity to approach the Nominated Officer in our sister agency, Scottish Forestry.

There was one case reported under the Whistleblowing Policy in this financial year, which is still undergoing investigation. All whistleblowing cases are investigated thoroughly, ensuring lessons are learned with recommendations embedded into how we operate as an organisation.



Kevin Quinlan  
Accountable Officer  
Date: 03 December 2025

## 3. Remuneration and Staff Report

### 3.1 Remuneration Report

#### 3.1.1 Remuneration Policy

Forestry and Land Scotland's Chief Executive and four Directors; Director of Net Zero, Director of Commercial Development, Director of Corporate Services and Director of Land Management and Regions are all members of the Senior Civil Service. The remuneration of Senior Civil Servants is determined by UK Government Senior Salaries Review Body (SSRB), as delegated to the Scottish Government under Senior Civil Service pay arrangements.

The SSRB is responsible for monitoring the operation of the Senior Civil Service pay system and for making recommendations to the UK Government on the shape of the system, including the salary values for the minimum and maximum of each of the senior civil service pay bands, the range of percentage increases to base salary and range of non-consolidated performance payments.

Further information on the work of the SSRB can be found at the government [website](#).

All other members of staff are remunerated according to their pay band and in line with Scottish Government's Public Sector Pay Policy, details of which can be found on Public Sector Pay Strategy [website](#).

#### 3.1.2 Appointments

Civil Service appointments are made in accordance with the Civil Service Commission's Recruitment Principles, which requires appointments to be made on merit on the basis of fair and open competition and also includes the circumstances when appointments may otherwise be made.

The senior staff covered in this report (with the exception of the one who is a temporary contractor and the one who was on temporary promotion) hold appointments which are open-ended until they reach normal retiring age, with a maximum notice period of six months. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. Further information can be found in the [civil service pension scheme](#).

#### 3.1.3. Remuneration of Non-Executive Advisors – Audited information

Non-Executive Advisors (NEA) receive fees for attendance at regular appropriate FLS meetings. Fees are based on daily rates, determined in accordance with guidelines prescribed by the Scottish

Government. NEA expenses incurred as a result of undertaking FLS business are also reimbursed. Remuneration of Non-Executive Advisors and any business expenses are borne by FLS.

### 3.1.4 Salary and Pension Information – Audited information

The following sections provide details of the remuneration and pension interests of the Executive Leadership Team. The monetary value of benefits in kind covers any additional benefits provided, benefits greater than £8k are treated by HMRC as a taxable emolument. The salary and pension entitlements of the FLS Executive Leadership Team were as follows:

Name & Title	Salary		Bonuses		Benefits in Kind		Pension Benefits		Total	
	2024-25 £000	2023-24 £000	2024-25 £000	2023-24 £000	2024-25 £000	2023-24 £000	2024-25 £000	2023-24 £000	2024-25 000	2023-24 £000
John Dougan, Regional Manager, South (on Management Board until 31 March 2024)	0	80-85	0	0	0	0	0	23	0	105-110
Julie Fitzpatrick, Head of People & Organisational Development (on Management Board until 31 March 2024)	0	75-80	0	0	0	0	0	30	0	105-110
Simon Hodgson, Chief Executive (left 31 March 2024)*	0	120-125	0	0	0	0	0	0	0	120-125
Andrew Hunt, Regional Manager, West (on Management Board until 31 March 2024)	0	80-85	0	0	0	0	0	24	0	105-110
Graeme Hutton, Director of Net Zero	90-95	85-90	0	0	0	0	61	27	155-160	115-120
Michael Hymers, Director of Corporate Services (until 31/1/2025)	95-110	95-100	0	0	0	0	31	31	125-130	130-135
David Leven, Director of Commercial Development (from 12/8/2024 - previously Regional Manager, East)	85-90	80-85	0	0	0	0	43	31	130-135	115-110
John Mair Director of Commercial Development (left 30 August 2024)	35-40	85-90	0	0	0	0	0	6	40-45	95-100
Carol McGinnes, Regional Manager, Central (on Management Board until 31 March 2024)	0	80-85	0	0	0	0	0	31	0	115-120
Donna Mortimer, Head of Finance and Procurement (0.68 FTE salary) (on Management Board until 31 March 2024)	0	50-55	0	0	0	0	0	23	0	75-80
Alex Macleod, Regional Manager (on Management Board until 31 March 2024)	0	70-75	0	0	0	0	0	55	0	125-130
Graeme Prest, Director of Land Management and Regions	90-95	85-90	0	0	0	0	66	51	155-160	140-145

Kevin Quinlan, CEO (from 1 April 2024)	115-120	0	0	0	0	0	89	0	205-210	0
Tom Greenan, Director Corporate Services (Contractor from 3 February 2025)	0	0	0	0	0	0	0	0	0	0

On 31 March 2024, a number of individuals resigned their posts on the management board, this was due to a restructuring of the leadership team.

\* Final salary member (classic/classic plus/premium) who has transitioned to alpha. The final salary pension of a person in employment is calculated by reference to their pay and length of service. The pension will increase from one year to the next by virtue of any pay rise during the year. Where there is no or a small pay rise, the increase in pension due to extra service may not be sufficient to offset the inflation increase – that is, in real terms, the pension value can reduce, hence the negative values.

Accrued pension benefits included in this table for any individual affected by the Public Service Pensions Remedy have been calculated based on their inclusion in the legacy scheme for the period between 1 April 2015 and 31 March 2022, following the McCloud judgment. The Public Service Pensions Remedy applies to individuals that were members, or eligible to be members, of a public service pension scheme on 31 March 2012 and were members of a public service pension scheme between 1 April 2015 and 31 March 2022. The basis for the calculation reflects the legal position that impacted members have been rolled back into the relevant legacy scheme for the remedy period and that this will apply unless the member actively exercises their entitlement on retirement to decide instead to receive benefits calculated under the terms of the Alpha scheme for the period from 1 April 2015 to 31 March 2022.

The remuneration of the FLS Non-Executive Advisors and members of the Community Asset Transfer Scheme Evaluation Panel (CATS), were as follows:

Name & Title	Fees £000	
	2024-25	2023-24
Therese O'Donnell - Non-executive Advisor	5-10	5-10
Jo O'Hara - Non-executive Advisor	5-10	5-10
Lyndon Jones – Non-executive Advisor (from 8 April 2024)	5-10	0
Mark Pountain - Non-executive Advisor (left 31 December 2024)	0-5	5-10
Clea Warner - Non-executive Advisor	5-10	5-10
Lucille Black - CATS Non-executive Advisor	0-5	0-5
Gemma Campbell - CATS Non-executive Advisor	0-5	0-5
Peter Crane - CATS Non-executive Advisor	0-5	0-5
Courtney Peyton - CATS Nonexecutive Advisor	0-5	0-5
Ed Pybus - CATS Non-executive Advisor	0-5	0-5
Richard Slee - CATS Non-executive Advisor	0-5	0-5
Eilidh Todd - CATS Non-executive Advisor	0-5	0-5

### 3.1.5 Salary

Salary payments include basic gross salary, overtime and any allowances subject to UK taxation. This report is based on payments made by Forestry and Land Scotland only and do not include any other remuneration from outside the Agency.

### 3.1.6 Bonuses

Forestry and Land Scotland does not generally give non-consolidated performance payments. No non-consolidated payments were made to Senior Civil Servants in 2024-25.

### 3.1.7 Benefits in Kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument. Benefits in kind are given in the form of the private use of a car and/or a house purchase loan.

Benefits in kind are also provided under the following schemes:

- Advances of salary for house purchase;
- Advances of salary for purchase of public transport and car park season tickets;

- Advances of salary for purchase of sports/health club membership;
- Advances of salary for purchase of IT and sports/ health equipment; including bicycles and childcare vouchers; and
- Car provision for employees' scheme.

Each scheme is subject to conditions and financial limits.

### 3.1.8 Compensation on Early Retirement or for Loss of Office – Audited information

No member of the Executive Leadership Team received payment on early retirement or for loss of office during the reporting period.

### 3.1.9 Exit and Compensation Packages - Audited information

No exit or compensation packages were paid in 2024-25.

	Number of Employees	
	2024-25	2023-24
Value of Package		
<£25,000	0	2
£25,001-£50,000	0	1
£50,001 - £100,000	0	1
Total Number of exit packages	0	4
Total cost of agree departures during the year	0	£114.9K

### 3.1.10 Fair Pay Disclosure – Audited information

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of all employees. This allows comparability with Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 comparatives to the percentage change for the highest paid director and workforce as a whole and the ratio of the highest paid director to the interquartile ranges (25% and 75%) within the workforce.

The FTE banded remuneration of the highest paid director in Forestry and Land Scotland in the financial year 2024-25 is £115k-120k (2023-24 was £120k-£125k). This was 3.3 times (2023-24 – 3.67 times) the median remuneration of the workforce, which was £35,511 (2023-24 - £33,360). The following table shows the 25th, median and 75th percentile pay ratios. Agency staff are not



included in the pay percentile table below. There was no variance between total pay and benefits and the salary component of total pay and benefits.

Total Pay Ratio	2024-25		2023-24	
	Pay	Ratio	Pay	Ratio
25 <sup>th</sup> percentile	£33,125	3.54	£30,111	4.07
median	£35,511	3.30	£33,360	3.67
75 <sup>th</sup> percentile	£42,467	2.76	£40,974	2.99

In 2024-25, no employees received remuneration in excess of the highest paid director. Remuneration ranged from £25.5k to £117.3k (2023-24 £11.9k to £123k). The remuneration of the highest paid director decreased by 4.6% and the median average salary of the employees of the organisation rose by 6.4%.

The ratio of highest paid director salaries to the median average salary of all staff fell by 0.1%. Factors affecting this median ratio include the appointment of a new highest paid director at a lower remuneration and changes in the distribution of staff numbers both across and within pay bands, arising from length of service and staff turnover.

Total remuneration includes salary, non-consolidated performance-related pay, benefits-in-kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions. The total remuneration paid to all staff in 2024-25 £42.038m (2023-24 was £41.582m).

### 3.1.11 Pension Benefits – Audited information

Name & Title	Accrued Pension at Pension age at 31 March and Related Lump Sum £000		Real Increase in Pension and Related Lump sum at Pension age £000		CETV at 31 March £000		Real Increase in CETV £000		Employer Contribution to Partnership Account Nearest £100	
	2024-25	2023-24	2024-25	2023-24	2024-25	2023-24	2024-25	2023-24	2024-25	2023-24
John Dougan, Regional Manager - South	-	35-40 plus a lump sum of 65 - 70	-	0-2.5 plus a lump sum of 0	-	752	-	13	-	-
Julie Fitzpatrick, Head of People and OD	-	0-5	-	0-2.5	-	45	-	20	-	-
Simon Hodgson, CEO until 31 March 2024	-	45 - 50 plus a lump sum of 135 - 140	-	0 plus lump sum of 0	-	984	-	(10)	-	-
Andrew Hunt, Regional Manager - West	-	20-25 plus lump sum of 55-60	-	0-2.5	-	446	-	11	-	-
Graeme Hutton Director of Net Zero	40 - 45 plus a lump sum of 100 - 105	30-40 plus a lump sum of 95-100	2.5-5 plus a lump sum of 2.5 - 5	0-2 plus a lump sum of 0	935	874	56	19	-	-

Michael Hymers Director of Corporate Services	45 - 50	40-45	0 - 2.5	0 - 2.5	850	799	19	18	-	-
David Leven Regional Manager, East	5 - 10	5-10	0 - 2.5	0 - 2.5	105	70	29	20	-	-
Alexander Macleod, Regional Manager - North	-	30-35 plus a lump sum of 55-60	-	2.5-5 plus a lump sum of 2.5-5	-	964	-	340	-	-
John Mair Director of Commercial Development *(left 30 August 2024)	-	-	-	-	-	-	-	-	5,700	13,000
Carol McGinnes, Regional Manager – Central	-	10-15	-	0-2.5	-	168	-	25	-	-
Donna Mortimer, Chief Financial Officer	-	15-20	-	0-2.5	-	223	-	15	-	-

Graeme Prest Director of Land Management and Regions	45 - 50 plus a lump sum of 115 - 120	45 - 50 plus a lump sum of 110 - 115	2.5 - 5 plus a lump sum of 2.5 - 5	2.5 - 5 plus a lump sum of 2.5	1,047	949	58	42	-	-
Kevin Quinlan CEO	40 - 45 plus a lump sum of 85 - 90		2.5 - 5 plus a lump sum of 2.5 - 5	-	911	802	74	-	-	-

\*Note: John Mair chose not to be covered by the Civil Service pension arrangements during the reporting year.

Note: Accrued pension benefits for directors were not included in the 2023/24 Annual Report and Accounts due to an exceptional delay in the calculation of those figures following the application of the public service pension remedy.

### 3.1.12 Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. In April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme (CSOPS) or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From 1 April 2015 all newly appointed civil servants and the majority of those already in service, joined alpha.

Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: three providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with pensions increase legislation. An overview of each of the schemes can be found on the Civil Service Pension Schemes website.

### 3.1.13 Pensions Contributions

For 2024-25, employer contributions of £11,754,223 (£10,880,642.31 for 2023-24), were payable to the Principal Civil Service Pension Scheme (PCSPS) at one of four rates in the range 26.6% to 30.3% of pensionable pay (2023-24: 26.6% to 30.3%), based on salary bands. The Scheme Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during the reporting year to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

The Government Actuary's Department completed the quadrennial actuarial valuation of the pension scheme as at 31 March 2020, details of which may be found on the website: Scheme valuations - Civil Service Pension Scheme.

Employee contributions are salary-related and range between 4.6% and 8.05% for members of alpha. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.32% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

In addition, employer contributions of £0.002m (£0.003m in 2023-24) of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer contributions are age-related and range from 8% to 14.75% of pensionable pay. Employer contributions of £0.07m (£0.95m in 2023-24) were paid to Legal & General Master Trust which is one of the three appointed stakeholder pension providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover such as lump sum benefits on death in service and ill health retirement.

Employee contributions due to the partnership pension providers at 31 March 2025 were £0.05m (£0.03m 2023-24). Contributions prepaid at that date were £nil (£nil in 2023-24).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. Further details about the Civil Service pension arrangements can be found at their website.

### 3.1.14 Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme.

A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost.

CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

### 3.1.15 Real Increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

## 3.2 Staff Report

### 3.2.1 Number of Senior Civil Servants (SCS) by Band – Audited information

Senior Civil Service band	2024-25	2023-24
SSG2	1	1
SSG1	4	4

### 3.2.2 Staff Numbers and Costs – Audited information

The headcount of persons employed as at 31 March 2025 was as follows:

Headcount	2024-25	2023-24
Directly employed	1,108	1,142
Other	8	17
<b>Total</b>	<b>1,116</b>	<b>1,159</b>

### 3.2.3 Staff costs comprise:

£000	2024-25	2023-24
Salaries	41,240	40,779
Social security costs	4,502	4,329
Other pension costs	11,700	10,815
Temporary/agency	802	830
Consultancy	936	459
<b>Total</b>	<b>59,180</b>	<b>57,212</b>

Consultancy costs have increased in the current year by £477k; this is attributable to IT services provided by consultants as FLS implements a new Management Information Platform.

### 3.2.4 Off Payroll

Number of existing highly paid off-payroll workers engagements as at 31 March 2025, earning £245 per day or greater:

	31 March 2025	31 March 2024
Less than 1 year	3	4
For between 1 and 2 years	-	2
For between 2 and 3 years	-	1
For between 3 and 4 years	-	-
For 4 or more years	-	-
<b>Total</b>	<b>3</b>	<b>7</b>

Number of temporary highly paid off-payroll workers engaged during the year ended 31 March 2025, earning £245 per day or greater:

	Year ending 31 March 2025	Year ending 31 March 2024
Not subject to off-payroll legislation	12	13
Subject to off-payroll legislation and determined as in-scope of IR35	-	-
Subject to off-payroll legislation and determined as out-of-scope of IR35	--	-
No. of engagements reassessed for compliance or assurance purposes during the year		-
Of which: No of engagements that saw a change to IR35 status following review	-	-
<b>Total</b>	<b>12</b>	<b>13</b>

For any off-payroll engagements of board members and/or, senior officials with significant financial responsibility, between 1 April 2024 and 31 March 2025:

No. of off-payroll engagements of board members and/or senior officials with significant financial responsibility, during the financial year.	1
Total no. of individuals on payroll and off - payroll that have been deemed "board members and/or senior officials with significant financial responsibility" during the financial year. This figure includes both on payroll and off-payroll engagements	1



### 3.2.5 Staff turnover

Staff turnover during 2024-25 was 9.8% (12.6% for 2023-24).

### 3.2.6 Sickness Absence Data

FLS proactively manages sickness absence. An average of 7.4 working days (3.7%) were lost per person during 2024-25. This is a slight decrease from the 2023-24 figure which was 7.5 working days (2.87%) lost. The percentage of employees with no recorded sickness absence has decreased from 59% to 55% since last year.

### 3.2.7 Policy

Our Corporate Plan sets out five corporate outcomes that guide all of our work to 2025, supporting the delivery of our Vision and Mission and contribution to Scotland's National Performance Framework.

Our People Strategy provides a framework to support the delivery of our corporate outcomes, focusing on the following themes for FLSA safe, healthy and productive place to work

- Developing our people
- Valuing our connections and culture

We will continue to fully review our People Strategy to ensure it remains aligned to our Corporate Plan, Scotland's National Performance Framework and any political or legal changes.

The People Function supports and facilitates delivery of this strategy through the following teams:

- Learning & Development
- Health, Safety & Wellbeing
- Equality, Diversity & Inclusion
- Human Resources

#### **Activity during 2024 – 2025 included:**

- Introduction of the Scottish Government Employee Passport to all FLS staff which provides a framework for staff to discuss circumstances, disabilities, health conditions or commitments which might impact their work and to agree adjustments that will support staff to perform their best,
- Development and implementation of revised performance review process on Itrent,
- Development and implementation of revised approach to workforce planning,
- Further development of Management Information reporting through Business objectives including the development of a monthly People team dashboard for the Leadership team,
- Supporting the implementation of the 35 hour working week workstream.

- Rolling our Leadership and Skills Development Programme and HR line management training across FLS,

**Activity during 2025 – 2026 will include:**

- Focus on the development of talent management processes to support the organisation in attracting, nurturing and developing talent including the introduction of an internal resourcing policy,
- Launch of new absence management policy and real time absence information on Itrent,
- Further development of workforce planning workstream,
- Development and introduction of a Dignity and Respect policy.

### 3.2.8 Equality, Diversity and Inclusion

**Mainstreaming report 2023-25**

We prepared our third biennial mainstreaming report since 2019, to be published in May 2025. It reports on progress against our four Equality Outcomes 2023-27.

Report data highlighted two priorities: increasing women in the workforce and leadership; and reducing bullying and harassment across the organisation.

1. ‘Our workforce increases in diversity to reflect the communities we serve and the general population of Scotland.’

Percentages of LGB+ staff, disabled staff and ethnic minority staff all increased since 2023, although we remain less diverse than Scottish Government Core and un-representative of the working age Scottish population. We have a challenging recruitment context: forestry has traditional been a male dominated sector, and recruitment is affected by the lack of affordable housing in many rural areas.

We noted a decrease in the percentage of women in senior positions which we need to address. In 2025-26 we will introduce workforce planning and recruitment and CPD strategies to attract and support more diverse talent, particularly focusing women and other under-represented groups.

In 2024-25, two FLS staff attended EQUATE Scotland’s Career Enhancement Programme for women in science technology engineering and maths in 2024.

2. ‘Staff from and across all protected characteristics feel increasingly safe and included’.

We assessed progress through the annual Civil Service People Survey. Significantly more staff completed the Survey in 2024 than 2023. This was positive as it demonstrates that staff care about FLS and want to be heard. However, we were concerned to see a slight increase in reports of bullying and harassment.

In Autumn 2024, we made significant financial investment in two mandatory development programmes for all 360 FLS staff who manage direct reports (they range from Pay Band 1 to Pay Band 5): an eleven-day Leadership programme with group action learning sets, and an HR for Managers programme.

We introduced Engage the Bystander training in 2020. By December 2024, 68% of staff had completed. We intend to make this training mandatory and will have a completion drive through 2025-26.

We piloted reverse mentoring in 2023-24. This pairs mentors with from under-represented demographics with mentees from senior leadership positions, to enrich the senior leaders understanding of staff experiences. We are recruiting a new cohort in early 2025, with our leadership team committing to be mentored.

We hope to see positive impact from these interventions in our autumn 2025 survey.

3. 'Our policies, processes and practises continue to have a positive impact on equality and people from and across protected characteristics'.

We write equality impact assessments (EQIAs) for any policies and projects that will affect our staff or the public. Thirteen were published in 2023-25, improving our operational decisions.

4. 'Our sites and services are increasingly accessible and inclusive. The removal of barriers is continued to ensure people from all backgrounds and communities can enjoy Scotland's national forests and land.'

We want to ensure there is an accessible trail network to showcase the best of Scotland for everyone. Currently we have 17 trails (totally 27 kilometres) that are designated as 'easy' and accessible. As part of our Corporate Plan for 2025-28 we intend to review our large trail and forest road network (totalling 10,000km) and will promote a wider network of accessible routes suitable for everyone.

### **Gender pay gap report 2025**

We published our annual gender pay gap in April 2025.

Our 2025 Gender Pay Gap is 0.60% (mean) and -3.82% (median). Our mean pay gap has narrowed and our median pay gap has increased since 2024. Although our workforce and leadership are male dominated, our median pay gap is negative.

This is partly because female staff are more represented in national roles (smaller teams mostly at higher pay bands) than in our land management teams (a large male dominated workforce, mostly at lower pay bands.) Since our 2024 pay gap report, female staff have increased in all three lower pay quartiles but have decreased by 1% in the upper quartile.

### 3.2.9 Equality Monitoring

Equality monitoring takes place to ensure that all employees continue to be treated fairly in relation to training, performance management and discipline and grievances.

The results of the monitoring exercises have been reported in our Equality Mainstreaming Report 2023-2025 which can be found on our website.

	Director		Senior Manager		Employee		Agency Workers		Total	Total
	2024-25	2023-24	2024-25	2023-24	2024-25	2023-24	2024-25	2023-24	2024-25	2023-24
Male	4	5	31	24	697	725	7	10	739	764
Female	-	-	9	10	367	378	1	7	377	395
<b>Total</b>	<b>4</b>	<b>5</b>	<b>40</b>	<b>34</b>	<b>1064</b>	<b>1103</b>	<b>8</b>	<b>17</b>	<b>1116</b>	<b>1159</b>

### 3.2.10 Staff who consider themselves as disabled

Staff who consider themselves as disabled *		
No	975	88%
Not Known	76	7%
Yes	58	5%
<b>Total</b>	<b>1109</b>	<b>100%</b>

\* Figure excludes Non-Executive Advisors and Agency Workers.

### 3.2.11 Modern Slavery

The Modern Slavery Act 2015 makes it a legal requirement for FLS to produce an annual Slavery and Human Trafficking Statement setting out the steps we have taken to prevent slavery and human trafficking in any part of our business and supply chain. Our statement can be found at Slavery and human trafficking statement – Forestry and Land Scotland and provides details of our activities in this respect.

With a significant presence in the forestry sector, we recognise our corporate and legal responsibility to take a robust approach to the issue of human trafficking. We consider our highest

risk areas for human trafficking within our business to be in the areas of civil engineering, timber production (harvesting), haulage, new planting, restocking and spraying which are mostly now all carried out on contract. A further risk occurs in the procurement of specific goods. For example, when procuring corporate work wear, the supply chains of materials and garments for the clothing sector are often manufactured outwith the EU in countries that previously have experienced these practices and could continue to be exploited in this way.

During 2024/2025 we developed resources and guidance to help staff see the signs of Human Trafficking to enable them to know where to get help, specifically targeting employees working in our high-risk activity areas. We included clauses in contracts highlighting the requirement to comply with environmental, social and employment law and the consequence of breaches in high risk areas.

Every year FLS is independently audited to ensure we are meeting the standards laid out in the [UK Woodland Assurance Scheme \(UKWAS\)](#). Amongst other requirements, the standard sets out employee and contractor's rights to trade union membership, pay exceeding the statutory national living wage, access to a grievance procedure and relevant measures relating to compliance and conformance (including anti-corruption) and workers' rights (measuring compliance with workers' rights legislation).

### 3.2.12 Anti-Bribery and Anti-Corruption

New employees are signposted to our policies on Discipline, Gifts & Hospitality and Whistleblowing during their induction. The policies are reviewed on a regular basis to ensure that they are kept up to date and relevant; to reduce the potential for employees becoming involved in any form of bribery or corruption; and, if approached, that they know the reporting mechanisms.

### 3.2.13 Staff survey participation

FLS participated in the Civil Service People Survey for the sixth time in 2024. The response rate for FLS was 71% (63% for 2023 survey), however the engagement score reduced slightly to 62% which was a reduction of 1% from the previous year.

The Executive Leadership Team has decided to focus on three key themes to prioritise from the People Survey: Leading and Managing Change; Individual Performance Management and Development and Bullying and Harassment Hotspots. Specific actions have been set by each business area to encourage progressive action plans and these are monitored monthly.

### 3.2.14 Employee Consultation and Trade Union Relationship

We continue to build a strong and supportive relationship with our Trade Union partners, Forestry Trade Unions Scotland. We experienced delays in setting up the Trade Union Office which impacted on our ability to establish a new Partnership Agreement, however in the last year we worked with FTUS to review and agree a new Partnership Agreement which was launched in December 2024. It evidences our commitment to building trust, collaborating and working together to make FLS a great place to work.

We are guided by the Fair Work Framework, which sets out the ambition that, by 2025, people in Scotland will have a world-leading working life, where fair work drives success, wellbeing and prosperity for individuals, businesses, organisations and society.

Fair work is work that offers effective voice, opportunity, security, fulfilment, and respect. We will continue to implement key actions to embed Fair Work across Forestry and Land Scotland and align to the Scottish Government’s Fair Work Agreement.

Trade Union Statistics		2024-25	2023-24
Headcount of employees who were relevant TU officials during the year		14	13
FTE of TU Officials		12.58	12.15
No. of Employees by % of working hours spent on FT	0%	2	2
	1-50%	11	10
	51-99%	0	1
	100%	1	
Percentage of the total paybill spent on facility time		0.11%	0.09%
Time spent on trade union activities as a percentage of total paid facility time hours		0%	0%

## 4. Parliamentary Accountability Report

### 4.1 Losses and Special Payments – Audited information

During 2024-25 there were no losses or special payments that meet the criteria for disclosure in accordance with the Scottish Public Finance Manual (SPFM).

### 4.2 Fees & Charges – Audited information

Forestry and Land Scotland has complied with the cost allocation and charging requirements set out in the Scottish Government Public Finance Manual (SPFM). An analysis of income received is set out in the statement of comprehensive net expenditure on page 70 of these accounts. The majority of income received is from commercial activities, and further information on revenue generated from agreed contracts is contained at Note 4 (page 93). Other material income sources relate largely to rental income from wind and hydro schemes.

### 4.3 Special severance payments – Audited Information

Forestry and Land Scotland has not made any severance payments during the year.

### 4.4 Gifts and Hospitality– Audited Information

Forestry and Land Scotland has a policy setting out the criteria for refusal or acceptance of gifts and hospitality. There were no instances of gifts or hospitality being received in 2024-25.

### 4.5 Remote contingent liabilities – Audited Information

In addition to contingent liabilities, FLS also reports liabilities for which the likelihood of a transfer of economic benefit in settlement is too remote to meet the definition of contingent liability.

There are currently no remote contingent liabilities.

## 4.6 Regularity of Expenditure – Audited Information

The expenditure and income in the financial statements were incurred or applied in accordance with all applicable enactments and guidance issued by the Scottish Ministers, the Budget (Scotland) Act covering the financial year and sections 4 to 7 of the Public Finance and Accountability (Scotland) Act 2000; and the funding given by the Scottish Government for the purpose of meeting the expenditure shown in the financial statements were applied in accordance with section 65 of the Scotland Act 1998.



**Kevin Quinlan**

**Accountable Officer**

**Date: 03 December 2025**



## 5. Independent Auditor's Report

Independent auditor's report to Forestry and Land Scotland, the Auditor General for Scotland and the Scottish Parliament

### Reporting on the audit of the financial statements

#### Opinion on financial statements

We have audited the financial statements in the annual report and accounts of Forestry and Land Scotland for the year ended 31 March 2025 under the Public Finance and Accountability (Scotland) Act 2000. The financial statements comprise the Statement of Comprehensive Net Income/Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and notes to the financial statements, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the 2024/25 Government Financial Reporting Manual (the 2024/25 FReM).

In our opinion the accompanying financial statements:

- give a true and fair view of the state of the body's affairs as at 31 March 2025 and of its net expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2024/25 FReM; and
- have been prepared in accordance with the requirements of the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

#### Basis for opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Auditor General for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Auditor General on 18 May 2022. Our period of appointment is five years, covering 2022/23 to 2026/27. We are independent of the body in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern basis of accounting

We have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the body's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the body's current or future financial sustainability. However, we report on the body's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

## **Risks of material misstatement**

We report in our Annual Audit Report the most significant assessed risks of material misstatement that we identified and our judgements thereon.

## **Responsibilities of the Accountable Officer for the financial statements**

As explained more fully in the Statement of Accountable Officer's Responsibilities, the Accountable Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the Accountable Officer is responsible for using the going concern basis of accounting unless there is an intention to discontinue the body's operations.

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using our understanding of the central government sector to identify that the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers are significant in the context of the body;
- inquiring of the Accountable Officer as to other laws or regulations that may be expected to have a fundamental effect on the operations of the body;
- inquiring of the Accountable Officer concerning the body's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among our audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which our procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the body's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website

[www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Reporting on regularity of expenditure and income

### Opinion on regularity

In our opinion in all material respects:

- the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers, the Budget (Scotland) Act covering the financial year and sections 4 to 7 of the Public Finance and Accountability (Scotland) Act 2000; and
- the sums paid out of the Scottish Consolidated Fund for the purpose of meeting the expenditure shown in the financial statements were applied in accordance with section 65 of the Scotland Act 1998.

### Responsibilities for regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. In addition to our responsibilities in respect of irregularities explained in the audit of the financial statements section of our report, we are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

## Reporting on other requirements

### Opinion prescribed by the Auditor General for Scotland on audited parts of the Remuneration and Staff Report

We have audited the parts of the Remuneration and Staff Report described as audited. In our opinion, the audited parts of the Remuneration and Staff Report have been properly prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

## **Other information**

The Accountable Officer is responsible for the other information in the annual report and accounts. The other information comprises the Performance Report and the Accountability Report excluding the audited parts of the Remuneration and Staff Report.

Our responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on the Performance Report and Governance Statement to the extent explicitly stated in the following opinions prescribed by the Auditor General for Scotland.

## **Opinions prescribed by the Auditor General for Scotland on Performance Report and Governance Statement**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

## **Matters on which we are required to report by exception**

We are required by the Auditor General for Scotland to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited parts of the Remuneration and Staff Report are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

## **Conclusions on wider scope responsibilities**

In addition to our responsibilities for the annual report and accounts, our conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in our Annual Audit Report.

## Use of our report

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

*Joanne Brown*

Joanne Brown, (for and on behalf of Grant Thornton UK LLP)

120 Bothwell Street  
Glasgow  
G2 7JS

Date: 04 December 2025

## 6. Financial Statements

### 6.1 Statement of Comprehensive Net Expenditure as at 31 March 2025

		2024-25 £000	2023-24 £000 Restated
	Note		
<b>Income</b>			
Income from forestry operations	4	101,499	84,285
Income from renewables		34,936	24,153
Other income		14,083	10,681
Government grant		25,940	17,337
		176,458	136,456
<b>Expenditure</b>			
Expenditure from forestry operations		(64,941)	(58,518)
Other operating expenditure		(27,991)	(26,037)
Staff costs	3	(59,180)	(57,212)
Depreciation	7	(5,270)	(5,225)
Business and administration costs		(6,616)	(1,507)
Value of felled timber	8	(68,036)	(60,931)
		(232,034)	(209,430)
<b>Net expenditure before gain/(loss) on biological assets</b>		(55,576)	(72,974)
Gain/(loss) on revaluation of biological assets	8	300	(131,415)
Loss on biological assets transferred to NCAHFS	8	(247)	(70)
<b>Net expenditure after gain/(loss) on biological assets</b>		(55,523)	(204,459)
Gain/(loss) on sales of properties, plant and equipment	6	(6)	3,717
Share of profit from joint venture	9	37	(1,038)
Interest expense	14	(47)	(56)
<b>Net expenditure for the year</b>		(55,539)	(201,836)
<b>Transferred to general fund</b>		(55,539)	(201,836)

## 6.2 Statement of Financial Position as at 31 March 2025

		2024-25 £000	2023-24 £000 Restated
	Note		
<b>Non current assets</b>			
Property, plant and equipment	7	2,341,926	2,332,276
Biological assets	8	3,036,684	3,106,229
Investment in joint ventures	9	1,019	1,053
Trade and other receivables	13	-	5
Total non current assets		5,379,629	5,439,563
<b>Current assets</b>			
Non-current assets held for sale	11	511	512
Inventories	12	8,473	9,923
Trade and other receivables	13	40,233	42,363
Cash and cash equivalents	15	89,429	79,213
Total current assets		138,646	132,011
Total assets		5,518,275	5,571,574
<b>Current liabilities</b>			
Trade and other payables	16	(40,082)	(47,382)
Provisions	17	(1,472)	(1,272)
Total current liabilities		(41,554)	(48,654)
Total assets less current liabilities		5,476,721	5,522,920
<b>Non current liabilities</b>			
Trade and other payables	16	(4,010)	(6,322)
Total non current liabilities		(4,010)	(6,322)
Assets less liabilities		5,472,711	5,516,598
<b>Taxpayers' equity</b>			
General fund		3,480,795	3,517,470
Revaluation reserve		1,991,916	1,999,128
Total taxpayers' equity		5,472,711	5,516,598

In the Statement of Financial Position all assets are shown without parentheses and liabilities are shown with parentheses.

The notes on pages 74 to 124 form part of these accounts. The Accountable Officer authorised these financial statements for issue on 3 December 2025.



Kevin Quinlan

Accountable Officer

Date: 03 December 2025

## 6.3 Statement of Cash Flows As at 31 March 2025

		2024-25 £000	2023-24 £000 Restated
	Note		
<b>Net operating expenditure</b>			
Net (expenditure)/income for the year		(55,539)	(201,836)
Adjustments for non cash transactions:			
Depreciation charges	7	5,270	5,225
Gain on disposal of buildings, forest estate and land		(931)	(4,538)
Gain on disposal of other PPE		(57)	(125)
Impairment of PPE	7	-	2
(Gain)/loss on revaluation of biological assets	8	(300)	131,415
Decrease in plant & seed	8	(258)	204
Value of felled timber	8	68,036	60,931
Other non cash transactions		247	11
(Increase)/decrease in inventories	12	1,450	(2,147)
(Increase)/decrease in trade and other receivables	13	10,719	(13,512)
Increase /(decrease) in trade and other payables	16	(9,612)	11,099
Use of provisions	17	(579)	(6,460)
Decrease in provisions	17	779	315
<b>Net cash inflow from operating activities</b>		<b>10,641</b>	<b>(19,416)</b>
<b>Cash flows from investing activities</b>			
Proceeds of disposal of properties	6	3,940	12,170
Proceeds of disposal of other property, plant and equipment	6	423	548
Purchase of property, plant and equipment	7	(22,398)	(19,728)
Disposal of biological assets	8	678	575
Investment in joint venture	9	33	1,038
<b>Net cash outflow from investing activities</b>		<b>(17,324)</b>	<b>(5,397)</b>
<b>Cash flows from financing activities</b>			
Right of use asset lease expenses	14	(397)	(1,073)
Right of use asset interest	14	47	56
Funding from government		17,249	8,169
<b>Net cash inflow from financing activities</b>		<b>16,899</b>	<b>7,152</b>
<b>Net (decrease)/increase in cash and cash equivalents in the period</b>		<b>10,216</b>	<b>(17,661)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>15</b>	<b>79,213</b>	<b>96,874</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>15</b>	<b>89,429</b>	<b>79,213</b>

In the Statement of Cash Flows all positive cash flows are shown without parentheses and negative cash flows are shown with parentheses.



## 6.4 Statement of Changes in Taxpayers' Equity as at 31 March 2025

2023-24	General Fund £000 Restated	Revaluation Reserve £000	Total £000 Restated
<b>At 1 April 2023</b>	3,708,278	2,184,057	5,892,335
<b>Changes in taxpayers' equity</b>			
Net gain on revaluation of property, plant and	-	(182,337)	(182,337)
Net loss on revaluation of NCAHFS	-	(121)	(121)
Realised element of reserves	2,411	(2,411)	-
Other Write-off	-	(60)	(60)
Net operating income	(201,836)	-	(201,836)
Adjustment from the adoption of IFRS 16	448	-	448
Total recognised income and expense	(198,977)	(184,929)	(383,906)
Government funding	8,169	-	8,169
<b>At 31 March 2024</b>	<b>3,517,470</b>	<b>1,999,128</b>	<b>5,516,598</b>

2024-25	General Fund £000	Revaluation Reserve £000	Total £000
<b>At 1 April 2024</b>	3,517,470	1,999,128	5,516,598
<b>Changes in taxpayers' equity</b>			
Net loss on revaluation of property, plant and equipment	-	(5,476)	(5,476)
Net loss on revaluation of NCAHFS	-	(121)	(121)
Realised element of reserves	1,615	(1,615)	-
Other Write-off	-	-	-
Net operating expense	(55,539)	-	(55,539)
Total recognised income and expense	(53,924)	(7,212)	(61,136)
Government funding	17,249	-	17,249
<b>At 31 March 2025</b>	<b>3,480,795</b>	<b>1,991,916</b>	<b>5,472,711</b>

## 6.5 NOTES TO THE FINANCIAL STATEMENTS

### Note 1: Accounting Policies

#### 1.1 Statement of accounting policies

The financial statements have been prepared on a going concern basis and in accordance with the 2024/25 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of FLS for the purpose of giving a true and fair view will be selected. The particular policies selected by FLS are described below. They will be applied consistently in dealing with items considered material in relation to the accounts.

#### 1.2 Accounting convention

The 2024/25 accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, inventories and financial assets at fair value through profit or loss.

#### 1.3 Revenue recognition

Income comprises the fair value of the consideration received or receivable from forestry and other activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

FLS recognises revenue in line with IFRS 15.

#### 1.4 Government grants receivable

Grants from the government are recognised at their fair value when there is reasonable assurance that the grant will be received and FLS will comply with all attached conditions. Government grants in respect of capital expenditure are credited to the Statement of Comprehensive Net Expenditure, where UK and EU grants will be disclosed separately. Grants received as a contribution towards an asset are also credited to the Statement of Comprehensive Net Expenditure and will not be treated as a deduction from the cost of acquiring the asset.

Assets funded by government grants are classified within Property, plant and equipment. These assets depreciate by a fixed amount each month over the life of the asset where depreciation is treated as an expense in the same way as for other assets.

#### 1.5 Funding paid to FLS

Forestry and Land Scotland receives an annual funding grant from the Scottish Government.

This arrangement has been outlined in a framework document and is accounted for through the Statement of Comprehensive Net Expenditure.

## 1.6 Land and buildings leased to customers

Assets leased to external parties under an operating lease are capitalised under the appropriate accounting policy. Operating lease income is accounted for on a straight line basis with any rental increases recognised during the period to which they relate.

## 1.7 Employee benefits

### **Pensions**

Past and present employees are covered by the provisions of the Civil Service and Other Pension Scheme (CSOPS). The defined benefit schemes are contributory and are unfunded with the cost of benefits met by monies voted by Parliament each year. FLS accounts for the CSOPS scheme as a defined contribution plan and recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees services by payment to the CSOPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the CSOPS. In respect of the defined contribution schemes, FLS recognises the contributions payable for the year. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

### **Performance pay/Bonuses**

FLS does not generally give non-consolidated performance payments and no non-consolidated payments were made in 2024/25. Details of the payments are set out in the Remuneration and Staff report.

### **Short-term employee benefits**

A liability and an expense is recognised for holiday days, holiday pay and other short-term benefits when the employees render service that increases their entitlement to these benefits. As a result an accrual has been made for holidays earned but not yet taken.

## 1.8 Property, plant and equipment

Legal ownership of all land, timber, including uncut trees and buildings is vested in the Scottish Ministers.

Ownership of other property, plant and equipment is vested in the Scottish Ministers. Where FLS is the principal beneficial user of assets owned by Scottish Ministers these are treated as Property, Plant and Equipment assets of the Agency. See also 'Land and Buildings Leased to Customers' and 'Leases' at 1.6 and 1.14 respectively.

Dwellings & Other Buildings are revalued professionally every five years as at 31 March with indexation carried out in intervening years. Forest Estate and Land are revalued professionally annually.

### **Forest estate**

Forested areas comprise land (including land improvements) and timber stocks. Elements of timber stock fall within the definition of Biological Assets as set out in IAS 41 (Agriculture) and details of the accounting policy are set out below. One requirement of IAS 41 is to separately account and value both land and the biological asset growing on it. As a result, the Forest Estate consists of all woodland areas and timber falling out with the definition of a biological asset. Elements of the valuation and therefore the accounting for these assets rely on estimation techniques and these are detailed under Note 2.

Forest estate land and trees not apportioned to Biological assets are shown at current value. External professional valuers undertake a full professional valuation of the Forest Estate annually. BNP Paribas Real Estate Advisory and Property Management UK Limited was appointed as external valuer under a contract commencing 1 May 2023 for a period of three years.

In accordance with the professional standards of the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Standards (the 'Red Book'), the Forest Estate is valued under the Existing Use or Current Value models as appropriate for obtaining a current value. The valuations at 31 March 2025 were provided by BNP Paribas.

Areas of Forest estate and trees not apportioned to Biological Assets consist of many different land types which are ever changing. This means that revaluation reserve balances are applied to individual assets using an estimation technique detailed under Note 2.

### **Biological assets**

Timber growing on Forest Estate Land is categorised as Biological Asset Timber or Other Timber depending on the strategic objective the land is held to meet. Trees growing on land that is primarily held in support of the Scottish Government's objective of making a positive contribution to a thriving and sustainable Scottish economy are classed as Biological Assets under IAS 41. Other trees are classed as Other Timber and are out-with the scope of IAS 41.

Biological Assets include standing trees and are measured at fair value less estimated point-of-sale costs. External professional valuers undertake a full external professional valuation annually. The valuations at 31 March 2025 were carried out by the BNP Paribas.

Holdings of plants and seed are also accounted for by FLS as Biological Assets under IAS 41. They are stated at fair value less estimated point of sale costs.

Revaluation gains and losses are recognised in the Statement of Comprehensive Net Expenditure in the year of revaluation.

### Non-Forest land

Non-forest land is shown at current value. BNP Paribas, and other valuers undertake a full external professional valuation annually. They follow the principles set out in the RICS Red Book and value on the basis of Open Market Value. In arriving at these valuations the valuer may use discounted cash flow and investment yield approaches as appropriate under the RICS Standards for determining current value.

Non forest land comprises land used for various non forest activities including agricultural land, open land, car parks and mineral extraction as well as commercial leases for renewable energy generation and storage and campsites.

Agricultural land, other land and car parks are revalued annually using an average value per hectare while commercial leases (including renewables and campsites) are valued using expected earnings capitalised at an appropriate yield.

The following table summarises the components of Non-forest land, the valuers and the valuation methodology adopted.

Land Use	Valued by	Basis of valuation
Agricultural land	BNP Paribas	Current value using indexation
Open land	BNP Paribas	Current value using comparable market
Other minor land	BNP Paribas	Current value using comparable market
Car Parks	BNP Paribas	Current value using indexation
Telecomms	Galbraiths	Current value using comparable market
Windfarms	BNP Paribas	Current value using investment basis
Hydro	BNP Paribas	Current value using investment basis
Minerals Land Use	Wardle Armstrong, Johnston, Poole and Bloomer	Current value using market income method
Commercial Leases	BNP Paribas	Current value using investment basis
Battery Storage	BNP Paribas	Current value using investment basis
Campsites	BNP Paribas	Capitalised lease rentals using market yield
Right of use land	BNP Paribas	Capitalised lease rentals using market yield

### Dwellings and other buildings

Dwellings and other buildings are shown at fair value. The threshold for capitalisation of buildings is £30,000.

BNP Paribas undertook a revaluation of dwellings and other buildings in North Region in the year 2024-25, using a combination of desktop valuation and physical inspection of assets. This was based on valuation data provided by professionally qualified staff within FLS. Full revaluations, including inspections of Dwellings and buildings, are carried out annually on a rotational basis for each of the five regions. The valuation has been undertaken in accordance with International Financial Reporting Standards (IFRS) as interpreted and applied by the HMT Treasury Financial Reporting Manual (FReM). The valuation has been prepared in accordance with the professional standards of the Royal Institution of Chartered Surveyors: RICS Valuation – Global Standards and RICS UK National Supplement, commonly known together as the Red Book. UK VPGA 5 addresses the valuation of central government assets for accounting purposes.

The value of Dwellings and other buildings, which are not part of the full desktop revaluation are restated annually between full revaluations using indices provided by the District Valuer and BNP Paribas. The revaluation threshold applied in the revaluation of buildings, excluding deer larders, is £30,000. When the Net Book Value of a building falls below this threshold it is not subject to indexation or revaluation.

### **Expenditure on Infrastructure**

To maximise the environmental, social and economic benefits of the National Forests and Land, Other Land, Biological Asset Timber and Other Timber, FLS improves and develops access and services by adding to the infrastructure on its sites. Infrastructure includes new roads, bridges, culverts etc. Costs in respect of infrastructure works are expensed in the Statement of Comprehensive Net Expenditure of Forestry and Land Scotland as they occur. Forestry and Land Scotland takes the view that the professional valuations of its land and timber within the accounts of Forestry and Land Scotland properly recognise the contribution that infrastructure items make to land values. It also considers that the annual revaluation reflects improvements made through new infrastructure.

### **Subsequent expenditure**

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to FLS and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Statement of Comprehensive Net Expenditure during the financial period in which they are incurred.

### **Non-current assets held for sale**

Non-current assets are reviewed regularly to ensure that they continue to contribute positively to policy and business objectives. Assets that no longer provide the required level of contribution are considered for disposal by senior management. Decisions to sell such

assets, including surplus properties, take into account a number of factors including the social and environmental effects as well as marketability. Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale within twelve months of the reporting date is considered to be highly probable. Non-current assets held for sale are stated at the lower of carrying amount and fair value less costs to sell.

#### **Vehicles, machinery and equipment**

Forestry vehicles, machinery and equipment are shown at cost less depreciation. The normal threshold for capitalisation of vehicles, machinery and equipment is £3,000.

#### **Office, machinery and equipment (OME)**

Information technology is shown at cost less depreciation. The normal threshold for capitalisation of assets is £2,000.

#### **Assets under construction**

Assets under construction are carried at the costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Assets under construction are transferred to the appropriate property, plant and equipment category when completed and ready for use.

#### **Revaluation reserve**

Increases in the carrying amount arising on revaluation of property, plant and equipment are credited to the revaluation reserve in taxpayers' equity. Decreases arising from fluctuations in market conditions are first charged directly to revaluation reserve to offset any previous increases for the same asset. Amounts in excess of previous increases are expensed to the Statement of Comprehensive Net Expenditure. Decreases arising from other factors are expensed directly to the Statement of Comprehensive Net Expenditure. Any revaluation surplus held on an asset within the revaluation reserve is transferred directly to the general fund upon disposal.

## **1.9 Depreciation**

Land (Forest Estate and Non-forest land) together with Biological Assets are not depreciated.

Assets under construction are not depreciated until the asset is capable of operating in the manner intended by management.

Depreciation is provided on all other property, plant and equipment at rates calculated to write off the cost or valuation, less estimated residual values, of each asset over its expected useful life.

Asset lives are as follows:

- Land held as a right of use asset – unexpired term of the lease.
- Lease premium – unexpired term of the lease.
- Freehold buildings – over one to 60 years.
- Buildings held as a right of use asset – lesser of unexpired term of lease and 60 years.
- Plant and machinery (owned) – over three to 20 years.
- Plant and machinery held as a right of use asset – unexpired term of lease.
- Vehicles – over three to 15 years
- Information technology – over four to 20 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within the Statement of Comprehensive Net Expenditure.

When revalued assets are sold, the amounts included in the revaluation reserve are transferred to the general fund.

No depreciation is charged on non-current assets held for resale.

## 1.10 Impairment of non-financial assets

Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where an asset is not held for the purpose of generating cash flows, value in use is assumed to equal the cost of replacing the service potential provided by the asset, unless there has been a reduction in service potential. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Non-financial assets that suffer impairment are reviewed for possible reversal of the impairment at each reporting date.



## 1.11 Financial assets

### Classification

FLS classifies its financial assets in the following categories:

- Those to be measured subsequently at fair value through profit or loss; and
- Those to be measured at amortised cost

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. In line with IFRS 13, FLS financial assets are therefore categorised at level 2.

#### (a) Fair value

Fair value assets are non-derivative financial assets that are either designated in this category or not classified as amortised cost. They are included in non-current assets, unless management intends to dispose of them within 12 months of the date of the Statement of Financial Position.

#### (b) Amortised cost

Amortised cost assets are non-derivative financial assets which are held to collect contractual cash flows. They are included in current assets except for maturities greater than 12 months after the date of the Statement of Financial Position, which are classed as non-current assets.

### Recognition and measurement

Financial assets are recognised when FLS becomes party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the rights to receive cash flows from the asset have expired or FLS has transferred substantially all risks and rewards of ownership.

#### (a) Fair value

At initial recognition FLS measures a financial asset at its fair value. Transaction costs of financial assets carried at fair value through profit and loss are expensed in profit or loss.

Fair value is defined as the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

FLS does not hold quoted investments and establishes fair value from third party valuation experts using external market evidence.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in operating expenditure.

**(b) Amortised cost**

Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost using the effective interest rate method less provision for impairment.

**Impairment**

FLS, on a forward looking basis, assesses the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends whether there has been a significant increase in credit risk.

For credit exposures where there has not been a significant increase in credit risk since initial recognition, expected credit losses are provided for credit losses that result from default events that are possible within 12 months. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is raised for credit losses expected over the remaining life of the exposure, irrespective of the timing of default. For trade receivables the simplified approach, permitted by IFRS 9, is adopted which requires lifetimes losses to be recognised from initial recognition.

## 1.12 Investment in Joint Ventures

FLS may enter into arrangements with other parties to undertake economic activities via an entity that is subject to joint control; that is, when the strategic, financial and operating policy decisions relating to the activities of the entity require the unanimous consent of the parties sharing control of the entity. These arrangements are accounted for as joint ventures following the requirements of IAS 28.

The results and assets and liabilities of joint ventures are incorporated in the financial statements using the equity method of accounting. Under the equity method, investments are carried in the statement of financial position at cost as adjusted for post-acquisition changes in FLS's share of the net assets of the joint venture, less any impairment in the value of the investment. Losses of a joint venture in excess of the interest in that joint venture are not recognised.

Additional losses are provided for, and a liability is recognised, only to the extent that FLS has incurred legal or constructive obligations or made payments on behalf of the joint venture.

Any excess of the cost of acquisition over FLS's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the joint venture recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment.

## 1.13 Inventories

IAS 2 Inventories, permits certain agricultural and forest products to be measured at net realisable value at certain stages of production. This occurs when crops (including timber) have been harvested and a sale is assured under a forward contract or when an active market exists and there is a negligible risk of failure to sell. The value attributed to these products is arrived at in accordance with well-established industry practices where net realisable value is based on estimated selling prices, less further costs expected to be incurred to completion and disposal.

Included in Timber Inventory is some Work in Progress, this is timber which has been felled but not extracted from the forest floor. The estimated costs of extraction as at 31 March 2025 are deducted from Timber stock valuations to arrive at the Work in Progress value. In accordance with IAS 2 Inventories, consumable materials and supplies are stated at the lower of current cost and net realisable value.

## 1.14 Leases

### **Scope and classification**

In accordance with IFRS 16 lease contracts, or part of a lease contract, that convey the right of use of an asset in exchange for consideration are accounted for as leases.

When reviewing lease contracts to determine whether they convey the right to control the use of an asset low value items have been excluded, provided they are not highly dependent or integrated with other items. Contracts deemed to be low value were aligned to existing capitalisation thresholds as follows; Buildings £30k, VME £3k and OME £2k. Additionally contracts with a term shorter than 12 months have also been excluded.

### **Initial recognition**

At the commence of the lease (or the IFRS 16 transition date, if earlier) the right of use asset is recognised alongside a lease liability on the balance sheet.

The Right of Use Asset is measured at cost, made up of the value of the initial measurement of the liability, adjusted for; any prepayments, lease incentives, incremental costs of obtaining the lease and any disposal costs at the end of the lease. The Right of Use Asset is depreciated on a straight line basis from the lease commencement date to either the end of the useful life of the asset or the end of the lease term. Right of Use Assets are included within Property Plant and Equipment.

The lease liability is measured at the present value of the lease payments unpaid at that date. Where it is not possible to determine the interest rate implicit in the lease, discounting is on the basis of HM Treasury rate of 4.72% in 2024/25. The lease liability is presented within Trade & Other Payables.

### **Subsequent measurement**

The value of each underlying asset is revalued annually as though ownership of the asset was vested in FLS. The policies and procedures for carrying out revaluations are those set out in Note 1.8 above.

The lease liability is remeasured to reflect any reassessment or modification, or if there are changes to the in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

### **Lease expenditure**

Lease payments are allocated against the liability, the interest element is recognised in the Statement of Net Comprehensive Income. The lease asset is depreciated over its term, on straight line basis, the expense is recognized in the SOCNE.

Short-term leases and leases of low-value assets are not accounted for under IFRS 16 methodology. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

## **1.15 Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short- term highly liquid investments with original maturities of three months or less, and bank overdrafts. Cash held can also be used to fund agreed activities within the following reserve categories; restricted, earmarked or liquidity.

## **1.16 Financial liabilities**

These comprise trade and other payables and other financial liabilities (including derivatives). They are initially recognised at fair value and are subsequently measured at amortised cost.

## **1.17 Provisions**

FLS provides for present legal and constructive obligations which are of uncertain timing or amount at the reporting date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the real rate set by HM Treasury. The increase in the provision due to passage of time is recognised in the Statement of Comprehensive Net Expenditure.

## 1.18 Contingent liabilities

FLS discloses contingent liabilities in accordance with IAS 37. It also discloses, for parliamentary reporting and accountability purposes, certain statutory and non-statutory contingent liabilities where the likelihood of an outflow of economic resources is remote.

Where the time value of money is material, contingent liabilities required to be disclosed under IAS 37 are stated at discounted amounts.

## 1.19 Public corporation dividend

FLS operates on a net funded basis and the Public Corporation Dividend has been set at 0%. This is accounted for through the Statement of Comprehensive Net Expenditure.

## 1.20 Value added Tax (VAT)

FLS is part of the Scottish Government VAT registration.

In order to comply with the government accounting regulations and normal commercial practice, income and expenditure shown in the Statement of Comprehensive Net Expenditure is net of VAT.

Any VAT due to or from HM Revenue and Customs at the year-end is included in the FLS accounts as a receivable or payable in the Statement of Financial Position. Irrecoverable VAT is charged to the Statement of Comprehensive Net Expenditure in the year in which it is incurred.

## 1.21 Effective in these financial statements

All International Financial Reporting Standards (IFRS), Interpretations and Amendments effective at 31 March 2025 have been adopted in these statements, taking account of the specific interpretations and adaptations included within the FReM.

## 1.22 Effective for future financial years

### **IFRS 17: Insurance Contracts**

IFRS 17: Insurance Contracts replaces IFRS 4: Insurance Contracts and is to be included in the FReM for mandatory implementation from 2025-26. It establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of this Standard.

IFRS 17 requires insurance contracts, including reinsurance contracts, to be recognised on the statement of financial position as the total of the fulfilment cashflows and the contractual service margin (CSM).

The fulfilment cashflows consist of the present value of future cash flows calculated using best estimate assumptions with an explicit risk adjustment for non-financial risk.

The risk adjustment is released to the SoCNE as risk expires. The CSM is the unearned profit on insurance contracts and is released to the SoCNE over the insurance contract period as insurance services are provided. Where an insurance contract is onerous, it will have no CSM and the onerous element of the insurance contract will be recognised immediately in the SoCNE.

IFRS 17 will have no impact on the financial statements of FLS.

### **Non-investment asset valuations**

In December 2023 HM Treasury released an exposure draft on potential changes to make to valuing and accounting for non-investment assets (e.g. PPE, intangible assets). The following changes to the valuation and accounting of non-investment assets is to be included in the 2025-26 FReM for mandatory implementation:

References to assets being held for their 'service potential' and the terms 'specialised/non-specialised' assets are being removed from the FReM. Non-investment assets are instead 30 described as assets held for their 'operational capacity'. This change has no impact on the valuation basis of non-investment assets, which remains Existing Use Value (EUV).

An adaptation to IAS 16 will be introduced to withdraw the requirement to revalue an asset where its fair value materially differs from its carrying value. Assets are now valued using the one of the following processes:

- A quinquennial revaluation supplemented by annual indexation.
- A rolling programme of valuations over a 5-year cycle, with annual indexation applied to assets during the 4 intervening years.
- For non-property assets only, appropriate indices.
- In rare circumstances where an index is not available, a quinquennial revaluation supplemented by a desktop revaluation in year 3.

The option to measure intangible assets using the revaluation model is withdrawn. The carrying values of intangible assets at 31 March 2025 will be considered the historical cost at 1 April 2025.

**Social benefits**

The 2025-26 FReM will include new guidance on accounting for social benefits. The 2025-26 FReM will define social benefits as 'current transfers received by households (including individuals) intended to provide for the needs that arise from certain events or circumstances, for example, sickness, unemployment, retirement, housing, education, or family circumstances.'

The financial impact of this change is not yet known.

**IFRS 18: Presentation and Disclosure in Financial Statements**

IFRS 18 Presentation and Disclosure in Financial Statements will replace IAS 1 Presentation of Financial Statements and is effective for annual reporting periods beginning on or after the 1 January 2027 in the private sector. The Public Sector implementation date is not yet confirmed.

The impact of IFRS 18 on the Public Sector is still being assessed.

## Note 2: Critical Accounting Estimates and Judgements

### 2.1 Critical accounting judgements and key sources of estimation uncertainty

In the application of FLS accounting policies, judgements, estimates and assumptions need to be made about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### 2.2 Critical judgements in applying the accounting policies

The following are the critical judgements and estimates that have been made in the process of applying FLS's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

#### **Valuation of the Forest Estate and Biological Assets**

Management considers it would not be cost effective to carry out an annual external professional valuation of all areas of woodland, including those with Biological Assets. Following advice from its professionally qualified valuer, management considers that a reasonable valuation can be derived by using land data maintained by FLS, this includes detailed information on land type, location, species, and quality (Yield Class) of the trees.

In reaching their valuations, it has been agreed by the external valuers and management that the most appropriate market evidence based factors to consider are location, species and quality (Yield Class) of the trees.

It would not be cost effective to carry out each valuation based on the specific combination on the site. Management, in consultation with the external valuers, considers that average valuations based on groups of factors provide robust valuations. The groups used are Location (Forest Region), Species and quality (High, Medium and Low Yield Classes).

Management also considers that the most appropriate market based evidence of value is derived from the market for the sale of woodlands and forests over 50 hectares in area. The external valuers subsequently apportion values to land and timber, including Biological Assets.



## **Other land**

Other Land primarily includes specialist land holdings for which there are no or limited external markets, and is revalued annually by the VOA. Where appropriate, management ensures that external professional valuations are obtained where active markets operate. The revaluation reserve for 'Other Land' has been split into categories for the following:

- Open land;
- Agricultural land;
- Assets closely related to land;
- Car Parks and
- Other minor land.

## **Revenue generating assets**

The purpose of FLS is to manage forests and land owned by Scottish Ministers in a way that supports and enables economically sustainable forestry; conserves and enhances the environment; and delivers benefits for people and nature. FLS may manage other forested and non-forested land by arrangement, as set out in the 2018 Act.

In line with this, land is not held for long term capital appreciation. Land use may be changed if there is a more profitable use, in order to deliver the benefits stated above. Land that does not fall within this purpose is disposed of.

## **Forest infrastructure**

Forest infrastructure includes roads, bridges, culverts etc. which enable maintenance and harvesting. FLS does not recognise this infrastructure as a separate asset, as it considers the value is incorporated within the annual revaluation of its forests and land. Infrastructure costs are therefore expensed in the Statement of Comprehensive Net Expenditure as they occur.

## **Revaluation reserve apportionment for other land and forest estate**

With the exception of assets closely related to land, FLS is unable to identify revaluation reserve balances for individual elements of Other Land categories. In addition to this the same problem exists with Forest Estate Land and Trees. This is due to the volume of these elements as well as factors which result in regular changes of land use and area.

The revaluation reserve has therefore been apportioned across these categories based on their total book values as at 31 March 2025. It has been agreed that this is a reasonable estimation of the revaluation reserve for each category as at 31 March 2025.

In accordance with the requirements of IAS 16 the realised element of the revaluation reserve is transferred to general fund upon disposal of these assets. The realised element of the revaluation reserve is calculated using a percentage apportionment based on the total revaluation reserve balance and book value of the asset categories being disposed. This is

applied to the disposal value to determine the realised element of the revaluation reserve to be transferred.

It has been determined that this is the best estimation of the revaluation reserve movement on disposal of these land types.

### **Dwellings and other Buildings**

Other Buildings primarily include specialist buildings held for operational activities and for which there are no active external markets. Accordingly it is management's view that external professional valuers should carry out all work to ensure consistency in determining valuations. Where appropriate, management ensures that external professional valuations of Dwellings and Other Buildings are obtained where active markets operate for these assets.

### **Provision of liabilities and charges**

The provisions for liabilities and charges reflect judgements about the likelihood that a future transfer of economic benefits will arise as a result of past events. A provision is recognised where the likelihood of a liability crystallising is deemed probable and where it is possible to quantify the effect with reasonable certainty. Where the likelihood of potential liabilities crystallising is judged to be possible, a contingent liability is disclosed.

## **2.3 Principal estimates in applying the accounting policies**

### **Land and buildings valuation**

A detailed review of land and buildings is undertaken each year in one region, on a five year cyclical basis. In 2024/25, North region had a detailed review. All other regions are revalued using index factors estimated using market and BCIS information.

For non-specialised operational assets using the comparative method of valuation, total value is apportioned between the residual amount (land) and depreciable amount (buildings). For specialised operational assets where no market based evidence exists to support existing use value, the depreciated replacement cost method has been used.

For agricultural land and car parks, average land values per hectare have been used. Agricultural land value is classified by its capability as agricultural land.

### **Biological assets valuation**

In valuing the main crop of broadleaf trees, conifer trees and solum, average values are used on a per hectare basis. Average land values are estimated for other land, specialist crop, subsidiary plantable and subsidiary unplatable categories.

FLS data on its biological assets is used by the valuer in order to carry out a valuing exercise based on a sample of FLS biological assets using location, species and quality.

#### **Revenue from wind and hydro schemes**

FLS receives rental income from wind farms and hydro schemes operating on the land. The amount receivable comprises a base rent, together with a share of the revenue arising from the sale of generated electricity (revenue rent).

While there is certainty over the value of the base rent, the remaining income is linked to the electricity generated, and the price at which it was sold to the market. Revenue rents are received in arrears and as a result of the variable factors noted above, the amount due to be received is not certain until after the financial year end. In calculating any accrual for revenue rent, it is necessary to estimate both the quantity and price of power generated.

Management are satisfied that both price and quantity estimations are based on the most accurate and timely information available in order to mitigate the estimation uncertainty.

#### **Asset lives and depreciation rates**

In acquiring and utilising plant, machinery and equipment management estimates the useful lives of plant, machinery and equipment and depreciates each asset over its expected useful life so as to allocate to each period an appropriate amount of depreciation as an expense.

### Note 3: Net Operating Expenditure

Net operating expenditure is stated after charging:

	Note	2024-25 £000	2023-24 £000
Hire of plant and equipment		52	71
Auditors' remuneration – audit work		128	126
Depreciation of property, plant and equipment	7	5,270	4,452
<b>Operating lease rentals:</b>			
Land and buildings	14	45	62
Plant & machinery	14	9	11
<b>Provisions:</b>			
Provided in year	17	778	315
Provisions not required written back	17	(515)	(2,872)
Provisions utilised in year	17	(63)	(3,588)

Expenditure includes staff costs, which amounted to £59.180 m for 2024-25 (2023-24 – £57.212 m). A full analysis of these costs is included within the Remuneration and Staff Report.

The total audit fee of £128,000 disclosed comprises £17,910 relating to additional fees for the 2023-24 audit and £110,060 representing the planned audit fee for 2024-25. An additional fee of £24,200 for the 2024-25 audit is expected to be processed and will be reflected in the 2025-26 financial year, in line with final billing and audit completion.

## Note 4: Contract Revenue

FLS has assessed that the disaggregation of revenue by operating segments is appropriate in meeting this disclosure requirement as this is the information regularly reviewed by the Executive Team in order to evaluate the financial performance of the entity.

FLS also believes that presenting a disaggregation of revenue based on the timing of transfer of goods or services provides users of the financial statements with useful information as to the nature and timing of revenue from contracts with customers. This information is disclosed below.

### 4(a) Contract Revenue

	2024-25 £000	2024-25 £000	2023-24 £000	2023-24 £000
<b>Segment Revenue</b>	<b>Timber</b>	<b>Venison</b>	<b>Timber</b>	<b>Venison</b>
<b>Major goods/services</b>				
Sale of goods	92,779	1,493	80,567	1,588
<b>Contract Duration</b>				
Transactional contracts	267		220	-
Short term contracts	48,021		44,829	-
Long term contracts	44,491	1,493	35,518	1,588
	92,779	1,493	80,567	1,588
<b>Contract pricing</b>				
Fixed price	81,267	1,493	50,977	1,588
Variable price	11,512		29,590	-
	92,779	1,493	80,567	1,588
<b>Timing of revenue recognition</b>				
Goods transferred at a point in time	92,779	1,493	80,567	1,589
	92,779	1,493	80,567	1,589
<b>Reconciliation to SOCNE (forestry operations)</b>				
Sales	92,779	1,493	80,567	1,589
Compensation	4,847		972	-
Other sales	1,918		531	-
<b>Forest protection and maintenance</b>				
Forest Planning		52		184
Contract pricing		165		109
Restocking		0		7
Other Forest Maintenance		6		3
Roads upgrade		188		278
Roads maintenance etc.		51		45
	6,765	462	1,503	626
<b>Sales of timber and venison from forestry operations</b>	<b>99,544</b>	<b>1,955</b>	<b>82,070</b>	<b>2,215</b>

## 4(b) Contract Balances

	2024-25 £000	2024-25 £000	2023-24 £000	2023-24 £000
	Timber	Venison	Timber	Venison
Receivables	19,836	122	21,452	141

## 4(c) Performance Obligations

### Timber

Long term contracts (LTCs) have an overarching agreement lasting between five and ten years where the annual contracted volume of timber is set. The volume of timber delivered can vary from the contractual amount as timber is a natural product that is subject to weather, disease and other variable factors.

The LTC volume outlined in the contracts is an estimate based on an assessment of programmed sites, as a result there is a contingency in the LTCs whereby the overall contract volume may vary by a maximum of 5%.

The LTC volume is monitored on a continual basis. At the end of the year if there is a variance between the overall contract volume and the volume supplied it is corrected for in subsequent years or potentially lost to the contract.

Short term contract volumes are stated when the contract is sold by competitive tender or subject to local negotiation for which limitations apply. Short term roadside contracts aim to achieve 100% of contract quantity but may vary by plus or minus 10%.

Revenue is recognised when the goods are uplifted from the site, this occurs on the date of dispatch. Performance conditions are deemed to be met when the goods leave the site as this is when the customer acquires control of the goods.

### Venison

The contract has a duration of five years with the option to extend for a further five years. The customer has the option to purchase all deer culled as part of the deer management programme, however FLS has the right to retain up to 5% of available carcasses for local sale.

The number of deer that require to be culled as part of the deer management programme is calculated on an annual basis with the customer being informed of the numbers in advance.

The decision on the number of deer that require to be culled is made based on consultation with local wildlife teams who consider the population numbers and impact on the forest estates.

Revenue is recognised when the customer uplifts the game from the site. Performance conditions are deemed to be met when the goods leave the site as this is when the customer acquires control of the goods.

### **Significant Payment Terms and Obligations for Returns and Refunds:**

#### **Timber**

Customers are required to make payment by the end of the month, following the month of dispatch. Instances of returned goods are an exception. If goods are returned they are resold. Returned goods are then refunded to the customer.

#### **Venison**

Customers are invoiced on a monthly basis and are required to make payment by the end of the month, or 90 days, following the month in which the game was collected subject to the terms of the contract. Refunds may occur if some of the game is rejected by the food standard agency, in this case the customer is refunded for the game that is rejected.

A banking guarantee is in place to cover advance payments of the game. The guarantee amount is dependent on high or low season and the terms of the contract.

### **Transaction price:**

#### **Timber**

Transaction prices for LTCs are negotiated with each customer and fixed for each contract. The only exception is for Roadside saw log contracts which have quarterly or six monthly price reviews written into the contract.

Transaction prices for short term contracts are fixed for the duration of the contract.

The transaction price is benchmarked against a valuation and reserve based on a review of market conditions at the time of negotiation or competitive tender. Factors which can impact the market prices of timber include; exchange rates, weather, tree disease and or other significant changes in industries that use a lot of timber.

#### **Venison**

Prices are negotiated on an annual basis and are fixed for each year. If there were significant changes in the market there would be the possibility that the price could be re-negotiated before the end of the year, however this circumstance is extremely rare.

## 4(d) Other Comprehensive Income

	2024-25 £000	2023-24 £000 Restated
<b>Net (expenditure)/income for the year</b>	<b>(55,539)</b>	<b>(201,836)</b>
Net (loss)/gain on revaluation of property plant and equipment	(5,598)	(182, 427)
<b>Total other comprehensive net (expenditure)/income</b>	<b>(5,598)</b>	<b>(182,427)</b>
<b>Comprehensive net (expenditure)/income for the year</b>	<b>(61,137)</b>	<b>(384,263)</b>

## Note 5: Segmental Reporting

IFRS 8, Operating Segments, requires organisations to identify and disclose information about their operating segments based on their internal management reporting.

FLS reports segmental information based on its defined value streams agreed by the Executive Leadership Team as effective areas to best achieve the organisations goals and objectives. The accounting policies used within the value streams are those described in Note 1.



The table below presents management information relating to the value streams of the organisation.

2024-25	Sustainable forestry operations £000	Visitor services and communities £000	Estates and renewables £000	Natural capital £000	High performing organisation £000	Total £000
<b>Income</b>						
Income from forestry operations	101,499	-	-	-	-	101,499
Income from renewables	-	-	34,936	-	-	39,936
Other income	-	2,508	9,000	2,575	-	14,083
Government grant	11,160	-	-	14,780	-	25,940
	112,659	2,508	43,936	17,355	-	176,458
<b>Expenditure</b>						
Expenditure from forestry operations	(64,941)	-	-	-	-	(64,941)
Other operating expenditure	-	(4,526)	(2,701)	(20,764)	-	(27,991)
Staff costs	(24,842)	(5,971)	(6,254)	(5,362)	(16,751)	(59,180)
Depreciation	(914)	(467)	(3,528)	-	(361)	(5,270)
Business and administration costs	-	-	-	-	(6,616)	(6,616)
Value of felled timber	(68,036)	-	-	-	-	(68,036)
	(158,733)	(10,964)	(12,483)	(26,126)	(23,728)	(232,034)
<b>Net expenditure before loss on</b>	(46,074)	(8,456)	31,453	(8,771)	(23,728)	(55,576)
Gain on revaluation of biological assets	300	-	-	-	-	300
Loss on biological assets transferred to	(247)	-	-	-	-	(247)
<b>Net expenditure after loss on</b>	(46,021)	(8,456)	31,453	(8,771)	(23,728)	(55,523)
Loss on sales of properties, plant and	-	-	-	-	(6)	(6)
Share of profit from joint venture	-	-	-	-	37	37
Interest expense	-	-	-	-	(47)	(47)
<b>Net expenditure for the year</b>	(46,021)	(8,456)	31,453	(8,771)	(23,744)	(55,539)
<b>Transferred to general fund</b>	(46,021)	(8,456)	31,453	(8,771)	(23,744)	(55,539)

2023-24 Restated	Sustainable forestry operations £000	Visitor services and communities £000	Estates and renewables £000	Natural capital £000	High performing organisation £000	Total £000
<b>Income</b>						
Income from forestry operations	84,285	-	-	-	-	84,285
Income from renewables	-	-	24,153	-	-	24,153
Other income	-	4,468	4,359	1,854	-	10,681
Government grant	7,077	-	-	10,260	-	17,337
	91,362	4,468	28,512	12,114	-	136,456
<b>Expenditure</b>						
Expenditure from forestry operations	(58,518)	-	-	-	-	(58,518)
Other operating expenditure	-	(7,545)	(2,548)	(15,944)	-	(26,037)
Staff costs	(26,442)	(5,964)	(5,599)	(5,291)	(13,916)	(57,212)
Depreciation	(1,201)	(475)	(2,764)	-	(785)	(5,225)
Business and administration costs	-	-	-	-	(1,507)	(1,507)
Value of felled timber	(60,931)	-	-	-	-	(60,931)
	(147,092)	(13,984)	(10,911)	(21,235)	(16,208)	(209,430)
<b>Net expenditure before loss on</b>	(55,730)	(9,516)	17,601	(9,121)	(16,208)	(72,974)
Gain on revaluation of biological assets	(131,415)	-	-	-	-	(131,415)
Loss on biological assets transferred to	(70)	-	-	-	-	(70)
<b>Net expenditure after loss on</b>	(187,215)	(9,516)	17,601	(9,121)	(16,208)	(204,459)
Loss on sales of properties, plant and	-	-	-	-	3,717	3,717
Share of profit from joint venture	-	-	-	-	(1,038)	(1,038)
Interest expense	-	-	-	-	(56)	(56)
<b>Net expenditure for the year</b>	(187,215)	(9,516)	17,601	(9,121)	(13,585)	(201,836)
<b>Transferred to general fund</b>	(187,215)	(9,516)	17,601	(9,121)	(13,585)	(201,836)

Information regarding revenues from external customers for each product and service, and geographical information, have not been disclosed as the cost to develop is deemed too excessive.

## Note 6: Gain on Sale of Properties, Plant and Equipment

	2024-25 £000	2023-24 £000
Sales proceeds	4,365	12,718
Book value	(4,053)	(8,630)
Gain	312	4,088
Disposal costs:	-	-
External costs	(318)	(661)
	(318)	(661)
Gain/(loss) on sale of assets	(6)	3,427

## Note 7: Property, Plant and Equipment

2024-25	Forest Estate £000	Land £000	Dwellings & Other Buildings £000	VME £000	OME £000	Assets Under Construction £000	Total £000
<b>Valuation :</b>							
At 1 April 2024	1,842,569	427,692	62,831	31,183	734	9,129	2,374,138
Additions	-	60	73	2,998	96	19,525	22,752
Transfers	-	-	27,067	-	180	(27,247)	-
Transfers to NCAHFS	(845)	-	(194)	-	-	-	(1,039)
Disposals	(345)	(1)	(1,499)	(2,060)	(26)	-	(3,931)
Write-off/impairment	-	-	-	-	-	-	-
Revaluations	(54,739)	49,834	(387)	-	-	-	(5,292)
At 31 March 2025	1,786,640	477,585	87,891	32,121	984	1,407	2,386,628
<b>Depreciation:</b>							
At 1 April 2024	-	180	26,225	15,253	204	-	41,862
Provided during year	-	104	1,926	3,154	86	-	5,270
Transfers to NCAHFS	-	-	(91)	-	-	-	(91)
Disposals	-	-	(804)	(1,708)	(11)	-	(2,523)
Revaluations	-	-	184	-	-	-	184
At 31 March 2025	-	284	27,440	16,699	279	-	44,702
<b>Net Book Value :</b>							
At 1 April 2024	1,842,569	427,512	36,606	15,930	530	9,129	2,332,276
At 31 March 2025	1,786,640	477,301	60,451	15,422	705	1,407	2,341,926
<b>Asset Financing</b>							
Owned	1,786,640	473,464	59,578	15,407	676	1,407	2,337,172
Right of use assets	-	3,837	873	15	29	-	4,754
At 31 March 2025	1,786,640	477,301	60,451	15,422	705	1,407	2,341,926

2023-24	Forest Estate £000	Land £000	Dwellings & Other Buildings £000	VME £000	OME £000	Assets Under Construction £000	Total £000
<b>Valuation :</b>							
At 1 April 2023	1,869,641	582,683	60,803	26,582	732	2,095	2,542,536
Additions	(63)	2,605	1,466	6,861	7	9,284	20,160
Transfers	-	-	2,029	-	219	(2,248)	-
Transfers to NCAHFS	(1,642)	(128)	(945)	-	-	-	(2,715)
Disposals	(138)	(609)	(1,848)	(2,261)	(224)	-	(5,080)
Write-off/impairment	-	-	-	-	-	(2)	(2)
Revaluations	(25,229)	(156,859)	1,326	1	-	-	(180,761)
At 31 March 2024	1,842,569	427,692	62,831	31,183	734	9,129	2,374,138
<b>Depreciation:</b>							
At 1 April 2023	-	78	24,254	14,750	353	-	39,435
Provided during year	-	102	2,707	2,344	72	-	5,225
Transfers to NCAHFS	-	-	(108)	-	-	-	(108)
Disposals	-	-	(1,144)	(1,841)	(221)	-	(3,206)
Revaluations	-	-	516	-	-	-	516
At 31 March 2024	-	180	26,225	15,253	204	-	41,862
<b>Net Book Value :</b>							
At 1 April 2023	1,869,641	582,605	36,549	11,832	379	2,095	2,503,101
At 31 March 2024	1,842,569	427,512	36,606	15,930	530	9,129	2,332,276
<b>Asset Financing</b>							
Owned	1,842,569	423,572	35,418	15,814	530	9,129	2,327,032
Right of use assets	-	3,940	1,188	116	-	-	5,244
At 31 March 2024	1,842,569	427,512	36,606	15,930	530	9,129	2,332,276

Within the 2024-25 results above, the following represents right-to-use assets held under finance lease

2024-25	Land £000	Dwellings & Other Buildings £000	VME £000	OME £000	Total £000
<b>Valuation :</b>					
At 1 April 2024	4,120	1,837	147	-	6,104
Additions	-	72	-	58	130
Disposals	-	-	-	-	-
Revaluations	-	-	-	-	-
<b>Depreciation:</b>					
At 1 April 2024	180	648	65	-	893
Charged in year	103	316	67	29	515
Disposals	-	-	-	-	-
<b>At 31 March 2025</b>					
Cost	4,120	1,909	147	58	6,234
Depreciation	283	964	132	29	1,408
Net Book Value	3,837	945	15	29	4,826

In property, plant and equipment, Land comprises of:

Land use	2024-25 £000	2023-24 £000
Agricultural land	33,027	33,148
Open land	203,538	192,782
Other minor land	8,768	9,102
Car parks	2,335	2,276
Telecomms	10,865	10,096
Wind farms	162,250	128,818
Hydro	21,396	19,898
Minerals	7,559	6,308
Commercial leases	18,329	15,894
Battery storage	1,062	917
Campsites	4,335	4,333
Right of use land	3,837	3,940
	477,301	427,512

## National Forests and Land

BNP Paribas carried out a professional valuation of the Forest Estate including biological assets, non-forest land, houses and other buildings as at 31 March 2025.

Valuations are carried out in line with the International Financial Reporting Standards as interpreted by current HM Treasury Guidance for the public sector for the purposes of Capital Accounting. The valuation has been undertaken in accordance with International Financial Reporting Standards (IFRS) as interpreted and applied by the HMT Treasury Financial Reporting Manual (FReM). The valuation has been prepared in accordance with

the professional standards of the Royal Institution of Chartered Surveyors: RICS Valuation – Global Standards and RICS UK National Supplement, commonly known together as the Red Book. UK VPGA 5 addresses the valuation of central government assets for accounting purposes. The methodology was agreed in advance and differing valuation methods were used to report Fair Value figures, in line with the requirements of the Scottish Public Finance Manual and RICS guidance. These included the Comparative Method and Depreciated Replacement Cost Method.

Revaluations are carried out annually.

## Other Land-Related Assets

Professional valuations of other land-related assets such as windfarms, hydro schemes, leased mineral sites and telecoms masts were also undertaken as at 31 March 2025. These were valued by the relevant firms of Chartered Surveyors appointed as managing agents for the various assets, as set out below; the valuations for these assets were also undertaken in line with the requirements of the RICS Red Book, as referred to above:

Windfarms	- BNP Paribas
Hydro Schemes	- BNP Paribas
Mineral Sites	- Johnson Poole & Bloomer or Wardell Armstrong LLP
Telecoms Masts	- Galbraith

## Buildings

Buildings assets comprise both freehold and leasehold assets.

## Depreciation

Depreciation expense of £5.270 m (2023-24 - £5.225 m) has been charged in the Statement of Comprehensive Net Expenditure.

## Note 8: Biological Assets

Non-current Biological Assets comprise of timber and plant & seed.

Timber growing on Forest Estate Land is categorised as Biological Asset Timber or Other Timber depending on the strategic objective the land is held to meet. Other Timber is outwith the scope of IAS 41.

Non-current Biological Assets Plants and Seeds are intended for new stocking or replanting in woodlands recorded in the accounts of FLS or for sale to third parties.

The carrying value of total Biological Assets at 31 March 2025 was £3.037 m (2023-24 – £3.106 m).

The movement in the Biological Asset balance during the period has been as follows:

	2024-25 £000	2023-24 £000
<b>Trees</b>		
At 1 April	3,104,552	3,301,043
Disposals	(678)	(575)
Fellings	(68,036)	(60,931)
Transferred to NCAHFS	(1,389)	(3,570)
Gains and losses arising from changes in fair values	299	(131,415)
At 31 March	3,034,748	3,104,552
<b>Plant &amp; Seed</b>		
At 1 April	1,678	1,881
Movement in year	258	(204)
At 31 March	1,936	1,677
Biological Assets at 31 March	3,036,684	3,106,229
Biological assets transferred to NCAHFS and revalued down	(247)	(70)

## Note 9: Investment in Joint Ventures

On 28 February 2022, FLS together with Forestry England (FE) took joint control of Camping in the Forest (CitF), subsequent to that date the investment in CitF was accounted for under the equity method.

In November 2022, CitF surrendered its existing leases to FLS and FE for nil consideration resulting in FLS acquiring CitF's trade and assets. CitF no longer trades and its future is under consideration. CitF still generates income from its fixed asset investments. Following the acquisition of CitF's trade and assets the goodwill in the investment was transferred to land within non-current assets.

In the year to 28 February 2025, CitF generated a profit of £149k. The share of profit attributable to FLS was £37k and is included in the carrying value of the investment. Within the year, CitF also repaid £71k of FLS' investment.

### Investment in joint venture

Investment in joint venture	2024-25 £000	2023-24 £000
At 1 April	1,053	2,119
Transfer to campsite land	-	(28)
Investment repaid	(71)	-
Share of profit/(loss)	37	(1,038)
At 31 March	1,019	1,053

CITF has a reporting date of 28 February. The summarised financial information in relation to CITF is presented below:

As at 28 February	2024-25 £000	2023-24 £000
Non-current assets	3,841	3,959
Current assets	582	469
Current liabilities	(305)	(185)
Non-current liabilities	-	-
Net assets (100%)	4,117	4,243
FLS share of net assets (24.8%)	1,019	1,053
Included in the above amounts are:		
Cash and cash equivalents	469	356
Current financial liabilities (excluding trade payables)	305	185

FLS does not have ultimate control over Camping in the Forest LLP and, therefore, it has not been consolidated for group accounts. The net assets apportioned to FLS are not material in this instance.



## Note 10: Financial Instruments

### 10(a) Financial instruments by category

	Amortised Cost £000	Financial assets at FVTPL £000	2024-25 Total £000	Amortised Cost £000	Financial assets at FVTPL £000	2023-24 Total £000
<b>Assets</b>						
Trade and other receivables	37,747	-	37,747	40,778	-	40,778
Cash and cash equivalents	89,429	-	89,429	79,213	-	79,213
<b>Total</b>	<b>127,176</b>	<b>-</b>	<b>127,176</b>	<b>119,991</b>	<b>-</b>	<b>119,991</b>

	Other financial liabilities at amortised cost £000	2024-25 Total £000	Other financial liabilities at amortised cost £000 Restated	2023-24 Total £000 Restated
<b>Liabilities</b>				
Right of use liabilities	4,253	4,253	4,568	4,568
Trade and other payables excluding statutory liabilities	14,589	14,589	15,271	15,271
<b>Total</b>	<b>18,842</b>	<b>18,842</b>	<b>19,839</b>	<b>19,839</b>

## 10(b) Exposure to risk

FLS's activities expose it to a variety of financial risks.

<b>Credit risk:</b>	the possibility that other parties might fail to pay amounts due;
<b>Liquidity risk:</b>	the possibility that Forestry and Land Scotland might not have funds available to meet its commitments to make payments and
<b>Market risk:</b>	the possibility that financial loss might arise as a result of changes in measures such as interest rates and movements in financial markets.

Due to the way in which government departments are financed, FLS is not exposed to the degree of financial risk faced by business entities.

### Credit risk

Credit risks arise from cash and cash equivalents, deposits with banks and other institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

Customers are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings and parameters set by FLS.

Refer to Note 14 for further analysis of credit risk.

### Liquidity risk

The agency's approach to managing liquidity is to ensure that it will have sufficient liquid funds to meet its liabilities as they fall due. FLS's primary source of funds is the commercial trading income with the annual subsidy limit (ASL) from Scottish Government providing the majority of the remaining cash balance. FLS has no debt or borrowing facility with any external party.

Liquidity is managed by the use of the annual planning process and the monitoring of actual performance against budgets and forecasts. FLS is also permitted to hold a cash liquidity reserve to mitigate against risks from unexpected negative trading events.

The table below analyses the financial liabilities into relevant maturity groupings based on the remaining period at 31 March to contractual maturity date.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

## Market risk

The Agency has no powers to borrow or invest surplus funds. Financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the Agency in undertaking its activities. However, under the Public Services Reform (Scotland) Act 2010 FLS may form or participate in the forming of, a body corporate, invest in a body corporate, provide loans, establish charitable trusts and act or appoint a person to act, as an officer of a body corporate or as a trustee of a charitable trust. To date this power has not been exercised.

### i) Cash flow and fair value interest rate risk

FLS has no significant interest bearing assets or liabilities and as such income and expenditure cash flows are substantially independent of market interest rates.

### ii) Foreign Currency Risk

FLS does not generally undertake transactions in foreign currency; therefore exposure to foreign currency risk is minimal.

2024-25	Less than 1 year £000	Between 1 and 5 years £000	Over 5 years £000	Total
Right of use asset liabilities	280	694	3,279	4,253
Trade and other payables excluding statutory	14,589	-	-	14,589
Total	14,869	694	3,279	18,842

2023-24	Less than 1 year £000	Between 1 and 5 years £000	Over 5 years £000	Total
Right of use asset liabilities	274	698	3,596	4,568
Trade and other payables excluding statutory	15,271	-	-	15,271
Total	15,545	698	3,596	19,839

## 10(c) Capital risk management

The Agency's objectives when managing its capital structure are to maintain its ability to continue to provide benefits for stakeholders and to maintain an optimal capital structure to safeguard Taxpayers' Equity.

## 10(d) Fair value estimation

The carrying values of trade receivables less any impairment provision and payables are assumed to approximate their fair value.

## Note 11: Non-Current Assets Held for Sale

The following assets related to surplus properties have been presented as held for sale following the approval for sale by the management of FLS. The completion dates for sale are expected to be within the 12 months to 31 March 2025.

	Note	Forest Estate & Biological Assets £000	Other Land £000	Buildings £000	Total £000
<b>At 1 April 2023</b>		702	1	4	707
Transfers from PPE & Biological	7, 8	5,212	128	837	6,177
Disposals		(5,350)	(15)	(818)	(6,183)
Impairments*		(129)	(2)	(60)	(191)
<b>At 31 March 2024</b>		435	112	(37)	511
Transfers from PPE & Biological	7, 8	1,160	-	103	1,263
Transfers to PPE & Biological Assets		1,075	-	-	1,075
Disposals		(1,866)	-	(104)	(1,970)
Impairments*		(368)	-	-	(368)
<b>At 31 March 2025</b>		436	112	(38)	511

\*Biological assets revaluation loss of £0.247 m (2023-24 – loss £0.070 m) is included within impairments and has been taken to the Statement of Comprehensive Net Expenditure.

Buildings revaluation loss of £nil (2023-24 – nil) is also included within impairments and taken to the Statement of Comprehensive Net Expenditure.

There were no losses on the revaluation of other land (2023-24 – £nil).

## Note 12: Inventories

	2024-25 £000	2023-24 £000
Timber - Work in progress	2,176	3,489
Timber - Felled stock	5,640	4,748
Consumable materials, supplies and livestock	657	1,686
	8,473	9,923

## Note 13: Trade And Other Receivables

	2024-25 £000	2023-24 £000
<b>Current</b>		
Trade receivables	22,793	29,788
Other receivables	1,017	44
House purchase loans to employees	3	1
Prepayments and accrued income	16,420	12,530
<b>Total current receivables</b>	<b>40,233</b>	<b>42,363</b>
<b>Non current</b>		
House purchase loans to employees	-	5
<b>Total non-current receivables</b>	<b>-</b>	<b>5</b>
<b>Total receivables</b>	<b>40,233</b>	<b>42,368</b>
<b>Reconciliation to Note 10</b>		
Total receivables	40,233	42,368
less		
Prepayments	(1,483)	(1,590)
Tax receivable	(1,003)	-
<b>Trade and other receivables (note 10(a))</b>	<b>37,747</b>	<b>40,778</b>

The Advances of Salary for House Purchase scheme had loans with an outstanding balance of £ 0.003 m at 31 March 2025 (2023-24 – one staff member).

The total outstanding value of all loans was £0.003 m (2023-24 – £0.006 m). Such loans are unsecured, interest free and typically repayable over ten years, with an optional two year deferral period.

The carrying amounts of trade and other receivables are a reasonable approximation of fair value.

As of 31 March 2025, trade receivables of £19.354 m (2023-24 – £26.590 m) were fully performing and not past due or impaired or provided for.

As of 31 March 2025, trade receivables of £3.438 m (2023-24 – £3.197 m) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default.

The ageing analysis of these trade receivables is as follows:

	2024-25 £000	2023-24 £000
Less than one month	17,677	22,291
One to two months	1,677	4,300
More than two months	3,439	3,197
	22,793	29,788

There was no movement in the provision for impairment of trade receivables in the year (2023-24 - £nil).

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. FLS does not hold any collateral as security.

The carrying amounts above are all denominated in GBP Sterling.

### 13(b) Intra-Government Receivables Balances

	Current 2024-25 £000	Non current 2024-25 £000	Current 2023-24 £000	Non current 2023-24 £000
Balances with other central government bodies	1,001	-	184	-
Balances with local authorities	293	-	3	-
Balances with public corporations and trading	490	-	1,049	-
Intra-government balances	1,784	-	1,236	-
Balances with bodies external to government	38,448	-	41,127	5
Total trade and other receivables	40,233	-	42,363	5

## Note 14: Leases

a) FLS has leases for areas of land, buildings, vehicles and plotters and printers (included within OME). With the exception of short term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. Right of Use assets are classified in a consistent manner to our purchased property, plant and equipment.

Leases of vehicles and OME are generally limited to a lease term of one to three years. Leases of property generally have a lease term ranging from three to 20 years.

Leases of land have the longest terms, ranging from eight to 75 years. Lease payments are generally fixed, although some of the longer term leases are subject to rent reviews at dates specified in the lease contracts.

## Right of Use Assets

2024-25	Land £000	Buildings and other Dwellings	VME £000	OME £000	Total £000
<b>Cost</b>					
Opening Balances	4,120	1,837	147	-	6,104
Additions	-	72	-	58	130
Disposals	-	-	-	-	-
Revaluation	-	-	-	-	-
<b>At 31 March 2025</b>	<b>4,120</b>	<b>1,909</b>	<b>147</b>	<b>58</b>	<b>6,234</b>
<b>Depreciation</b>					
Opening Balance	180	648	65	-	893
Provided during the year	103	316	67	29	515
Disposals	-	-	-	-	-
<b>At 31 March 2025</b>	<b>283</b>	<b>964</b>	<b>132</b>	<b>29</b>	<b>1,408</b>
<b>Carrying amount at 31 March 2025</b>	<b>3,837</b>	<b>945</b>	<b>15</b>	<b>29</b>	<b>4,826</b>

2023-24	Land £000	Buildings and other Dwellings	VME £000	OME £000	Total £000
<b>Cost</b>					
Opening Balances	3,103	1,626	51	70	4,850
Additions	-	827	95	-	922
Disposals	-	(616)	-	(70)	(686)
Revaluation	1,017	-	1	-	1,018
<b>At 31 March 2024</b>	<b>4,120</b>	<b>1,837</b>	<b>147</b>	<b>-</b>	<b>6,104</b>
<b>Depreciation</b>					
Opening Balance	78	623	23	40	764
Provided during the year	102	641	42	30	815
Disposals	-	(616)	-	(70)	(686)
<b>At 31 March 2024</b>	<b>180</b>	<b>648</b>	<b>65</b>	<b>-</b>	<b>893</b>
<b>Carrying amount at 31 March 2024</b>	<b>3,940</b>	<b>1,189</b>	<b>82</b>	<b>-</b>	<b>5,211</b>

## Lease Liabilities

The lease liabilities are secured by the underlying assets. The undiscounted maturity analysis of the lease liabilities at 31 March 2025 is as follows:

2024-25	Land £000	Buildings and other Dwellings	VME £000	OME £000	Total £000
<b>Amounts falling due:</b>					
No later than one year	102	130	18	30	280
Later than one year but not later than five	362	276	56	-	694
Due 5-10 years	417	129	-	-	546
Due 10-20 years	783	-	-	-	783
Due 20-30 years	783	-	-	-	783
Due 30-40 years	1,167	-	-	-	1,167
	3,614	535	74	30	4,253

2023-24	Land £000	Buildings and other Dwellings	VME £000	OME £000	Total £000
<b>Amounts falling due:</b>					
No later than one year	97	139	38	-	274
Later than one year but not later than five	380	224	94	-	698
Due 5-10 years	437	210	-	-	647
Due 10-20 years	799	-	-	-	799
Due 20-30 years	799	-	-	-	799
Due 30-40 years	1,351	-	-	-	1,351
	3,863	573	132	-	4,568



## Lease payments not recognised as a liability

FLS has elected not to recognise lease liabilities for short term leases (leases of expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight line basis.

The expense relating to payments not included in the measurement of the lease liability is as follows:

	2024-25 £000	2023-24 £000
Low value and short term leases	54	73
<b>At 31 March 2025</b>		
<b>Amounts recognised in the SOCNE</b>		
Depreciation	515	815
Interest expense	47	56
Low value and short term leases	54	73
<b>Amounts recognised in the SCF</b>		
Cash flows	397	1,073
Interest expense	47	56

b) Operating leases: the future minimum lease rentals receivable under non-cancellable operating leases are as follows:

	2024-25 £000	2023-24 £000
Not later than one year	12,617	12,268
Later than one year but not later the five years	50,430	48,808
More than five years	148,643	143,122
	<b>211,690</b>	<b>204,198</b>

## Note 15: Cash and Cash Equivalents

	2024-25	2023-24
	£000	£000
At 1 April	79,213	96,874
Net change in cash and cash equivalent balances	10,216	(17,661)
<b>Balance at 31 March</b>	<b>89,429</b>	<b>79,213</b>

The following balances were held at:	2024-25	2023-24
	£000	£000
Balance with the Government Banking Service	89,429	79,213
	<b>89,429</b>	<b>79,213</b>

All balances held are denominated in GBP Sterling.

The Cash Balances are held to cover the following reserved planned future expenditure:-

Restricted with a specific purpose – £26 m (2023-24: £38 m). These funds include those relating to land sales and reinvestment programmes.

Earmarked reserves in 2024-25 and beyond – £48 m (2023-24: £27 m). Earmarked reserves will be reinvested in the business in particular addressing our restocking backlog.

These funds are allocated by the Chief Executive based upon recommendations made by the Executive Team.

Liquidity reserves – £15 m (2023-24: £14 m). The level of liquidity reserves has been aligned to roughly three times the monthly salary bill of FLS. The reserve is held to ensure that the risks can be managed in a timely and effective manner and is under continuous review.

## Note 16: Trade and Other Payables

### 16(a) Analysis by type

	2024-25 £000	2023-24 £000
<b>Current</b>		
Trade payables	9,214	7,638
Other payables	67	27
Taxation and social security costs	-	815
Accruals and deferred income	30,521	38,614
Right of use asset leases	280	288
<b>Total current payables</b>	<b>40,082</b>	<b>47,382</b>
<b>Non current</b>		
Accruals and deferred income	37	2,042
Right of use asset leases	3,973	4,280
<b>Total non-current payables</b>	<b>4,010</b>	<b>6,322</b>
<b>Total payables</b>	<b>44,092</b>	<b>53,704</b>
<b>Reconciliation to Note 10</b>		
Total payables	44,092	53,704
Less deferred income	(23,076)	(31,533)
Less salary and social security costs	(2,174)	(2,332)
Less lease liabilities	(4,253)	-
<b>Other financial liabilities (note 10(a))</b>	<b>14,589</b>	<b>19,839</b>

The carrying amounts of trade and other payables are a reasonable approximation of their fair value and are denominated in GBP Sterling.

### 16(b) Intra-Government Balances

	Current 2024-25	Non current 2024-25	Current 2023-24	Non current 2023-24
Balances with other central government bodies	244	-	1,357	-
Balances with local authorities	15	-	1	-
Balances with public corporations and trading	227	-	89	-
Intra-government balances	486	-	1,447	-
Balances with bodies external to government	39,596	4,010	45,935	6,322
Total trade and other payables	40,082	4,010	47,382	6,322

## Note 17: Provisions for Liabilities and Charges

	Remedial Works £000	Injury related benefits £000	Dilapidations & rental void £000	Legal Claims £000	Total £000
At 1 April 2023	179	-	5,782	1,456	7,417
Provided in year	-	-	-	315	315
Provisions not required written back	-	-	(2,682)	(190)	(2,872)
Utilised in year	(179)	-	(3,100)	(309)	(3,588)
At 31 March 2024	-	-	-	1,272	1,272
Provided in year	-	7	85	686	778
Provisions not required written back	-	-	-	(515)	(515)
Utilised in year	-	(3)	-	(60)	(63)
At 31 March 2025	-	4	85	1,383	1,472

Analysis of expected timing of discounted cash flows for balance at 31 March 2025:

	Remedial Works £000	Injury related benefits £000	Dilapidations & rental void £000	Legal Claims £000	Total £000
Within one year	-	4	85	1,383	1,472
Between 1 April 2025 and 31 March	-	-	-	-	-
Between 1 April 2029 and thereafter	-	-	-	-	-
		4	85	1,383	1,472

Provisions are categorised as follows:

### Public and other legal claims

Provision has been made for various legal claims against FLS. The provision reflects all known claims where legal advice indicates that it is more than probable that the claim will be successful and the amount of the claim can be reliably estimated.

During the financial year, a legal claim was settled for less than provision, and therefore, was written back in the year.

Legal claims which may succeed but are less likely to do so or cannot be estimated reliably are disclosed as contingent liabilities; there were no such contingent liabilities at 31 March 2025. Public legal claims are those claims from the public for personal injury or damage caused to property, and other legal claims are for compensation for injury to employees.

## Note 18: Capital Commitments

	2024-25 £000	2023-24 £000
Property, plant and equipment	2,263	3,849

## Note 19: Other Financial Commitments

There were no other financial commitments as at 31 March 2025 (2023-24– £nil).

## Note 20: Related Party Transactions

FLS has had various material transactions with other government departments and other central government bodies. The main entities within government with which Forestry and Land Scotland has had dealings with are the Scottish Government and its Agencies.

### Transactions for timber and sales

The following transactions for timber sale and capital works, civil engineering and forest management services purchases occurred on an arms-length basis and are disclosed because:

Jo O'Hara is a Trustee and Member of Council for Institute of Chartered Foresters.

### 20(a) Sales & Purchases of goods and services

The value of sales to Forestry and Land Scotland in the year to 31 March was:

	2024-25 £000	2023-24 £000
Forest Industry Safety Accord (FISA)	-	15
East Ayrshire Council	-	-
Institute of Chartered Foresters	9	4
	9	19

The value of purchases from Forestry and Land Scotland in the year to 31 March was:

	2024-25 £000	2023-24 £000
Forest Holiday LLP	-	404
Scottish Fire & Rescue	15	21
	15	425

### 20(b) Year end balances arising from sale and purchase of goods and services:

Amounts owing to Forestry and Land Scotland at 31 March were:

	2024-25 £000	2023-24 £000
Forest Holiday LLP	-	53
	-	53

## 20(c) Key management compensation

Refer to the Remuneration and Staff Report for further details of the remuneration of Board members.

## 20(d) Loans to related parties

Other than the loans stated in the Remuneration Report, there were no other loans made to related parties during the year.

## Note 21: Third Party Assets

FLS rents land for use in its hydro-electric and wind farm business.

As part of the rental agreements, the lessees credited FLS with restoration bonds at the lease commencement. These bonds must be kept by FLS in an interest bearing account, separate from FLS's own assets. On termination of the lease, the bonds along with all interest accrued must be utilised for the purpose of restoring the land to its original condition.

In the event that the lessee fails to carry out the restoration works to an agreed standard or within an agreed timescale, FLS will recover all reasonable costs of carrying out the restoration work from the amount held.

The balances are held for third parties, therefore they are not included in the primary financial statements of FLS.

	Opening Balance £000	Gross Inflows £000	Gross Outflows £000	2024-25 Closing Balance £000
Lael	10	-	-	10
Nevis Range	5	-	-	5
Garrygualach	5	-	-	5
Blackcraig Windfarm	409	6	-	415
Farr Hydro	23	-	-	23
Allt Druidhe Hydro	6	-	-	6
Blary Hill	76	1	-	77
Cuil Burn Hydro	10	-	-	10
Littleburn Hydro	10	-	-	10
Schoolhouse Burn Hydro	10	-	-	10
Feorline Burn Hydro	13	-	-	13
Barr River Hydro	51	1	-	52
Duror 2 Hydro	76	1	-	77
Allt Na Sidhean	51	1	-	52
Hydro Ludens Holdings Limited	76	1	-	77
Lochaber Environmental	20	-	-	20
<b>Total</b>	<b>851</b>	<b>11</b>	<b>-</b>	<b>862</b>

## Note 22: Prior year adjustment

The financial statements include a prior year adjustment to 31 March 2024 relating to the treatment of the annual subsidy limit (ASL).

With changes to the layout of the financial statements in the current year, and in line with FReM, the government ASL funding has been move from the Statement of Comprehensive Net Expenditure (SoCNE) to the Statement of Changes in Taxpayers Equity (SoCTE). This has resulted in a decrease of £8.169 m in Government grant in SoCNE, and a corresponding increase of £8.169 m in Government funding in SoCTE.

The prior year adjustment did not effect opening balances of the earliest comparative period, therefore, a third Statement of Financial Position (SFP) has not been presented.

A summary of the changes, and their impact, is provided in the tables below.



## Statement of Comprehensive Net Expenditure

	2023-24 £000 Restated	2023-24 £000	Restatement movement £000
<b>Income</b>			
Income from forestry operations	84,285	84,285	-
Income from renewables	24,153	24,153	-
Other income	10,681	10,681	-
Government grant	17,337	25,506	(8,169)
	136,456	144,625	(8,169)
<b>Expenditure</b>			
Expenditure from forestry operations	(58,518)	(58,518)	-
Other operating expenditure	(26,037)	(26,037)	-
Staff costs	(57,212)	(57,212)	-
Depreciation	(5,225)	(5,225)	-
Business and administration costs	(1,507)	(1,507)	-
Value of felled timber	(60,931)	(60,931)	-
	(209,430)	(209,430)	-
<b>Net expenditure before gain/(loss) on biological assets</b>	(72,974)	(64,805)	(8,169)
Gain/(loss) on revaluation of biological assets	(131,415)	(131,415)	-
Loss on biological assets transferred to NCAHFS	(70)	(70)	-
<b>Net expenditure after gain/(loss) on biological assets</b>	(204,459)	(196,290)	(8,169)
Gain/(loss) on sales of properties, plant and equipment	3,717	3,717	-
Share of profit from joint venture	(1,038)	(1,038)	-
Interest expense	(56)	(56)	-
<b>Net expenditure for the year</b>	(201,836)	(193,667)	(8,169)
<b>Transferred to general fund</b>	(201,836)	(193,667)	(8,169)

The SoCNE shows a decrease of £8,169 m in Government grant due to a change in treatment of the annual subsidy limit.

There has been no change to the Statement of Financial Position due to the change in treatment of the annual subsidy limit.

## Statement of Cash Flows

	2023-24 £000 Restated	2023-24 £000	Restatement movement £000
<b>Net operating expenditure</b>			
Net (expenditure)/income for the year	(201,836)	(193,667)	(8,169)
Adjustments for non cash transactions:			
Depreciation charges	5,225	5,225	-
Gain on disposal of buildings, forest estate and land	(4,538)	(4,538)	-
Gain on disposal of other PPE	(125)	(125)	-
Impairment of PPE	2	2	-
(Gain)/loss on revaluation of biological assets	131,415	131,415	-
Decrease in plant & seed	204	204	-
Value of felled timber	60,931	60,931	-
Other non cash transactions	11	11	-
(Increase)/decrease in inventories	(2,147)	(2,147)	-
(Increase)/decrease in trade and other receivables	(13,512)	(13,512)	-
Increase /(decrease)in trade and other payables	11,099	11,099	-
Use of provisions	(6,460)	(6,460)	-
Decrease in provisions	315	315	-
<b>Net cash outflow from operating activities</b>	<b>(19,416)</b>	<b>(11,247)</b>	<b>(8,169)</b>
<b>Cash flows from investing activities</b>			
Proceeds of disposal of properties	12,170	12,170	-
Proceeds of disposal of other property, plant and equipment	548	548	-
Purchase of property, plant and equipment	(19,728)	(19,728)	-
Disposal of biological assets	575	575	-
Investment in joint venture	1,038	1,038	-
<b>Net cash outflow from investing activities</b>	<b>(5,397)</b>	<b>(5,397)</b>	<b>-</b>
<b>Cash flows from financing activities</b>			
Right of use asset lease expenses	(1,073)	(1,073)	-
Right of use asset interest	56	56	-
Funding from government	8,169	-	8,169
<b>Net cash inflow from financing activities</b>	<b>7,152</b>	<b>(1,017)</b>	<b>8,169</b>
<b>Net (decrease)/increase in cash and cash equivalents in the period</b>	<b>(17,661)</b>	<b>(17,661)</b>	<b>-</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>96,874</b>	<b>96,874</b>	<b>-</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>79,213</b>	<b>79,213</b>	<b>-</b>

The increase in Funding in government (£8.169 m) is due to the change in treatment of the annual subsidy limit.

## Statement of Change in Taxpayers Equity

2023-24	General Fund £000 Restated	General Fund £000	Restatement movement £000
<b>At 1 April 2023</b>	3,708,278	3,708,278	-
<b>Changes in taxpayers' equity</b>			
Net gain on revaluation of property, plant and	-	-	-
Net loss on revaluation of NCAHFS	-	-	-
Realised element of reserves	2,411	2,411	-
Other Write-off	-	-	-
Net operating income	(201,836)	(193,667)	(8,169)
Adjustment from the adoption of IFRS 16	448	448	-
<b>Total recognised income and expense</b>	<b>(198,977)</b>	<b>(190,808)</b>	<b>(8,169)</b>
Government funding	8,169	-	8,169
<b>At 31 March 2024</b>	<b>3,517,470</b>	<b>3,517,470</b>	<b>-</b>

There has been no movement in the Revaluation Reserve as a consequence of the prior period adjustment.

2023-24	General Fund £000 Restated	Revaluation Reserve £000	Total £000 Restated
<b>At 1 April 2023</b>	3,708,278	2,184,057	5,892,335
<b>Changes in taxpayers' equity</b>			
Net gain on revaluation of property, plant and	-	(182,337)	(182,337)
Net loss on revaluation of NCAHFS	-	(121)	(121)
Realised element of reserves	2,411	(2,411)	-
Other Write-off	-	(60)	(60)
Net operating income	(201,836)	-	(201,836)
Adjustment from the adoption of IFRS 16	448	-	448
<b>Total recognised income and expense</b>	<b>(198,977)</b>	<b>(184,929)</b>	<b>(383,906)</b>
Government funding	8,169	-	8,169
<b>At 31 March 2024</b>	<b>3,517,470</b>	<b>1,999,128</b>	<b>5,516,598</b>

Government funding of £8.169 m has been included in the SoCTE due to the change in treatment of the annual subsidy limit.

## Note 23: Events after the balance sheet date

In accordance with the requirements of IAS 10, events after 31 March 2025 are considered up to the date on which the accounts are authorised for issue by the Accountable Officer.

There were no events arising after 31 March 2025 and the date on which the financial statements were authorised that required disclosure.

## **Forestry and Land Scotland**

### **DIRECTION BY THE SCOTTISH MINISTERS**

1. The Scottish Ministers, in accordance with section 19(4) of the Public Finance and Accountability (Scotland) Act 2000 hereby give the following direction.
2. The statement of accounts for the financial period ended 31 March 2021 and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared.
3. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
4. This direction shall be reproduced as an appendix to the statement of accounts.



Signed by the authority of the Scottish Minister

Dated 19/05/2021

SG/2025/81