

## BrewDog's Lost Forest at Kinrara – lost trees, lost carbon and lost finances

### Description



### **How many of the trees planted at Kinrara last year have survived?**

After my posts in the autumn about the destruction being caused by BrewDog's tree planting at Kinrara and how it has been releasing carbon into the atmosphere ([see here](#)) and ([here](#)), I heard through a third party that someone with professional expertise thought that 90% of the trees planted last year with Scottish Forestry funding had died. I knew it was bad, based on the relatively small areas I had seen, but not that bad so I decided to check further.

First I submitted a Freedom of Information Request to Scottish Forestry for all the correspondence they had had with BrewDog about the work that had taken place on the Lost Forest in 2023, any information they held about how many of the planted trees had died and how much of the forestry grant due in the year 2023-24 had been paid and whether any of it would be reclaimed. For various reasons, including emails that seem to disappear into the ether, I am still waiting for a response. What hard facts there are should become public in due course.



Newly planted area on the east side of the Burma Rd above an older native woodland plantation. In this area a significant proportion of the planted trees, which showed up well against the snow-covered scraped patches appear to have survived although they were never needed because of the extensive natural regeneration.

Second, I visited Kinrara again on 30th December to have another look. While the light snow made it easy to see where most of the trees had been planted, determining whether the stems of recently planted deciduous trees are alive in winter is not so easy. From the areas I walked over the survival rate of deciduous trees appeared highly variable but overall I thought it was higher than 10% with places (as above) where there were quite a few stems still standing.



One of the challenges among all the destructive mounding was to work out where trees had been planted and where not. Photo taken less than 11m above previous photo.

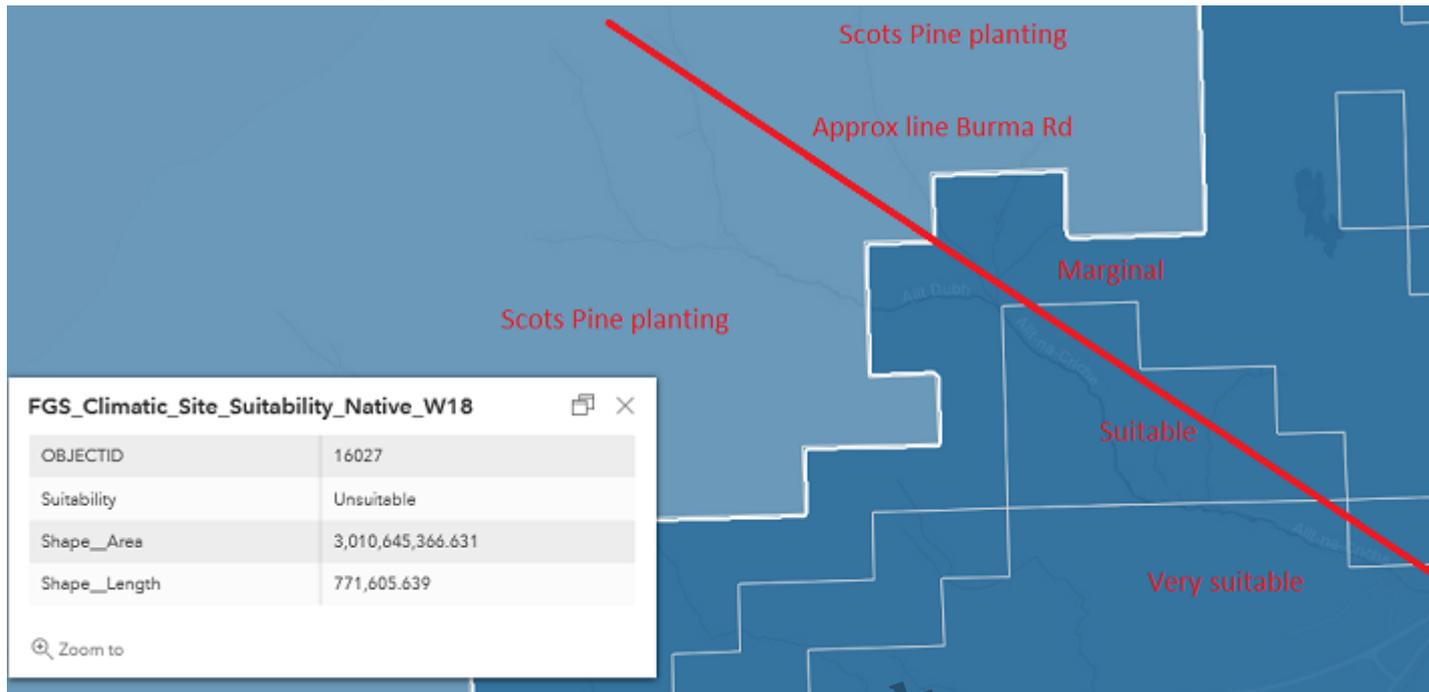
The Scots pine planted along the western boundary of the Lost Forest, which we walked down after visiting the summit of Geal Charn Mor, were another matter.



View down the planting along the western boundary of Kinrara – deer fence visible on far right. I did not spot a single live Scots Pine until over the brow of the hillside in the middle ground. The mounds passed were either bare or had remains of deal pine saplings.

High up, there were dead planted pine everywhere and I couldn't find a single live sapling although there were a couple of naturally regenerated saplings in the undisturbed parts of the heather. I was beginning to wonder if none of the Scots pine had survived until, near the bottom of the hillside, a number of live saplings appeared. If the route we took was in any way representative, it did look to me like at least 90% of the planted Scots Pine may well have died.

If so, that will raise yet more questions about the governance around Scottish Forestry's grants system and whether it is in the public interest. On the governance side there are questions about why Scottish Forestry ever agreed to fund planting of Scots pine in areas which their own mapping had shown was unsuitable for planting:



Map extract used in my post on the impact of Storm Gerrit. The large area of dead Scots Pine we saw was on left side of this map on land “Unsuitable” for planting

## What is BrewDog actually investing at Kinrara?

The unaudited financial statements for the Lost Forest for the year until December 2022 appeared two months late on 30th November 2023 ([see here](#)).

**AT BREWD OG, WE BELIEVE IN RADICAL TRANSPARENCY. AND WITH THIS MEGA REPORT, WE ARE PUBLISHING OUR MOST UP TO DATE EMISSIONS DATA. IT IS CLEAR THAT THERE IS STILL PLENTY OF OPPORTUNITY FOR IMPROVEMENT, AND AS A BUSINESS WE ARE FOCUSED ON THE MOST IMPACTFUL PROJECTS WITH LONG TERM POTENTIAL.**

Extract Planet Mega report V

BrewDog doesn't appear to have applied “radical transparency” to its subsidiary that owns Kinrara but instead has taken advantage of extensive reporting exemptions which are available for small companies under the Financial Reporting Standards:

The company has taken advantage of the following disclosure exemptions under FRS 101:

- a) the requirements of IFRS 7 *Financial Instruments: Disclosures*
- b) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - i. paragraph 79(a)(iv) of IAS 1;
  - ii. paragraph 73(e) of IAS 16 *Property, Plant and Equipment*;
- c) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 *Presentation of Financial Statements*;
- d) the requirements of IAS 7 *Statement of Cash Flows*;
- e) the requirements of paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*;
- f) the requirements of paragraph 17 of IAS 24 *Related Party Disclosures*;
- g) the requirements in IAS 24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- h) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 *Impairment of Assets*; and
- i) the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 *Revenue from Contracts with Customers*;

FRS = Financial Reporting Standards

Perhaps, rather than relying on businesses to be open about what they are doing, it should be a condition of all grants issued by Scottish Forestry that the companies who receive them DON'T take advantage of the exemptions under FRS101? As finance drives most things, including carbon emissions, this would enable the public and the public authority staff who are responsible for monitoring contracts to see what is really going on.

The consequence of these FRS 101 exemptions is the accounts for BrewDog's Lost Forest don't reveal a great deal:

## Income statement

for the year ended 31 December 2022

	<i>Notes</i>	<i>2022</i> £000	<i>2021</i> £000
<b>Turnover</b>	3	6	26
Cost of sales		-	-
<b>Gross Profit</b>		6	26
Administrative income / expenses		62	(170)
<b>Operating Profit/(Loss)</b>		68	(144)
Income tax expense	5	-	-
<b>Profit/(Loss) and total comprehensive expense for the year</b>		68	(144)

The income statement has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses in the current or prior year other than as included in the income statement. Accordingly no statement of comprehensive income is presented.

The income statements shows that turnover reduced to a mere £6k, the company £68k profit compared to a £144k loss for the previous year and paid no tax on that profit. The reduction in administrative expenses suggests very little money is being spent operating the company and is partly explained by staff costs reducing from £61k to nil.

#### 4. Staff costs

	2022 £000	2021 £000
Wages and salaries	-	-

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

	2022 No.	2021 No.
Staff	-	-

In 2022 BrewDog provided no permanent jobs to people from the local area

The notes to the accounts also show that the Lost Forest received £213k in 2022 government grants for peatland restoration (and that none of the grant funding approved by Scottish Forestry was paid in that year):

#### 9. Grants

	2022 £000	2021 £000
At 1 January	183	-
Received during the year	213	183
At 31 December	396	183
	2022 £000	2021 £000
Current	-	-
Non-current	396	183
	396	183

Grants have been received towards peatland restoration work. Provisions are made if required in relation to unfulfilled conditions or contingencies attached to these grants.

The grants have been treated as non-current liabilities because until all the conditions are fulfilled the

money could be paid back. They thus appear neither in the income column or under assets as an investment in the land.

## 6. Tangible fixed assets

	<i>Freehold land and buildings</i>	<i>Plant and equipment</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost:			
<b>At 1 January 2022</b>	7,755	6	7,761
Additions	278	-	278
Disposals	(650)	-	(650)
<b>At 31 December 2022</b>	<b>7,383</b>	<b>6</b>	<b>7,389</b>

The disposals line under Tangible Fixed Assets shows BrewDog sold some £650k of the company's assets, most probably buildings. It appears, however, that instead of being re-invested in the company the receipts may have been used to pay BrewDog back the money it paid for Kinrara. That "investment" by BrewDog has been treated as a loan to its subsidiary, the Lost Forest, and appears in the company balance sheet as as debt.

Both the balance sheet and the statement of going concern suggests the Lost Forest paid back almost £1,800,000 to BrewDog in 2022. Around £1,200,000 of this appears to have come from cash held by the company and only place the rest of this money could have come from was "disposals"

### 2.2 Going Concern

The company recorded a profit for the year of £68,000 (2021: loss of £144,000) and at 31 December 2022 the company had net liabilities of £488,000 (2021: net liabilities of £556,000). Included within net liabilities is an amount due to the parent, BrewDog PLC of £7,567,705 (2021: £9,298,000), with the parent confirming that no repayment of this amount will be sought for a fixed period of at least 12 months from the date of signing these financial statements, should it call into question the company's going concern status. BrewDog PLC has also confirmed that it will make available such funds as may be required to enable the company to meet its obligations as they fall due.

With the continued financial support from the parent, the director considers it appropriate to continue to adopt the going concern basis of accounting in preparing these financial statements.

The financial statements are so limited that its not possible to understand properly what is going on but for 2022 it appears that the Lost Forest invested very little money in the land it owns at Kinrara while BrewDog took a significant quantity of cash out of the company.

## **Mortgaging the land and for what purpose?**

In 2023, i.e the year following these financial statements, HSBC lodged two charges against the land at Kinrara for loans taken out by the Lost Forest, one in May and a second in August. These are shown on the Companies House website as follows:

*default watermark*

# LOST FOREST LIMITED

Company number **SC589885**

Follow this company

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## Filter charges

Outstanding / part satisfied

## 2 charges registered

2 outstanding, 0 satisfied, 0 part satisfied

## [Charge code SC58 9885 0002](#)

[Satisfy charge](#)

Created

**11 August 2023**

Delivered

**14 August 2023**

Status

**Outstanding**

## Persons entitled

Hsbc UK Bank PLC

## Brief description

All and whole that plot or area of ground together with the...

## Charge code SC58 9885 0001

### Satisfy charge

Created	Delivered	Status
<b>26 May 2023</b>	<b>5 June 2023</b>	<b>Outstanding</b>

### **Persons entitled**

Hsbc UK Bank PLC

### **Brief description**

Contains floating charge...

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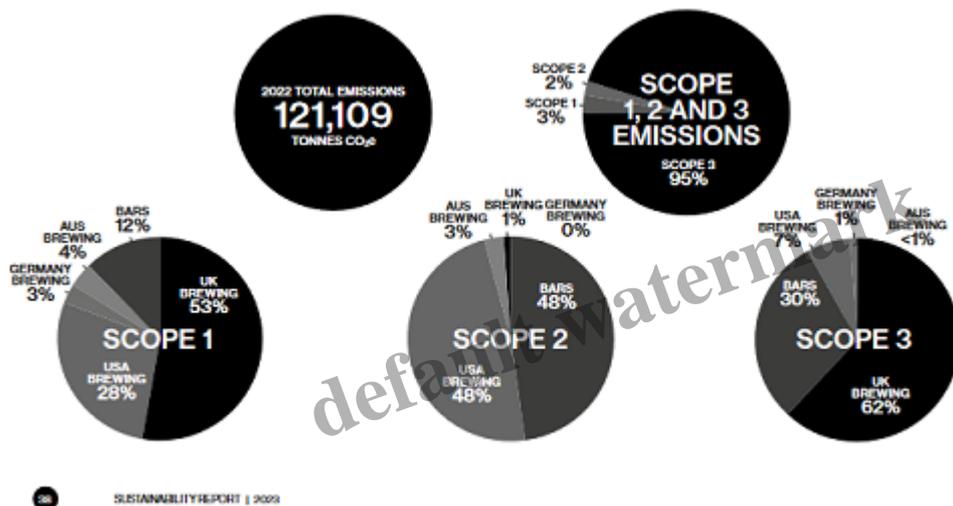
The charges lodged at companies house do not contain information about the value of the HSBC loans to the Lost Forest or the interest rate although they do show that they have been secured against the entire property.

The purpose of these two loans is unknown. If Scottish Forestry enforce the conditions of their grant, which requires a certain density of tree cover to be achieved, the Lost Forest will almost certainly either need to repay it or pay for a lot more tree planting out of its own funds. It seems unlikely, however, that the loans were taken out to plant more trees as by August BrewDog would not have been fully aware of the extent of its planting disaster or the consequent financial liabilities it faced.

It seems more likely the loan was used for another purpose, perhaps to pay back more of the outstanding loan shown on the books as owing to BrewDog by taking out another loan on which it must now be paying interest.

## **Accounting for the Lost Forest – BrewDog needs to account for what's gone wrong**

BREWDOG'S 2022 CARBON FOOTPRINT					
BUSINESS UNIT	2022 H1 OUTPUT	SCOPE 1	SCOPE 2	SCOPE 3	TOTAL
UK Brewing	866,175	2,098	37	70,450	72,584
US Brewing	64,767	1,105	1,365	7,350	9,819
German Brewing	18,022	137	-	1,476	1,613
Australian Brewing	4,236	142	90	340	572
BrewDog Bars	n/a	458	1,372	34,691	36,521
<b>TOTAL (TCO<sub>2</sub>e)</b>		<b>3,940</b>	<b>2,864</b>	<b>114,305</b>	<b>121,109</b>



Extract from Mega Report V

While BrewDog appears to be making more effort to account for and reduce its carbon emissions than many other companies, it never appears to have properly explained how the Lost Forest fits into this and whether the purchase was part of a plan to offset residual emissions it cannot avoid. Neither BrewDog PLC's accounts for 2022, published in summer of 2023 ([see here](#)), nor its Mega Sustainability report v.5 for 2023 ([see here](#)) explain the Lost Forest's place on its carbon balance sheet.

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# LOST FOREST

**RECLAIMING THE STUNNING SCOTTISH LANDSCAPE FOR FUTURE GENERATIONS IS AT THE HEART OF OUR DECISION TO ACQUIRE LAND IN AVIEMORE FOR REFORESTATION AND PEATLAND RESTORATION. WORK HAS BEEN PROGRESSING REALLY WELL.**



## WOODLAND CREATION

Following the extensive survey and consultation work completed over the past two years, an afforestation scheme was designed specifically for the 9,308 acres of land we have acquired in Aviemore. This was split into two phases for implementation, and the planting, natural regeneration and maintenance will take many years to implement.

Phase one was approved by Scottish Forestry in June 2022. This was for a total of 426ha of new woodland creation, including 102ha through natural regeneration.

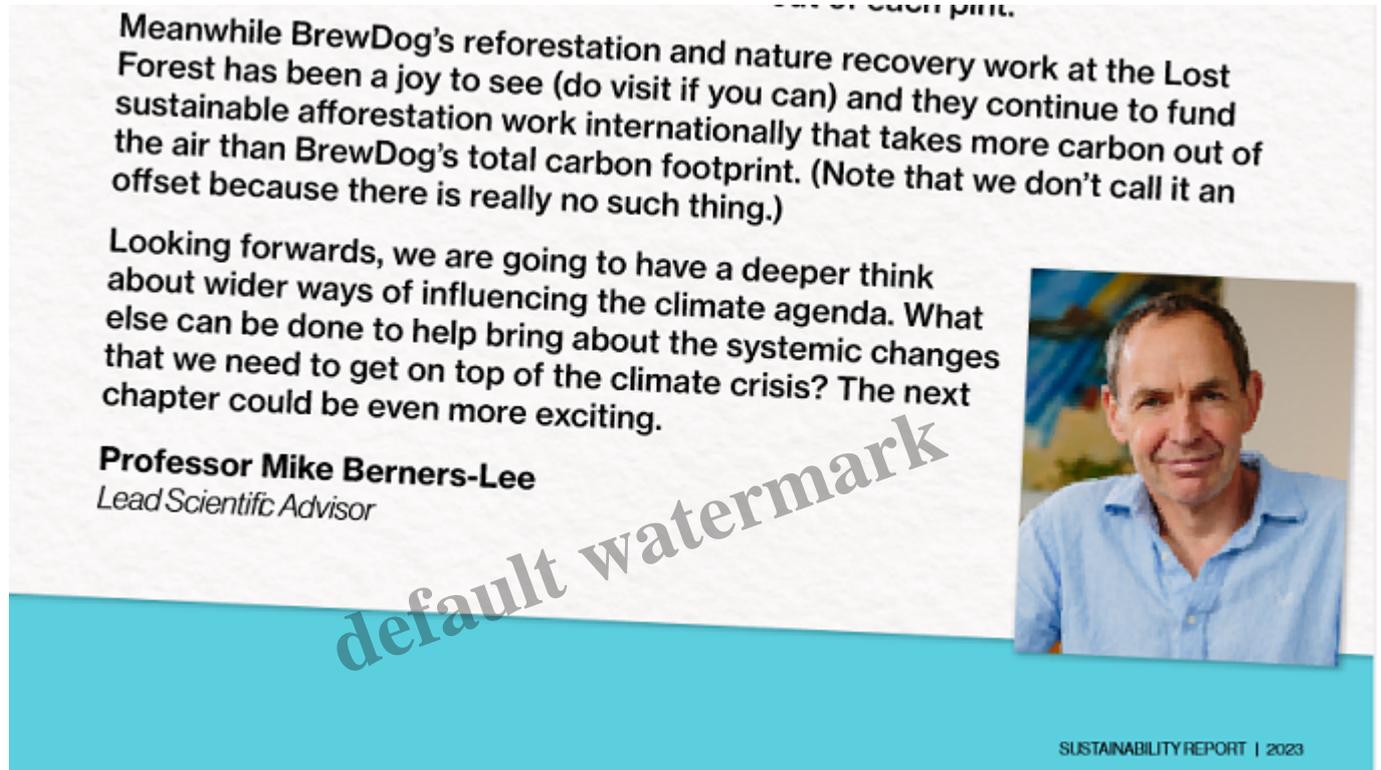
Tree planting commenced on schedule in March 2023 and will be completed by the end of June with 400,000 trees having been planted.

The areas identified for new woodland through natural regeneration have been based on soil types and proximity to potential seed source.

Phase two was submitted to Scottish Forestry in February 2023, and it is anticipated that works will commence Summer 2023, after completion of Phase one. This is a total of 434ha of new woodland creation, including 34ha through natural regeneration. The natural regeneration component is smaller, as the existing trees are more sparse. The initial planting work will be split over two years to be completed Spring 2025.

Extract from BrewDog PLC annual report for 2022.

What does “reclaiming the stunning Scottish landscape for future generations” actually mean? BrewDog’s deer fences are likely to have been stunning a lot of birds and causing ecocide for the capercaillie ([see here](#)) while the landscape itself has been wrecked. BrewDog and its advisers, however, appear to be carrying on as if nothing has gone wrong with the nature restoration aspects of the project:



Is the Lost Forest really “a joy” and an example of sustainable afforestation work?

While Prof Mike Berners-Lee is right to say there is “really no such thing” as a carbon offset, from a carbon emissions perspective the Lost Forest has been registered under the Woodland Carbon Code and the paperwork for that shows it will be emitting carbon for the next 15 years. With so many trees having died and so much peaty soil disturbed, it will now be longer than that. It has become a carbon liability that is now hanging round BrewDog and the Cairngorm National Park’s neck. That needs to be officially recorded by BrewDog in its next Mega report.

Meantime, the accounts for the Lost Forest for 2022 reinforce the argument I made a year ago that BrewDog does not itself appear to be investing money in the Lost Forest and the Guardian was right to challenge its claim for its Lost Lager that “for every pack we plant a tree in the BrewDog Lost Forest” ([see here](#)). Those adverts are long gone but BrewDog was still calling its Lost Lager “planet first lager” in its 2022 annual report and is still giving the impression to its “equity punk community” that the company is investing in the natural environment:

The Lost Forest is now home to in excess of 500,000 saplings, half of our total target figure, as we deliver the UK's most ambitious afforestation programme. I was delighted to welcome our Equity Punk community to the Lost Forest last year to give them a chance to help plant native broadleaf trees, and see their investment first hand. We also welcomed more of our community back this summer, and have plans to host more events soon, too.

Extract from 2023 Mega Report – BrewDog appear to say a large proportion of those saplings are now dead

The truth is that almost all of BrewDog's Lost Forest appears to have been funded to date by Scottish Forestry, i.e the public rather than any punk investors.

The Cairngorms National Park Authority (CNPA) should now be very concerned about how BrewDog's financial position affects what happens next. BrewDog as a company made an increased loss in 2022, which may help explain why it took cash out of the Lost Forest, but its subsidiary would appear to have no source of income aside from government grants. If BrewDog's grand plan was to raise money in future by selling carbon credits through the woodland and peatland code, a large part of that plan would now appear to be in tatters. Why would anyone buy "issuance units", as they are called, for the Lost Forest Phase I when it will be leaking carbon into the atmosphere for another 15 years?

All of this reinforces the argument that before anyone is allowed to buy large areas of land in our National Parks they should be required to show how they will manage the land in a way that meets statutory objectives (including sustaining local communities) and how they would finance this. Had BrewDog been required to undergo such tests they might never have bought Kinrara.

## Category

1. Cairngorms

## Tags

1. forestry
2. natural regeneration
3. scottish forestry

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