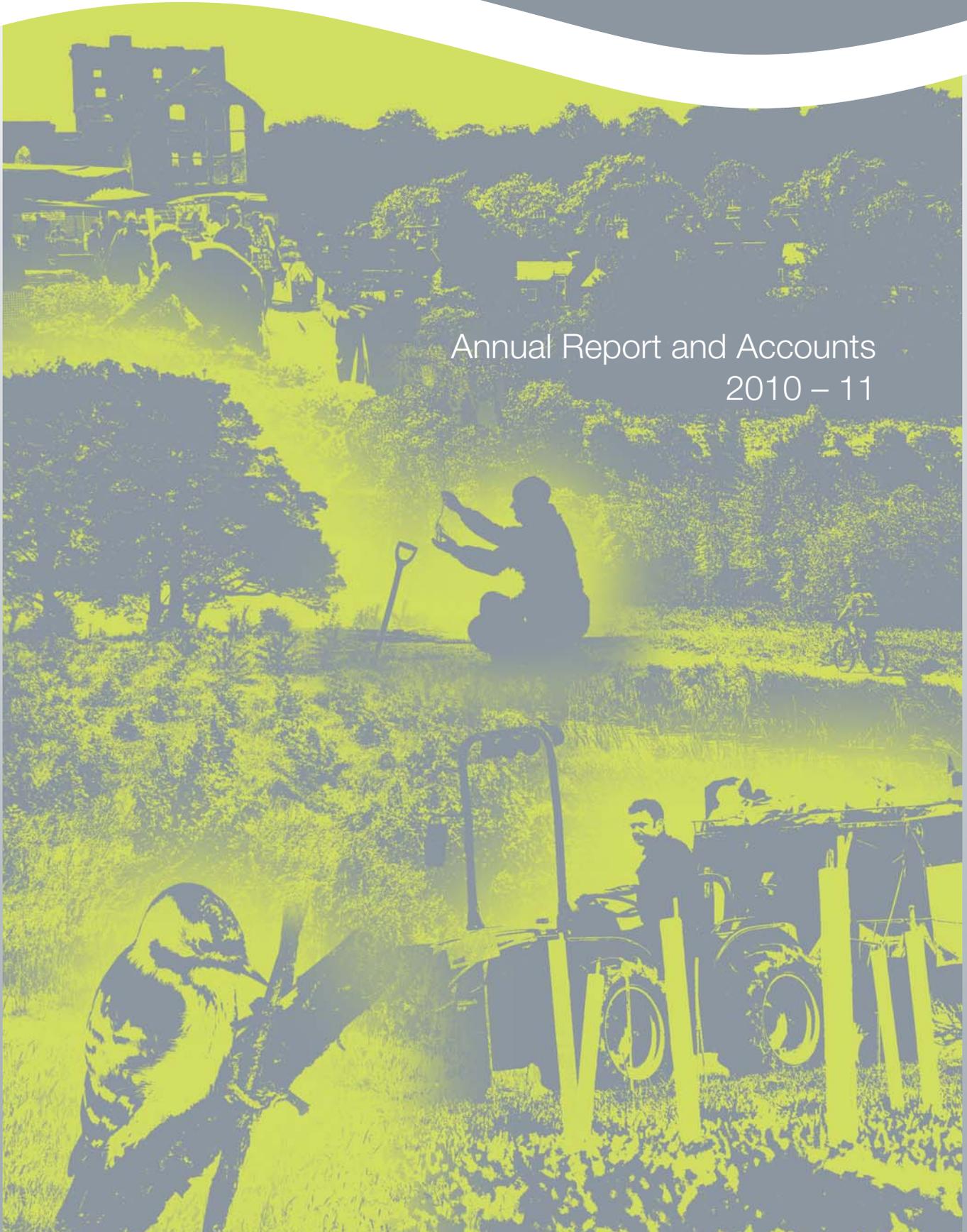




THE NATIONAL
FOREST



Annual Report and Accounts
2010 – 11

National Forest Company Annual Report and Accounts 2010 – 11

Presented to Parliament pursuant to Article 6
of The Government Resources and Accounts Act 2000
(Audit of Non-profit-making Companies) Order 2009.

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Email: enquiries@nationalforest.org

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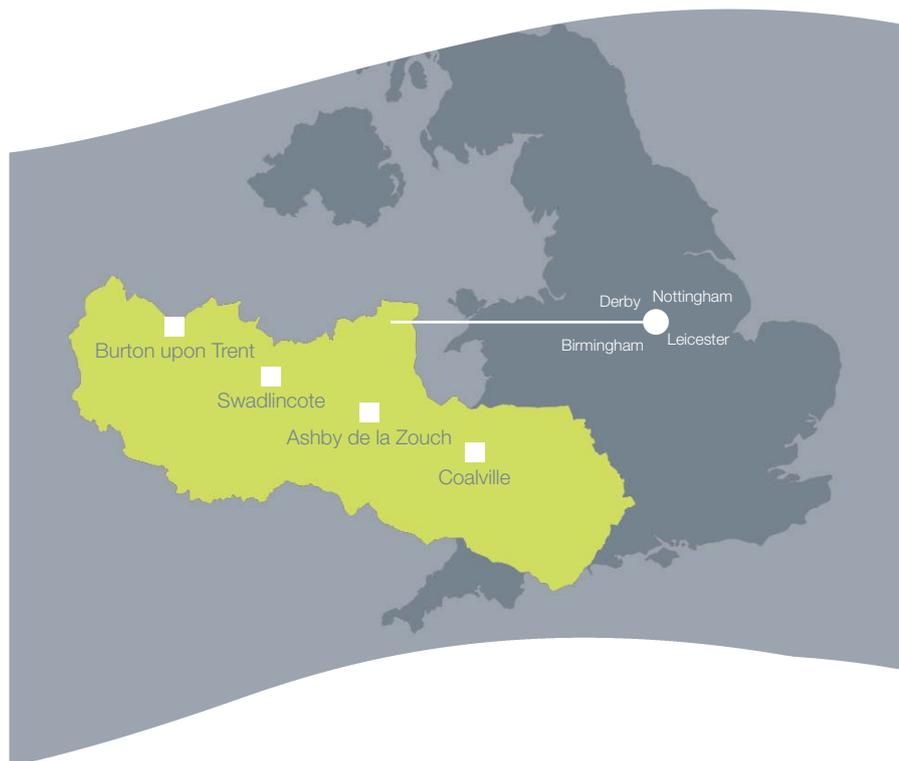


The National Forest Company leads the creation of The National Forest, a new wooded landscape across 200 square miles of central England.

This ambitious objective is being achieved through working partnerships with landowners, businesses, public, private and voluntary organisations and local communities.

The National Forest Company was established by Government in 1995. The company is limited by guarantee (registered number 2991970) and sponsored by the Department for Environment, Food and Rural Affairs (Defra).

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Review of the year



This is the last of my six immensely enjoyable years as Chair of the National Forest Company, and undoubtedly it has been the most challenging, critical and ultimately successful of them all.

Like all other public bodies, our very existence came under scrutiny by the new Coalition Government. We were delighted to learn in the autumn that the Government recognised that The National Forest was still very much “in the making”, and that the Company should remain in its present form, with continued grant in aid. We have of course had to take our share of the cuts in public expenditure, but we have an assurance of Government funding for the next 4 years, sufficient to enable us to create around 150 hectares of new woodland each year, and which we supplement from other sources. We are enormously grateful to Defra for its support, both political and practical, at a time of great pressure on Departmental budgets.

It's a pleasure to report that despite the uncertain economic climate the Forest is in very good shape. We once again achieved our target for forest creation with 195 hectares of new forest sites planted. With tree cover at 18.8% we are now more than half way to our vision. In 2010 we planted over 8% of all the new woodland in England.



This year we carried out an extensive update of the Forest's contribution to the national sustainable development indicators, (available on our website), and all are pointing in the right direction. As habitats are gradually becoming connected there is evidence of increased bird populations and a growing diversity of wildlife.

We have also just published a new Biodiversity Action Plan for 2011 to 2015 which incorporates the latest thinking on the inter-relationship between landscape and biodiversity and sets targeted action plans for each of the Forest's different landscape areas.



The Forest's strong and diverse economy is holding its own during the downturn. There continues to be strong growth in tourism, leisure and woodland-related enterprises, with tourism now worth a staggering £287 million per year to the local economy. This year some 8 million visitors came to attractions such as the National Memorial Arboretum and Conkers, enjoying walks through ancient forests and young woodlands alike. More wood fuel burners were installed in the Forest in the last year, and the prospects of a local market for many wood-based products in the future is exciting.

The strength of The National Forest is that it has from the very beginning been rooted in the local community. Our major contribution to “Big Society” is evidenced this year in the involvement of 20,000 people in positive, practical action in support of the Forest. From our public perception surveys we know that there are high satisfaction levels with the Forest and a growing sense of community pride and belonging.

I have also been particularly delighted this year to see volunteering grow even more strongly across the Forest. On my very last day as Chair, two volunteers from Leicestershire's Volunteer Internship Programme addressed our partner forum and shared something of the practical change they bring to the Forest, and what it has meant to them: a memorable contribution.



Far left: (photo: J Rock).
Above left: View across Prestop Park Woodlands, Shellbrook, nr Ashby de la Zouch (photo: J Rock).
Above: Minister, Jim Paice, planting a tree at the National Forest Cycle Centre (photo: J Rock).

The hugely successful annual Wood Fair held on August Bank Holiday Monday, organised by the Company in partnership with Leicestershire County Council, typifies that sense of community pride and engagement. From small beginnings only six years ago, last year's Fair attracted more than 6,000 visitors and over 100 exhibitors, demonstrating such varied activities as chainsaw carving, horse-drawn logging and the use of wood as fuel. It has now become a firm fixture in the country calendar, and I am sure it will go from strength to strength.

Our many and varied partners, in both the public and private sectors, are the lifeblood of the Forest and we could not achieve any of our ambitions without them. I am therefore especially grateful for their continued support during this time of turbulence, when they are coping with an uncertain economic climate, organisational change and reduced budgets.

Jim Paice, the Minister for Agriculture and Food, had the opportunity to meet some of them when he addressed the Forum in March and expressed his strong support for The National Forest. He later visited examples of our partnership working with the Forestry Commission and commercial operators at the new cycle centre at Hicks Lodge and saw community volunteering in action at Rosliston Forestry Centre.

At the same event, Stephen Woolfe, as its Chair, launched the newly named National Forest Charitable Trust, (formerly the Heart of the National Forest Foundation), together with plans for joint collaboration with the Company on fundraising, a Friends' scheme and a legacy campaign to help create an endowment for the Forest's long term care. Meanwhile the Company continues to attract business sponsors and individual support, and for that we are most grateful.

The recent debate about the future of the public forestry estate demonstrates that there is something deep and enduring in the national psyche about the value of trees. It is no accident that the Charter of Forests of 1217 - the less well known but more revolutionary companion to the Magna Carta - was the first major piece of social legislation establishing the rights of freemen to the

use of and access to England's woods and forests. No accident, too, that it is the oldest piece of legislation on the statute books, lasting some 750 years.

This is a noble history, and in The National Forest we are creating a new heritage on the same principles: a mosaic of healthy, connected woodlands for wildlife, for people and for the wider environment. Our vision for this remains bright and we have a clear Delivery Plan to 2014 for making progress towards it.

Finally my warmest thanks go to my fellow Directors, whose commitment and support has been tempered with just the right degree of challenge. I know that they join me in paying tribute to the Company's very small staff team, through whose energy, innovation and multi-tasking skills the impossible is regularly achieved. It has been a privilege and pleasure to work with you all, and I have no doubt that my successor Catherine Graham-Harrison will enjoy being Chair just as much as I have.

Dinah Nichols
 Chair

Moving through change



It has been a privilege to lead the National Forest Company team over the last year, as we navigated a certain amount of white water. Dinah has described many achievements of the year, to which I would add the maintenance of professionalism, warmth and good humour by my inspiring colleagues.



We are well positioned to move forward strongly, with a new Directorate of Operations. Responding to the funding environment, we now have a single Directorate of Operations, under Simon Evans, bringing together all those involved in creating the Forest. Alongside, our fundraising, communications and partnership work has been brought together, with its eye firmly on the long-term future.

Whilst tight team working will be to the benefit of the Forest, there is an overall reduction in capacity, inevitably, and some well known and well respected faces are leaving the Company, amongst them Clive Keble, known to many readers of this report. We thank them for incredible service to the Forest and wish them well.

Sophie Churchill

Sophie Churchill
Chief Executive

Above: BBC's Countryfile visits The National Forest (photo: J Rock).
Left: Staff from Lex Autolease, a major National Forest sponsor, undertake woodland management tasks at Normandy Wood (photo: D Cresswell).

Key objective 1 Forest Creation

The year end result for Forest creation is only 5ha beneath the annual target range for 2010 – 2014 (as contained in the Forest Delivery Plan), despite a budget reduction: a commitment was made to strive for as many hectares as could possibly be created and 195ha is a strong outcome. Alongside the creation of new woodlands and associated habitats, influencing planning and green infrastructure has great importance as a means to a high quality completed landscape, with a suitably sustainable built environment and greenspace threading through a Forest which is truly on people's doorstep.



Above right: Another popular "Plant a Tree" event (photo: C Beech).
Right: Lesser spotted woodpecker added as a priority species in the new National Forest BAP (photo: Sergey Yeliseev).



Targets	Progress
195 - 245ha of new Forest creation.	Achieved. 195ha created. Noted that 44ha parkland restoration will contribute to the National Football Centre, West of Burton upon Trent.
35 - 50ha of nature conservation sites created or brought into management.	Exceeded. 57ha achieved.
125 - 150ha of new and/or planned public access.	Achieved. 137ha, to include 9ha of specialist educational access.
Market Changing Landscapes Scheme and Freewoods to a wider audience.	Achieved. One to one promotion alongside new material proved effective.
Update the National Forest Biodiversity Action Plan.	Achieved, with full consultation with partners.
Monitor and influence local development frameworks and work closely with planning authorities on masterplanning sustainable urban growth and securing high quality green infrastructure.	Achieved.
Update the National Forest Planners' and Developers' guide.	Deferred, given national planning policy environment in 2010/11.
Develop a Design Charter for The National Forest.	Achieved. Promoted with local authorities.

Key objective 2

Quality and making the most of the Forest

This is the second major theme to 2014, after continuing to create the Forest. It encompasses woodland management and many other forms of investment in the green asset which has been created. Most such activity is a steady continuation of what has to be a sustained approach over years, working with many partners. In addition, there are capital projects such as the cycle centre which are exciting new aspects of the maturing forest.



Above: National Forest Wood Fair (photo: C Beech).

Targets	Progress
Woodland Owners' Club: increase participation with a focus on managing woodlands; total number of attendees up compared with 2009/10.	Achieved. 87 attendees compared with 67 the year before. A thinning demonstration was particularly successful.
New woodfuel installations: support five further feasibility studies, identify new woodfuel supplies and hold two events to promote woodfuel use and supply.	Exceeded. Six feasibility studies with new installations likely to follow.
Implement squirrel control with eight landowners, evaluate results and implement a plan for deer management.	Achieved. Control trial undertaken for squirrels and deer management. Results written up for future work.
Woodfair: achieve 100 exhibitors and 5,000 visitors.	Exceeded. 6,000 visitors and 103 exhibitors.
Sustainable transport: produce an action plan to promote and implement an approach, with partners.	Deferred. Due to staffing changes. To be picked up in a new post from 2011.
Long distance trail: consult on route, secure funding to enable planning for implementation in 2011.	Slightly delayed. After initial funding source was decided inappropriate. Route surveyed by volunteers to determine costings. Funding plan to be produced in 2011/12.
Progress the National Forest Cycling Centre to enable it to open by Spring 2011.	Achieved. With slight delay due to harsh winter conditions. Opened in June 2011.
Progress the 'Making Woods Work' woodland economy programme, including two industry events and contact with businesses related to the woodland economy.	Achieved. Programme to run to December 2011.
BTCV land management training programme in the Heart of the Forest: review and possibly extend.	Achieved. Two year programme operating.
Deliver the first year of The National Forest Sustainable Tourism Strategy.	Achieved against all areas. Notable successes include www.visitnationalforest.co.uk and building links between planners and tourism partners.
Develop a new action plan for public sector funding opportunities.	Deferred. New approach, given external circumstances: monitoring new arrangements in public sector, including Local Enterprise Partnerships.
Audit and update information on horse riding, cycling and accessible woodland sites.	Achieved. With cycling information to be promoted after opening of cycle centre.

Key objective 3 Participation

Communities are at the heart of the Forest, literally and figuratively, now and into the future. We are proactively seeking more opportunities to spread involvement particularly in woodland management; there is a shift in focus by the Company from more generic community support and engagement to supporting activity which results in local woodlands being better used, managed and enjoyed. Increasing volunteering is achieved through skilful work, usually by partner organisations supported by the National Forest Company.

This year we have extended the theme of participation to include use of the National Forest logo by businesses and other bodies and the proposed Friends' scheme, which has been developed with the National Forest Charitable Trust. In all these areas good progress is being made.



Above right: Carriage Driving Trials at Grangewood, grant aided by NFC (photo: NFC).
Right: Runners in the first National Forest 10K race (photo: J Rock).
Left: Pupils from Woodstone School planted trees and fixed bird and bat boxes at Leicestershire County Council's CLS site in Ravenstone (Photo: NFC).



Targets	Progress
Widen and deepen community participation through progressing five woodland site projects, building on work in 2009/10.	Achieved. Through partners with a wide range of sites attracting new, local volunteers.
Engage 20,000 people in positive practical action in support of the Forest.	Achieved. Through a range of agreements with a large number of projects.
Engage 40,000 children in environmental education in the Forest.	Not achieved. (37,000) due to one provider not reaching target. But tree planting programme with 24 schools completed; continued private sector sponsorship for educational work at Rosliston confirmed.
Promote the use of the logo to 50 businesses in the Forest.	Achieved. Promoted across business networks. 92 organisations and businesses are currently licenced to use the logo.
Explore the feasibility of a Friends'/Membership scheme in partnership with the Heart of the National Forest Foundation.	Exceeded. Announced publicly at Forest Forum at the end of March 2011 by the Chair of the National Forest Charitable Trust (formerly HNFF).

Key objective 4 Communication

Whilst the communications of the National Forest Company are effective, especially given the small resource available, the Company is never complacent about the need to reach wider audiences and more deeply into its local ones. It is imperative to tell the story, so that the vision for the Forest is widely understood and its advocates are many and varied, from Westminster to local neighbourhoods. In 2010/11, there was a requirement to economise on marketing spend, so the Company has reviewed marketing and promoted new, cost effective methods.



Left: Tree planting – a family event (photo: C Beech).
Above: Pond dipping at Rosliston Forestry Centre (photo: J Rock).
Below: National Forest Walking Festival (photo: J Rock).



Targets	Progress
Communication methods and publications to residents, local communities, partners and businesses reviewed.	Achieved. A new form of newsletter resulted; a reduction in hard copy print and a commitment to consider social media.
New Marketing and Communications Strategy produced.	Achieved.
Explore with Defra a programme to share learning from The National Forest.	Partially achieved. Learning shared by NFC, given that Defra's priority for and support of NFC was focused on the Comprehensive Spending Review outcomes. Included all research findings summarized and promoted and The National Forest included in European Landscape Convention material.
Continue to develop signage and information where important and possible.	Achieved. Albeit limited numbers this year, due to constraints on partner funds.
Ensure that cross party support for The National Forest remains strong and informed.	Achieved. As witnessed by strong outcome in the CSR.

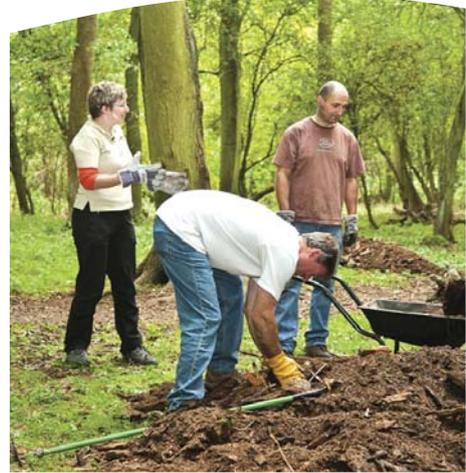
Key objective 5

Governance, efficiency and organisational sustainability

A significant development for the long-term was achieved in the emergence of the National Forest Charitable Trust from the Heart of the National Forest Foundation. This provides more opportunities for joint fundraising and collaborative land management. Meanwhile, ambitious targets had been set for private sponsorship and in the current climate the amounts secured are substantial.



Above right: View of Thornton Reservoir from Brown's Wood (photo: J Rock).
Right: Rolls-Royce plc staff enjoy a work day at Rosliston Forestry Centre (photo: J Rock).



Targets	Progress
With the Heart of the National Forest Foundation, help evolve and launch an independent charity for the whole of the Forest.	Achieved. Launched to partners and early joint programme underway with NFC.
Increase involvement in Business Benefits and Plant a Tree campaigns and restore contributions to pre-recession levels. Introduce three new corporate sponsors to the work of The National Forest.	Partly achieved. Three sponsors attracted (£140k) and year on year Plant a Tree figures comparable. Business Benefit scheme not restored to pre recession level but contacts maintained and nearly £20k was secured.
Make initial contact with up to 20 individuals as part of the implementation of a cultivation campaign for high value donors.	Achieved. With more to do to secure major giving.
Continue to plan for budget constraints for 2011.	Achieved.
Review operations, including contracting and tendering, in relation to value for money, sustainability, equality of opportunity and health and safety.	Largely achieved. Including substantial review of on site health and safety. Final work to do in 2011 on contracts and formalizing Company's approach to securing value for money.

Key objective 6

Research and Exemplar Role

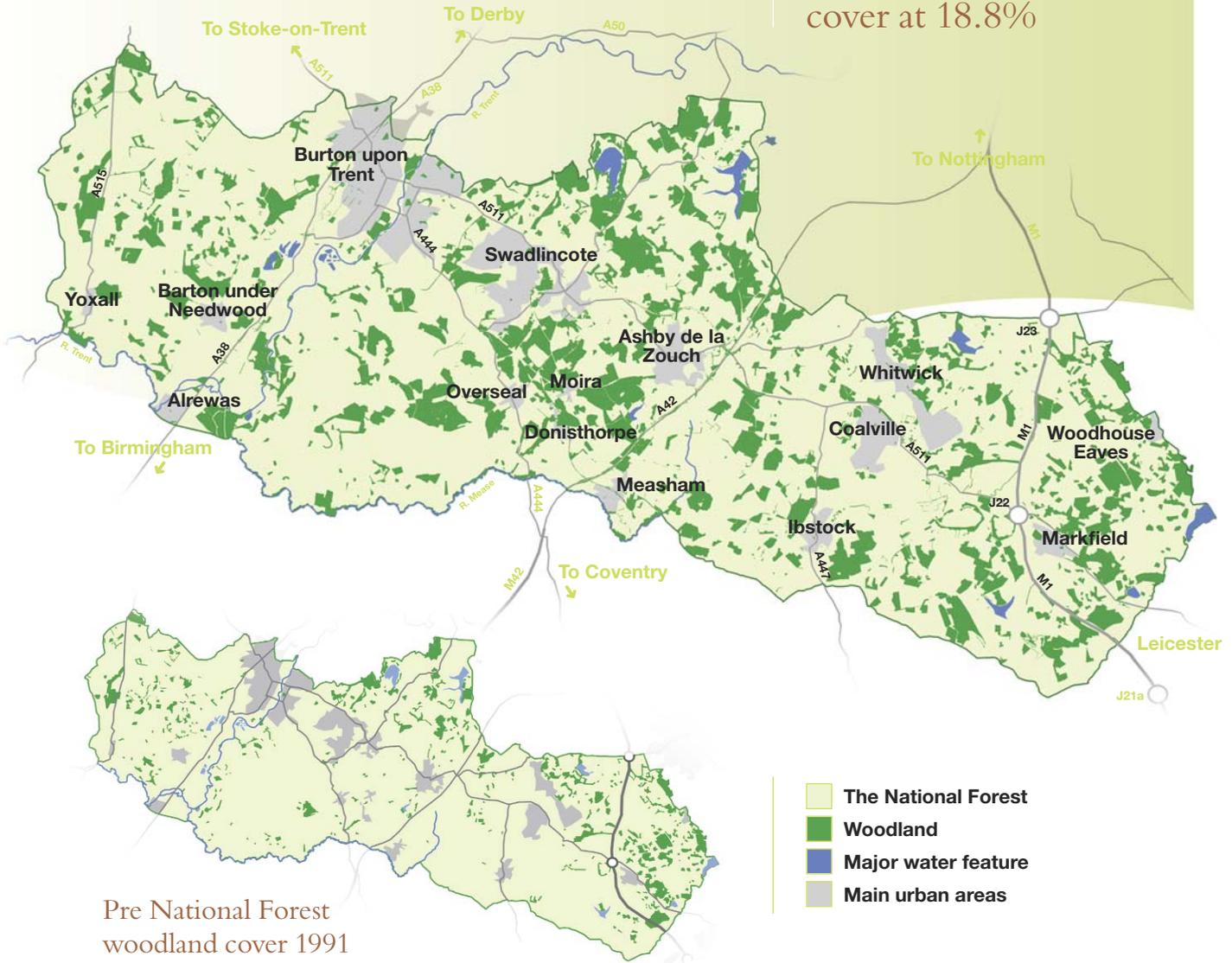
This is a central role for the Company, since the Forest is a national example of what can be achieved through multipurpose forestry. This year has seen national debate on forestry; the data provided through the Company's research and shared learning has been timely. In addition to the activity below, Ordnance Survey has cited NFC's detailed mapping as a leading example of using its data.



Targets	Progress
Research summaries published at the end of 2009/10 effectively disseminated and publicised, online and elsewhere.	Achieved. Promoted directly to 67 partner and academic organisations and via the Forest website.
Work with Defra and other partners on an assessment of the Forest's leverage and public value, to be published by the end of 2010.	Achieved. The study showed a net value of £140m to date. The report was promoted on the website and a press release issued.
Update of the Sustainable Development report 2007, incorporating new socio-economic data, by September 2010.	Achieved. Promoted via the website and through a broad mailing list.
Update carbon research, including NFC carbon account and sequestration figures by end of September 2010 in line with best practice.	Achieved. NFC's carbon footprint calculated. Work on the carbon cost of woodland operations deferred due to other priorities.
Participate in national work to consider how to implement the national aspiration for more tree planting to combat climate change.	Achieved. Through involvement in the partnership group for the Big Tree Plant. Offer made to Forestry Commission to engage in Woodland Task Force.
As part of being a test bed for national research on multi-purpose forestry, develop further the project on the most resilient tree provenances in the light of climate change.	Achieved. Partnership agreements signed with private sector, Forest Research and Forestry Commission. Planting underway.
Continue to play a lead role in UK engagement in the European Landscape Convention; monitor opportunities for dissemination of experience and for entering an award by August 2010.	Achieved. National Forest featured as a case study at UK Landscape Conference. Entry into UK Landscape Award was researched but NFC ineligible to enter.
Explore appropriate international links to share learning, including twinning and transnational projects.	Partially achieved. Approaches have not borne fruit so far and in the context of challenges of the year, decided not to prioritise. Mexican Government funded PhD student to use the Forest to develop methodology.
Complete an interim breeding bird survey to maintain monitoring between major surveys.	Achieved. Using British Trust for Ornithology volunteers.
Complete geology of The National Forest landscape publication with British Geological Survey.	Achieved. NFC contributed to a geological trail and biodiversity information for the new publication by BGS.

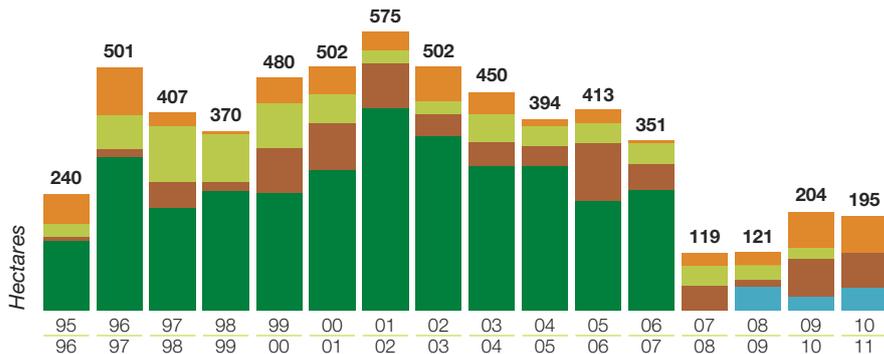
Growing Achievements

The National Forest at 31 March 2011 with woodland cover at 18.8%



Forest creation year on year

- Tender Scheme
- Land acquisition
- Mineral/derelict land restoration
- Other
- Changing Landscapes Scheme



Board of Directors

**1) Dinah Nichols (Chair)***

Dinah is a Counsellor/Board Member, The Crown Estate (Royal appointment) and a Trustee/Board Member of Keep Britain Tidy and The Land Trust. She is Member, Advisory Panel on first appointments to the new Waterways Charity (Secretary of State for Environment appointment). Dinah is a Non-executive Director of Pennon Group Plc and Shires Smaller Companies Plc and a Member of the Policy Committee, Council for the Protection of Rural England (CPRE).

2) Sophie Churchill (Chief Executive)

Former Chief Executive of Regen WM. Sophie is a Director of the National Forest Charitable Trust.

3) Russ Canning*

A chartered landscape architect and town planner, Russ is Managing Director of Russ Canning & Company Limited. He is a Non-executive Director of the Oxford Sailing Club.

4) Tony Hams

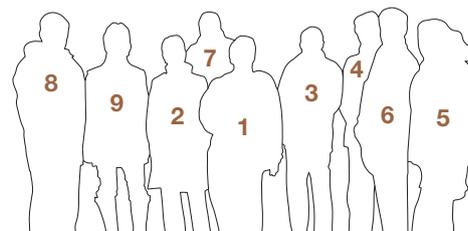
Tony is Chair, Derbyshire Wildlife Trust and Chair, East Midlands Biodiversity Partnership. He is a Non-executive Director, Natural England and Director, UK Task Group 37 (Probiogas). Tony was formerly Chair, Peak District National Park Authority and Chair, East Midlands Heritage Lottery Fund Committee.

5) Valerie Le Vaillant*

Valerie is Managing Director, Le Vaillant Owen Consultancy Ltd, Chair of LANTRA and Chair of the Thames Region Environmental Protection Advisory Committee. She is a Non-executive Director, Generator Group LLP; Member, Covent Garden Market Authority; and Member, Church Buildings Council. Valerie is Director, East Kent Hospitals UF NHS Trust and Director, Dover Harbour Board.

6) David Nicholls

David is Go Green Officer, Leicestershire County Council and Company Secretary, Naturespot Ltd. He was formerly Chief Executive, Groundwork Leicester and Leicestershire.

**7) Robin Pellew**

Former Chief Executive, National Trust for Scotland and WWF-UK (World Wildlife Fund). Robin is an independent heritage/visitor attraction consultant. He is Chairman, Cambridge Past, Present and Future.

8) Susan Warren

Susan is a freelance consultant (environment and conservation, health and well being). She is a Member, South Downs National Park Authority. Susan was formally Programme Development Manager, Groundwork South West.

9) Judith Webb

Judith runs her own business, JW Associates. She is a Non-executive, Forestry Commissioner; a Secretary of State appointee to the Cotswold Conservation Board; and an independent member of the Joint Nature Conservation Committee. She is a Privy Council appointed lay member, Royal College of Veterinary Surgeons Council. Judith is Chair of the England Woodland Biodiversity Group; West Midlands Forestry and Woodland Forum; National Tree Safety Group; and the Deer Initiative's Best Practice Group. She is a Trustee of the Herefordshire Nature Trust and British Horse Loggers Charitable Trust.

* Retired from the Board on 31 March 2011.

Report of the Directors

The Directors present their report and the audited financial statements for the year ended 31 March 2011.

Principal activities

The Company is a company limited by guarantee (registered number 2991970), established on 1 April 1995, as a Non-Departmental Public Body (NDPB) funded by the Department for Environment, Food and Rural Affairs (Defra). Its remit is to oversee the implementation of the Government approved Forest Strategy for the creation of The National Forest located in central England.

Public bodies review

As part of the Government's commitment to increase transparency and accountability, Defra undertook during 2010/11, a review of its network of arms-length bodies. It was decided that the National Forest Company (NFC) should retain its NDPB status on the grounds that 'it performs a technical function which should remain independent of Government'.

Funding

Grant in aid is paid to the Company under Section 153 of the Environmental Protection Act 1990. For 2010/11 grant in aid was set at £3.35 million (excluding depreciation allowance).

Following the Comprehensive Spending Review indication has been given that funding to the NFC will reduce by 19% over the period to 2014/15. The budget allocation for 2011/12 has been set at £3.158 million (Administration £0.388m, Programme £2.770m), excluding the depreciation allowance. For planning purposes, indicative budgets have been provided for the years through to 2014/15.

Business review and future developments

The priorities and targets for 2010/11 were detailed in the Corporate Plan agreed by the NFC Board and approved by Defra. These were consistent with the achievement of goals set out in the National Forest Delivery Plan 2009 – 2014. Headline achievements for the year were:

- 195ha of new Forest creation secured (Target range 195 - 245ha). Woodland cover across the Forest at the end of March 2011 was 9,434ha which represents 18.8% of the area, marking good progress towards the eventual target of around one third;

- 57ha of nature conservation sites were created or brought into management (Target range 35 - 50ha);
- 137ha of new and / or planned public access secured (Target range 125 - 150ha);
- Updated National Forest Biodiversity Action Plan produced, after full consultation with partners;
- Design Charter for The National Forest developed and promoted to local authorities, developers and planning consultants;
- Six woodfuel installation feasibility studies supported (Target 5), with installations likely to follow;
- Squirrel control trials undertaken and deer management plan being implemented;
- Successful National Forest Wood Fair organised, in partnership with Leicestershire County Council, attracting 6,000 visitors (Target 5,000) and 103 exhibitors (Target 100);
- Route for long distance trail surveyed by volunteers, funding plan to be produced in 2011/12;
- Good progress made with build of new National Forest Cycle Centre (opened on 1st June 2011);
- Engaged 20,000 people in Forest-related events and activities (Target 20,000);
- 37,000 children engaged in environmental education sessions in the Forest (Target 40,000);
- New Marketing and Communications Strategy for 2011 – 2015 produced; and
- £103,108 income generated from donations/sponsorship (2010: £75,843).

A summary of the main achievements during the last five years is shown on page 34.

Over recent years an important partner for the NFC has been the Heart of the National Forest Foundation. During 2010/11 there has been even closer working with the charitable body announcing a name change, becoming the National Forest Charitable Trust (NFCT), at a forum in March 2011 attended by the Minister. A fundraising strategy and protocol has been agreed between the NFC and NFCT and a Friends' scheme has been launched. There is the aspiration to build up an endowment fund for the long term benefit of the whole of the Forest. This

partnership and its success in fundraising will be critical in future years as Government funding for The National Forest reduces.

2011/12 will see completion of the organisation restructure agreed by the NFC Board in September 2010. The Company will strive to deliver operational efficiency and value for money and maximise funding available for Forest creation and management. The target range for new Forest creation for 2011/12 has been set at 140 – 160ha, reflecting the reduction in grant in aid and that the Company was only able to secure 195ha in 2010/11 by utilising nearly £440,000 of accumulated donations/sponsorship reserves. Other activity planned for 2011/12 will be centred around delivering the wide ranging objectives detailed in the Forest Delivery Plan 2009 – 2014. Information on the plans and priorities for the year are contained in the NFC's 2011 Business Plan which can be viewed at www.nationalforest.org/about_us

Land Acquisition and Disposal

The Company is permitted to acquire land, in accordance with its Land Acquisition Policy agreed with Defra, where it will secure significant National Forest objectives and represents good value for money. Following acquisition, it is normal practice for the freehold ownership of sites to be transferred to partner organisations as soon as possible after purchase, subject to guarantees that the land will be developed and managed for specified Forest purposes. Where Forest Enterprise (FE) is the preferred partner an expedited procedure is followed to enable an early transfer of the freehold of the land to FE. In such cases the freehold in the land will be vested in the Secretary of State and 'placed at the disposal of the Forestry Commissioners'.

It is, in accordance with the Land Acquisition Policy, possible for the NFC to hold up to a maximum of 300ha of land at any time. After allowing for acquisitions completed during the year, the Company held 258.5ha of land at 31 March 2011 (2010: 192.5ha). The Company is to review this limit with Defra as an acquisition of 50ha, to be completed in the first quarter of 2011/12, will take land holdings above the 300ha ceiling.

Report of the Directors cont.

Research and Development

There was a reduced budget allocation to research in 2010/11. £42,344 was spent (2010: £92,416) with the main areas of activity being:

- Breeding bird survey undertaken by the British Trust for Ornithology.
- Public value (costs and benefits) of The National Forest study, part funded by Defra.
- Climate change adaptation provenance trial project with Forest Research.
- Socio-economic research into the impact of The National Forest.

Losses, special payments and gifts

The Company did not write off any losses or make any special payments or gifts during the year.

Payment of Creditors

The Company aims to pay undisputed invoices within 10 days of the invoice date in accordance with the commitment made by Government. Monitoring of payments made during 2010/11 shows that 93% (2010: 91%) of invoices received have been paid within 10 days. No claims were received during the year from suppliers for late payment of invoices under The Late Payment of Commercial Debts (Interest) Act 1998.

Consultation with Employees

The Company's pay and grading arrangements applied throughout the year were analogous to those of its sponsor Department. No consultation was therefore required with staff as regards the annual salary review. As a result of applying the terms of the salary review negotiated within core-Defra, no staff at Grade 7 or below employed by the NFC received a salary increase in July 2010.

The Company consults with all staff on operational matters and in the formulation of policy and targets. During the course of 2010/11 staff were advised of proposals for an organisation restructure to be implemented on a phased basis during 2011 which will result in some staff leaving on redundancy or early retirement terms.

Sickness absence

Staff absence due to sickness equated to an average of 7.0 days per employee during the year (2010: 3.2 days). The increase is attributed to a prolonged period of absence of one employee.

Equal Opportunities

The Company is an equal opportunities employer. It is committed to a policy of non-discrimination on grounds of sex or marital status, sexual orientation, health (including pregnancy), disability, age, colour, race, nationality or ethnic or national origin. Staff are required to observe this policy of non-discrimination in their dealings with members of the public and colleagues at work. All new staff are appointed on the basis of ability, qualification and suitability for the post.

Sustainability and environmental matters

Sustainable development is the guiding principle which underpins the creation of The National Forest. In 2007, the NFC published 'The National Forest – an exemplar of Sustainable Development' which set out actions which contribute to sustainable development, including further woodland creation, measuring social inclusion and well being, and extending wildlife habitats. Work was completed during 2010/11 to update the 2007 report. This included commissioning research to update the assessment of the socio-economic impact of the Forest. The updated information has been promoted via a broad mailing list and is available on the Forest website.

In 2009, working with consultants, a 'Vision for The National Forest as a Sustainable Tourism Destination' was produced. 2010/11 has seen the completion of the Year 1 action plan associated with this which has involved working closely with various public sector / tourism partners.

The National Forest through creating new woodlands is helping to reduce the effects of climate change. A statement specifically addressing how the Forest is helping to reduce the effects of carbon emissions is regularly reviewed and agreed by the Board and is placed on the Forest website.

The NFC monitors the sustainability of its own practices, controlling energy use, recycling, has reviewed its contracting and procurement procedures and calculates its own carbon footprint.

Disability Equality Scheme

In accordance with its duties under the Disability Discrimination Acts 1995 and 2005, the NFC has a Disability Equality Scheme Policy Statement and associated action plan. These are publicly available on the Forest website.

Results and dividends

The deficit (i.e. total net comprehensive expenditure) for the year before accounting for the receipt of revenue grant in aid amounted to £2,816,392 (2010: deficit of £2,922,550).

Directors

The Directors of the Company as at 31 March 2011 and their initial appointment dates are as follows:

Date of initial appointment

<i>Russ Canning</i>	<i>1 April 2005</i>
<i>Sophie Churchill</i>	<i>1 February 2006</i>
<i>Anthony Hams</i>	<i>1 April 2010</i>
<i>David Nicholls</i>	<i>1 April 2010</i>
<i>Dinah Nichols</i>	<i>1 April 2005</i>
<i>Valerie Le Vaillant</i>	<i>1 April 2005</i>
<i>Robin Pellew</i>	<i>1 April 2007</i>
<i>Susan Warren</i>	<i>1 April 2007</i>
<i>Judith Webb</i>	<i>1 August 2007</i>

Auditors

Mazars LLP were engaged to provide internal audit services to the NFC during the 2010/11 financial year. The Comptroller and Auditor General was the appointed auditor of the Company's 2010/11 financial statements.

Website

The Annual Report and Accounts will be made available on the National Forest website www.nationalforest.org



Sophie Churchill
Chief Executive/Accounting Officer



Mike Dewsnap
Secretary

20 June 2011

Remuneration Report

The NFC Board has agreed that it is not necessary for the Company to have a Remuneration Committee.

The remuneration relating to the Executives and Non-executive Board Members in post during 2010/11 is detailed below in terms of salary, other payments, allowances and pension benefits. This information is subject to audit.

The average number of employees, including Directors, employed was:	2011	2010
Directors (including Chief Executive)	9	9
Staff (includes full and part time posts)	18	19
	<u>27</u>	<u>28</u>
Staff costs, including Directors, totalled:	£	£
Salaries	743,616	727,011
Social security costs	53,628	56,295
Other pension costs	127,897	124,424
Redundancy and early retirement costs	89,000	-
	<u>1,014,141</u>	<u>907,730</u>

Remuneration of Non-executive Board Members

Non-executive Directors are appointed by the NFC following approval of their appointment by the Minister within the Department for Environment, Food and Rural Affairs (Defra) responsible for the Company. Appointments are made in line with the Code of Practice issued by the Commissioner for Public Appointments. Directors are appointed for a three year term of office which may be extended.

Remuneration of Directors accords with senior civil service pay arrangements. Salaries are reviewed annually on 1 April, with any uplift being linked to the recommendations of the Senior Salary Review Body and any directives and guidance issued by the Government. No increase was applied with effect from April 2010.

Emoluments of Chair:

(The Chair is remunerated on the basis of working an average of one day per week).

Name	Contract Expiry Date	2011 £ Taxable Benefits	2011 £ Remuneration	2010 £ Taxable Benefits	2010 £ Remuneration
Dinah Nichols	31 March 2011	<u>2,488</u>	<u>17,297</u>	1,888	<u>17,297</u>

Emoluments of Non-executive Directors:

(Non-executive Directors are remunerated on the basis of working an average of one day per month).

Name	Contract Expiry Date	2011 £ Taxable Benefits	2011 £ Remuneration	2010 £ Taxable Benefits	2010 £ Remuneration
Russ Canning	31 March 2011	902	3,171	714	3,171
Martin Glynn	31 March 2010	-	-	1,065	3,171
Anthony Hams	31 March 2013	666	3,171	-	-
Oliver Johnson	31 March 2010	-	-	875	3,171
Valerie Le Vaillant	31 March 2011	2,624	3,171	1,499	3,171
David Nicholls	31 March 2013	305	3,171	-	-
Robin Pellew	31 March 2013	1,578	3,171	1,251	3,171
Susan Warren	31 March 2013	919	3,171	719	3,171
Judith Webb	31 March 2013	836	3,171	810	3,171

Remuneration Report cont.

Remuneration of the Chief Executive

The Chief Executive is the only executive Director of the NFC and the only Director eligible for membership of the Principal Civil Service Pension Scheme (PCSPS). She is also the highest paid Director.

The Chief Executive, Sophie Churchill, was initially appointed for a term of five years commencing on 1 February 2006 and expiring on 31 January 2011. With the agreement of Defra, the contract has been extended for a further five years expiring on 31 January 2016. The contract may be terminated earlier by either party giving at least 13 weeks notice in writing. Defra has conferred Accounting Officer status on her. The salary for the post falls within the range for a Grade 5 within Defra's grading structure. The salary payable is reviewed on 1 April each year. There was no salary increase with effect from April 2010.

In addition to her salary, the Chief Executive is entitled to an annual non-consolidated, non-pensionable bonus of up to 10% of her annual salary. The bonus payable is based on the performance level attained and is made as part of the appraisal process operating within the Company. The bonus reported for 2010/11 relates to performance in 2010/11 and the comparative bonus reported for 2009/10 relates to performance in that year. The level of bonus payable is determined by the Chair, after consultation with fellow Directors. The recommendation is agreed with Defra.

Emoluments of the Chief Executive:

Name	Age	Contract Start Date	Contract Expiry Date	2010 £	2010 £
Sophie Churchill	47	1 February 2006	31 January 2016		
Salary				69,433	69,433
Non-consolidated bonuses				6,943	6,596
Pension scheme contributions made by employer				15,136	15,136
				<u>91,512</u>	<u>91,165</u>

The Chief Executive is a member of the **Principal Civil Service Pension Scheme (PCSPS)**.

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (**classic**, **premium** or **classic plus**); or a 'whole career' scheme (**nuvos**). 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** and **nuvos** are increased annually in line with Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a good quality "money purchase" stakeholder pension with a significant employer contribution (**partnership** pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for **classic** and 3.5% for **premium**, **classic plus** and **nuvos**. Employer contributions in 2010/11 were set at one of four rates in the range 16.7% to 24.3%. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 calculated as in **premium**. In **nuvos** a member builds up a pension based on his/her pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to commute pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three 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 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement). The NFC has not, to date, made any contributions to a partnership pension account.

Further details about the Civil Service pension arrangements can be found at the website

<http://www.civilservice.gov.uk/my-civil-service/pensions/index.aspx>

Remuneration Report cont.

Benefits to which the Chief Executive qualifies under the Scheme are:

Sophie Churchill	2011 £
Salary, including performance pay (within the range)	75,000 – 80,000
Real increase in pension at age 60 (within the range)	0 – 2,500
Real increase in related lump sum at age 60 (within the range)	-
Total accrued pension at age 60 at 31/3/11 (within range)	10,000 – 15,000
Total accrued related lump sum at age 60 at 31/3/11 (within range)	-
Cash equivalent transfer value (CETV) at 31/3/10 (nearest £'000)	110,000
Cash equivalent transfer value (CETV) at 31/03/11 (nearest £'000)	129,000
Real increase in CETV after adjustment for inflation and market investment factors (nearest £'000)	7,000

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** and 65 for members of **nuvos**.

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 of 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 calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries 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.

The **real increase in CETV** reflects the increase 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.

Remuneration of the Executive

All staff below the level of Chief Executive are employed in substantive posts, subject to the completion of a satisfactory probationary period. The terms of the pay review applied to staff at Grade 6 and below within core-Defra, on 1 July each year, are applied to staff employed by the NFC. As a result, no salary increases were applied to NFC staff from 1 July 2010.

Within the organisation structure, immediately below the Chief Executive post, are three Chief Officer posts, two of which are to be removed from the structure during 2011/12. These are at Grade 7 within the Defra grading structure. The NFC Board, upon the recommendation of the Audit Committee, has agreed that it is not necessary for salary and pension information in respect of these senior officers to be disclosed in the Remuneration Report.



Sophie Churchill

Chief Executive/Accounting Officer

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Under the Government Resources and Accounts Act 2000 (Audit of Non-profit-making Companies) Order 2009, the Secretary of State for Environment, Food and Rural Affairs has directed the National Forest Company to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Company and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

In preparing the financial statements, the Directors are required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- Observe the Accounts Direction issued on 3 November 2009 by the Department for Environment, Food and Rural Affairs in accordance with the above order, including the 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 Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom

governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In so far as the Directors are aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

By order of the Board



Mike Dewsnap
Secretary

20 June 2011

Statement on Internal Control

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of Company policies, aims and objectives, whilst safeguarding the public funds and Company assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money.

Under the provisions of the Management Statement and Financial Memorandum, Defra monitors the Company's activities on performance, budgeting, control and risk management and periodically carries out a risk assessment of activities to inform its oversight of the Company.

Company mission

The Company's mission is to oversee the creation of The National Forest, a 200 square mile multi-purpose forest in central England. This is being achieved primarily through partnership working and by utilising grant in aid provided by Defra, the Company's sponsor Department.

The risk and control framework

Risk strategy and risk management

The Board has responsibility for overseeing risk management in the Company. It approves the Risk Management Policy which specifies the role of the Board, Audit Committee, Accounting Officer and the executive. In July 2010 the Board agreed that the policy, which was last revised in 2009, remained an accurate reflection of the Company's approach to managing risk.

The Audit Committee, a sub-group of the Board, has responsibility for reviewing the risk management process and the draft Risk Register before the highest scored risks are presented to the Board. The Committee allocates governance roles to sub groups of the Board and Directors and receives reports and assurance from them on the management of risks. The Committee is also informed by the work of internal audit. Risk management is a standing agenda item for meetings of the Committee.

Executive management reviews and identifies the main risks faced in achieving corporate objectives and targets; identifies and implements action plans and controls to mitigate these risks; and scores the remaining risk taking into consideration 'significance' and 'probability'. Responsibility for each risk is allocated to a manager.

The highest scored risks in the 2010/11 register related to the achievement of the headline target for new forest creation through land coming forward via the Changing Landscapes Scheme (CLS), land acquisition and restoration of mineral/derelict land. Action plans were specified for each of these areas of activity and progress was monitored throughout the year. A reflection on these plans is that the target range for new forest creation has been achieved. Other high risk scores included those relating to the probability of a significant funding reduction arising from the Comprehensive Spending Review and the continuing ability of key public sector partners to continue to engage in activity relevant to delivery of Forest Strategy objectives.

During 2010/11, risk assessments have been undertaken in relation to the proposals for closer working with the National Forest Charitable Trust and the proposed organisational restructure.

Consideration has been given to the impact of the reorganisation which will see additional responsibilities falling to fewer staff whilst at the same time it will be necessary to ensure that adequate systems of control are maintained and that there are sufficient resources, with the necessary expertise, to undertake the work throughout the year, particularly at pinch times such as year end. In relation to financial procedures and controls, advice has been sought from Defra and audit and comments received have proved useful in determining the timing of the removal of the most senior finance post and support needed to be given to the remaining senior officer.

Project and Programme Management

The delivery of projects, including major capital projects, has featured prominently in creating The National Forest. Looking ahead, with less funding and staff resources available and fewer partners, the

NFC will not be involved in so many projects, particularly capital projects.

During 2010/11 the NFC has worked closely with the Forestry Commission (FC) on the major £1.4 million project to construct the National Forest Cycle Centre. This has been an effective partnership with the NFC responsible for project co-ordination and liaison with funders, whilst the FC, which is to own and operate the centre, is engaged in project delivery with responsibility for the awarding and management of contracts. A project steering group with membership drawn from the NFC and FC has overseen the project. The Centre has been completed within budget and opened in June 2011.

With its small staff team, the NFC does on occasions engage external support for project management and delivery. An example of this, ongoing throughout 2010/11, is the emda funded 'Making Woods Work' project aimed at further developing the local woodland economy. The project is co-ordinated by the NFC which engaged a woodland network co-ordinator through a consultancy arrangement with activity being overseen by a project steering group comprising funding bodies and other interested parties. Project outputs are reported on to the funders and are assessed against the objectives and targets agreed at the outset.

Strategy and planning

The creation of The National Forest accords with the objectives of the Forest Strategy for 2004 – 2014. This was reviewed at its mid-point and after wide consultation a Delivery Plan for 2009 – 2014 was produced. The Strategy and Delivery Plan inform the objectives and targets as contained in the Company's annual Corporate/Business Plan agreed by the Board and approved by Defra. Regular update reports on progress against objectives and targets are given to the NFC Board and periodically to Defra.

In 2011 a new format of Business Plan has been produced adhering to a template provided by Defra. The Plan summarises and reports on corporate strategic goals and how these contribute to Defra's strategic goals as detailed in

Statement on Internal Control cont.

the Department's own Business Plan whilst operational efficiency, value for money and performance indicators feature prominently.

Management of change

There is regular dialogue with all staff on the setting and delivery of Forest Strategy objectives and targets. In 2010/11, they have been kept informed of progress and the outcome of the Comprehensive Spending Review; Defra's review of its Arms Length Bodies; and thinking in relation to the long term governance arrangements for overseeing the continued development and maintenance of The National Forest, particularly plans for closer working with the National Forest Charitable Trust.

A significant development during 2010/11 was that the NFC Board approved proposals for an organisation restructure. The team was advised of the new structure at a meeting of all staff in October since when there has been regular consultation with staff on the proposals, particularly those directly affected by the changes. Implementation of the new structure in 2011/12 will see staff depart on approved early retirement and redundancy terms.

Performance management

Whilst I have overall responsibility for the achievement of corporate objectives and targets, many of these fall into the annual job plans agreed for each member of staff. Performance against targets and priorities is assessed through the established staff review system. At the end of the year, an annual review is undertaken which includes an assessment of how the individual has performed during the year and this determines any entitlement to a performance related bonus.

The National Forest is being created for public benefit and therefore the engagement and views of members of the public are welcomed. The Company has well established procedures and arrangements for dealing with complaints and requests made under the Freedom of Information Act. During the year ended 31 March 2011, 10 complaints were received (compared with 17 in the previous year), most of which related to sites in the National Forest not owned by

the NFC. In addition, 6 requests for information were received under the FOI Act (compared with 15 in the previous year). All complaints and requests for information were responded to within the specified timescale.

Corporate governance

I am the Company's only executive Director, joined on the Board by the Chair and seven non-executive Directors who are appointed by the Company subject to the approval of Defra. With effect from April 2011, the number of non-executive Directors will reduce to six. The Board met five times during 2010/11 with agendas covering strategic and operational matters.

Directors are expected to comply with a 'Code of Conduct for Directors of the National Forest Company'. A standing item on the agenda for Board meetings is 'Declaration of Interests'. A Register of Directors' Interests is maintained, a summary of which is on page 12.

A key committee of the Board is the Audit Committee which comprises three non-executive Directors. As Accounting Officer, I attend meetings of the Committee. The Chairman of the Audit Committee gives oral reports to the Board on business conducted at Committee meetings and an annual report is written. The Committee met three times during the year ended 31 March 2011.

There are two other committees of the Board. The Corporate Affairs Group, chaired by the NFC Chair and the Land Acquisition Group, chaired by a non-executive Director. In addition there are themed working groups; Access & Recreation, Planning and Nature Conservation each chaired by non-executive Directors and where membership comprises representatives from partner organisations. The terms of reference for each group are agreed by the NFC Board and minutes of meetings are copied to all Directors for information.

Non-executive Directors are appointed in accordance with the Code of Practice issued by the Commissioner for Public Appointments. The Company usually makes initial appointments for a three year term of office which may be extended for a further term of up to three

years. A new Chair and non-executive Director have joined the Board with effect from April 2011, with the previous Chair and two non-executive Directors standing down having served six years on the Board. The recruitment process for new appointments took into consideration the skills and experience lost through the retiring Directors and any other skills gaps that it was felt existed.

Data handling

As Accounting Officer I am responsible for the handling of personal and sensitive information and managing the risks associated with this. All staff have signed copies of the Company's data handling policy, confirming that they will comply with its terms. All staff have successfully completed the e-learning training course 'Protecting Information' via the National School of Government website and new staff joining the Company are required to do so within one month of taking up employment. Staff are periodically reminded, usually at team meetings, of their responsibilities and good practices when transferring data electronically or on removable media and of the need for safe disposal of classified waste.

Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it 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 Company policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Company for the year ended 31 March 2011 and up to the date of approval of the Annual Report and Accounts, and accords with Treasury guidance.

Statement on Internal Control cont.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Company who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Company's internal auditors operate in accordance with Government Internal Audit Standards. An agreed programme of work was undertaken during 2010/11 which covered core financial systems, health and safety, land acquisition and grant payments and value for money. Each audit concluded that there was substantial assurance in relation to controls in place, except for health and safety where there was considered to be adequate assurance. A total of fourteen recommendations arose from the audits, three deemed to be significant whilst the remainder were of a housekeeping nature. The significant recommendations were that a health and safety policy for public events should be produced; that the landlord of the offices occupied by the Company should provide documentation in relation to risk assessments undertaken on the premises; and that the Company should produce a 'value for money' policy and action plan. The work undertaken during the year informed the opinion expressed in the Annual Internal Audit Report that the NFC 'has in place an appropriate framework for identifying, evaluating and managing the significant risks faced by the Company... for the year ended 31 March 2011 the National Forest Company has adequate and effective risk management, control and governance processes to manage the achievement of the organisation's objectives'.

The decision has been taken to re-engage Mazars LLP to provide internal audit services during the next three years. It will be important that work undertaken during 2011/12 reviews the effectiveness of financial systems and controls in place following implementation of the organisation restructure.

Conclusion

There are no matters of concern which need to be referred to in this Statement on Internal Control.



Sophie Churchill

Chief Executive/Accounting Officer

The Certificate and Report of the Comptroller and Auditor General to the Members of the National Forest Company

I certify that I have audited the financial statements of the National Forest Company for the year ended 31 March 2011 under the Government Resources and Accounts Act 2000. These comprise the Statement of Comprehensive Net Expenditure and the Statement of Financial Position, the Statement of Cashflows, the Statement of Changes in Reserves and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Directors and auditor

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently

applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

In addition, I read all the financial and non-financial information in the Report of the Directors to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on Regularity

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on Financial Statements

In my opinion the financial statements:

- give a true and fair view of the state of the National Forest Company's affairs as at 31 March 2011 and of its net expenditure for the period then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the Companies Act 2006.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Government Financial Reporting Manual; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters for which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the remuneration report to be audited are not in agreement with the accounting records or returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse

Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria, London, SW1W 9SP

24 June 2011

Statement of Comprehensive Net Expenditure

for the year ended 31 March 2011	<i>Note</i>	2010 – 11	2009 – 10
		£	Restated £
Expenditure			
Staff costs	2	(1,014,141)	(907,730)
Depreciation	3	(5,757)	(3,742)
Other Expenditures	3	(2,776,159)	(2,128,271)
Profit/(loss) on revaluation of land	7	(173,978)	(313,907)
		<u>(3,970,035)</u>	<u>(3,353,650)</u>
Income			
Other Income	5	1,135,436	414,973
Net Expenditure			
Interest receivable	5	2,794	5,540
Net Expenditure after interest and before taxation			
Tax on interest receivable	6	(587)	(1,163)
Net Expenditure after interest and tax			
Other Net Expenditure			
Net gain on revaluation of land through Revaluation Reserve		16,000	11,750
Total Comprehensive Net Expenditure		<u><u>(2,816,392)</u></u>	<u><u>(2,922,550)</u></u>

Statement of Financial Position

	Note	as at 31 March 2011		as at 31 March 2010	
		£	£	£	£
Non-current assets:					
Property, plant and equipment	7	3,018,762		1,974,199	
Trade and other receivables:					
Amounts falling due after more than one year	9	6,980		8,772	
Total non-current assets			3,025,742		1,982,971
Current assets:					
Trade and other receivables:					
Amounts falling due within one year	9	416,383		357,174	
Cash and cash equivalents	10	(103,696)		364,250	
Total current assets			312,687		721,424
Total assets			3,338,429		2,704,395
Current liabilities:					
Trade and other payables:					
Amounts falling due within one year	11	(154,389)		(47,134)	
Total current liabilities			(154,389)		(47,134)
Non-current assets plus/ less net current assets/liabilities			3,184,040		2,657,261
Non-current liabilities					
Other payables:					
Amounts falling due after more than one year	11	(20,933)		(13,442)	
Total non-current liabilities			(20,933)		(13,442)
Assets less liabilities			3,163,107		2,643,819
Reserves					
Capital Reserve			2,953,250		1,933,250
Revaluation Reserve			37,750		21,750
Income & Expenditure Reserve			172,107		688,819
			3,163,107		2,643,819

The financial statements were approved by the Board on 20 June 2011 and signed on its behalf by:



Catherine Graham-Harrison
Chair



Sophie Churchill
Chief Executive/Accounting Officer

Statement of Cash Flows

for the year ended 31 March 2011

	Note	2010 – 11 £	2009 – 10 Restated £
Cash flows from operating activities			
Net expenditure		(2,831,805)	(2,933,137)
(Profit)/Loss on revaluation of land recognised in Statement of Comprehensive Net Expenditure		173,978	313,907
Corporation Tax paid		(1,163)	(10,238)
Increase in trade and other receivables		(57,417)	(191,086)
Increase/(decrease) in trade payables		115,322	(7,854)
Depreciation of property, plant and equipment		5,757	3,742
Movement on capital/revaluation reserves		<u>1,036,000</u>	<u>980,000</u>
Net cash outflows from operating activities		(1,559,328)	(1,844,666)
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,208,298)	(1,294,594)
Impairment of property, plant and equipment		251,978	353,829
Revaluation of property, plant and equipment		(94,000)	(51,672)
Net cash flows from investing activities		(1,050,320)	(992,437)
Cash flows from financing activities			
Grant in aid		2,579,948	2,512,163
Reserves		(438,246)	(496,757)
Net cash flows from financing activities		2,141,702	2,015,406
Net decrease in cash and cash equivalents	10	(467,946)	(821,697)
Cash and cash equivalents at beginning of year		364,250	1,185,947
Cash and cash equivalents at end of year		<u>(103,696)</u>	<u>364,250</u>
Net change in cash and cash equivalent balances	10	(467,946)	(821,697)

Statement of Changes in Reserves

for the year ended 31 March 2011

	Capital Reserve £	Revaluation Reserve £	I&E Reserve (Restated) £	Total Reserves £
Balance at 31 March 2009	965,000	10,000	1,293,806	2,268,806
Changes in reserves 2009 – 10				
Release through I&E	(313,907)		313,907	-
Release of reserves to I&E			(496,757)	(496,757)
Net gain on revaluation of property, plant and equipment		11,750		11,750
Deficit for the year			(2,934,300)	(2,934,300)
Reserve financing	496,757			496,757
Purchase of non-land property, plant and equipment			(12,437)	(12,437)
Total recognised income and expenditure for 2009 – 10	182,850	11,750	(3,129,587)	(2,934,987)
Grant in aid financing	785,400		2,524,600	3,310,000
Balance at 31 March 2010	1,933,250	21,750	688,819	2,643,819
Changes in reserves 2010 – 11				
Release through I&E	(173,978)		173,978	-
Release of reserves to I&E			(438,246)	(438,246)
Net gain on revaluation of property, plant and equipment		16,000		16,000
Deficit for the year			(2,832,392)	(2,832,392)
Reserve financing	438,246			438,246
Purchase of non-land property, plant and equipment			(14,320)	(14,320)
Total recognised income and expenditure for 2010 – 11	264,268	16,000	(3,110,980)	(2,830,712)
Grant in aid financing	755,732		2,594,268	3,350,000
Balance as at 31 March 2011	2,953,250	37,750	172,107	3,163,107

Notes to the Accounts

Note 1 Statement of accounting policies

These financial statements have been prepared in compliance with the Companies Act 2006, the 2010/11 Government Financial Reporting Manual (FReM) issued by HM Treasury and the Accounts Direction issued by the Secretary of State for the Environment, Food and Rural Affairs.

The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS), as adapted or interpreted for the public sector context, and comply with the guidance issued by the International Financial Reporting Interpretations Committee (IFRIC).

Where the FReM permits a choice of accounting policy, a judgement has been made to select the most appropriate policy to suit the particular circumstances of the National Forest Company (NFC) for the purpose of giving a true and fair view. The particular policies adopted by the NFC are described below. They have been applied consistently in dealing with items which are considered material in relation to the accounts.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amount of income and expenditure. All estimates are based on knowledge of current facts and circumstances, assumptions concerning past events and forecasts of future events and actions. Actual results may differ from these estimates.

IFRSs, IFRIC Interpretations and Amendments

Effective in these Financial Statements

All IFRSs, IFRIC Interpretations and Amendments to published standards, effective at 31 March 2011, have been adopted in these financial statements, taking into account the specific interpretations and adaptations included within the FReM. The following have been taken into consideration when producing these Financial Statements:

IAS 1	Presentation of Financial Statements
IAS 7	Statement of Cash Flows
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10	Events after the Reporting Period

IAS 16	Property, Plant and Equipment
IAS 17	Leases
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance
IAS 24	Related Party Transactions
IAS 32	Financial Instruments: Presentation
IAS 36	Impairment of Assets
IAS 39	Financial Instruments: Recognition and Measurement
IFRS 7	Financial Instruments: Disclosures
IFRS 8	Operating Segments
IFRIC 4	Determining whether an arrangement contains a lease
IFRIC 9	Re-assessment of Embedded Derivatives

Effective for future financial years

The following IFRSs, IFRIC Interpretations and Amendments applicable to the NFC, have been issued but are not yet effective and have not been adopted early by the Company.

IFRS 9 Financial Instruments: Classification and Measurement (effective 1 January 2013) – IFRS 9 is a replacement for IAS 39 and introduces new requirements for the classification and measurement of financial assets, together with the elimination of two categories. The Standard does not include financial liabilities. The Standard is not expected to have any material effect on the NFC's financial statements in future periods.

Accounting convention

These accounts have been prepared under the historic cost convention, modified to account for the revaluation of property, plant and equipment.

Property, plant and equipment

In accordance with the Land Acquisition Policy agreed with Defra, the NFC is permitted to own land. It should, however, at the time of acquisition or shortly thereafter, agree the means of disposal and should only in exceptional circumstances own any land for more than 10 years. The normal practice is for the freehold ownership of sites to be transferred to partner organisations, subject to guarantees that the land will be developed and managed for specified Forest purposes. Where Forest Enterprise (FE) is the preferred partner an expedited procedure is followed to enable an early transfer of the freehold of the land to FE. In such cases the freehold in the land will be vested in the Secretary of State and

'placed at the disposal of the Forestry Commissioners'.

Landholdings are valued annually by an independent Chartered Surveyor in accordance with the RICS Valuation Standards (the 'Red Book'). The last valuation was as at 31st March 2011 and was provided by Fisher German, Chartered Surveyors. Landholdings in the Statement of Financial Position are shown at the valuations provided. Where the valuation is higher than the purchase price paid, the increase in valuation is credited to a Revaluation Reserve. Where land is valued at below the purchase price due to a change in market values then the loss on revaluation is charged to the Statement of Comprehensive Net Expenditure in the year of the revaluation. Similarly, where as a result of a proposed change of use there is impairment in the value of the land, the loss on impairment is charged to the Statement of Comprehensive Net Expenditure in the year of the impairment. This policy was not reflected in the 2009/10 Statement of Comprehensive Net Expenditure and there has been a restatement this year to rectify this. Where land is acquired and retained, the cost of the land is credited to a Capital Reserve. Changes in the value of landholdings arising from revaluation or impairment are reflected in the balance held in the Capital Reserve.

Where land is disposed of or transferred to FE, the difference between the valuation at which the land is being held and the sale proceeds, where lower, is charged wholly to the Statement of Comprehensive Net Expenditure in the year of disposal or transfer.

Depreciation

Depreciation is provided evenly on the cost of furniture and fittings and information technology assets, to write them down to their estimated residual values over their expected useful lives. Expectations are informed by past experience and reflect anticipated usage of such assets. Furniture and fittings have an expected useful life of between 3 and 10 years. Information technology assets have an expected useful life of between 3 and 5 years.

Cost of Capital charge

From 2010/11 capital charge interest is no longer applied, in line with FReM. Prior year comparative figures have been adjusted to reflect this change in accounting policies. In previous years, a charge, reflecting the cost of capital utilised by the

Notes to the Accounts cont.

Company, was included in operating costs. See Note 12 to the accounts 'Prior Period Adjustments'.

Grant in aid and other income

Grant in Aid received to finance activities and expenditure which support the statutory and other objectives of the entity is treated as financing, credited to the Income and Expenditure Reserve, because it is regarded as contributions from a controlling related party.

Grant relating to capital expenditure is credited either to deferred capital grant or the Capital Reserve depending on the nature of the spend. It is released to expenditure over the expected useful life of the asset.

Other income is analysed in Note 5 to the Financial Statements.

Section 106 income

Section 106 monies from local authorities are recognised at the time that there is a guarantee that known sums will be paid to the Company for Forest creation purposes.

Capital Reserve

The Capital Reserve represents a deferred income account in respect of land.

Organisation restructure

The Company has secured Cabinet Office approval for its redundancy scheme associated with plans for an organisational restructure. Identified staff will leave on voluntary redundancy or approved early

retirement terms during 2011/12. Where staff to leave are known, leaving dates have been agreed and termination benefits determined, then costs arising from these departures are accrued for within the year's accounts.

Leases

A finance lease is one which transfers substantially all the risks and rewards of ownership to the lessee. An operating lease is a lease other than a finance lease.

Where the total of future minimum lease payments are known, the expense is recognised in the Statement of Comprehensive Net Expenditure on a straight line basis over the length of the lease. Otherwise, payments are charged to the Statement of Comprehensive Net Expenditure as they are incurred.

Non controlling party grants

Grants used for revenue expenditure are credited to the Statement of Comprehensive Net Expenditure in the same period as the expenditure to which they contribute.

Related party transactions

Defra is regarded as a related party. During the year, the NFC received grant in aid from the Department as disclosed in Note 4.

During the year, none of the Directors, staff or other related parties has undertaken any material transactions with the NFC, other than those disclosed in Note 16.

Financial Instruments

Financial assets are recognised when the Company becomes party to a financial instrument contract or in the case of trade debtors when goods and services are delivered. Financial assets are derecognised when the contractual rights have expired or the asset has been transferred. Initially recognised at fair value, the classification of financial assets depends on the nature and purpose of the financial asset and is determined at the time of initial recognition. Financial liabilities are recognised on a similar basis with the liability discharged when the liability has been paid or expired.

Staff costs and pensions

The NFC accounts for staff costs and pension contributions in the periods for which they are payable. The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme. The NFC is unable to identify its share of the underlying assets and liabilities. The Scheme administrators carry out actuarial valuations of the Scheme and prepare full accounts for the Scheme.

The NFC recognises in its accounts those costs collected from it by the Scheme administrators in respect of Accruing Superannuation Liability Charges (ASLCs), which are shown as "Pension Costs".

Note 2

Staff numbers and related costs

	2010 – 11	2009 – 10
	£	£
Costs of permanently employed staff, including Directors:		
Salaries	743,616	727,011
Social security costs	53,628	56,295
Other pension costs	127,897	124,424
	<u>925,141</u>	<u>907,730</u>
Redundancy and early retirement costs	89,000	-
Costs of temporarily employed staff	-	-
	<u><u>1,014,141</u></u>	<u><u>907,730</u></u>
All staff are eligible for membership of the Principal Civil Service Pension Scheme (PCSPS) details of which are included in the Remuneration Report.		
Average number of persons employed		
The average number of employees, including Directors, employed was:		
Directors (including Chief Executive)	9	9
Staff	18	19
	<u><u>27</u></u>	<u><u>28</u></u>

Notes to the Accounts cont.

Note 3	2010 – 11	2009 – 10
Other Expenditure	£	Restated £
Programme Expenditure:		
Site development and projects	177,647	376,550
National Forest Tender Scheme	356,349	273,132
Changing Landscapes Scheme	547,653	336,723
Programme Development Fund	360,624	382,875
Cycle Centre project	873,016	153,061
Freewoods (small scale woodland grants)	70,254	64,715
Running costs	309,815	406,596
Research expenditure	42,344	92,416
Rentals under operating leases	35,214	34,633
Fees payable to the Company's auditors for the audit of the:		
- Annual accounts	9,000	9,050
- IFRS compliant restated accounts	-	2,262
Non cash item:		
Amortisation of grant	(5,757)	(3,742)
	<u>2,776,159</u>	<u>2,128,271</u>
Depreciation	5,757	3,742
	<u><u>2,781,916</u></u>	<u><u>2,132,013</u></u>
Note 4		
Grant in Aid		
Received in the year	3,350,000	3,310,000
Expenditure on fixed assets:		
- Land	(755,732)	(785,400)
- Property, plant and equipment, excluding land	(14,320)	(12,437)
	<u>2,579,948</u>	<u>2,512,163</u>
Note 5		
Other Income		
Cycle Centre project*	807,600	204,984
Donations and sponsorship	103,108	75,843
'Making Woods Work' funding from emda	61,244	12,037
East Staffordshire Borough Council contribution to land acquisition	50,000	-
Tourism programme: local authority contributions and advertising revenue	42,359	40,181
Section 106 agreement	30,700	-
Forestry Commission contribution to woodland economy partnership	17,000	30,000
Other grants received	2,894	40,920
Sundry income	20,531	11,008
	<u>1,135,436</u>	<u>414,973</u>
Bank interest receivable	2,794	5,540

* The cycle centre will be an asset owned by the Forestry Commission which will be responsible for its operation and upkeep.

Notes to the Accounts cont.

Note 6

Corporation Tax payable	587	1,163
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Grant income and donations received by the Company are not subject to Corporation Tax.
Interest received of £2,794 (2010: £5,540) is, however, taxable at the rate of 21% (2010: 21%), resulting in the above tax charge.

Note 7**Property, plant and equipment**

	Land £	Furniture & Fittings £	Information Technology £	Total £
Cost or valuation				
At 1 April 2010	2,580,805	156,249	59,162	2,796,216
Additions during the year	1,193,978	-	14,320	1,208,298
Disposals/transfers during the year	-	(2,495)	(621)	(3,116)
Revaluation	16,000	-	-	16,000
At 31 March 2011	3,790,783	153,754	72,861	4,017,398
Depreciation or impairment				
At 1 April 2010	625,805	148,678	47,534	822,017
Charges in the period:				
Depreciation	-	1,869	3,888	5,757
Impairment	251,978	-	-	251,978
Revaluation	(78,000)	-	-	(78,000)
Depreciation charged on disposals/transfers	-	(2,495)	(621)	(3,116)
At 31 March 2011	799,783	148,052	50,801	998,636
Net Book Value 31 March 2011	2,991,000	5,702	22,060	3,018,762
Cost or valuation				
At 1 April 2009	1,349,250	153,515	70,780	1,573,545
Additions during the year	1,282,157	5,179	7,258	1,294,594
Disposals/transfers during the year	(72,352)	(2,445)	(18,876)	(93,673)
Revaluation	21,750	-	-	21,750
At 31 March 2010	2,580,805	156,249	59,162	2,796,216
Depreciation or impairment				
At 1 April 2009	374,250	150,290	63,501	588,041
Charges in the period:				
Depreciation	-	833	2,909	3,742
Impairment	353,829	-	-	353,829
Revaluation	(29,922)	-	-	(29,922)
Depreciation charged on disposals/transfers	(72,352)	(2,445)	(18,876)	(93,673)
At 31 March 2010	625,805	148,678	47,534	822,017
Net Book Value 31 March 2010	1,955,000	7,571	11,628	1,974,199

Notes to the Accounts cont.

Note 8 Impairments

As a result of applying the accounting policies set out above, £251,978 (2010: £353,829) has been charged to the Statement of Comprehensive Net Expenditure as a result of impairment in the value of the land owned by the Company.

Note 9	2010 – 11	2009 – 10
Trade receivables and other current assets	£	£
Amounts falling due within one year:		
Prepayments and accrued income	397,325	324,851
VAT	8,618	15,550
Other receivables	10,440	16,773
	<u>416,383</u>	<u>357,174</u>
Amounts falling due after more than one year:		
Prepayments and accrued income	5,173	-
Other receivables	1,807	8,772
	<u>6,980</u>	<u>8,772</u>
Total trade and other receivables	<u>423,363</u>	<u>365,946</u>

Note 10	2010 – 11	2009 – 10
Cash and cash equivalents	£	£
Balance at 1 April	364,250	1,185,947
Net change in cash and cash equivalent balances	(467,946)	(821,697)
Balance at 31 March	<u>(103,696)</u>	<u>364,250</u>

The negative balance as at 31 March 2011 is attributed to the timing of cashflows relating to the payment of construction costs and receipt of grants for the Cycle Centre. The bank account was never overdrawn.

Note 11	2010 – 11	2009 – 10
Trade payables and other current liabilities	£	£
Amounts falling due within one year:		
Corporation tax payable	587	1,163
Deferred income - government grants (capital)	6,829	5,757
Accruals and deferred income	146,973	40,214
	<u>154,389</u>	<u>47,134</u>
Amounts falling due after more than one year:		
Deferred income - government grants (capital)		
- between two to five years	20,933	13,442
	<u>20,933</u>	<u>13,442</u>

Notes to the Accounts cont.

Note 12

Prior period adjustments

In line with HM Treasury's Reporting Manual (FReM), capital charge interest is no longer applied. Prior year figures have been restated to be comparable to the current year. This £85,971 restatement has the following effect on the 2009/10 figures in the Statement of Comprehensive Net Expenditure:

'Other Expenditure' restated as £2,128,271 with removal of the entry reversing this when calculating 'Net Expenditure after interest and before taxation'.

The gain/loss on the revaluation or impairment of land is charged to the Statement of Comprehensive Net Expenditure, rather than to the I&E Reserve, as happened in 2009/10. The Statement of Comprehensive Net Expenditure for 2009/10 has therefore been restated. This reflects the Accounting Policy for 'Property, Plant and Equipment' as detailed on page 27.

Note 13

Commitments under operating leases

The future minimum lease payments under operating leases which the NFC is committed to make in the next year under operating leases are as follows:

	2010 – 11 £	2009 – 10 £
Obligations under operating leases comprise:		
Buildings, office accommodation lease		
Expiring within one year and not later than five years	26,786	24,983

Note 14

Other financial commitments

The Company has entered into contracts (which are not leases or PFI contracts), under the National Forest Tender Scheme and Changing Landscapes Scheme. The payments to which the NFC is committed, analysed by the period during which the commitments fall due are as follows:

	2010 – 11 £	2009 – 10 £
Not later than one year	381,381	408,542
Later than one year and not later than five years	314,852	544,860
	696,233	953,402

The Company is funded by Defra and the Directors expect funding to continue at levels that will cover these commitments.

Note 15

Financial Instruments

IFRS 7 and IAS 32 and 39 require disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities.

The NFC has no borrowings and relies primarily on Defra grants for its cash requirements and is therefore not exposed to the degree of financial risk faced by business entities. Financial assets and liabilities are generated by day to day operational activities rather than being held to change the risks facing the NFC in undertaking its activities. The following paragraphs provide an overview of the major financial risks for the NFC and how they are managed at the individual level.

Liquidity Risk

The NFC has no borrowings and relies primarily on Defra grants for its cash requirements and is therefore not exposed to any significant liquidity risks.

Market Risk – Interest Rate Risk

The NFC has no financial liabilities such as bank loans. The majority of the NFC's financial assets and financial liabilities carry nil or fixed rates of interest. The NFC is therefore not exposed to any significant interest rate risk.

Notes to the Accounts cont.

Credit Risk

Credit risk is the possibility that other parties might fail to pay amounts due to the NFC. Credit risk arises from deposits with banks as well as credit exposures to the NFC's trade debtors. The NFC's surplus operating cash is only invested with banks that are rated independently with a minimum rating of A1, P1, F1, or A+. Cash assets are held with the Co-operative Bank.

Foreign Currency Risk

The NFC has no foreign currency income or expenditure. All material assets and liabilities are denominated in sterling. The NFC is therefore not exposed to any significant foreign currency risk.

Fair Values

The fair values of financial assets and financial liabilities for the NFC approximate to their book values.

Note 16

Related party transactions

The NFC is a Non-Departmental Public Body (NDPB) sponsored by Defra which is regarded as the Company's controlling related party. During the year, the Company received £2,579,948 (2010: £2,512,163) as financing, revenue grant in aid and £770,052 (2010: £797,837) capital grant in aid from Defra.

In accordance with the Land Acquisition Policy agreed between the Company and Defra, where Forest Enterprise (FE) is the preferred partner, an expedited procedure is followed to enable an early transfer of the freehold of the land to FE. In such cases the freehold in the land is vested in the Secretary of State and 'placed at the disposal of the Forestry Commissioners'. During the year, no such acquisitions were completed. (2010: one acquisition at a cost of £271,802).

During the year, no Director or other related parties has undertaken any material transactions with the Company.

Note 17

Post balance sheet events

There have been no adjusting or non-adjusting post balance sheet events.

The Report of the Directors and Accounts have been authorised for issue on 24 June 2011 by the National Forest Company's Chief Executive and Directors.

National Forest – Summary of main achievements during the five years 2006/07 to 2010/11

	2006/07	2007/08	2008/09	2009/10	2010/11
New Forest creation					
Target	340–360ha	185–190ha	150–200ha	200–250ha	195–245ha
Outturn	351ha	119ha	121ha	204ha	195ha
Public access					
New full open access sites					
Target	325ha	200ha	125–185ha	150–185ha	125–150ha
Outturn	387ha	261ha	178ha	128ha	137ha
Nature conservation and cultural heritage habitat created or brought into management					
Target	100ha	35ha	50ha	50ha	35–50ha
Outturn	100ha	39ha	58ha	59ha	57ha
Number of people involved in Forest related activities					
Target	12,000	13,000	20,000	20,000	20,000
Outturn	20,600	21,000	23,200	25,000	20,000
Number of children involved in environmental education visits to the Forest					
Target	30,000	33,000	40,000	40,000	40,000
Outturn	37,800	38,000	41,000	35,800	37,000

Target achieved

Target not achieved



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