



THE NATIONAL  
FOREST



trees and counting...

National Forest Company  
Annual Report and Accounts 2012-13

# **National Forest Company Annual Report and Accounts 2012-13**

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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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).

Designed and produced by [www.designwall.co.uk](http://www.designwall.co.uk)



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#### Images:

Front cover: (photo: C Beech)

Page 1: (photo: 2020Vision/B Hall)



# The Chair's Foreword

30m  
trees and counting...

*Catherine Graham-Harrison*

Catherine Graham-Harrison OBE  
Chair



## Local success, national recognition

This, the second year of my chairmanship of the National Forest Company, has been conspicuous for a balance of both local and national success.

Perhaps even five years ago, The National Forest would not have appeared in a national photographic project featuring 20 projects across the UK, all working at the large scale to achieve the restoration of our landscapes and the healing of our natural environment. It is therefore terrific to see the Forest featured in the 2020VISION project, with stunning large-scale photos (exhibited outside, at Swadlincote and Calke Abbey), a book and a film. I've been delighted at how the exhibition has reached a wide audience by being at two contrasting locations, as we hoped.

No less compelling, even if not quite so photographic, is the Government's response to the Independent Forestry Panel's report, its Forestry and Woodlands Policy Statement. The message is, from our point of view, spot on: we wholeheartedly endorse an emphasis on 'Protecting, Improving and Expanding' (PIE) the UK's forests and woodlands. To us, 'PIE' makes perfect sense and you will see all three themes reflected in this report.

In terms of forest expansion, one of the big achievements of the Company's year has been to secure more than 200ha of new planting, in challenging times. We do this sensitively, aware that many sites do not require intense planting: small scale schemes and those with open space and grazing all play their part.

An undoubted highlight of the year was welcoming the Duke and Duchess of Cambridge for the occasion of HRH the Duke planting the 8 millionth tree in the Forest, in the grounds of the new national football centre at St George's Park, near Burton upon Trent, whose landscape we helped to influence over its years of development.

In terms of improvement, within the 'PIE' priorities, I am excited by developing thinking on creating the best habitat networks. The message is that there is a hierarchy, with more diverse and better functioning sites having first place above more or bigger ones: we will take that message to heart whilst we continue to expand the Forest to achieve a properly forested landscape.



Equally, in terms of protection, we are acutely aware that the hundreds of maturing woodlands in The National Forest require active management in the next decade. The dread which we all feel with the arrival of ash dieback in the UK is only one challenge amongst many, as we look to protect the green assets of our national forest estate. However, mitigating the risks of pests and diseases through management also maximises the ultimate value of the wood products, which is key.

More cheerily, it was a great pleasure to join HRH the Princess Royal and many others for the celebration of Her Majesty's Diamond Jubilee at the Queen Elizabeth Diamond Jubilee Wood, Normanton, the flagship site amongst many, planted as part of the Woodland Trust's Jubilee campaign. We wish the Trust the very best as it develops and looks after this site for local people, for visitors and for the nation. It was our pleasure to help enable it to happen by transferring a big block of land to the Trust.



Finally, as someone with a background in heritage, this has been a great year for The National Forest. I chair the National Trust's Architectural Panel so you can imagine my delight when the Trust acquired an exquisite property, Stoneywell, in

Charnwood. It will be a small and utterly beguiling arts and crafts addition to the attractions of the Trust and of the Forest, set as it is in the granite backdrop of Charnwood.

Then, to close an already successful year, we learnt that the Heritage Lottery Fund will support a very important programme in the Heart of the Forest. Local involvement will make the most of the industrial and natural heritage of that part of the Forest where the transformation has been greatest. We will look with equal verve to our past and to the future and I am sure that with the Heart of the Forest Community Forum's leadership alongside us it will be massively successful.

The year to come will see more change and development as we look to our long-term future and I am sure that we will continue to make great strides. I thank most sincerely all our partners, our business friends and our funding Department, Defra, for accompanying us through the year; we have depended greatly on your support.

**Images:**

Page 2: Dunstall parkland scheme (photo: J Rock)

Page 3 top: Plant a Tree event (photo: 2020Vision/P Cairns)

Page 3 right: Common blue butterfly (photo: M Vaughan)

Page 3 left: HRH the Duke of Cambridge planting the 8 millionth tree (photo: Getty Images/The FA)



# Chief Executive's Review of the Year

trees and counting...

*Sophie Churchill*

Sophie Churchill OBE  
Chief Executive/Accounting Officer

I hope you find that this report gives a clear and succinct story of 2012 – 2013. It is structured against the National Forest Company's Business Plan, which derives from the 2004 – 2014 Forest Strategy. I would like to pay tribute to my colleagues for a terrific year of delivery.

By way of summary, I underline these aspects of the year:

- Our forest creation rate was c25% higher than last year and represents c8% of planting in England in 2012.
- We spent time this year planning for a major forest and management programme going forward, aiming to bequeath hundreds of woodlands in fine fettle for future generations. The new Rural Development Programme for England is awaited and we hope that this will include realistic support for woodland management.
- For our tourism and visitor partners and businesses it was a very tough year, with poor weather and the 'stay at home' attractions of the Jubilee and the Olympics, even though the latter did give rise to some great celebrations. This affected numbers at our own Wood Fair and we hope for better conditions in 2013.
- The National Forest Way is becoming more of a reality and having walked most of the route myself (pre-waymarking) I can testify to what a varied and enjoyable walk it will be. We rely on our partners to make it happen and readily acknowledge their key contribution to the Forest.
- We generated nearly £1m this year, including land sale proceeds, above our £3.007m grant in aid. Building a sustainable future, in resources and governance, is a key work programme and we are especially grateful to our friends at the National Forest Charitable Trust for their work with us in considering future options, during 2012 – 2013.



**Images:**

Page 4: NFC owned site at Seale Lodge (photo: J Rock)

Page 5: Short eared owl at Hicks Lodge (photo: M Vaughan)

# A national exemplar and contributor to national policy

The National Forest is more than a local project. It also exists to contribute to national thinking and practice in sustainable development, led by forestry.



This year The National Forest was cited both in the Independent Panel on Forestry's report, relating to its success in bringing woodland closer to communities, and in the Government's response to the Panel's report, where the Forest's rate of creation and the move towards systematic management of the Forest's woodlands were featured.

In 2012 – 2013 the NFC has established a link with Forest Research and Natural England around their research on habitat networks, with the aim of contributing long-term to this research and becoming a testbed for implementing the Natural Environment White Paper's ambition for large-scale restoration of landscape and ecosystems.

The replicability of The National Forest is a key issue for its exemplar status and the NFC will continue to offer its guidance on this as invited, including options for a less wide-ranging version, which would nevertheless provide major ecosystems and economic gains.

## 'Ecosystems services': a crucial concept – or a turn off for the average person?

The natural environment sector suffers from its own obscure language just like any professional area, whilst it is also trying very hard to bring exciting and crucial ideas to a wider public. As part of the NFC's national exemplar role we engage in the thinking but try not to succumb to the jargon – when we're in public.

So, just for the record, for us 'ecosystems services' describes all the vital ways in which different elements of the natural world provide for us and future generations, be it clean air or water, food or beauty. Whether or not we should try to put pound signs against them all and whether anyone will really pay for them is another debate.

The idea is important. The reality of ecosystems services is important. The work of the National Forest Company and its partners in bringing to life 200 square miles that will provide for people and biodiversity (wildlife if you prefer) into the future is *very* important.





# Forest Creation and Woodland Management

[www.nationalforest.org/woodproductsandservices](http://www.nationalforest.org/woodproductsandservices) launched in March 2013, provides details of woodland products and services from businesses in and around The National Forest to help stimulate the woodland economy. It is an important part of our forest and woodland management programme and part of the national 'Grown in Britain' campaign.



The core task continues: moving forward towards a forested landscape with resilient ecosystems and rich biodiversity, well used by all. 19.5% of the 200 square miles is now in forest use, from c6% at the outset. This compares with 12% across the UK.

As ever, whilst we report in a matter-of-fact fashion on hectares achieved, how that is delivered varies from year to year and requires a great deal of invention, given competing land uses and high land prices. This year the figure, at 204ha, was 25% up on that of last year. 2,600ha were planted in England in 2012, The National Forest delivering c8% of this figure.

This year we have been very pleased with the early take up of our new parkland scheme. Scattered trees in grazed fields constitute a recognised forested landscape and will be more appropriate than intensive woodlands in some areas of the Forest.



Farmers and agriculture remain important to The National Forest. The National Forest Company fully supports the ambition of increased sustainable food production in the UK and we expect large-scale conversion of agricultural land to be relatively unusual. Having said that, following the creation of the Queen Elizabeth Diamond Jubilee Wood last year through an approach from a farmer, a landowner has this year chosen to sell some of his land in Charnwood to the

## Targets

180 – 200 ha of new forest creation  
(140 – 160ha in 2011 – 2012).

60 – 75ha of biodiversity habitats.

At least 15 landowners to have been offered individual woodland management advice.

By March 2013 have in place a systematic plan for management of woods ready for first thinning.

## Progress

**Exceeded.** 204ha created via land acquisition (63ha), Changing Landscapes Scheme (69ha), Freewoods and Parkland Schemes (17ha), mineral restoration (49ha) and development related planting (6ha).

**Achieved.** 63ha, including 35ha of restored wetland habitats at Bardon Quarry.

**Exceeded.** More than 40 visits completed, following a decision to put more resource into this area, given it is a critical time for woodland management.

**Reframed.** A more comprehensive Forest and Woodland Management Programme is under development within which thinnings are a key component. Implementation to begin 2013 – 2014.



NFC. This will be an opportunity for biodiversity and business engagement, in an area which will still maintain agricultural productivity.

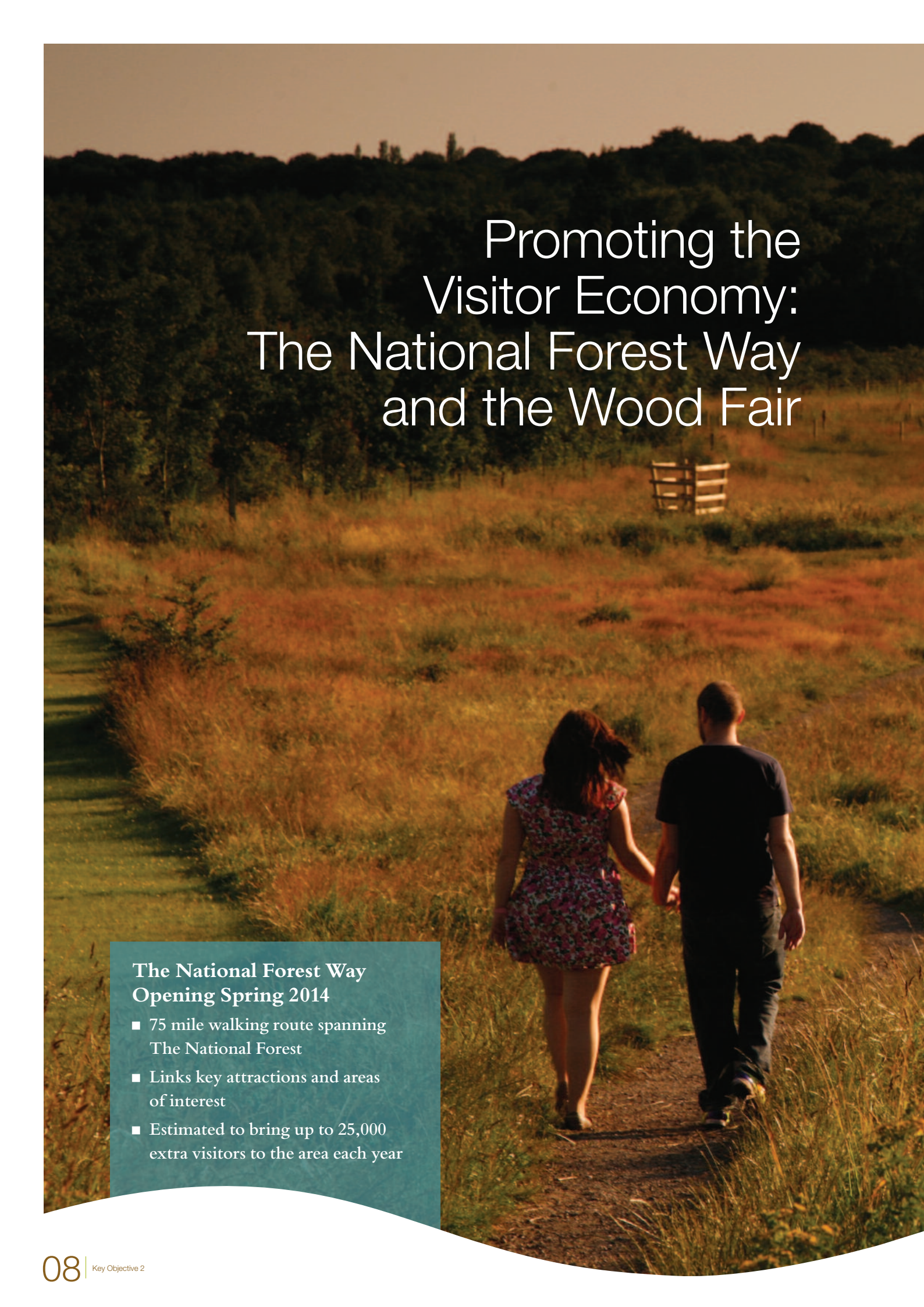
As stated in the introductory summary, an increasing amount of staff time and some financial resource will go into forest and woodland management, engaging intensively with landowners but also with local people and the industry. Early thinnings are vital, helping strong trees to develop, wildlife to flourish and access for people.

### Images:

Page 6: (photo: C Beech)

Page 7 top: (photo: C Beech)

Page 7 left: Woodland creation co-exists with agriculture (photo: J Rock)

A couple is walking away from the camera on a dirt path that winds through a field of tall, golden-brown grass. In the background, a dense forest of green trees stretches across the horizon under a clear sky. A wooden fence is visible in the middle ground to the right. The overall scene is peaceful and scenic, suggesting a natural setting like a national forest.

# Promoting the Visitor Economy: The National Forest Way and the Wood Fair

## The National Forest Way Opening Spring 2014

- 75 mile walking route spanning The National Forest
- Links key attractions and areas of interest
- Estimated to bring up to 25,000 extra visitors to the area each year



For the first time this year, The National Forest's visitor economy was estimated at over £300m (£315m). The steady growth in the visitor economy is one of the major achievements of The National Forest to date.

We are immensely grateful to our partners in the local authorities and the Destination Management Partnerships who develop the destination with us, even in difficult fiscal and meteorological conditions.

The National Forest Way, a 75 mile trail through all the landscapes of the Forest, will open in 2014. This will mark the 'coming of age' of the Forest as a recreational destination and will be a major increase in the visitor offer. Again, we are grateful to the County Councils in particular for their support.



## Targets

Finalise National Forest Way route by November 2012.

By March 2013, begin work to upgrade signage and facilities on the route.

Pilot a two day Wood Fair aiming for increased visitor numbers, income and exhibitors.

## Progress

**Underway.** Some delays due to permissions and weather. Landowner reactions have been positive so far with only two route adjustments likely to be required. No risk to the opening in 2014.

**Achieved.** NFC working closely with County Councils which will be upgrading their existing Public Rights of Way.

**Achieved** as a pilot, but visitor numbers and income over two days comparable with best figures for a one day event in previous years.



In 2012 we experimented with the National Forest Wood Fair, a major opportunity for wood-based businesses, going to two days. The weather was not with us and numbers did not meet their targets, but the feedback from those that did go was excellent. We will develop new attractions within the event in 2013, reverting to one day.

### Images:

Page 8: An evening stroll at Albert Village (photo: C Beech)

Page 9 top: (photo: M Vaughan)

Page 9 left: NFC Chief Executive Sophie Churchill, with Councillor and Mrs Lewis, Chair of Leicestershire County Council, at National Forest Wood Fair (photo: J Rock)

A photograph of a young tree nursery. In the foreground, several young trees are planted in a field of green grass. Each tree is protected by a white, cylindrical sleeve. The background is a dense forest of trees with vibrant autumn foliage in shades of yellow, orange, and red. The text is overlaid on the upper right portion of the image.

Generate further income  
beyond grant in aid  
and work towards  
long-term sustainability



The Board has embarked on a long-term programme to secure the future sustainability of The National Forest, in all respects, for generations to come.

As part of this, we have engaged with people of influence and explored options for future organisational models. Discussions with the National Forest Charitable Trust and Defra have been taken forward, with a view to making the governance and delivery of the Forest as efficient as possible and attractive to a wide range of supporters.



| Targets  | Progress   |
|--|--|
| 40 key influencers invited to attend events.   | <b>Achieved.</b>   |
| Test engagement methods for major donors.  | <b>Underway.</b> Slightly delayed due to other priorities but to take place in June 2013.                          |
| Secure private sector support for the National Forest Way and the National Forest Wood Fair. | <b>Achieved</b> for the National Forest Way.<br><b>Not Achieved</b> for the Wood Fair.                             |
| Deliver the first year of the 'Friends of the National Forest' scheme.                       | <b>Achieved.</b> Nearly 20% of Friends are life members.   |
| Two new sponsors secured.  | <b>Achieved</b> for the National Forest Way and 2020VISION.  |
| £130,000 – £180,000 income from individuals and businesses.                                  | <b>Achieved.</b> £178,391 secured, including businesses £163,203 Plant a Tree with members of the public, £15,188. |



As stated in the Chair's introduction, the consistent support of businesses is vital to The National Forest. They have enabled us to meet planting costs on our own sites, increase community engagement and make special projects happen, such as the National Forest Way and the national photography project, 2020VISION.

**Images:**

Page 10: (photo: 2020Vision/R. Hoddinott)

Page 11 top: Employees from sponsors PHS Direct gather for tree planting at Scale Lodge (photo: J Rock)

Page 11 left: Comedian and actor Alistair McGowan plants the first tree in Comedy Wood instigated by Dave's Leicester Comedy Festival (photo: D Cresswell)



# Local engagement and inclusion

## Heritage Lottery Fund project

The HLF project will connect people with the rapid landscape-scale change in the Heart of the Forest. It will identify the natural and industrial heritage assets of the area. Through a major community engagement, volunteering, education and training programme it will greatly increase local stewardship. Landowners will devise and implement a new Estate Delivery Plan for the area to make the most of its new, green assets.



The Independent Panel on Forestry and the Government policy response both spoke of developing a woodland culture, in which familiarity with woodlands and forestry is more widespread, woods are more visited, enjoyed and understood and their full value is extracted.

This is not an overnight aspiration and we have continued to work steadily with groups across the Forest to build up the capacity to look after their woodlands. This includes encouraging local volunteering.



| Targets   | Progress   |
|---|--|
| Work with at least 10 groups across the Forest to deliver community-led activity at 8 forest sites, contributing to looking after woodlands.            | <b>Exceeded.</b> Actively supporting 12 sites with further on-going activity in a further c15.   |
| Develop a Heritage Lottery Fund proposal.   | <b>Exceeded.</b> Developed, with the Heart of the Forest Community Forum and the National Forest Charitable Trust, and successful. Development funding for a first year secured with potential for £858,000 over four years. |
| Deliver a high quality consultation with local communities on the Heart of the Forest area relating to involvement in creating and managing the Forest. | <b>Exceeded.</b> This was achieved, and to such a standard that it formed a key part in the evidence of need and demand for the HLF bid which influenced the positive outcome.   |
| 20,000 adults taking an active role in the Forest.  | <b>Exceeded.</b> 21,300 involved. This is done through a range of management agreements and grants, enabling volunteering, health activities, work in schools and arts exhibitions.  |
| 38,000 adults and children taking part in environmental education.  | <b>Exceeded.</b> 41,700 participated. Delivered through forest centres and schools. A new partnership is being developed with Derby University.  |
| 15% of participants from communities at risk of exclusion.  | <b>Exceeded.</b> 16.8%. Partners target NEETs and schools with a high percentage of free school meals.   |



This year has seen the successful development of the Heart of the Forest Forum, the lead body for the HLF programme. We are excited with the prospect of four years of opportunities to protect and enhance the natural and industrial heritage of the area.

**Images:**

Page 12: Planting event at Hicks Lodge (photo: C Beech)

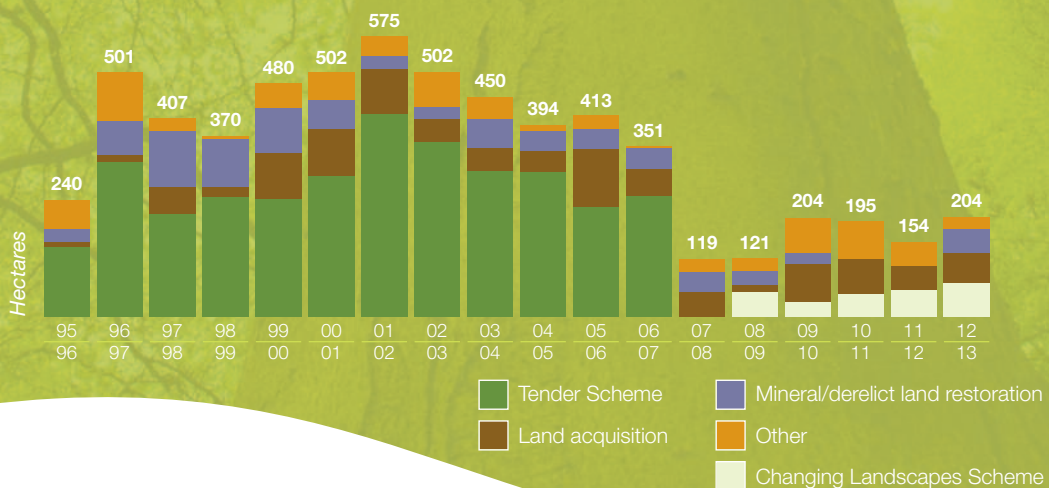
Page 13 top: Volunteers dry stone walling (photo: J Rock)

Page 13 left: Pupils from St Edward's Catholic Primary School, Swadlincote, planting trees in celebration of the Queen's Diamond Jubilee. (photo: South Derbyshire District Council)

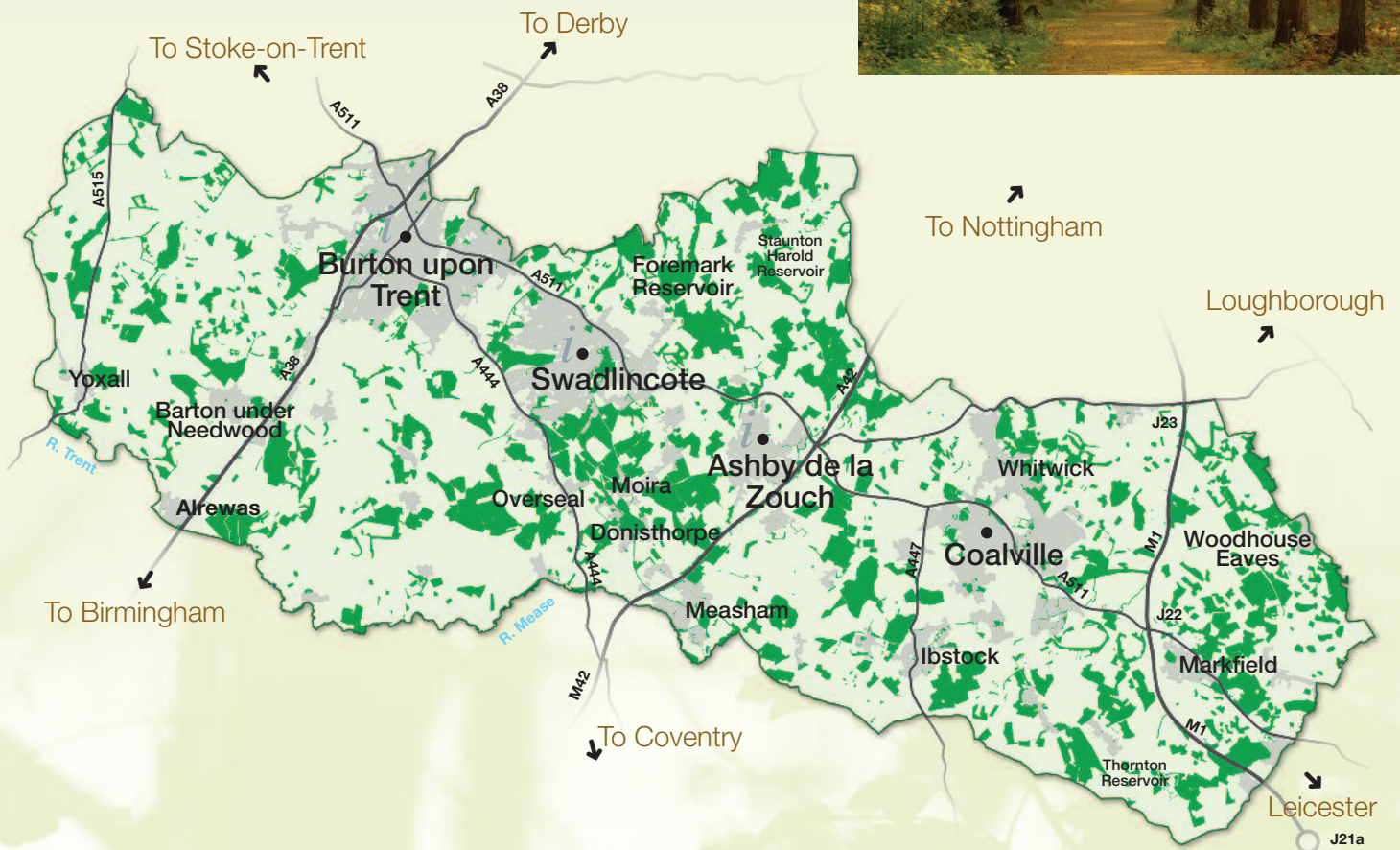


# Growing Achievements

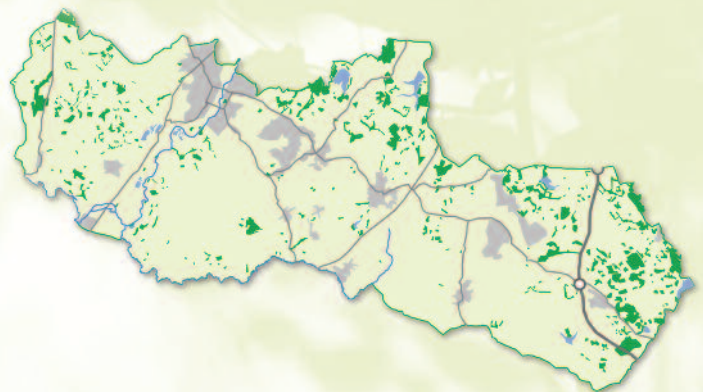
Forest creation year on year



**The National Forest at  
31 March 2013 with  
woodland cover at 19.5%**



**Pre National Forest  
woodland cover 1991**



**Images:**

Page 14: (photo: 2020Vision/B Hall)

Page 15 top: (photo: 2020Vision/B Hall)

Page 15 left: Fritillary (photo: M Vaughan)

## Board of Directors



### Catherine Graham-Harrison OBE (Chair)

Catherine is a Board Member, Natural England and Chair of Architectural Panel, National Trust.

### Sophie Churchill OBE (Chief Executive)

Sophie is a Trustee of the National Forest Charitable Trust and Chair of TREE AID.

### Roger Clarke

Roger is Chair, Friends of the Earth. He is a Non-Executive Director of The Conservation Volunteers and Woodbrooke Quaker Study Centre and Board member of Practical Action.

### Tony Hams OBE

Tony is Chair, Derbyshire Wildlife Trust and Chair, East Midlands Biodiversity Partnership. He is a Non-Executive Director of Natural England and a Director of UK Task Group 37. He is also a member of the National Trust's Advisory Board for the Midlands Region, a member of the Wildlife Trusts for England National Council and Board member of the Lowland Derbyshire and Nottinghamshire Local Nature Partnership.

### David Nicholls

David is Environment Officer, Leicestershire County Council. He is also Chair and Company Secretary of Naturespot Ltd.

### Robin Pellew OBE

Robin is an independent conservation/heritage consultant. He is Chairman, Cambridge Past, Present and Future.

### Susan Warren\*

Susan is Director of Development and Policy, Devon Wildlife Trust.

### Judith Webb MBE\*

Judith runs her own consultancy business, JW Associates. She is a Non-Executive Forestry Commissioner; a Secretary of State appointee to the Cotswold AONB 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 National Tree Safety Group and Chair of the Deer Initiative's Best Practice Group. She is also a Director of The Deer Initiative Ltd and a Trustee of the Herefordshire Nature Trust and British Horse Loggers Charitable Trust.

\* Term of office expired 31 March 2013.

#### Above from left to right:

Tony, Catherine, Sophie, Susan, Robin, Judith, Roger, David

# Report of the Directors

The Directors present their report and the audited financial statements for the year ended 31 March 2013.

## Principal activities

The National Forest Company (NFC) 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.

## Funding

Grant in aid is paid to the Company under Section 153 of the Environmental Protection Act 1990.

Following the 2010 Spending Review, the NFC was advised that its funding would reduce by 19% over the period to 2014-15. The budget allocation for 2012-13 was set at £3.007 million (Administration £0.368m, Programme £2.639m), excluding a depreciation allowance. The NFC has been advised that its budget for 2013-14 will be as indicated in the SR10 settlement, i.e. £2.855 million (Administration £0.346 million, Programme £2.509 million), excluding a depreciation allowance.

## Business review and future developments

Priorities and objectives for 2012-13 were detailed in the Business 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 and align with Defra's Structural Reform Plan. Activity for the year included:

- 204ha of new forest creation secured, above the target range of 180 - 200ha. Woodland cover across the Forest at the end of March 2013 was 9,792ha which equates to 19.5% of the area,

maintaining good progress towards the eventual target of around one third;

- 63ha of nature conservation sites were created or brought into management (target range 60 - 75ha);
- 154ha of new and/or planned public access secured (target range 140 - 160ha);
- Over 40 Changing Landscapes Scheme (CLS) and Freewoods site monitoring visits undertaken, highlighting future management requirements;
- Land ownership transfer to the Woodland Trust contributed to the creation of the Queen Elizabeth Diamond Jubilee Wood, launched by HRH the Princess Royal in June 2012;
- Final route agreed for the National Forest Way long distance trail; sponsorship secured and works underway in the Leicestershire part of the Forest;
- Targets for 20,000 people taking an active role in the Forest and 38,000 adults and children participating in environmental education programmes were exceeded;
- Heritage Lottery Fund (HLF) bid secured for programmes of volunteering and engagement in woodland management in the Heart of the Forest, linked with the industrial and natural heritage of the area; and
- £178,391 income generated from donations/sponsorship (2011-12: £145,568).

A summary of the main achievements during the last five years is shown on [page 45](#).

Objectives for 2013-16, together with priorities and key performance measures for 2013-14 are detailed in the NFC's 2013 Business Plan, agreed with Defra, which can be viewed at [www.nationalforest.org/about\\_us](http://www.nationalforest.org/about_us)

Priorities for 2013-14 include:

- securing a further 135 - 150ha of new forest creation whilst initiating a sustained and systematic forest and woodland management programme aimed at ensuring the long term sustainability of the Forest;
- creating 180ha of public access and 45ha of biodiversity habitats;
- encourage greater public responsibility for the management of local woodlands;
- preparing the National Forest Way, using around 75 miles of existing Rights of Way, for opening in Spring 2014;
- further develop the close working relationship with the National Forest Charitable Trust (NFCT) linking this with consideration of the most appropriate future organisational, funding and governance arrangements for The National Forest;
- generating further income beyond grant in aid;
- producing the strategy for The National Forest for 2014 and beyond;
- promoting the tourism and visitor economy of the Forest; and
- implementing the development phase of the HLF project.

## 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.

## Report of the Directors (continued)

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. This limit may be exceeded with the agreement of Defra and at the end of March 2013 NFC landholdings totalled 223.1ha (31 March 2012: 309.6ha).

In the first quarter of 2012-13, the NFC completed the third and final phase of acquisition of land at Normanton le Heath. The site, amounting to 116ha, was then disposed of to the Woodland Trust. The NFC also acquired 41.1ha of land at Nanpantan.

### Research and Development

During the year £39,031 was spent on research (2011-12: £17,621) with the main areas of activity being:

- consideration of future governance options for overseeing The National Forest;
- major donor research;
- annual statistical analysis of the economic impact of tourism on the Forest area;
- evaluation of the National Forest & Beyond visitor campaign; and
- national survey to assess awareness 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 standard term of payment for supplier contracts is 30 days from receipt and agreement of a valid invoice. This is embedded in all contracts with suppliers, with any exceptions agreed

as part of contractual negotiations. However, the Company aims to pay undisputed invoices within 5 days and 61% have been paid within this timescale (2011-12: 61%); 91% were paid within 10 days (2011-12: 88%). 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, staff at Grade 6 or below employed by the NFC received a 1% salary increase in July 2012. No increase was awarded in 2010 or 2011.

The Company consults with all staff on operational matters and in the formulation of policy and targets. During the course of 2012-13 staff have been kept informed of Board level discussion on future organisation and governance of The National Forest.

### Sickness absence

Staff absence due to sickness equated to an average of 1.4 days per employee during the year (2011-12: 1.4 days).

### 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.

### Results for the year

The deficit (i.e. total net comprehensive expenditure) for the year before

accounting for the receipt of revenue grant in aid amounted to £2,781,186 (2011-12: restated deficit of £3,115,366).

### Directors

The Directors of the Company as at 31 March 2013 and their initial appointment dates are as follows:

|                           |                 |
|---------------------------|-----------------|
| Sophie Churchill          | 1 February 2006 |
| Roger Clarke              | 1 April 2011    |
| Catherine Graham-Harrison | 1 April 2011    |
| Tony Hams                 | 1 April 2010    |
| David Nicholls            | 1 April 2010    |
| Robin Pellew              | 1 April 2007    |
| Susan Warren              | 1 April 2007    |
| Judith Webb               | 1 August 2007   |

### Auditors

Mazars LLP were engaged to provide internal audit services to the NFC during the 2012-13 financial year. The Comptroller and Auditor General is the statutorily appointed auditor of the Company's financial statements.

### Website

The Annual Report and Accounts will be made available on the National Forest website [www.nationalforest.org](http://www.nationalforest.org)

Sophie Churchill  
Chief Executive/Accounting Officer

Angela Beech  
Secretary  
13 May 2013

# 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 2012-13 is detailed below in terms of salary, other payments, allowances and pension benefits.

| The average number of employees, including Directors, employed was: | 2012-13   | 2011-12   |
|---|-----------|-----------|
| Directors (including Chief Executive)                               | 8         | 8         |
| Staff (includes full and part time posts)                           | 14        | 15        |
|   | <u>22</u> | <u>23</u> |

| Staff costs, including Directors, totalled: | £              | £              |
|---|----------------|----------------|
| Salaries                                    | 604,639        | 619,635        |
| Social security costs                       | 47,675         | 49,496         |
| Other pension costs                         | 105,694        | 108,448        |
| Redundancy and early retirement costs       | 17,867         | 6,567          |
|   | <u>775,875</u> | <u>784,146</u> |

## Remuneration of Non-Executive Board Members

Non-Executive Directors are appointed by Defra following approval of their appointment by the Minister 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 an initial 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 2012, as was the case in 2010 and 2011.

All Directors receive their remuneration through the NFC payroll with no off-payroll arrangements in place.

## Emoluments of Chair (this information is subject to audit):

The Chair is remunerated on the basis of working 40 days a year.

| Name                      | Contract Expiry Date | 2012-13    |                    | 2011-12    |                    |
|---------------------------|----------------------|------------|--------------------|------------|--------------------|
|                           |                      | £ Expenses | £'000 Remuneration | £ Expenses | £'000 Remuneration |
| Catherine Graham-Harrison | 31 March 2014        | 1,600      | 10 - 15            | 1,100      | 10 - 15            |

\*Expenses are shown to the nearest £100.

## Emoluments of non-executive Directors (this information is subject to audit):

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

| Name           | Contract Expiry Date | 2012-13    |                    | 2011-12    |                    |
|----------------|----------------------|------------|--------------------|------------|--------------------|
|                |                      | £ Expenses | £'000 Remuneration | £ Expenses | £'000 Remuneration |
| Roger Clarke   | 31 March 2014        | 100        | 0 - 5              | 200        | 0 - 5              |
| Tony Hams      | 31 March 2016        | 600        | 0 - 5              | 500        | 0 - 5              |
| David Nicholls | 31 March 2014        | 200        | 0 - 5              | 200        | 0 - 5              |
| Robin Pellew   | 31 March 2014        | 900        | 0 - 5              | 1,000      | 0 - 5              |
| Susan Warren   | 31 March 2013        | 400        | 0 - 5              | 500        | 0 - 5              |
| Judith Webb    | 31 March 2013        | 800        | 0 - 5              | 600        | 0 - 5              |

\*Expenses are shown to the nearest £100.

## Remuneration Report (continued)

### Remuneration of the Chief Executive (this information is subject to audit):

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).

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 was 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 in April 2012, as was the case in 2010 and 2011.

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 2012-13 relates to performance in 2012-13 and the comparative bonus reported for 2011-12 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.

With effect from 1 June 2012, the contracted hours of employment of the Chief Executive increased from 33.5 hours to 37 hours per week. They had reduced to 33.5 hours from 1 April 2011.

Emoluments of the Chief Executive:

| Name  | Age | Contract Start Date | Contract Expiry Date | 2012-13<br>£'000 | 2011-12<br>£'000 |
|---|-----|---------------------|----------------------|------------------|------------------|
| Sophie Churchill                              | 49  | 1 February 2006     | 31 January 2016      |                  |                  |
| Salary  |     |                     |                      | 65 - 70          | 60 - 65          |
| Non-consolidated bonuses                      |     |                     |                      | 5 - 10           | 5 - 10           |
| Pension scheme contributions made by employer |     |                     |                      | 10 - 15          | 10 - 15          |
|   |     |                     |                      | <u>90 - 95</u>   | <u>80 - 85</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 'money purchase' stakeholder pension with an employer contribution (**partnership** pension account).

Employee contributions are salary-related and range between 1.5% and 3.9% of pensionable earnings for **classic** and 3.5% and 5.9% for **premium, classic plus** and **nuvos**. Increases to employee contributions will apply from 1 April 2013. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of services. 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 worked out as in **premium**. In **nuvos** a member builds up a pension based on his 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 give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

# Remuneration Report (continued)

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 [www.civilservice.gov.uk/pensions](http://www.civilservice.gov.uk/pensions)

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

|   | 2012-13<br>£    |
|---|-----------------|
| Sophie Churchill  |                 |
| 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 31/3/13 (within range)   | 10,000 - 15,000 |
| Total accrued related lump sum at age 60 at 31/3/13 (within range)                                  | -               |
| Cash equivalent transfer value (CETV) at 31/3/12 (nearest £'000)                                    | 165,000         |
| Cash equivalent transfer value (CETV) at 31/03/13 (nearest £'000)                                   | 196,000         |
| Real increase in CETV after adjustment for inflation and market investment factors (nearest £'000). | 19,000          |

The real increase in pension is the increase in the value of the pension over the year after considering the effect of inflation. The Chief Executive is a member of **premium** and does not automatically receive a lump sum, therefore no such disclosure is made.

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

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

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



## Remuneration Report (continued)

### Remuneration of staff

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, all staff except the Chief Executive received a 1% salary increase from 1 July 2012. No increase was applied in 2010 or 2011.

The NFC Board, upon the recommendation of the Audit and Risk Committee, has agreed that it is not necessary for salary and pension information in respect of senior officers below the level of Chief Executive to be disclosed in the Remuneration Report.

### Remuneration of the highest paid Director and the ratio between this and the median remuneration of the NFC's staff (this information is subject to audit)

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid Director in their organisation and the median remuneration of the organisation's workforce.

The remuneration of the Chief Executive, who is the highest paid Director in the NFC, in the 2012-13 financial year was £75,000 - £80,000 (2011-12: full time equivalent of £75,000 - £80,000). This was 2.37 times (2011-12: 2.41) the median remuneration of the workforce of £31,847 (2011-12: £31,539).

In 2012-13, no employees received remuneration in excess of the highest paid Director, as was the case in 2011-12.

Total remuneration includes full time salary equivalents, non-consolidated performance-related bonuses and excludes employer pension contributions and the cash equivalent transfer value of pensions.



Sophie Churchill  
Chief Executive/Accounting Officer  
13 May 2013

## 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 Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued 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 Financial 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

*Angela Beech*

Angela Beech

Secretary

13 May 2013

# Governance Statement

As the designated Accounting Officer for the National Forest Company (NFC), I have responsibility for the management and control of the resources used within the organisation. This Governance Statement explains the NFC's governance arrangements, describes how risk is managed, outlines the system of internal control and comments on the effectiveness of these arrangements.

The NFC is an Executive NDPB operating at 'arm's length' from its sponsor department, the Department for Environment, Food and Rural Affairs (Defra). The Department produces its own Governance Statement, the contents of which reflect the conclusions from the statements produced by all network bodies.

## Governance Framework

The NFC Board, comprising eight Directors (seven Non-executive Directors and the Chief Executive), is responsible for determining the strategy for the organisation, approving the annual Business Plan and ensuring that the Company has appropriate policies and procedures to fulfil its obligations with regard to the use of public funds. Directors adhere to a Code of Conduct which details the corporate responsibilities of the Board and the responsibilities of individual Board members.

Directors are selected to enable the Board to have an appropriate balance of skills, experience, independence and knowledge to discharge its duties effectively. In early 2012, the Board undertook a review of its own effectiveness which included consideration of the necessary skills mix. This informed decisions taken regarding the recruitment of two new Directors to join the Board from April 2013. Coupled with this, the Minister approved a recommendation for the reappointment of three Directors where periods of reappointment varied from one to three years so as to avoid

the situation where the majority of contracts expired at the same time as was the case.

Defra is responsible for the recruitment of Non-executive Directors to the NFC Board. It consults with the Company on requirements and the NFC Chair is a member of the selection panel. Appointments are made in accordance with regulations issued by the Commissioner for Public Appointments. Initial appointments are usually for a three year term of office.

The NFC Chair is appointed by the Minister of State to whom she is accountable and with whom she has an annual review when her performance is assessed against objectives agreed for the year. The Chair undertakes annual performance reviews with the Chief Executive and other Non-executive Directors.

The Board, when it reviewed its performance, concluded that it was working effectively and fulfilling its remit. One outcome was that the Board felt its discussions should be at a more strategic, rather than operational, level. This is now reflected in the agenda for Board meetings where the Chief Executive gives an oral strategic update which complements the commentary provided by the Chair. Board business conducted during 2012-13 also reflected this shift with business including consideration of the process to produce a new Forest strategy for 2014 and beyond, including the issues to address and consultation to undertake; approval of the Business Plan and monitoring of progress against objectives set; judging of Changing Landscapes Scheme applications; approval of a new parkland/wood pastures grant scheme; endorsing a proposal for NFC to act as Accounting Body for a Heritage Lottery Fund bid centred around the heart of the Forest; and consideration of future organisational and governance arrangements. The Board will next review its performance in May 2013.

In 2013-14 the NFC will be subject to a Triennial Review to assess its effectiveness and performance and to determine whether it remains the most appropriate vehicle to continue with the remit of overseeing The National Forest.

The governance and sponsorship arrangements for the NFC are set out in the new Framework Document finalised in 2012 which supersedes the Management Statement/Financial Memorandum. It sets out the arrangements that enable Defra to monitor NFC's performance and delivery; describes the controls that exist to safeguard propriety and regularity, and clarifies the roles and accountabilities of Defra and NFC.

The NFC complies with good governance practice principles for Executive NDPBs published by the Cabinet Office as they apply to the Company. A variation from specified good practice, is that the NFC does not have a Remuneration Committee to make recommendations on the remuneration of senior executives. The Board agreed that it was not necessary to establish such a committee. The salaries and terms and conditions of employment of NFC staff are analogous to those of staff employed in core Defra. Salary reviews applied within the Department are applied to NFC staff. The only NFC employee who is graded at Senior Civil Service level is the Chief Executive. A recommendation in relation to the annual performance related bonus payable to her is made by the NFC Chair, after consulting fellow Non-executive Directors, and agreed with Defra.

## Governance Statement (continued)

A key committee of the Board is the **Audit and Risk Committee (ARC)** which comprises three Non-executive Directors and an independent qualified accountant. The Chief Executive, in her capacity as Accounting Officer, attends meetings. Minutes of meetings are circulated to all Directors, oral reports are given to the Board on business conducted and the Committee presents an annual report on its activities to the Board.

The ARC met three times during 2012-13. Its work included consideration of the financial statements for 2011-12 and the draft Audit Completion Report issued by the NAO prior to the accounts being certified by the Comptroller & Auditor General with an unqualified audit opinion and without modification; receiving the NAO's Audit Planning Report for 2012-13; considering reports issued by internal audit; reviewing draft Governance Statement and Sustainability Report for 2012-13; reviewing finance reports prior to them being considered by the Board, and fulfilling its responsibilities in respect of risk management (see below).

Another committee of the Board is the **Land Policy Group (LPG)**, chaired by a Non-executive Director, which co-ordinates land acquisition activity; oversees utilisation of the available budget and progress towards achieving the year's forest creation target; advises the Board on strategic direction, and ensures compliance with the Land Acquisition Policy agreed with Defra. The LPG in its operations receives professional advice from a retained land agent. Specifically in 2012-13, the LPG received reports and advised on complexities in relation to an acquisition of land at Nanpantan and considered proposals arising from a strategic land management options review.

In addition there is an Access & Recreation Working Group and a Tourism Partnership Group where membership comprises

representatives from partner organisations. The former is chaired by a Non-executive Director and the latter by the NFC Chief Executive. The terms of reference for the groups were agreed by the NFC Board and minutes of meetings are copied to all Directors.

### Attendance record of Directors at meetings of the Board and its Committees

#### Board

– 4 meetings held during 2012-13

|                                    | Meetings attended |
|------------------------------------|-------------------|
| Catherine Graham Harrison (Chair)  | 4                 |
| Sophie Churchill (Chief Executive) | 4                 |
| Roger Clarke                       | 4                 |
| Tony Hams                          | 4                 |
| David Nicholls                     | 4                 |
| Robin Pellew                       | 4                 |
| Susan Warren                       | 3                 |
| Judith Webb                        | 4                 |

#### Audit & Risk Committee

– 3 meetings held during 2012-13

|                                    | Meetings attended |
|------------------------------------|-------------------|
| David Nicholls (Chair)             | 3                 |
| Roger Clarke                       | 3                 |
| Judith Webb                        | 3                 |
| Sophie Churchill (Chief Executive) | 3                 |

#### Land Policy Group

– 3 meetings held during 2012-13

|                           | Meetings attended |
|---------------------------|-------------------|
| Tony Hams (Chair)         | 3                 |
| Catherine Graham Harrison | 3                 |
| Robin Pellew              | 2                 |
| Sophie Churchill          | 3                 |

### Internal controls and the work of internal audit

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 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 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 NFC seeks assurance on its systems of control from the work of its appointed internal auditors, Mazars LLP, which operates in accordance with Government Internal Audit Standards. During 2012-13 Mazars undertook the programme of work agreed with management and the ARC which equated to 14 days work. It covered core financial systems, health and safety at woodland sites, site maintenance contracts, tourism activity and followed up on recommendations arising from previous audits. For each area audited a substantial assurance was given on the effectiveness of internal controls and all audits concluded that identified risks were being well managed and controls were in place to ensure that value for money was achieved through effective operations. Arising from the audits was a total of seven recommendations, all of a housekeeping nature which have been accepted by management. Work undertaken during the year informed the opinion expressed in the Annual Internal Audit Report for 2012-13 that the NFC 'has adequate and effective risk management, control and governance processes to manage the achievement of the Company's objectives'.

## Governance Statement (continued)

During the course of its audit of the 2011-12 financial statements, the NAO did not identify any significant control weaknesses or issues relating to regularity or propriety.

The NFC has never experienced a case of fraud or suspected fraud.

In 2012 all staff successfully completed the Civil Service learning counter fraud, bribery and corruption e-learning course.

### Data handling

All staff sign copies of the Company's data handling policy, confirming that they will comply with its terms and have successfully completed refresher training on 'Protecting Information' via Civil Service Learning website.

The only incident of loss of data to arise during 2012-13 was the loss by a courier company of the NFC's monthly payroll despatched from the payroll provider. Staff were advised of the incident and provided with sources of information on how to protect themselves against identity fraud and theft. The incident was investigated and reported to the police. It was not attributed to any weaknesses in the NFC's own controls and procedures but prompted a review of the handling arrangements for such sensitive data. The incident was reported to Defra.

### Risk Management

The NFC Board is responsible for determining the NFC's approach to risk, agreeing the Risk Policy, setting the culture of risk management and for monitoring the management of the highest scored risks as detailed in the Risk Register.

The practice of allocating a governance role to Directors in respect of specific high scored risks works well and enhances controls. For risks allocated to them, Directors liaise with the designated lead officer and seek assurance that the risk in question is being effectively managed and that the plan of action identified to

mitigate the risk is being implemented. Their conclusions are fed back to the full Board.

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

The senior management team identifies the main risks faced in achieving corporate objectives and targets as detailed in the Business Plan; identifies actions and controls needed to mitigate these risks; and scores the remaining risk taking into consideration 'significance' and 'probability'.

Risk management features on the agenda of two of the four Board meetings held each year. In July 2012, the Board agreed that the Risk Policy as amended by the ARC to incorporate reference to the governance role allocated to Directors was an accurate reflection of the NFC's approach to risk. The highest scored risks and associated action plans as set out in the 2012-13 Risk Register were reviewed. The only new area of risk to feature amongst the highest scored risks related to having the skills and resources needed to produce the new strategy for the Forest. The others, as in previous years, included: the ability to achieve the headline targets for new forest creation; threats to the level of grant in aid receivable which year on year throughout the SR10 period is reducing; reliance on traditional public sector partners to support the Forest at a time when their budgets and programmes are diminishing, and failure of landowners and partners to maintain and deliver quality. Joint working with the National Forest

Charitable Trust and failure to deliver anticipated benefits coupled with failure to identify and move towards the most appropriate governance arrangements needed to oversee The National Forest also featured prominently. Reassuringly the governance review undertaken by Directors towards the end of 2012-13 identified that no perceived risk scores had increased, with many reducing, and plans of action to mitigate risks were being implemented to good effect.

The NFC received no ministerial directions during the year.

### Strategy and planning

The creation of The National Forest accords with the objectives of the Forest Strategy for 2004-14. In early 2012, the NFC Board and senior executives considered the production of the new strategy to cover the ten years from 2014. The context, process and timeline, questions to be addressed, engagement of partners and the consultations to be undertaken were all considered. Good progress has been made in 2012-13, particularly in relation to seeking the views and engagement of key partners, notably Defra, Natural England, Forestry Commission and Woodland Trust, producing the future vision for the Forest and completing the consultation exercise which encouragingly showed general support for the emerging direction for the strategy from 2014. Work will continue during 2013-14 with the aim being to unveil the new strategy in Spring 2014.

The NFC's objectives are set out in its annual Business Plan, approved by the Minister. The latest plan summarises work areas for 2013-14 and the direction of travel to 2016; shows how resources are to be allocated; contains performance indicators; and states how activity contributes to ministerial priorities.

## Governance Statement (continued)

### Localism

The awarding of grants is an important means of delivering multiple Forest objectives. These include a suite of woodland creation grants available to landowners comprising Changing Landscapes Scheme (CLS) for areas of over 1 hectare, Freewoods Scheme for areas of under 1 hectare and Parkland and Wood Pastures Scheme for areas of up to 5 hectares where the desire is to plant trees less densely and retain open landscape. All schemes are assessed against the contribution made towards Forest objectives. CLS is a competitive scheme where applications are assessed by officers against a scoring system covering scale of creation, landscape/design, access, community engagement, nature conservation, woodland economy, climate change, risk and value for money. Scores allocated inform decisions taken by the NFC Board which judges schemes and decides which will be supported.

Smaller grants to local people and organisations are made via Programme Development Fund (PDF) where grants are made towards a range of projects (e.g. community, access, heritage, sport and recreation) which contribute to at least two of ten specified National Forest objectives. Grants normally cover up to 50% of the cost of projects and often act as a lever to secure significant additional funding.

### Performance management

As Accounting Officer, I have overall responsibility for the achievement of corporate objectives as detailed in the Business Plan. However, responsibility for delivery of many of these is delegated to other staff in the organisation. Responsibilities and objectives are detailed in annual job plans for each employee and performance against these is assessed through the staff review system. This includes a mid-year and end of the year assessment of how the individual

has performed which determines any entitlement to a performance related bonus. An important element of the job plan is delivery of the training and development needs identified to equip the individual to perform effectively and linked with this 2012-13 was deemed to be a year of investment in the team.

The National Forest is being created for public benefit and the engagement and views of members of the public are welcomed. The Company has established procedures and arrangements for dealing with complaints and requests made under the Freedom of Information Act. During the year ended 31 March 2013, 20 complaints were received (compared with 10 in 2011-12), most of which related to sites in The National Forest not owned by the NFC. All complaints were responded to within the specified timescale.

### Conclusion

No significant issues in relation to governance, risk, performance or controls have arisen which need to be reported on in this Governance Statement.



Sophie Churchill  
Chief Executive/Accounting Officer

13 May 2013

# Sustainability Report

## Introduction

This sustainability report is intended to give an annual update on our progress, taking into account the National Forest Company's (NFC) operating environment, and enables comparisons to be made year on year. The format of the report conforms with the requirements of the Financial Reporting Manual (FRM).

Sustainable development has always been at the heart of The National Forest's creation and the NFC is committed to developing more sustainable ways of carrying out our day to day business. By minimising the impacts of our own activities, and those of others where we have influence, we aim to contribute to the improvement of the local and global environment. The NFC's Environmental Policy statement is fully endorsed by the Board. More information about The National Forest's contribution to national sustainable development indicators can be found on our website at [www.nationalforest.org/about\\_us/sustainable\\_development.php](http://www.nationalforest.org/about_us/sustainable_development.php)

Senior level responsibility is given to the collation of data, monitoring and writing of the report, with Directorial input and oversight. Standard methodology is used to calculate carbon emissions.

The NFC operates from serviced accommodation leased from a private landlord and this report focuses primarily on performance related to our main direct impacts which are energy consumption (Scope 2 Energy Indirect Emissions) and official business travel (Scope 3 Other indirect Green House Gas (GHG) Emissions).

## About the data

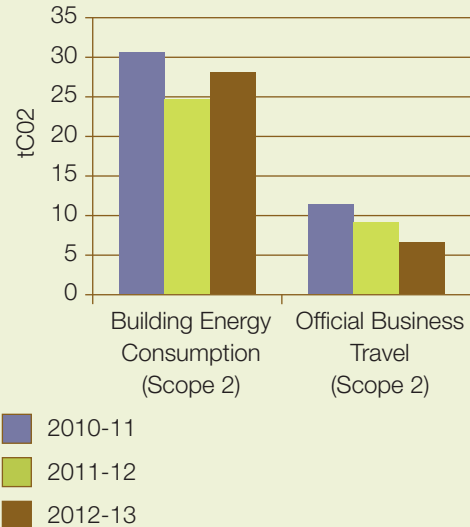
Electricity is the only utility which is paid for directly and for which there is data obtained from meter readings and bills. Travel data includes official business travel by all staff and Directors. Mileage relates to travel in staff/Directors' own vehicles.

Water data has not been included in this report; water consumption is included within the landlord's service charge and accurate data is not available.

To enable comparisons to be made between years, the data has been normalised by the average number of full time equivalent (FTE) employees, including the Chief Executive, as follows:

- 2010-11 FTE average 19
- 2011-12 FTE average 16
- 2012-13 FTE average 15

## Summary of Total Greenhouse Gas Emissions



# Sustainability Report (continued)

## Summary of Total Greenhouse Gas Emissions

| Summary of Greenhouse Gas Emissions tCO2 | 2010-11<br>tCO2 | 2011-12<br>tCO2 | 2012-13<br>tCO2 |
|--|-----------------|-----------------|-----------------|
| Building Energy Consumption (Scope 2)    | 30.43           | 24.31           | 30.71           |
| Official Business Travel (Scope 3)       | 11.74           | 8.68            | 6.82            |
| Total emissions                          | <u>42.17</u>    | <u>32.99</u>    | <u>37.53</u>    |

Given its scale and current operating environment, the NFC is constrained in terms of meeting specific targets for ongoing carbon emission reduction and fluctuations will inevitably occur, relative to particular business needs during any given year.

The summary chart and table above show that total greenhouse gas emissions have reduced by 11% since 2010-11. Building energy consumption (scope 2) reduced by 20% in 2011-12 compared to 2010-11. However it increased to a similar level during 2012-13. Good progress continues to be made on reducing emissions from official business travel (scope 3) which have reduced by over 20% per year during the three year period.

## Building Energy Consumption (Scope 2)

The purchase of building electricity (scope 2) is the major contributor to our carbon emissions. During 2012-13 this accounted for over 80% of our total emissions. Heating costs is the main component of our electricity expenditure. Our offices are open plan and therefore the reduction in staff complement, from 19 full time equivalent (FTE) in 2010-11 to 15 (FTE) in 2012-13, has not generated any reductions, as reflected in the higher energy consumption/cost per head. It is likely that factors such as increased use of meeting space in 2012/13, reflecting a greater level of activity by NFC and partners, accounts for some of this rise; ie it occurs as a result of positive changes in business use.

| Building Energy Consumption (Scope 2)      | Unit | 2010-11      | 2011-12      | 2012-13      |
|--|------|--------------|--------------|--------------|
| Total emissions                            | tCO2 | <u>30.43</u> | <u>24.31</u> | <u>30.71</u> |
| Building energy consumption per head (FTE) | tCO2 | 1.6          | 1.52         | 2.05         |
| Building energy consumption                | kw/h | 55,819       | 46,346       | 58,539       |
| Energy consumption per head (FTE)          | kw/h | 2,938        | 2,897        | 3,659        |
| Staff employed (FTE)                       |      | 19           | 16           | 15           |
| Total energy expenditure                   | £    | 9,168        | 7,732        | 10,111       |
| Expenditure per head (FTE)                 | £    | 483          | 483          | 674          |

## Official Business Travel

Staff often have to travel to fulfil their duties and due to the rural location of the Forest, this usually means using their own vehicles. Travel is only undertaken where there is no other practical alternative and wherever possible staff use public transport and car share. The use of alternative 'virtual' meetings such as telephone conferencing and web-based training are now more frequently used.

Emissions from business travel (scope 3) have reduced by over 20% per year over the three year period. Since 2010-11 the total miles travelled have reduced by over 57%; from 49,499 miles in 2010-11 to 28,521 miles in 2012-13.



## Sustainability Report (continued)

| Official Business Travel            |       | 2010-11 | 2011-12 | 2012-13 |
|-------------------------------------|-------|---------|---------|---------|
| Total emissions                     | tCO2  | 11.74   | 8.68    | 6.82    |
| Staff mileage (inc Chief Executive) | miles | 22,449  | 20,185  | 16,136  |
| Staff Rail travel                   | miles | 9,791   | 4,817   | 3,859   |
| Staff Air travel                    | miles | 457     | 582     | -       |
| Directors' mileage                  | miles | 7,133   | 4,368   | 3,070   |
| Directors' Rail travel              | miles | 8,922   | 4,695   | 5,042   |
| Directors' Taxi                     | miles | 747     | 476     | 414     |
| Total miles travelled               | miles | 49,499  | 35,123  | 28,521  |
| Business travel costs               | £     | 21,471  | 16,088  | 15,502  |

### Sustainable procurement

We continue to work to ensure that sustainability is considered as part of our procurement processes. Information on environmental policies of potential suppliers is requested and these are reviewed, where appropriate, as part of the tendering procedure when seeking to award contracts or place orders for goods and services. Where contractors undertaking works on our sites need to procure fencing, or other such products that specify wooden components, our conditions of contract stipulate that the timber must be Forest Stewardship Council (FSC) sourced.

### Office Waste

We aim to reduce the amount of office waste we generate and recycle and re-use materials wherever possible. The majority of our waste is office paper. All our IT equipment is recycled for refurbishment and re-use.

In line with Defra's commitment to minimising the cost and environmental impact of its paper use, we will be purchasing Closed Loop paper from 2013-14. The Closed Loop programme involves the secure disposal of waste paper through a supply chain process. Waste paper is collected, recycled and returned as copier paper.

We recycled all of our non-confidential paper waste via North West Leicestershire's recycling operations, but no data is available in respect of quantities. During 2013-14 all of our office paper waste will be collected via the Closed Loop programme for which data will be provided for future reporting.

We monitor the amount of office paper we use and aim only to use it as necessary. However, this again depends on the amount and nature of business which we are doing. During 2012-13 we used 125 reams of office paper compared with 130 during 2011-12.

| Office paper usage |       | 2010-11 | 2011-12 | 2012-13 |
|--------------------|-------|---------|---------|---------|
| A4 paper           | reams | 130     | 130     | 125     |

## Sustainability Report (continued)

### Publications and Communications

The use of electronic communications has increased, reducing the need to produce print versions; e-mail shots have replaced hard copy newsletters to key partner audiences including landowners, tourism businesses and other partner organisations.

Some hard copy publications continue to be produced where there is a business case to do so, such as the National Forest Visitor Guide and the Annual Report, this being an important communication tool for working with businesses and others. Distribution lists are regularly reviewed to ensure the appropriateness of recipients with a view to minimising print runs and distribution costs.

Forest Scene, our biennial corporate newsletter continues to be printed; an electronic version has been introduced and subscribers are encouraged to switch to this but for many people having a hard copy is how they want to receive and enjoy it.



Sophie Churchill  
Chief Executive/Accounting Officer

13 May 2013

# 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 2013 under the Government Resources and Accounts Act 2000. The financial statements comprise the Statement of Comprehensive Net Expenditure, Statement of Financial Position, Statement of Cash Flows, 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 the 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 Annual Report and 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.

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

## Opinion on regularity

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements 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 company's affairs as at 31 March 2013 and of its comprehensive net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by European Union; and

- the financial statements 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 Annual Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on 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 and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement 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

14 May 2013

# Statement of Comprehensive Net Expenditure

for the year ended 31 March 2013

|  | Note | 2012-13<br>£     | 2011-12<br>restated<br>£ |
|--|------|------------------|--------------------------|
| <b>Expenditure</b>   |      |                  |                          |
| Staff costs  | 2    | 775,875          | 784,146                  |
| Depreciation   | 3    | 16,499           | 6,829                    |
| Other Expenditures   | 3    | 1,292,063        | 1,846,437                |
| Loss on disposal of land   |      | 998,944          | -                        |
| Impairment of land   | 7    | 28,802           | 1,004,886                |
|  |      | <u>3,112,183</u> | <u>3,642,298</u>         |
| <b>Income</b>  |      |                  |                          |
| Other Income   | 5    | (293,283)        | (529,782)                |
| Reversal of prior year impairment                                  | 7    | (27,180)         | -                        |
| Net Expenditure  |      | 2,791,720        | 3,112,516                |
| Interest receivable  | 5    | (10,043)         | (3,937)                  |
| Net Expenditure after interest and before taxation                 |      | <u>2,781,677</u> | <u>3,108,579</u>         |
| Tax on interest receivable   | 6    | 2,009            | 787                      |
| Net Expenditure after interest and tax                             |      | <u>2,783,686</u> | <u>3,109,366</u>         |
| <b>Other Comprehensive Expenditure</b>                             |      |                  |                          |
| Net (gain)/loss on revaluation of land through Revaluation Reserve | 7    | (2,500)          | 6,000                    |
| Total Comprehensive Net Expenditure                                |      | <u>2,781,186</u> | <u>3,115,366</u>         |

# Statement of Financial Position

|  |      | as at<br>31 March 2013 |   | as at<br>31 March 2012<br>restated |   | as at<br>1 April 2011<br>restated |   |
|--|------|------------------------|---|------------------------------------|---|-----------------------------------|---|
|  | Note | £                      | £ | £                                  | £ | £                                 | £ |
| <b>Non-current assets:</b>                   |      |                        |   |                                    |   |                                   |   |
| Property, plant and equipment                | 7    | 2,176,021              |   | 2,946,016                          |   | 3,018,762                         |   |
| <b>Trade and other receivables:</b>          |      |                        |   |                                    |   |                                   |   |
| Amounts falling due after more than one year | 9    | -                      |   | 139                                |   | 6,980                             |   |
| <b>Total non-current assets</b>              |      | <b>2,176,021</b>       |   | <b>2,946,155</b>                   |   | <b>3,025,742</b>                  |   |
| <b>Current assets:</b>                       |      |                        |   |                                    |   |                                   |   |
| <b>Trade and other receivables:</b>          |      |                        |   |                                    |   |                                   |   |
| Amounts falling due within one year          | 9    | 41,004                 |   | 98,765                             |   | 416,383                           |   |
| Cash and cash equivalents                    | 10   | 1,337,893              |   | 245,024                            |   | (103,696)                         |   |
| <b>Total current assets</b>                  |      | <b>1,378,897</b>       |   | <b>343,789</b>                     |   | <b>312,687</b>                    |   |
| <b>Total assets</b>                          |      | <b>3,554,918</b>       |   | <b>3,289,944</b>                   |   | <b>3,338,429</b>                  |   |
| <b>Current liabilities:</b>                  |      |                        |   |                                    |   |                                   |   |
| <b>Trade and other payables:</b>             |      |                        |   |                                    |   |                                   |   |
| Amounts falling due within one year          | 11   | (95,601)               |   | (56,441)                           |   | (147,560)                         |   |
| <b>Total current liabilities</b>             |      | <b>(95,601)</b>        |   | <b>(56,441)</b>                    |   | <b>(147,560)</b>                  |   |
| <b>Assets less liabilities</b>               |      | <b>3,459,317</b>       |   | <b>3,233,503</b>                   |   | <b>3,190,869</b>                  |   |
| <b>Reserves</b>                              |      |                        |   |                                    |   |                                   |   |
| Capital Reserve                              |      | 2,097,110              |   | 2,858,250                          |   | 2,953,250                         |   |
| Revaluation Reserve                          |      | 34,250                 |   | 31,750                             |   | 37,750                            |   |
| General Reserve                              |      | 1,327,957              |   | 343,503                            |   | 199,869                           |   |
|  |      | <b>3,459,317</b>       |   | <b>3,233,503</b>                   |   | <b>3,190,869</b>                  |   |

The notes on pages 37 to 44 form part of the accounts.

The financial statements were approved by the Board on 13 May 2013 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 2013                        | Note | 2012-13<br>£            | 2011-12<br>restated<br>£ |
|---|------|-------------------------|--------------------------|
| <b>Operating Activities</b>                             |      |                         |                          |
| Net expenditure before interest and tax                 |      | (2,791,720)             | (3,112,516)              |
| <b>Adjustments for non-cash items</b>                   |      |                         |                          |
| Loss on disposal of land                                |      | 998,944                 | -                        |
| Impairment of land                                      |      | 28,802                  | 1,004,886                |
| Reversal of prior year impairment                       |      | (27,180)                | -                        |
| Decrease in trade and other receivables                 |      | 57,900                  | 324,459                  |
| Increase/(decrease) in trade payables                   |      | 37,938                  | (91,319)                 |
| Depreciation  |      | 16,499                  | 6,829                    |
| <b>Cash flows from operations</b>                       |      | <u>(1,678,817)</u>      | <u>(1,867,661)</u>       |
| Interest received                                       |      | 10,043                  | 3,937                    |
| Corporation Tax paid                                    |      | (787)                   | (587)                    |
| <b>Net cash from operating activities</b>               |      | <u>(1,669,561)</u>      | <u>(1,864,311)</u>       |
| <b>Cash flows from investing activities</b>             |      |                         |                          |
| Purchase of property, plant and equipment               |      | (944,570)               | (944,969)                |
| Proceeds from disposal of property, plant and equipment |      | 700,000                 | -                        |
| <b>Net cash flows from investing activities</b>         |      | <u>(244,570)</u>        | <u>(944,969)</u>         |
| <b>Cash flows from financing activities</b>             |      |                         |                          |
| Grant in aid  |      | 3,007,000               | 3,158,000                |
| <b>Net cash flows from financing activities</b>         |      | <u>3,007,000</u>        | <u>3,158,000</u>         |
| <b>Net increase in cash and cash equivalents</b>        | 10   | <u>1,092,869</u>        | <u>348,720</u>           |
| Cash and cash equivalents at beginning of year          |      | 245,024                 | (103,696)                |
| Cash and cash equivalents at end of year                |      | 1,337,893               | 245,024                  |
| <b>Net change in cash and cash equivalent balance</b>   | 10   | <u><u>1,092,869</u></u> | <u><u>348,720</u></u>    |

## Statement of Changes in Reserves

for the year ended 31 March 2013

|  | Capital<br>Reserve<br>£ | Revaluation<br>Reserve<br>£ | General<br>Reserve<br>£ | Total<br>Reserves<br>£ |
|--|-------------------------|-----------------------------|-------------------------|------------------------|
| Balance at 1 April 2011 restated                       | 2,953,250               | 37,750                      | 199,869                 | 3,190,869              |
| Changes in reserves 2011-12                            |                         |                             |                         |                        |
| Release through I&E                                    | (1,004,886)             |                             | 1,004,886               | -                      |
| Net loss on revaluation of land                        |                         | (6,000)                     |                         | (6,000)                |
| Deficit for the year                                   |                         |                             | (3,109,366)             | (3,109,366)            |
| Total recognised income and expenditure<br>for 2011-12 | (1,004,886)             | (6,000)                     | (2,104,480)             | (3,115,366)            |
| Grant in aid financing                                 | 909,886                 |                             | 2,248,114               | 3,158,000              |
| Balance at 31 March 2012 restated                      | 2,858,250               | 31,750                      | 343,503                 | 3,233,503              |
| Changes in reserves 2012-13                            |                         |                             |                         |                        |
| Release through I&E                                    | (1,700,566)             |                             | 1,700,566               | -                      |
| Net gain on revaluation of land                        |                         | 2,500                       |                         | 2,500                  |
| Deficit for the year                                   |                         |                             | (2,783,686)             | (2,783,686)            |
| Total recognised income and expenditure<br>for 2012-13 | (1,700,566)             | 2,500                       | (1,083,120)             | (2,781,186)            |
| Grant in aid financing                                 | 939,426                 |                             | 2,067,574               | 3,007,000              |
| Balance as at 31 March 2013                            | 2,097,110               | 34,250                      | 1,327,957               | 3,459,317              |

# Notes to the Accounts

## Note 1

### Statement of accounting policies

These financial statements have been prepared in compliance with the Companies Act 2006. They also take into consideration the accounting and disclosure requirements of the 2012-13 Government Financial Reporting Manual (FReM) issued by HM Treasury and the Accounts Direction issued by the Secretary of State for 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 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 2013, 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 19 Employee Benefits
- 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 2015) – 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 land.

#### 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 28th February 2013 and was provided by Fisher German, Chartered Surveyors. Landholdings in the Statement of Financial Position are shown at the valuations provided, Fisher German having confirmed that there has been no material change in those valuations as at 31 March 2013. Where the valuation is higher than the purchase price paid, the increase in valuation is credited to a Revaluation Reserve. Where land is revalued due to a change in market values but remains at below the purchase price, the loss on revaluation is charged to the Statement of Comprehensive Net Expenditure in the year of the revaluation.



## Notes to the Accounts (continued)

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. 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 and Revaluation Reserve.

### 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. No depreciation is charged in the year of acquisition of the asset but is charged in the year of disposal.

### Grant in aid and other income

Grant in aid received is treated as financing, credited to the General Reserve, because it is regarded as contributions from a controlling related party.

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 the value of total landholdings less the balance in the Revaluation Reserve. Funding used to purchase land is

posted to the Capital Reserve and then reclassified to the General Reserve upon disposal of the land.

### 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 17.

### Financial Instruments

Financial assets are recognised when the Company becomes party to a financial instrument contract or in the case of trade receivables 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".

## Notes to the Accounts (continued)

### Note 2.1

|   | 2012-13        | 2011-12        |
|---|----------------|----------------|
|   | £              | £              |
| <b>Staff numbers and related costs</b>                    |                |                |
| Costs of permanently employed staff, including Directors: |                |                |
| Salaries  | 604,639        | 619,635        |
| Social security costs                                     | 47,675         | 49,496         |
| Other pension costs                                       | 105,694        | 108,448        |
|   | <u>758,008</u> | <u>777,579</u> |
| Early retirement and redundancy costs                     | 17,867         | 6,567          |
|   | <u>775,875</u> | <u>784,146</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) | 8         | 8         |
| Staff (full time equivalent)          | 14        | 15        |
|                                       | <u>22</u> | <u>23</u> |

### Note 2.2

#### Reporting of Civil Service and other compensation schemes – exit packages

There were no redundancies or other early departures in 2012-13. Expenditure in 2012-13 relates to approved early retirements in previous years where the employer is liable to meet the costs until the former employee(s) attain the age of 60.

### Note 3

|   | 2012-13          | 2011-12          |
|---|------------------|------------------|
|   | £                | restated<br>£    |
| <b>Other Expenditure</b>  |                  |                  |
| Programme Expenditure:  |                  |                  |
| Changing Landscapes Scheme  | 459,972          | 519,782          |
| Programme Development Fund  | 194,160          | 166,659          |
| Site development and projects   | 123,485          | 79,488           |
| Freewoods and Parkland (small scale woodland grants)                        | 98,602           | 59,098           |
| The National Forest Way (long distance trail)                               | 44,348           | -                |
| National Forest Tender Scheme   | 13,187           | 365,421          |
| Cycle Centre project  | 12,979           | 305,774          |
| Administrative Expenditure:   |                  |                  |
| Running costs   | 268,287          | 292,558          |
| Rentals under operating leases  | 25,012           | 26,786           |
| Research expenditure  | 39,031           | 17,621           |
| Fees payable to the Company's auditors for the audit of the Annual Accounts | 13,000           | 13,250           |
|   | <u>1,292,063</u> | <u>1,846,437</u> |
| Depreciation  | 16,499           | 6,829            |
|   | <u>1,308,562</u> | <u>1,853,266</u> |

## Notes to the Accounts (continued)

### Note 4

| Grant in Aid                   | 2012-13<br>£ | 2011-12<br>£ |
|--------------------------------|--------------|--------------|
| Received in the year           | 3,007,000    | 3,158,000    |
| Expenditure on tangible assets | (944,570)    | (944,969)    |
|                                | 2,062,430    | 2,213,031    |

### Note 5

#### Other Income

|  |         |         |
|--|---------|---------|
| Donations and sponsorship  | 178,391 | 145,568 |
| Tourism programme: local authority contributions and advertising revenue | 48,930  | 48,221  |
| Woodland creation grants   | 39,942  | 165,356 |
| Sundry income  | 17,247  | 40,787  |
| Section 106 agreement  | 8,773   | 76,170  |
| Cycle Centre project*  | -       | 40,400  |
| 'Making Woods Work' funding from emda                                    | -       | 8,280   |
| Forestry Commission contribution to woodland economy partnership         | -       | 5,000   |
|  | 293,283 | 529,782 |
| Bank interest receivable   | 10,043  | 3,937   |

\* The Cycle Centre is an asset owned by the Forestry Commission (FC) which is responsible for its operation and upkeep.

### Note 6

|                         |       |     |
|-------------------------|-------|-----|
| Corporation Tax payable | 2,009 | 787 |
|-------------------------|-------|-----|

Grant income and donations received by the Company are not subject to Corporation Tax. Interest received of £10,043 (2011-12: £3,937) is, however, taxable at the rate of 20% (2011-12: 20%), resulting in the above tax charge.

## Notes to the Accounts (continued)

### Note 7

|   | Land<br>£        | Furniture &<br>Fittings<br>£ | Information<br>Technology<br>£ | Total<br>£       |
|---|------------------|------------------------------|--------------------------------|------------------|
| <b>Property, plant and equipment</b>    |                  |                              |                                |                  |
| <b>Cost or valuation</b>                |                  |                              |                                |                  |
| At 1 April 2012                         | 2,890,000        | 156,758                      | 56,890                         | 3,103,648        |
| Additions during the year               | 939,426          | 2,166                        | 2,978                          | 944,570          |
| Disposals/transfers during the year     | (1,698,944)      | -                            | (5,478)                        | (1,704,422)      |
| Impairment                              | (28,820)         | -                            | -                              | (28,802)         |
| Reversal of prior year impairment       | 27,180           | -                            | -                              | 27,180           |
| Revaluation gain to Revaluation Reserve | 2,500            | -                            | -                              | 2,500            |
| At 31 March 2013                        | <u>2,131,360</u> | <u>158,924</u>               | <u>54,390</u>                  | <u>2,344,674</u> |
| <b>Depreciation</b>                     |                  |                              |                                |                  |
| At 1 April 2012                         |                  | 120,645                      | 36,987                         | 157,632          |
| Charges in the period:                  |                  |                              |                                |                  |
| Depreciation                            |                  | 10,952                       | 5,547                          | 16,499           |
| Depreciation charged on disposals       |                  | -                            | (5,478)                        | (5,478)          |
| At 31 March 2013                        |                  | <u>131,597</u>               | <u>37,056</u>                  | <u>168,653</u>   |
| <b>Net Book Value</b>                   |                  |                              |                                |                  |
| 31 March 2013                           | <u>2,131,360</u> | <u>27,327</u>                | <u>17,334</u>                  | <u>2,176,021</u> |
| <b>Cost or valuation</b>                |                  |                              |                                |                  |
| At 1 April 2011                         | 2,991,000        | 153,754                      | 72,861                         | 3,217,615        |
| Additions during the year               | 909,886          | 32,280                       | 2,803                          | 944,969          |
| Disposals/transfers during the year     | -                | (29,276)                     | (18,774)                       | (48,050)         |
| Impairment                              | (1,004,886)      | -                            | -                              | (1,004,886)      |
| Revaluation loss to Revaluation Reserve | (6,000)          | -                            | -                              | (6,000)          |
| At 31 March 2012                        | <u>2,890,000</u> | <u>156,758</u>               | <u>56,890</u>                  | <u>3,103,648</u> |
| <b>Depreciation</b>                     |                  |                              |                                |                  |
| At 1 April 2011                         |                  | 148,052                      | 50,801                         | 198,853          |
| Charges in the period:                  |                  |                              |                                |                  |
| Depreciation                            |                  | 1,869                        | 4,960                          | 6,829            |
| Depreciation charged on disposals       |                  | (29,276)                     | (18,774)                       | (48,050)         |
| At 31 March 2012                        |                  | <u>120,645</u>               | <u>36,987</u>                  | <u>157,632</u>   |
| <b>Net Book Value</b>                   |                  |                              |                                |                  |
| 31 March 2012                           | <u>2,890,000</u> | <u>36,113</u>                | <u>19,903</u>                  | <u>2,946,016</u> |
| <b>Net Book Value</b>                   |                  |                              |                                |                  |
| 1 April 2011                            | <u>2,991,000</u> | <u>5,702</u>                 | <u>22,060</u>                  | <u>3,018,762</u> |

### Note 8

#### Impairments

£28,802 (2011-12: restated £1,004,886) 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. £27,180 has been credited to the Statement of Comprehensive Net Expenditure to reverse a prior year impairment.

## Notes to the Accounts (continued)

| Note 9  | 31 March<br>2013<br>£ | 31 March<br>2012<br>£ | 31 March<br>2011<br>£ |
|---|-----------------------|-----------------------|-----------------------|
| <b>Trade receivables and other current assets</b> |                       |                       |                       |
| Amounts falling due within one year:              |                       |                       |                       |
| Prepayments and accrued income                    | 40,865                | 89,480                | 397,325               |
| VAT   | -                     | 7,617                 | 8,618                 |
| Other receivables                                 | 139                   | 1,668                 | 10,440                |
|   | <u>41,004</u>         | <u>98,765</u>         | <u>416,383</u>        |
| Amounts falling due after more than one year:     |                       |                       |                       |
| Prepayments and accrued income                    | -                     | -                     | 5,173                 |
| Other receivables                                 | -                     | 139                   | 1,807                 |
|   | <u>-</u>              | <u>139</u>            | <u>6,980</u>          |
| <b>Total trade and other receivables</b>          | <u>41,004</u>         | <u>98,904</u>         | <u>423,363</u>        |

| Note 10   | 31 March<br>2013<br>£ | 31 March<br>2012<br>£ | 31 March<br>2011<br>£ |
|---|-----------------------|-----------------------|-----------------------|
| <b>Cash and cash equivalents</b>                |                       |                       |                       |
| Balance at 1 April                              | 245,024               | (103,696)             | 364,250               |
| Net change in cash and cash equivalent balances | 1,092,869             | 348,720               | (467,946)             |
| Balance at 31 March                             | <u>1,337,893</u>      | <u>245,024</u>        | <u>(103,696)</u>      |

| Note 11   | 31 March<br>2013<br>£ | 31 March<br>2012<br>restated<br>£ | 31 March<br>2011<br>restated<br>£ |
|---|-----------------------|-----------------------------------|-----------------------------------|
| <b>Trade payables and other current liabilities</b> |                       |                                   |                                   |
| Amounts falling due within one year:                |                       |                                   |                                   |
| VAT   | 6,607                 | -                                 | -                                 |
| Corporation tax payable                             | 2,009                 | 787                               | 587                               |
| Accruals and deferred income                        | 86,985                | 55,654                            | 146,973                           |
|   | <u>95,601</u>         | <u>56,441</u>                     | <u>147,560</u>                    |

Prior year (2011-12) deferred income has been restated to best reflect the requirements of the FReM. The effect of the restatement on the financial statements is to reduce deferred income and increase the balance on the General Reserve by £56,016. Other than VAT and Corporation Tax balances with HM Revenue & Customs, all receivable and payable balances disclosed in notes 9 and 11 respectively, are with entities external to Government.

### Note 12

#### Effect of prior year restatement

The effect of the restatement of deferred income as referred to in Note 11 above on the financial statements of 2011-12 is summarised as follows:

|                 | As at<br>31 March<br>2012<br>as published | Adjustment | As at<br>31 March<br>2012<br>as restated |
|-----------------|---|------------|--|
| Deferred income | £56,016                                   | -£56,016   | -  |
| General Reserve | £287,487                                  | +£56,016   | £343,503                                 |

## Notes to the Accounts (continued)

### Note 13

|  | 31 March<br>2013<br>£ | 31 March<br>2012<br>£ |
|--|-----------------------|-----------------------|
| <b>Capital commitments</b>   |                       |                       |
| Contracted capital commitments not otherwise included in these financial statements: |                       |                       |
| Land acquisition   | -                     | 238,944               |

### Note 14

#### Commitments under operating leases

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

|  | 31 March<br>2013<br>£ | 31 March<br>2012<br>£ |
|--|-----------------------|-----------------------|
| Obligations under operating leases comprise:       |                       |                       |
| Buildings, office accommodation lease              |                       |                       |
| Expiring within one year                           | 25,012                | 25,012                |
| Expiring later than one year and within five years | 4,169                 | 29,181                |
|  | <u>29,181</u>         | <u>54,193</u>         |

### Note 15

#### Other financial commitments

##### (i) Forest creation schemes

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

|   | 31 March<br>2013<br>£ | 31 March<br>2012<br>£ |
|---|-----------------------|-----------------------|
| Not later than one year                           | 198,964               | 326,781               |
| Later than one year and not later than five years | 469,869               | 503,285               |
|   | <u>668,833</u>        | <u>830,066</u>        |

##### (ii) Early Retirement costs

Where the Company has agreed early retirements, the additional costs payable to former employees before the normal retirement date are recharged to the Company. Commitments in respect of such payments are as follows:

|  | 31 March<br>2013<br>£ | 31 March<br>2012<br>£ |
|--|-----------------------|-----------------------|
| Amounts falling due within one year          | 17,970                | 17,082                |
| Amounts falling due after more than one year | 21,314                | 37,343                |
|  | <u>39,284</u>         | <u>54,425</u>         |

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

## Notes to the Accounts (continued)

### Note 16

#### 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.

#### 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 Government Banking Service and 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 17

#### 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 £3,007,000 (2011-12: £3,158,000) grant in aid from Defra.

The NFC received £39,942 (2011-12: £165,356) woodland grants from the Forestry Commission and made payments to them of £12,979 (2011-12: £305,774) in respect of the Cycle Centre project.

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

### Note 18

#### 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 14 May 2013 by the National Forest Company's Chief Executive and Directors.

## Summary of main achievements during the five years 2008-09 to 2012-13

|   | 2008-09   | 2009-10   | 2010-11     | 2011-12     | 2012-13     |
|---|-----------|-----------|-------------|-------------|-------------|
| <b>New forest creation</b>  |           |           |             |             |             |
| Target  | 150-200ha | 200-250ha | 195 – 245ha | 140 – 160ha | 180 – 200ha |
| Outturn   | 121ha     | 204ha     | 195ha       | 154ha       | 204ha       |
| <b>Public access</b>  |           |           |             |             |             |
| New full open access sites  |           |           |             |             |             |
| Target  | 125-185ha | 150-185ha | 125 – 150ha | 110ha       | 140 – 160ha |
| Outturn   | 178ha     | 128ha     | 137ha       | 129ha       | 154ha       |
| <b>Nature conservation and cultural heritage habitat created or brought into management</b> |           |           |             |             |             |
| Target  | 50ha      | 50ha      | 35 – 50ha   | 30 – 40ha   | 60 – 75ha   |
| Outturn   | 58ha      | 59ha      | 57ha        | 34ha        | 63ha        |
| <b>Number of people involved in Forest related activities</b>                               |           |           |             |             |             |
| Target  | 20,000    | 20,000    | 20,000      | 20,000      | 20,000      |
| Outturn   | 23,200    | 25,000    | 20,000      | 20,232      | 21,300      |
| <b>Number of children and adults involved in environmental education activities</b>         |           |           |             |             |             |
| Target  | 40,000    | 40,000    | 40,000      | 38,000      | 38,000      |
| Outturn   | 41,000    | 35,800    | 37,000      | 44,110      | 41,700      |





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