



THE NATIONAL FOREST

basis in a digestible and simple way, and to ensure accountability back to Defra, our local communities and to them I am pleased to report that nearly all of our first full year of our Delivery Plan 2009 – 2014 was completed in its implementation. The National Forest Company enjoyed a year of involvement at all levels during the year and for this we are grateful. This was evidenced by making progress, with the Forestry Commission, towards the first family cycling centre in the Heart of the Forest, our close work with the Heart of the National Forest Foundation and the invaluable contribution of volunteers to the upkeep of the Forest. Competition for land is understandably high in the Forest area and our creativity in finding new incentives for what remains predominantly private sector planting, whilst working with the industrial and agricultural needs of the Forest area, has been rewarded. All our local authorities at District, Borough and County levels maintain a strong interest in The National Forest as a whole and what it can bring to them. The National Forest Company warmly welcomes the way in which the Forest can contribute to the well-being of its many and varied communities and the shared leadership which enables this to happen. In a year of funding uncertainties and the imminent contraction of public funds, Defra continued to provide a level of funding which enables targets to be met - so long as other funding is also generated - and I am pleased to report we were able to do this. Forest creation increased compared with last year, meeting the target range of 200 – 250ha*. We achieved more through land acquisition which gives opportunities for more private sector and community involvement in planting. Whilst our profile has been strong in recent years, this was a particularly good year for press and media coverage, including television. As the Chair reported in her foreword, the Defra Select Committee report was a rare endorsement and confirmed The National Forest's national contribution. Less happily, this year the recession clearly kicked in and affected business sponsorship and numbers of individuals planting. However, compared with previous years the Company was stronger in researching likely businesses for sponsorship and converting them to planting and other forms of support. Our approach has been to professionalise our fundraising and prepare for easier times. This year we narrowly missed our target for children engaged in educational sessions. This will be reviewed in the coming year. Finally, as part of the shifts signalled in the Delivery Plan 2009 – 2014, our approach to community engagement became further focused on how woodlands can be enjoyed and cared for by local communities. As I reported last year, the ambition of the National Forest Company is to be an exemplar of sustainability in all its aspects. I am often asked about what will happen to The National Forest in the long-term and, this year, further attention has been given to preparing for the time when, at around twenty years old, woodlands will (depending to an extent on the owner's preferences) benefit from thinning. My foresters tell me that this is the time when the straight lines finally become invisible, glades are created and wildlife can really take off, so we are working with landowners to prepare them for the cycles of management to come over the next few years. Part of doing this has been to invest further in the woodland economy so that there is a local market for products coming out of young woodlands. Similarly, we have been giving attention to tree health and the control of damage by squirrel and deer. Looking to the long-term future, this year saw progress towards strengthening the income potential of the Forest through charitable means and we expect to finalise this process in 2010 – 2011. More prosaically, sustainability also means controlling energy use and considering procurement. We continue to monitor and control consumption and in the coming year will do more on carbon accounting. Clearly our core business is beneficial in reducing dangerous climate change, but we will supplement this by being sure there is nothing further the small Company operation should consider. This year we deployed our customary balance of opportunism and principle to achieve more real change on the ground.

Annual Report and Accounts 2009 – 10

National Forest Company Annual Report and Accounts 2009 – 10

Presented to Parliament pursuant to section 25 (10)
of The Government Resources and Accounts Act 2000
(Audit of Non-profit-making Companies) Order 2009.

Ordered by the House of Commons to be printed on 13 July 2010.

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ISBN: 9780102967227

Printed in the UK for The Stationery Office Limited

on behalf of the Controller of Her Majesty's Stationery Office

ID P002373348 07/10

Printed on Revive 100 Offset, which is produced using 100% de-inked post-consumer recovered fibre at a mill that has been awarded the ISO14001 certificate for environmental management.

The pulp is bleached using an elemental chlorine free (ECF) process. Vegetable based inks were used throughout.



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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

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I am delighted to present an extremely successful year for The National Forest.

In recent years the progress of the Forest has been evident on the ground, with the single major challenge being to meet the forest creation target. This year, whilst land availability and prices continue to be a constraint, forest cover has risen by 204ha, an increase on performance in the previous year and within our target range. At the same time, many other priorities have also been advanced. It is a balanced and yet focused achievement.

The five themes to 2014 which partners prioritised through our Forest Strategy review last year have proved themselves practical shapers of delivery. They are:

- (i) **Keep creating The National Forest (Forest Creation)**
- (ii) **Make the most of what we've got (Quality)**
- (iii) **Communities at the heart (Participation)**
- (iv) **Telling the story (Communication)**
- (v) **A national showcase (Research and exemplar role)**



In particular, we focus on continuing to plant, whilst looking after what we have created and making the most of this unique asset for the region and the country. I am particularly encouraged that it has proved possible, within a small team, to deepen our approach to ensuring that local understanding and care of the Forest is nurtured. This is essential for the long-term sustainability of the Forest.

Increasingly we are sharing the learning from The National Forest, as witnessed by the publication of our research summaries. Anticipating new approaches to tree planting at the national level, The National Forest is well placed to be a testbed to achieve significant woodland creation for its carbon and other benefits.

The year ended with more evidence of the rising national profile of the Forest, with an exceptionally positive EFRA Select Committee report. What pleased me particularly was that the Committee's cross-party assessment was based on spending time in the Forest and meeting residents and partners. The National Forest Company is proud to be entrusted to take forward their aspirations, alongside meeting national policy objectives.

We look forward positively to the next period, aware that the Forest will not be immune to the budgetary restraint required across Government funding, but extremely well placed to continue the job. I thank our funders Defra, and supporters and partners more locally, for making this possible.

Dinah Nichols

Dinah Nichols
Chair

our profile, covers the EFRA Select Committee's annual report. The National Forest's success in creating new woodland is a testament to the hard work of the National Forest Company and its partners. This year, we have seen a significant increase in woodland creation, with 204ha of new woodland planted. This is a major achievement, particularly given the challenges of land availability and prices. We are also pleased to see the progress of our other priorities, such as improving the quality of existing woodland and engaging with local communities. The National Forest Company is proud to be entrusted with this important task, and we look forward to continuing our work in the coming year.



Far left: (photo: Cactus Images).

Above left: EFRA Select Committee members visit the Forest (photo: D Cresswell).

Above: Children from Swannington Primary School tree-planting at The Bradleys, a Changing Landscapes Scheme site (photo: NFC).



Performance of the National Forest Company against targets

The National Forest Company has always sought to report progress on an annual basis in a digestible and straightforward way. In doing this, we benefit from clear accountability back to Defra, our Departmental sponsor, and to local communities. To them I am pleased to report that nearly all our targets have been met and in the first full year of our Delivery Plan 2009 – 2014 we made excellent progress towards its implementation.

Operating context

The National Forest Company enjoyed support and involvement at all levels during the year and for this we are grateful. This was evidenced by making progress, with the Forestry Commission, towards the first family cycling centre in the Heart of the Forest, our close work with the Heart of the National Forest Foundation and the invaluable contribution of volunteers to the upkeep of the Forest.



Competition for land is understandably high in the Forest area and our creativity in finding new incentives for what remains predominantly private sector planting, whilst working with the industrial and agricultural needs of the Forest area, has been rewarded.

All our local authorities at District, Borough and County levels maintain a strong interest in The National Forest as a whole and in what it provides at local level. The National Forest Company

warmly welcomes the way in which the Forest can contribute to the well-being of its many and varied communities and the shared leadership which enables this to happen.

In a year of funding uncertainties and the imminent contraction of public funds, Defra continued to provide a level of funding which enables targets to be met – so long as other funding is also generated – and I am pleased to report we were able to do this.

This year's headlines compared with recent years

Forest creation increased compared with last year, meeting the target range of 200 – 250ha*. We achieved more through land acquisition which gives opportunities for more private sector and community involvement in planting.

Whilst our profile has been strong in recent years, this was a particularly good year for press and media coverage, including television. As the Chair reported in her foreword, the EFRA Select Committee report was a rare endorsement and confirmed The National Forest's national contribution.

Less happily, this year the recession clearly kicked in and affected business sponsorship and numbers of individuals planting. However, compared with previous years the Company was stronger in researching likely businesses for sponsorship and converting them to planting and other forms of support. Our approach has been to professionalise our fundraising and prepare for easier times.

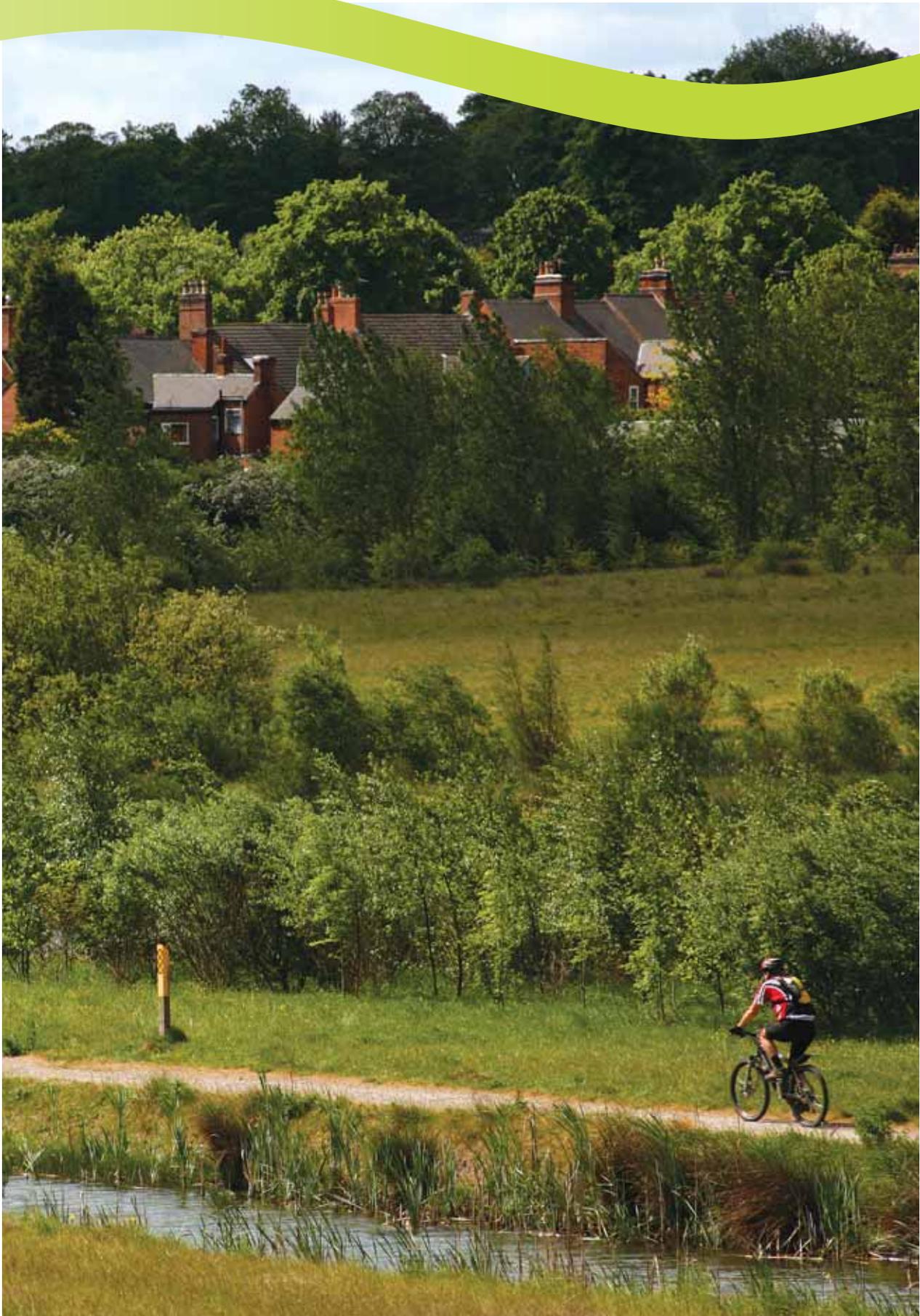


This year we narrowly missed our target for children engaged in educational sessions. This will be reviewed in the coming year.

Finally, as part of the shifts signalled in the Delivery Plan 2009 – 2014 and as reported by the Chair, our approach to community engagement became further focused on how woodlands can be enjoyed and cared for by local communities.

* See the bar graph on page 20 for a summary of Forest creation since 1995.

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Far left: (photo: C Beech).

Above left: (photo: Cactus Images).

Above: Cycling around the regenerated heart of The National Forest (photo: C Beech).



Sustainability and the future

As reported last year, the ambition of the National Forest Company is to be an exemplar of sustainability in all its aspects.



‘The National Forest Company has proved to be a highly effective vehicle for leading the creation of The National Forest, delivering good value for public money. It has demonstrated how a small, non-bureaucratic body can bring significant impetus to a partnership of organisations working together to deliver national and local strategies.’

EFRA Select Committee report

Sustainability and the long-term

I am often asked about what will happen to The National Forest in the long-term and, this year, further attention has been given to preparing for the time when, at around twenty years old, woodlands will (depending to an extent on the owner's preferences) benefit from thinning.

My foresters tell me that this is the time when the straight lines finally become invisible, glades are created and wildlife can really take off, so we are working with landowners to prepare them for the cycles of management to come over the next few years. Part of doing this has been to invest further in the woodland economy so that there is a local market for products coming out of young woodlands. Similarly, we have been giving attention to tree health and the control of damage by squirrel and deer.

Looking to the long-term future, this year saw progress towards strengthening the income potential of the Forest through charitable means and we expect to finalise this process in 2010 – 2011.

More prosaically, sustainability also means controlling energy use and considering procurement. We continue to monitor and control consumption and in the coming year will do more on carbon accounting. Clearly our core business is beneficial in reducing dangerous climate change, but we will supplement this by being sure there is nothing further the small Company operation should consider.

Summary

This year we deployed our customary balance of opportunism and principle to achieve more real change on the ground, across all our responsibilities, whilst setting our eyes – and nerve – firmly on the medium to long-term.



I am proud to lead a team which through resolve, imagination, good humour and sheer hard work has put The National Forest in such fine fettle for the year to come. I invite readers to visit The National Forest (again) in the near future, to explore new corners and witness themselves the continuing transformation.

Sophie Churchill

Sophie Churchill
Chief Executive

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Far left: Sence Valley Forest Park (photo: C James).

Above left: (photo: NFC).

Above: Horse logging at Jackson's Bank – specially trained horses are ideal for removing timber from woodland not easily accessible for machinery (photo: Cactus Images).



Achievements against targets and objectives 2009/10

This section of the annual report is based on the targets and objectives contained in the Corporate Plan 2009/10. All targets are reported on, some of them joined into one heading for succinctness. A commentary is provided on significant objectives from the Corporate Plan which were not numeric or time-limited targets, but which are nevertheless important to the progress of the Forest.

The themes are structured around those of the Delivery Plan to 2014 and the plan and its priorities are referred to a number of times.

Key Objective 1: Forest Creation

As stated in the Chief Executive's introduction, the achievement of Forest creation and nature conservation targets was a significant headline for the year. The land market continues to be buoyant, supporting many land uses of which Forest creation is only one, but a range of approaches to achieve the next stage of the Forest is bearing fruit. In particular, new small scale schemes proved popular and acquisition was at a higher level than last year.

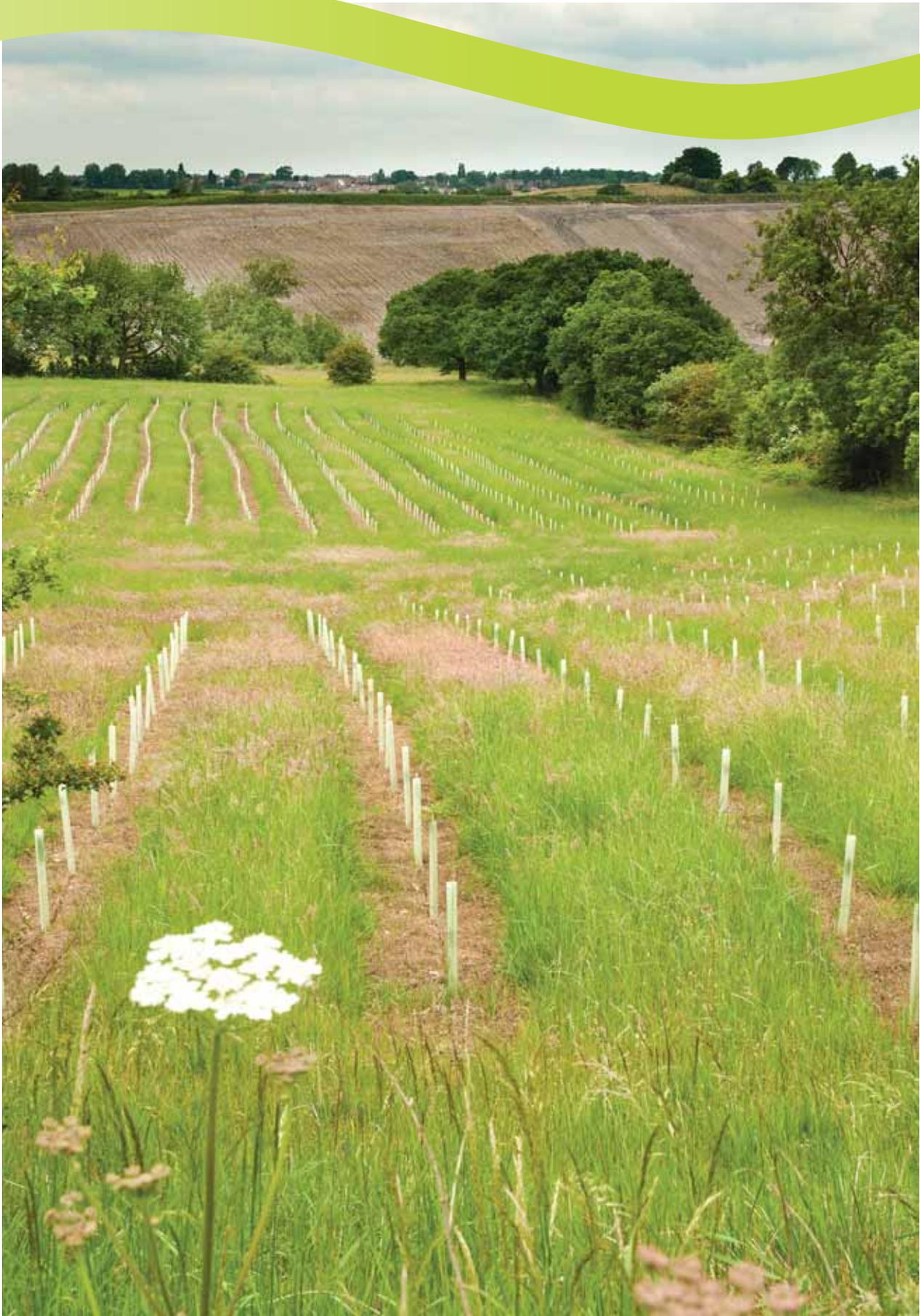
We are keeping a watchful eye on access. The Changing Landscapes Scheme strongly promotes but does not guarantee access, because in some schemes it will not be of public or conservation benefit, whilst usually being scored highly and sought by the Company. New access is achieved on the great majority of new schemes and actual public use is becoming as important as access per se. However, the shortfall this year will be taken seriously going forward. Similarly, we are at a relatively early stage in targeting for connectivity, and using a third party did not yield immediate hectares of planting, but we have the GIS mapping to support this and will continue to develop approaches.

In addition to the targets, other significant activity in Forest creation included continuing to influence green infrastructure in the context of proposed housing growth, liaising with lead local authorities on built and green environment design and the embedding of The National Forest in their Local Development Frameworks. The presence of the Forest in planning documents is strengthening year on year, which bodes well for the sustainability of the Forest long-term.



Targets	Progress
Secure 200 – 250ha of new Forest creation and 50ha of nature conservation sites.	Achieved. 204ha of new Forest creation secured and 59ha of nature conservation.
Secure 150 – 185ha of new and / or planned public access.	Not achieved. 128ha achieved.
Achieve connectivity through contracting with third parties to target landowners.	Partially achieved. Existing schemes have delivered connectivity, including one 7ha site linking an area of over 200ha. However, using a third party to target landowners was not successful and the approach will be reviewed.
Produce and promote an updated guide for developers and planners.	Deferred until 2010/11 Likely policy changes post election regarding Section 106 meant that it was prudent to defer.

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Left & above: Contractors tree-planting in March at Feanedock Covert (left) and the site pictured three months later (photos: Cactus Images).



Key Objective 2: Quality and making the most of the Forest

At 18.5% Forest cover, compared with a target of around a third, The National Forest requires continuing planting and the creation of habitats. (At current rates, this will take at least 20 years). But the Forest also needs careful looking after and the full realisation, (economic, social and environmental), of the green asset in which so much investment has been made.



This is largely achieved by enabling local involvement by landowners and communities and the National Forest Company is, with its existing small team, focussing on how to engage these vital stakeholders further over the coming years. This includes developing woodland-related businesses and woodland management which provides marketable products.

In addition to the targets reported on, a major partnership project with the Forestry Commission and emda was secured to promote the woodland economy and work on tree health was taken forward. This was a strong year for this Delivery Plan to 2014 objective.

Targets	Progress
Refreshed approach to quality by NFC, following it emerging as a key theme from Mid Strategy Review.	Achieved. Reflected in prioritising woodland management and developing approaches to long-term community engagement in local woodlands.
Woodland Owners' Club (WOC) – establish steering group and hold three meetings focused on management and networking.	Achieved (steering group deferred). Three successful meetings held during the year, including pruning workshop. WOC proving to be a useful tool for landowner engagement around quality.
Woodfuel – commitment for five new installations.	Achieved. Installations committed or under consideration at 7 locations.
National Forest Wood Fair – 3,500 visitors and 90 stalls, (compared with 3,500 and 85 stalls in 2008).	Exceeded. Over 5,000 attendance and 93 exhibitors.
Heart of the National Forest – complete vision and action plan and develop implementation.	Achieved. Study completed and implementation plan agreed.
Sustainable tourism – establish the organisational arrangements to deliver the action plan from the new Sustainable Tourism Vision and Strategy.	Exceeded. National Forest Tourism Partnership established and early actions underway.

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

Above: The changing landscape of Rosliston Forestry Centre and the surrounding area (photo: I S Photographic).



Left: Volunteers working at Swadlincote Woodlands (photo: Cactus Images).

Above: Moira Canal Festival, one of the local events supported by a grant from the NFC (photo: C Beech).



Key Objective 4: Communication: telling the story

The consultation on the Delivery Plan to 2014 highlighted the need for continued communication of the story of The National Forest to date and ‘the gameplan’ going forward. Despite limited staff capacity and resources for this, a leaflet was produced and distributed through letter boxes across the Forest, (at c10p per resident), whilst parliamentary and national audiences were also successfully engaged.

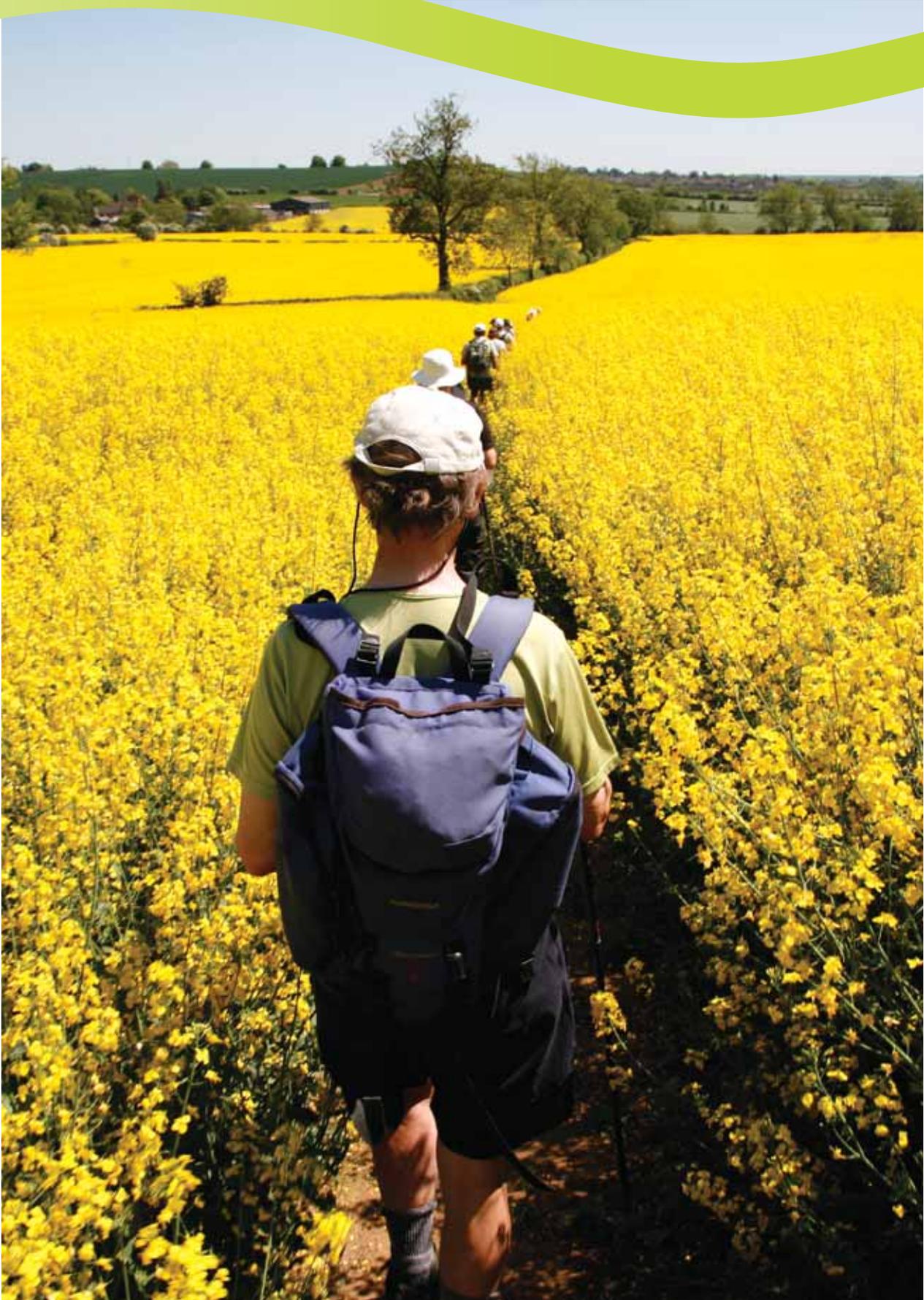


Evidence of progress in wider communication has seen increasing coverage in national media, including for example Sunday papers which have regularly featured the Forest as a destination. In this, the collaboration of the tourism Destination Management Partnerships in the three counties of the Forest has been valued.

At the local level, although it has proved difficult this year to present to all communities on a regular basis, the enthusiasm – and often penetrating questions – of local groups is always heartening and stimulating.

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Targets	Progress
An approach to systematic communication agreed by 31/07/09 and disseminated to all residents.	Achieved. Priority to communicate with residents through all appropriate channels identified. Leaflet through door of all households by April 2010 (later than planned to meet beginning of Spring season).
The National Forest to 2014 presented to key parliamentarians, (cross party) and to key civil servants.	Achieved. Briefing held at Westminster in November 2009, to cross party audience.
Programme of talks to local communities on The National Forest to 2014.	Partially achieved. Communication to local and other audiences through talks and other means continues but insufficient capacity to initiate a systematic programme.
Approach to woodland management communicated to all landowners by 31/03/10, via Woodland Owners' Club and publications.	Achieved. As reported on page 10.
Refreshed position statement on climate change disseminated appropriately.	Achieved. In the context of continuing policy debate re forestry and climate change, the priority for NFC is to have a statement reflecting current knowledge as well as is possible. Website statement was refreshed during the year and business engagement continues to be supported by a balanced and informed position.



Above: Walking through a balanced agricultural and wooded landscape (photo: C Beech).



Key Objective 5: Research and exemplar role ('A national showcase')

The National Forest is more than a local project, in demonstrating how multipurpose forestry can achieve multiple benefits in other settings. In 2009/10 the research which underpins the many strands of activity was pulled together and is now available online. Sustainable development has always been the overarching aim of the Forest and its SD profile is regularly updated: work began on the next phase of this in 2009/10. Further, there are some long-term issues, including how climate change may be adapted to and mitigated and, close to home, how sustainable transport could be achieved across the Forest. We continue to work at these areas.



In addition to the targets, the Forest maintained its position as a UK case study for the European Landscape Convention, updating its action plan.

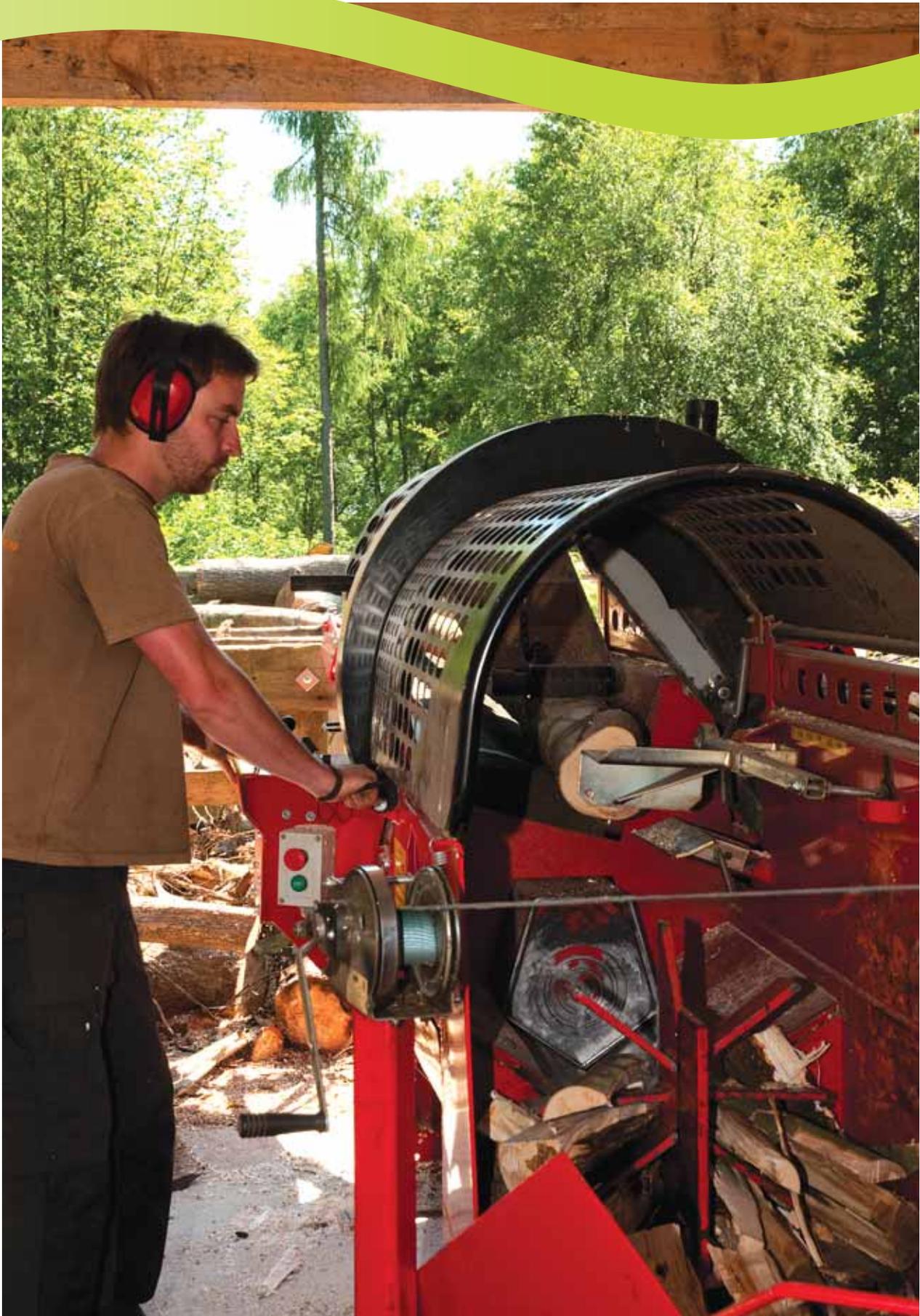
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Targets	Progress
National exemplar role – two events sharing learning to date by 31/03/10.	Achieved. Westminster event and launch of online research summaries.
Update of Sustainable Development report 2007: assess data needs and prepare for update.	Achieved. In 2010/11 the summary of The National Forest against national SD indicators will be updated, as part of the national exemplar role.
Climate change research: as a test bed for national research on multi-purpose forestry, develop further the joint climate change tree provenance research project with Forest Research, including agreeing planting on a second site, procurement of seeds and initial growing.	Achieved. Forestry Commission and a private sector partner hosting trials on their land.
Work with Defra and other partners to explore the piloting of an integrated approach to assessing The National Forest's public value, building on an ecosystems services approach.	Deferred: underway 2010/11 The work is set for 2010 /11, arising out of the EFRA Select Committee.
Scope the development of a set of principles for sustainable transport in The National Forest.	Achieved. Board discussion has taken place and approach agreed, to be taken forward in 2010/11.



Left: Tree Sparrow, recorded more abundantly in The National Forest than in the wider Midlands region. Breeding Bird Survey, British Trust for Ornithology (photo: Ron Marshall).

Above: The greening of Burton upon Trent as seen from Tower Woods (photo: C Beech).

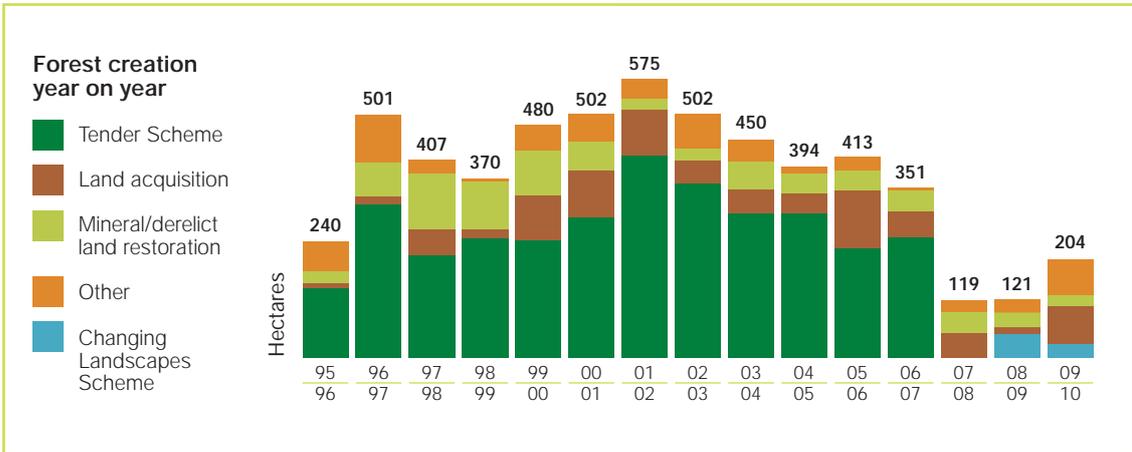
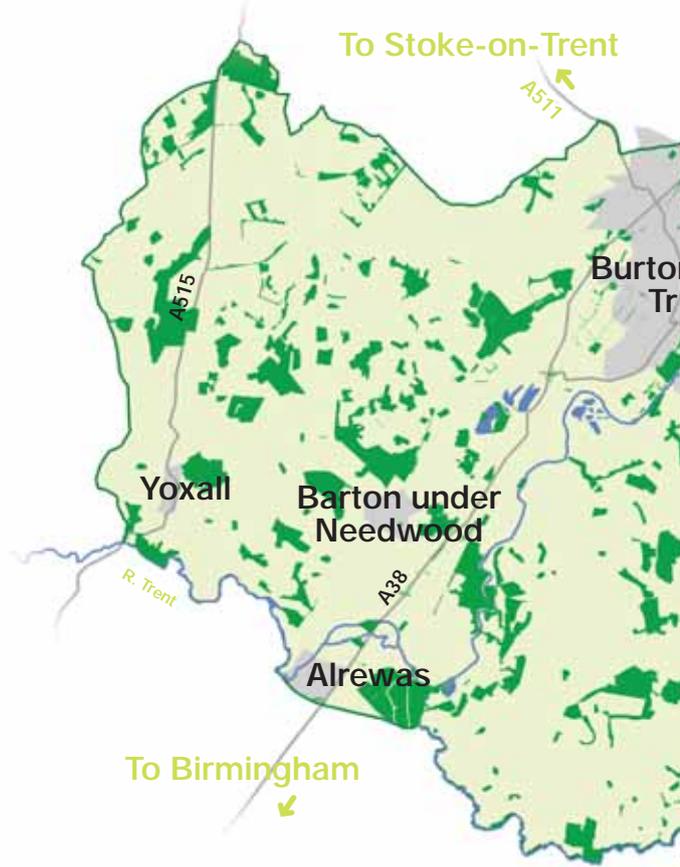


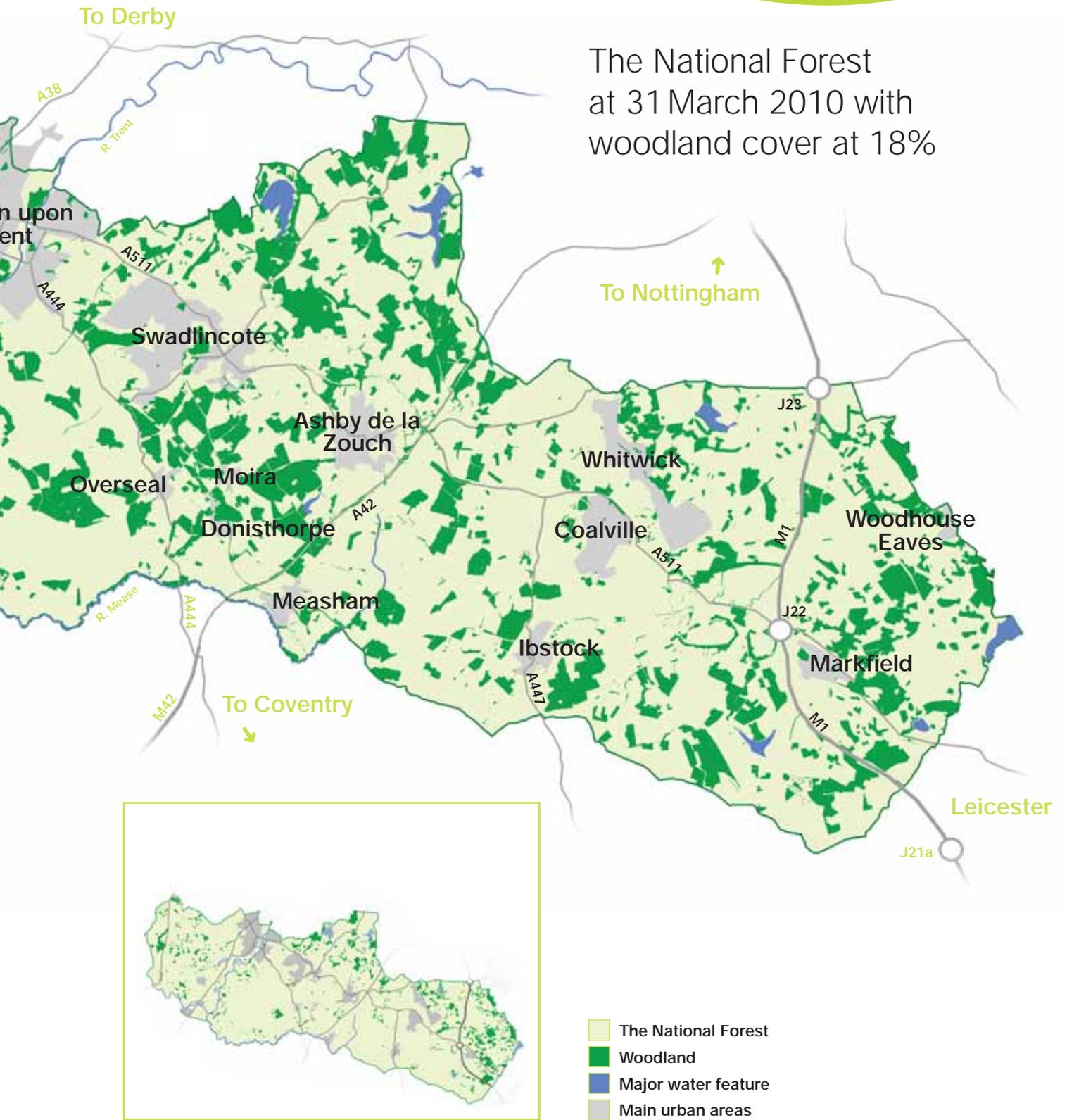
Left: Business Benefits planting event (photo: D Cresswell).

Above: Staunton Harold Sawmill, cutting locally grown timber (photo: Cactus Images).



Excavation work for the Ashby Canal and adjacent Donisthorpe Woodland pictured in 1998 (photo: G. Pursglove) and as it is now, in 2010 (photo: C Beech).







1 Dinah Nichols (Chair)

Former Director General Environment, Department for Environment, Food and Rural Affairs (Defra). Dinah is a Commissioner/Board Member, The Crown Estate (Royal appointment) and a Trustee/Board Member of Keep Britain Tidy and The Land Trust. She is a Non-executive Director of Pennon Group Plc and Shires Smaller Companies Plc. Dinah is a Member of the Policy Committee (advisory) of the Council for the Protection of Rural England (CPRE).

2 Sophie Churchill (Chief Executive)

Former Chief Executive of Regen WM. Sophie is a Director of the Heart of the National Forest Foundation.

3 Russ Canning

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

Martin Glynn *

Director, Rural Development Initiatives Ltd and RDI Associates Ltd. Martin was until 31 December 2009 a Member of the Forestry Commission, Regional Advisory Committee, Yorkshire and the Humber Region and a Member of the Yorkshire and Humber Rural Affairs Forum. He is a Member of the Yorkshire and Humber RDPE Skills Industry Advisory Panel.

Oliver Johnson *

Oliver is Chief Executive, The Wine Society.

Valerie Le Vaillant

A chartered architect, town planner and surveyor. Valerie is Managing Director, Le Vaillant Owen Consultancy Ltd and Chair of the Thames Region Environmental Protection Advisory Committee. She is a Non-executive Director, Places for People Group and Generator Group LLP. Valerie is Member, Covent Garden Market Authority; Member, Church Buildings Council; Director, East Kent Hospitals UF NHS Trust; Director, Dover Harbour Board; and Director, Deal & Walmer Chamber of Trade.

Robin Pellew

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

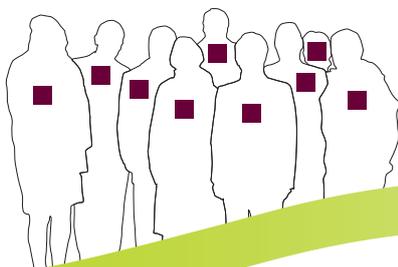
Susan Warren

Susan is Programme Development Manager, Groundwork South West and Member, South Downs National Park Authority.

Judith Webb

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

* Retired from the Board on 31 March 2010.



The Directors present their report and the audited financial statements for the year ended 31 March 2010.

Principal activities

The Company is a company limited by guarantee (registered number 2991970), established on 1 April 1995, as a Non-Departmental Public Body 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. For 2009/10 grant in aid was set at £3.6 million. After allowing for an underspend of £290,000 carried forward from 2008/09, the Company received £3.31 million. Grant in aid for 2010/11 has been set at £3.35 million.

Environment, Food and Rural Affairs (EFRA) Committee

The EFRA Select Committee has conducted an inquiry into how The National Forest has developed over the past 15 years. It concluded that The National Forest is a success story delivering tangible environmental, economic and social benefits across a 200 mile swathe of the Midlands. The crucial leadership role of the National Forest Company (NFC) was acknowledged. Recommendations included the need to disseminate the Company's experiences and for Defra to assess whether the Forest model can be effectively deployed elsewhere. The inquiry concluded that for The National Forest to achieve its long-term potential will require continuing Government commitment, including limited financial support, for many years to come.

Business review and future developments

The NFC Board agreed key objectives and targets for 2009/10 which were detailed in the Corporate Plan approved by Defra. These were consistent with the achievement of goals set out in the National Forest Delivery Plan 2009 – 2014.

A summary of the main activity during the year, analysed under the headings used in the 2009 Corporate Plan, is as follows:

Key objective 1 – Forest creation

Activity included:

- 204ha of new Forest creation secured (Target range 200 – 250ha). Woodland cover across the Forest at the end of March 2010 was 9,239ha which represents 18.5% of the area, over half of the eventual target of around one third;
- 59ha of nature conservation sites were created or brought into management (Target 50ha); and
- 128ha of open public access plus 3ha of specialist access secured (Target range 150 – 185ha).

Key objective 2 – Quality and making the most of the Forest

Activity included:

- organising three meetings of the National Forest Woodland Owners' Club focusing on woodland management, networking and good practice;
- new wood fuel installations committed or under consideration at seven locations within the Forest area (Target five);
- organising, with Leicestershire County Council, the 2009 National Forest Wood Fair which attracted over 5,000 visitors (Target 3,500) and 93 exhibitors (Target 90);
- route planning, development of design standards and consultation undertaken for a National Forest long distance trail; and
- completing, with partners, the vision and action plan for the Heart of the National Forest.

Key objective 3 – Participation

Activity included:

- piloting approaches to secure community and volunteering activity at woodland sites and other Forest locations; and
- engaging c25,000 people (Target 20,000) in Forest related events and c35,800 children (Target 40,000) in environmental education sessions. The shortfall against the target is attributed to adverse weather and precautions taken against the threat of swine flu.

Key objective 4 – Communication

Activity included:

- 'On Your Doorstep' leaflet containing information about the Forest was produced and sent to 150,000 households across the area;

- raising awareness of the headlines from the Forest Delivery Plan to 2014 amongst Parliamentarians and civil servants. Activity included a Westminster event attended by selected key contacts;
- completing the series of National Forest walks leaflets and promoting the second National Forest Walking Festival; and
- completing Phase 2 of the East Midlands Visitor Infrastructure Project which has seen signage and interpretation installed at Forest sites and attractions.

Key objective 5 – Research and exemplar role

Activity included:

- producing and disseminating eighteen summaries covering the National Forest research programme;
- scoping the data needs for an update of the NFC's sustainable development indicators;
- agreeing the terms of the contract with Forest Research to develop the first phase of a climate change tree provenance research project;
- scoping the development of a set of principles for sustainable transport in The National Forest; and
- updating the European Landscape Convention Action Plan, promoting it via Natural England's Landscape Character Network.

Key objective 6 – Governance, efficiency and organisational sustainability

Activity included:

- reviewing the NFC's approach to fundraising and securing an in principle agreement for joint working on future campaigns with the Heart of the National Forest Foundation;
- compiling 56 prospect files (Target 50) on high level donors for cultivation in 2010/11;
- introducing three new business sponsors to the work of The National Forest;
- operating the 'Plant a Tree' scheme through which individuals plant a tree in The National Forest. Over 1,500 people attended the three planting events and income generated equated to 92% of the £23,000 target set; and
- reviewing the Company's Management Statement/Financial Memorandum, including the Land Acquisition Policy which is a schedule appended to it.

A summary of the main achievements during the last five years is shown on page 42.

2010/11 will see a continuation of implementation of the Delivery Plan covering the period to 2014. There will be no major shift in direction with focus being on the many strands of activity already under way, particularly continuing with Forest creation and looking after the asset which has been created. There are some key cross-cutting themes which will underpin many of the NFC's activities: climate change; sustainability; and equality, diversity and inclusion.

Once again, activity will be centred round the five key themes which emerged from the consultation undertaken at the mid-point review of the Forest Strategy, namely:

- Keep creating The National Forest
- Make the most of what we've created
- Communities at the heart
- Telling the story
- A national showcase

The headline target for new Forest creation remains at 200 – 250ha per annum.

There are, however, some new activities planned for 2010/11 which help take forward the above themes. These include:

- Evolving a single charity for the Forest, and exploring the feasibility of a friends'/membership scheme, both of these in partnership with the Heart of the National Forest Foundation;
- carrying out an assessment of the overall public value of The National Forest, to be commissioned by Defra; and
- undertaking, with Defra, a programme to disseminate the learning from The National Forest.

Land Acquisition and Disposal

The Company is permitted to acquire land, in accordance with its Land Acquisition Policy agreed with Defra, where it will secure significant National Forest objectives and represents good value for money. Following acquisition,

it is normal practice for the freehold ownership of sites to be transferred to partner organisations as soon as possible after purchase, subject to guarantees that the land will be developed and managed for specified Forest purposes. Where Forest Enterprise (FE) is the preferred partner an expedited procedure is followed to enable an early transfer of the freehold of the land to FE. In such cases the freehold in the land will be vested in the Secretary of State and 'placed at the disposal of the Forestry Commissioners'.

It is, in accordance with the Land Acquisition Policy, possible for the NFC to hold up to a maximum of 300ha of land at any time. After allowing for acquisitions and disposals completed during the year, the Company held 192.5ha of land at 31 March 2010 (2009: 133.6ha).

Research and Development

The NFC spent £92,416 (2009: £98,306) on research during the year. The main areas of activity during 2009/10 included:

- Socio-economic research into the impact of The National Forest
- Climate change adaptation
- Planning services support consultancy
- Background research into producing a sustainable transport framework
- Wealth intelligence screening of NFC database

Losses, special payments and gifts

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

Payment of Creditors

The Company aims to pay undisputed invoices within 10 days of the invoice date in accordance with the commitment made by Government in October 2008. Monitoring of payments made since July 2009 shows that 91% of invoices received have been paid within 10 days. No claims were received during the year from suppliers for late payment of invoices under The Late Payment of Commercial Debts (Interest) Act 1998.

Consultation with Employees

The Company's pay and grading arrangements applied throughout the year were analogous to those of its sponsor Department. No consultation was therefore required with staff as regards the annual salary review on 1 July 2009. The salary review negotiated within core-Defra was applied to all Company staff at Grade 7 and below. The Company consults with all staff on operational matters and in the formulation of policy and targets.

Sickness absence

Staff absence due to sickness equated to an average of 3.2 days per employee during the year (2009: 4.3 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.

Sustainability and environmental matters

Sustainable development is the guiding principle which underpins the creation of The National Forest. In 2007, the NFC published 'The National Forest – an exemplar of Sustainable Development' which set out actions which contribute to sustainable development, including further woodland creation, measuring social inclusion and well being, developing the Forest as a sustainable tourism destination and extending wildlife habitats. Targets were set which have been detailed and reported upon in the annual Corporate Plan. Work is under way to update the 2007 report with data needs having been scoped and research commissioned to update the assessment of socio-economic impact of the Forest. 2009/10 has also seen the production of a set of principles for sustainable transport in The National Forest.

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

The NFC reviews the sustainability of its own practices, controlling energy use, recycling and seeking good practice in its contracting and procurement.

Disability Equality Scheme

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

Results and dividends

The deficit for the year before accounting for the receipt of revenue grant in aid amounted to £2,620,393 (2009: deficit of £2,950,821).

Directors

The Directors of the Company as at 31 March 2010 and their initial appointment dates are as follows:

Date of initial appointment

<i>R Canning</i>	<i>1 April 2005</i>
<i>S Churchill</i>	<i>1 February 2006</i>
<i>M Glynn</i>	<i>1 April 2004</i>
<i>O Johnson</i>	<i>1 April 2004</i>
<i>D Nichols</i>	<i>1 April 2005</i>
<i>V Le Vaillant</i>	<i>1 April 2005</i>
<i>R Pellew</i>	<i>1 April 2007</i>
<i>S Warren</i>	<i>1 April 2007</i>
<i>J Webb</i>	<i>1 August 2007</i>

Auditors

Mazars LLP were engaged to provide internal audit services to the NFC during the 2009/10 financial year. The Comptroller and Auditor General was the appointed auditor of the Company's 2009/10 financial statements.

Website

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



Sophie Churchill

Chief Executive/Accounting Officer



Mike Dewsnap

Secretary

28 June 2010

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 2009-10 is detailed below in terms of salary, other payments, allowances and pension benefits. This information is subject to audit.

The average number of employees, including Directors, employed was:	2010	2009
Directors (including Chief Executive)	9	9
Staff (includes full and part time posts)	19	19
	28	28
Staff costs, including Directors, totalled:	£	£
Salaries	727,011	714,097
Social security costs	56,295	54,353
Other pension costs	124,424	128,028
	907,730	896,478

Remuneration of Non-Executive Board Members

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

Remuneration of Directors accords with senior civil service pay arrangements. Salaries are reviewed annually on 1 April, with any uplift being linked to the recommendations of the Senior Salary Review Body and any directives and guidance issued by the Government. At a time when seeking pay restraint in the public sector, the Government decided that the increase in remuneration of members of the Senior Civil Service with effect from 1 April 2009 should be restricted to 1.5%. This was applied to the remuneration of NFC Directors.

Emoluments of Chair:

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

Name	Contract Expiry Date	2010 £	2009 £
		Taxable Benefits	Remuneration
		Taxable Benefits	Remuneration
Dinah Nichols	31 March 2011	1,888	17,297
		1,815	17,041

Emoluments of Non-executive Directors:

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

Name	Contract Expiry Date	2010 £	2009 £
		Taxable Benefits	Remuneration
		Taxable Benefits	Remuneration
Russ Canning	31 March 2011	714	3,171
Martin Glynn	31 March 2010	1,065	3,171
Oliver Johnson	31 March 2010	875	3,171
Valerie Le Vaillant	31 March 2011	1,499	3,171
Robin Pellew	31 March 2013	1,251	3,171
Susan Warren	31 March 2013	719	3,171
Judith Webb	31 March 2013	810	3,171
		881	3,124
		1,029	3,124
		870	3,124
		1,644	3,124
		1,350	3,124
		1,097	3,124
		928	3,124

Remuneration of the Chief Executive

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

The Chief Executive, Sophie Churchill, was appointed for a term of five years commencing on 1 February 2006 and expiring on 31 January 2011, unless terminated earlier by either party giving at least 13 weeks notice in writing. The appointment was subject to the approval of Defra which 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. In addition to her salary, the Chief Executive is entitled to a non-consolidated, non-pensionable performance related bonus of up to 10% of annual salary. This is determined by reference to the extent to which predetermined objectives and targets, as contained in a job plan agreed between the Chief Executive and Chair, have been achieved. These are predominantly those set out in the Corporate Plan agreed between the Company and Defra. The level of bonus payable is determined by the Chair, after consultation with fellow Directors. The recommendation is agreed with Defra.

Name	Age	Contract Start Date	Contract Expiry Date	2010 £	2009 £
Sophie Churchill	46	1 February 2006	31 January 2011		
Salary				69,433	68,407
Non-consolidated bonuses				6,596	5,815
Pension scheme contributions made by employer				15,136	15,870
				<u>91,165</u>	<u>90,092</u>

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

The Company operates a defined benefit pension scheme as an admitted body under the PCSPS. This is an unfunded multi-employer defined benefit scheme but the National Forest Company is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation www.civilservice-pensions.gov.uk

For 2009/10, employer's contributions of £124,424 were payable to the PCSPS (2009: £128,028) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. From 2010/11, the rates will remain in the range 16.7% to 24.3%. The contribution rates are set to meet the cost of the benefits accruing during 2009/10 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

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 changes in the Retail Price Index (RPI). Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a good quality "money purchase" stakeholder pension with a significant employer contribution (**partnership** pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for **classic** and 3.5% for **premium**, **classic plus** and **nuvos**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' 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 in respect of service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 calculated as in **premium**. In **nuvos** a member builds up a pension based on his/her pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with RPI. In all cases members may opt to commute pension for lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes an age-related contribution of between 3% and 12.5% 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-pensions.gov.uk

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

Sophie Churchill	2010 £
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 31/3/10 (within range)	5,000 – 10,000
Total accrued related lump sum at age 60 at 31/3/10 (within range)	-
Cash equivalent transfer value (CETV) at 31/3/09 (nearest £'000)	101,000
Cash equivalent transfer value (CETV) at 31/03/10 (nearest £'000)	117,000
Real increase in CETV after adjustment for inflation and market investment factors (nearest £'000).	7,000

The **accrued pension** quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus** and 65 for members of **nuvos**.

A **Cash Equivalent Transfer Value (CETV)** is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point of time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

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

Remuneration of the Executive

All staff below the level of Chief Executive are employed in substantive posts, subject to the completion of a satisfactory probationary period. The terms of the pay review applied to staff at Grade 6 and below within core-Defra, on 1 July each year, are applied to staff employed by the NFC.

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

Sophie Churchill
Chief Executive/Accounting Officer

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

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

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

- observe the Accounts Direction issued on 3 November 2009 by the Department for Environment, Food and Rural Affairs in accordance with the above order, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable Accounting Standards as set out in the Government Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In so far as the Directors are aware:

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

By order of the Board



Mike Dewsnap
Secretary

28 June 2010

Scope of responsibility

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

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

Company mission

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

The risk and control framework

Risk strategy and risk management

The Board has responsibility for overseeing risk management in the Company. It approves the Risk Management Policy which specifies the role of the Board, Audit Committee, Chief Executive in her capacity as Accounting Officer and the executive. During 2009/10 the policy was reviewed by the Board and revisions agreed which ensured that it accurately reflected the governance role for risks allocated to Directors, either on a personal basis or through chairing or being a member of a committee or working group.

The Audit Committee, a sub-group of the Board, has responsibility for reviewing the risk management process and the draft Risk Register before its submission to the Board. The Committee allocates governance tasks and receives and co-ordinates reports on this aspect from Directors and auditors. Risk management is a standing agenda item for meetings of the Committee.

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

Responsibility for each risk is allocated to a manager.

One of the risks allocated the highest risk score in the 2009/10 register, as in previous years, related to the achievement of the headline target for new forest creation as detailed in the Corporate Plan; specifically, uncertainty surrounding the availability of affordable land and likely take-up of the Changing Landscapes Scheme introduced in 2008. The other highest scored risks related to the continuity of grant in aid funding; effective partnership working with the Heart of the National Forest Foundation; and threats to the Forest's environment arising from planned growth/development proposals.

Project and Programme Management

The delivery of projects, including major capital projects, features prominently in creating The National Forest. The NFC assumes either a lead role in the delivery of such projects or supports delivery by partner organisations.

Where the NFC takes the lead, as a consequence of its limited staff resources, it may need to engage external support for project management and delivery. An example of this is the 'Making Woods Work' project aimed at further developing the local woodland economy for which a woodland network co-ordinator has been engaged through a consultancy arrangement. A project steering group, serviced by the NFC, has been established with membership drawn from funding bodies and other interested public sector organisations.

A major capital project is the construction of the National Forest Cycle Centre with a budget of £1.4 million. The NFC is responsible for project co-ordination and liaison with funders, whilst the Forestry Commission (FC), which will own and operate the centre, is engaged in project delivery, being responsible for the awarding and management of contracts. A project steering group has been established with membership drawn from the NFC and FC.

With many projects, the NFC either accepts an invitation to have representation on project steering groups or supports projects via grants. In the latter case, grant conditions apply which provide the necessary safeguards to the NFC's interests and public funds.

Strategy and planning

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

Implementation of the Delivery Plan and achievement of Corporate Plan objectives and targets is also dependent upon the delivery of other strategies and action plans. An example of this is the aspiration to make The National Forest a sustainable tourism destination for which consultants were engaged to produce a 20 year vision and associated 5 year action plan. This involved consultation with key partners and the subsequent establishment of the National Forest Tourism Partnership which will oversee delivery of the agreed plan.

Corporate governance

I am the Company's only executive Director, joined on the Board by the Chair and seven Non-executive Directors who are appointed by the Company subject to the approval of Defra. The Board met five times during 2009/10 with agendas covering strategic and operational matters.

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

A key committee of the Board is the Audit Committee which comprises three Non-executive Directors. As Accounting Officer, I attend meetings of the Committee. The Chairman of the Audit Committee gives oral reports to the Board on business conducted at Committee meetings and an annual report is written. The Committee met three times during the year ended 31 March 2010.

There are three other committees of the Board, all chaired by Non-executive Directors. These are the Land Acquisition Group, Corporate Affairs Group and the Strategic Marketing and Communications

Group. In addition there are four themed working groups, Access & Recreation, Planning, Nature Conservation and Woodland Economy which are chaired by Non-executive Directors and where membership comprises representatives from partner organisations. Minutes of meetings are copied to all Directors for information.

Non-executive Directors are appointed in accordance with the Code of Practice issued by the Commissioner for Public Appointments. The Company usually makes initial appointments for a three year term of office which may be extended for a further term of up to three years. The next vacancies to arise on the Board are in April 2011 when a new Chair and two Directors will be sought. The recruitment process will take in consideration the skills and experience lost through the retiring Directors and any other skills gaps that exist.

Management of change

There is regular dialogue with all staff on the delivery of key Forest Strategy objectives and targets for which there is a sense of shared ownership. Staff have been kept informed of developments in relation to the long term governance arrangements appropriate for overseeing the continued development and maintenance of The National Forest, including discussions with the Heart of the National Forest Foundation in relation to governance and charitable status matters. Information is shared via fortnightly team meetings, a regular flow of emails and encouragement to read papers produced for the Board. Staff also received a talk from the NFC's senior Defra sponsor who gave an update on the Department's priorities, shared thoughts on long term issues relevant to The National Forest and answered questions.

Performance management

Whilst I have overall responsibility for the achievement of Corporate Plan objectives and targets, they fall into the annual job plans agreed for each member of staff. The delivery of targets and assessment of individual performance are monitored and assessed through the staff review system. At the end of the year, an Annual Review is undertaken which includes an assessment of how the individual has performed during the year and this determines any entitlement to a performance related bonus.

The National Forest is being created for public benefit and therefore the engagement and views of the general 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 2010, 17 complaints were received (compared with 14 in the previous year), most of which related to sites in the National Forest not owned by the NFC. In addition, 15 requests for information were received under the FOI Act (compared with 3 in the previous year). All complaints and requests for information were responded to within the specified timescale.

Data handling

As Accounting Officer I am responsible for the handling of personal and sensitive information and managing the risks associated with this. The systems of control in place have been further enhanced during the year and have been reviewed by internal audit. A data handling policy has been enforced and staff are regularly reminded of their responsibilities and good practices when transferring data and the need for safe disposal of classified waste. Encrypted USB sticks have also been introduced. All staff have successfully completed the e-learning training course 'Protecting Information' via the National School of Government website.

Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Company policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Company for the year ended 31 March 2010 and up to the date of approval of the Annual Report and Accounts, and accords with Treasury guidance.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the

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

The Company's internal auditors operate in accordance with Government Internal Audit Standards. An agreed programme of work was undertaken during 2009/10 which covered core financial systems, risk management and governance, service level agreements with partner organisations, the new small scale tree planting scheme, public sector partnership working and an IT health check. The work undertaken during the year informed the opinion expressed in the Annual Internal Audit Report that the NFC 'has in place an appropriate framework for identifying, evaluating and managing the significant risks faced by the Company... for the year ended 31 March 2010 the National Forest Company has adequate and effective risk management, control and governance processes to manage the achievement of the organisation's objectives'.

Conclusion

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



Sophie Churchill
Chief Executive/Accounting Officer

Endorsed on behalf of the Board by:



Dinah Nichols
Chair

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 2010 under the Government Resources and Accounts Act 2000. These comprise the Net Expenditure Account and the Statement of Financial Position, the Statement of Cashflows, the Statement of Changes in Reserves and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Directors and auditor

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and 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 am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on Regularity

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

Opinion on Financial Statements

In my opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2010 and of its net expenditure for the period then ended;
- the financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters for which I report by exception

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

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

Report

I have no observations to make on these financial statements.

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

6 July 2010

for the year ended 31 March 2010	Note	2009-10 £	2008-09 £
Expenditure			
Staff costs	3	(907,730)	(896,478)
Depreciation	4	(3,742)	(8,837)
Other Expenditures	4	(2,214,242)	(2,908,200)
		<u>(3,125,714)</u>	<u>(3,813,515)</u>
Income			
Other Income	6	414,973	752,938
Net Expenditure			
Cost of Capital	4	(2,710,741)	(3,060,577)
Interest receivable	6	85,971	71,244
		5,540	48,750
Net Expenditure after cost of capital charge, interest and before taxation			
Tax on interest receivable	7	(2,619,230)	(2,940,583)
		(1,163)	(10,238)
Net Expenditure after cost of capital charge, interest and tax			
		<u>(2,620,393)</u>	<u>(2,950,821)</u>

Statement of Financial Position

as at 31 March 2010	Note	£	2009-10 £	£	2008-09 £	£	2007-08 £
Non-current assets:							
Property, plant and equipment	8	1,974,199		985,504		1,053,174	
Trade and other receivables: Amounts falling due after more than one year	10	<u>8,772</u>		<u>15,436</u>		<u>14,447</u>	
Total non-current assets			<u>1,982,971</u>		1,000,940		1,067,621
Current assets:							
Trade and other receivables: Amounts falling due within one year	10	<u>357,174</u>		<u>159,424</u>		<u>174,954</u>	
Cash and cash equivalents	11	<u>364,250</u>		<u>1,185,947</u>		<u>604,046</u>	
Total current assets			<u>721,424</u>		1,345,371		779,000
Total assets			<u>2,704,395</u>		<u>2,346,311</u>		<u>1,846,621</u>
Current liabilities:							
Trade and other payables: Amounts falling due within one year	12	<u>(47,134)</u>		<u>(70,743)</u>		<u>(39,990)</u>	
Total current liabilities			<u>(47,134)</u>		<u>(70,743)</u>		<u>(39,990)</u>
Non-current assets plus/less net current assets/liabilities			<u>2,657,261</u>		<u>2,275,568</u>		<u>1,806,631</u>
Non-current liabilities							
Other payables: Amounts falling due after more than one year	12	<u>(13,442)</u>		<u>(6,762)</u>		<u>(4,337)</u>	
Total non-current liabilities			<u>(13,442)</u>		<u>(6,762)</u>		<u>(4,337)</u>
Assets less liabilities			<u>2,643,819</u>		<u>2,268,806</u>		<u>1,802,294</u>
Reserves							
Capital Reserve			1,933,250		965,000		1,040,000
Revaluation Reserve			21,750		10,000		-
Income & Expenditure Reserve			<u>688,819</u>		<u>1,293,806</u>		<u>762,294</u>
			<u>2,643,819</u>		<u>2,268,806</u>		<u>1,802,294</u>

The financial statements were approved by the Board on 28 June 2010 and signed on its behalf by:



Dinah Nichols
Chair



Sophie Churchill
Chief Executive/Accounting Officer

for the year ended 31 March 2010	Note	2009-10 £	2008-09 £
Cash flows from operating activities			
Net expenditure after cost of capital charge and interest		(2,619,230)	(2,940,583)
Corporation Tax paid		(10,238)	(9,607)
(Increase)/decrease in trade and other receivables		(191,086)	14,541
(Decrease)/increase in trade payables		(7,854)	32,547
Depreciation of property, plant and equipment		3,742	8,837
Movement on capital/valuation reserves		980,000	(65,000)
Net cash outflows from operating activities		(1,844,666)	(2,959,265)
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,294,594)	(117,667)
Disposal/transfer of property, plant and equipment		-	155,000
Impairment of property, plant and equipment		353,829	50,000
Revaluation of property, plant and equipment		(51,672)	(28,500)
Net cash flows from investing activities		(992,437)	58,833
Cash flows from financing activities			
Grant in aid		2,512,163	3,482,333
Reserves		(496,757)	-
Net cash flows from financing activities		2,015,406	3,482,333
Net increase in cash and cash equivalents	11	(821,697)	581,901
Cash and cash equivalents at beginning of year		1,185,947	604,046
Cash and cash equivalents at end of year		(364,250)	1,185,947
Net change in cash and cash equivalent balances	11	(821,697)	581,901

Statement of Changes in Reserves

for the year ended 31 March 2010	Capital Reserve £	Revaluation Reserve £	I&E Reserve £	Total Reserves £
Balance at 31 March 2008	1,048,440	-	762,294	1,810,734
Changes in accounting policies	(8,440)	-	-	(8,440)
Restate balance at 1 April 2008	1,040,000	-	762,294	1,802,294
Changes in reserves 2008-09				
Release through I&E	(186,500)	-	-	(186,500)
Net gain on revaluation of property, plant and equipment	-	10,000	-	10,000
Deficit for the year	-	-	(2,950,821)	(2,950,821)
Total recognised income and expenditure for 2008-09	(186,500)	10,000	(2,950,821)	(3,127,321)
Grant in aid financing	111,500	-	3,482,333	3,593,833
Balance at 31 March 2009	965,000	10,000	1,293,806	2,268,806
Changes in reserves 2009-10				
Release through I&E	(313,907)	-	-	(313,907)
Release of reserves to I&E	-	-	(496,757)	(496,757)
Net gain on revaluation of property, plant and equipment	-	11,750	-	11,750
Deficit for the year	-	-	(2,620,393)	(2,620,393)
Reserve financing	496,757	-	-	496,757
Total recognised income and expenditure for 2009-10	182,850	11,750	(3,117,150)	(2,922,550)
Grant in aid financing	785,400	-	2,512,163	3,297,563
Balance as at 31 March 2010	1,933,250	21,750	688,819	2,643,819

Note 1**Statement of accounting policies**

These financial statements have been prepared in compliance with the Companies Act 2006 and the 2009/10 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the National Forest Company (NFC) for the purpose of giving a true and fair view has been selected. The particular policies adopted by the NFC are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

IFRSs, IFRIC Interpretations and Amendments**Effective in these Financial Statements**

All IFRSs, IFRIC Interpretations and Amendments to published standards, effective at 31 March 2010, have been adopted for the first time in these financial statements, taking into account the specific interpretations and adaptations included within the FReM. The following have been taken into consideration when producing these Financial Statements:

IAS 1	Presentation of Financial Statements
IAS 7	Statement of Cash Flows
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10	Events after the Reporting Period
IAS 16	Property, Plant and Equipment
IAS 17	Leases
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance
IAS 24	Related Party Transactions
IAS 32	Financial Instruments: Presentation
IAS 36	Impairment of Assets
IAS 39	Financial Instruments: Recognition and Measurement
IFRS 1	First time adoption of International Financial Reporting Standards
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.

IAS 24 Related Party Transactions (effective 1 January 2011) – The amendment provides exemption for full disclosure of transactions with state-controlled entities and is not expected to impact the current exemption allowed within the FReM. IAS 24 also extends the definition of a related party to include relationships where joint control exists.

IFRS 9 Financial Instruments: Classification and Measurement (effective 1 January 2013) – IFRS 9 is a replacement for IAS 39 and introduces new requirements for the classification and measurement of financial assets, together with the elimination of two categories. The Standard does not include financial liabilities. Further proposals are to be introduced during 2010 and the NFC will undertake an assessment of the impact of IFRS 9 once these are known.

Accounting convention**Property, plant and equipment**

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

Landholdings are valued annually by an independent Chartered Surveyor in accordance with the RICS Valuation Standards (the 'Red Book'). The last valuation was as at 31st March 2010 and was provided by Fisher German, Chartered Surveyors. Landholdings in the Statement of Financial Position are shown at the valuations provided. Where the valuation is higher than the purchase price paid, the increase in valuation is credited

to a Revaluation Reserve. Where land is valued at below the purchase price due to a change in market values then the loss on revaluation is charged to the Net Expenditure Account in the year of the revaluation. Similarly, where as a result of a proposed change of use there is impairment in the value of the land, the loss on impairment is charged to the Net Expenditure Account 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.

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

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.

Income

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

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

Other income is analysed in Note 6 to the Financial Statements.

Capital Reserve

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

Non controlling party grants

Grants used for revenue expenditure are credited to the Net Expenditure Account 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 5.

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 debtors when goods and services are delivered. Financial assets are derecognised when the contractual rights have expired or the asset has been transferred. Initially

recognised at fair value, the classification of financial assets depends on the nature and purpose of the financial asset and is determined at the time of initial recognition. Financial liabilities are recognised on a similar basis with the liability discharged when the liability has been paid or expired.

Capital Charge

A charge, reflecting the cost of capital utilised by the NFC, is included in the Net Expenditure Account. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the average carrying amount of all assets less liabilities. An entry reversing this amount has also been made in accordance with the guidance.

Staff costs and pensions

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

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

Note 2**First time adoption of IFRS**

	Capital Reserve £	Revaluation Reserve £	I&E Reserve £
Taxpayers' equity at 31 March 2009 under UK GAAP	997,665	-	1,293,806
Adjustments for:			
IAS 16 re property, plant and equipment	(32,665)	10,000	-
Taxpayers' equity at 1 April 2009 under IFRS	<u>965,000</u>	<u>10,000</u>	<u>1,293,806</u>
Details re above adjustments:			
Impairment/revaluation of landholdings	(32,665)		
Valuation of land is higher than purchase price paid; increase in value is credited to Revaluation Reserve		10,000	

Net Expenditure for 2008/09 under UK GAAP was £2,950,821.

IFRS standards have no impact on net expenditure and therefore under IFRS for 2008/09 it remains at £2,950,821.

Note 3**Staff numbers and related costs**

	2009-10 £	2008-09 £
Costs of permanently employed staff, including Directors:		
Salaries	727,011	714,097
Social security costs	56,295	54,353
Other pension costs	124,424	128,028
	<u>907,730</u>	<u>896,478</u>
Costs of temporarily employed staff	-	-
	<u>907,730</u>	<u>896,478</u>

All staff are eligible for membership of the **Principal Civil Service Pension Scheme (PCSPS)** details of which are included in the Remuneration Report.

Average number of persons employed

The average number of employees, including Directors, employed was:

Directors (including Chief Executive)	9	9
Staff	19	19
	<u>28</u>	<u>28</u>

Note 4**Other Expenditure**

	2009-10 £	2008-09 £
Programme Expenditure:		
Site development and projects	376,550	788,584
National Forest Tender Scheme	273,132	621,869
Changing Landscapes Scheme	336,723	388,068
Programme Development Fund	382,875	431,907
Cycle Centre project	153,061	-
Freewoods (small scale woodland grants)	64,715	-
Running costs	406,596	473,916
Research expenditure	92,416	98,306
Rentals under operating leases	34,633	34,911
Fees payable to the Company's auditors for the audit of the:		
- 2009/10 accounts	9,050	8,232
- IFRS compliant 2008/09 restated accounts	2,262	-
Non cash items:		
Cost of capital charge	85,971	71,244
Amortisation of grant	(3,742)	(8,837)
	<u>2,214,242</u>	<u>2,908,200</u>
Depreciation	3,742	8,837
	<u><u>2,217,984</u></u>	<u><u>2,917,037</u></u>

Note 5**Grant in Aid**

Received in the year	3,310,000	3,600,000
Expenditure on fixed assets	(797,837)	(117,667)
	<u><u>2,512,163</u></u>	<u><u>3,482,333</u></u>

Note 6**Other Income**

Cycle Centre project	204,984	-
Visitor Infrastructure Project	-	403,925
Donations and sponsorship	75,843	163,057
Other grants received	52,957	85,040
Tourism programme: local authority contributions and advertising revenue	40,181	41,633
Section 106 agreement	-	22,116
Forestry Commission contribution to woodland economy partnership	30,000	-
Sundry income	11,008	37,167
	<u><u>414,973</u></u>	<u><u>752,938</u></u>
Bank interest receivable	<u><u>5,540</u></u>	<u><u>48,750</u></u>

Note 7**Corporation Tax payable**

	<u><u>1,163</u></u>	<u><u>10,238</u></u>
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Grant income and donations received by the Company are not subject to Corporation Tax. Interest received of £5,540 (2009: £48,750) is, however, taxable at the rate of 21% (2009: 21%), resulting in the above tax charge.

Note 8
Property, plant and equipment

	Land £	Furniture & Fittings £	Information Technology £	Total £
Cost or valuation				
At 1 April 2009	1,349,250	153,515	70,780	1,573,545
Additions during the year	1,282,157	5,179	7,258	1,294,594
Disposals/transfers during the year	(72,352)	(2,445)	(18,876)	(93,673)
Revaluation	21,750	-	-	21,750
At 31 March 2010	<u>2,580,805</u>	<u>156,249</u>	<u>59,162</u>	<u>2,796,216</u>
Depreciation or impairment				
At 1 April 2009	374,250	150,290	63,501	588,041
Charges in the period:				
Depreciation	-	833	2,909	3,742
Impairment	353,829	-	-	353,829
Revaluation	(29,922)	-	-	(29,922)
Depreciation charged on disposals/transfers	(72,352)	(2,445)	(18,876)	(93,673)
At 31 March 2010	<u>625,805</u>	<u>148,678</u>	<u>47,534</u>	<u>822,017</u>
Net Book Value 31 March 2010	<u>1,955,000</u>	<u>7,571</u>	<u>11,628</u>	<u>1,974,199</u>
Net Book Value 31 March 2009 restated	<u>975,000</u>	<u>3,225</u>	<u>7,279</u>	<u>985,504</u>
Cost or valuation				
At 1 April 2008 restated	1,382,750	151,984	70,388	1,605,122
Additions during the year	111,500	2,945	3,222	117,667
Disposals/transfers during the year	(155,000)	(1,414)	(2,830)	(159,244)
Revaluation	10,000	-	-	10,000
At 31 March 2009 restated	<u>1,349,250</u>	<u>153,515</u>	<u>70,780</u>	<u>1,573,545</u>
Depreciation or impairment				
At 1 April 2008 restated	342,750	151,634	57,564	551,948
Charges in the period:				
Depreciation	-	70	8,767	8,837
Impairment	50,000	-	-	50,000
Revaluation	(18,500)	-	-	(18,500)
Depreciation charged on disposals/transfers	-	(1,414)	(2,830)	(4,244)
At 31 March 2009 restated	<u>374,250</u>	<u>150,290</u>	<u>63,501</u>	<u>588,041</u>
Net Book Value 31 March 2009 restated	<u>975,000</u>	<u>3,225</u>	<u>7,279</u>	<u>985,504</u>
Net Book Value 31 March 2008 restated	<u>1,040,000</u>	<u>350</u>	<u>12,824</u>	<u>1,053,174</u>

Note 9
Impairments

As a result of applying the accounting policies set out above, £353,829 (2009: £50,000) has been charged to the Net Expenditure Account as a result of impairment in the value of the land owned by the NFC.

Notes to the Accounts continued...

Note 10**Trade receivables and other current assets**

	2009-10 £	2008-09 £	2007-08 £
Amounts falling due within one year:			
Prepayments and accrued income	324,851	111,069	110,621
VAT	15,550	30,219	44,826
Other receivables	16,773	18,136	19,507
	<u>357,174</u>	<u>159,424</u>	<u>174,954</u>
Amounts falling due after more than one year:			
Other receivables	8,772	15,436	14,447
Total trade and other receivables	<u>365,946</u>	<u>174,860</u>	<u>189,401</u>

Note 11**Cash and cash equivalents**

	2009-10 £	2008-09 £	2007-08 £
Balance at 1 April	1,185,947	604,046	91,006
Net change in cash and cash equivalent balances	(821,697)	581,901	513,040
Balance at 31 March	<u>364,250</u>	<u>1,185,947</u>	<u>604,046</u>

The above balances were held at commercial banks and cash in hand.

Note 12**Trade payables and other current liabilities**

	2009-10 £	2008-09 £	2007-08 £
Amounts falling due within one year:			
Corporation tax payable	1,163	10,238	9,607
Deferred income – government grants (capital)	5,757	3,742	8,837
Accruals and deferred income	40,214	56,763	21,546
	<u>47,134</u>	<u>70,743</u>	<u>39,990</u>
Amounts falling due after more than one year:			
Deferred income – government grants (capital) - between two to five years	13,442	6,762	4,337

Note 13**Capital commitments**

The Company is committed to making a payment to the Forestry Commission for maintenance and development of the Hicks Lodge site.

	2009-10 £	2008-09 £
Within one year	-	47,714

Note 14**Commitments under operating leases**

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

	2009-10 £	2008-09 £
Obligations under operating leases comprise:		
Buildings, office accommodation lease		
Expiring within one year and not later than five years	<u>24,983</u>	<u>34,633</u>

Note 15 Other financial commitments

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

	2009-10 £	2008-09 £
Not later than one year	408,542	208,301
Later than one year and not later than five years	544,860	895,027
	<u>953,402</u>	<u>1,103,328</u>

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

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 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 £2,512,163 (2009: £3,482,333) as financing, revenue grant in aid and £797,837 (2009: £117,667) capital grant in aid from Defra.

In accordance with the Land Acquisition Policy agreed between the Company and Defra, where Forest Enterprise (FE) is the preferred partner, an expedited procedure is followed to enable an early transfer of the freehold of the land to FE. In such cases the freehold in the land is vested in the Secretary of State and 'placed at the disposal of the Forestry Commissioners'. During the year, one such acquisition was completed at a cost to the Company of £271,802 (2009: three acquisitions at a cost of £254,250).

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 6 July 2010 by the National Forest Company's Chief Executive and Directors.

National Forest – Summary of main achievements during the five years 2005/2006 to 2009/2010

	2005/06	2006/07	2007/08	2008/09	2009/10
New Forest creation					
Target	440-475ha	340-360ha	185-190ha	150-200ha	200-250ha
Outturn	413ha	351ha	119ha	121ha	204ha
Public access					
New full open access sites					
Target	420ha	325ha	200ha	125-185ha	150-185ha
Outturn	457ha	387ha	261ha	178ha	128ha
Nature conservation and cultural heritage habitat created or brought into management					
Target	130ha	100ha	35ha	50ha	50ha
Outturn	125ha	100ha	39ha	58ha	59ha
Number of people involved in Forest related activities					
Target	12,000	12,000	13,000	20,000	20,000
Outturn	13,400	20,600	21,000	23,200	25,000
Number of children involved in environmental education visits to the Forest					
Target		30,000	33,000	40,000	40,000
Outturn		37,800	38,000	41,000	35,800



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ISBN 978-0-10-296722-7



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