NATIONAL FOREST COMPANY

COMPANY INFORMATION

Registered number 2991970

Directors	Catherine Graham-Harrison	(Chair)
	Sophie Churchill	(Chief Executive/Accounting Officer)
	Roger Clarke	(non executive)
	Anthony Hams	(non executive)
	David Nicholls	(non executive)
	Robin Pellew	(non executive)
	Susan Warren	(non executive)
	Judith Webb	(non executive)

Secretary Angela Beech

Registered office
Enterprise Glade
Bath Yard
Moira
Swadlincote
Derbyshire
DE12 6BA

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

Bankers
The Co-operative Bank
South Yorkshire Business Centre
The Fountain Precinct
Balm Green
Sheffield
S1 2JZ

REPORT OF THE DIRECTORS

31 March 2012

The Directors present their report and the audited financial statements for the year ended 31 March 2012

Principal activities

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

Funding

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

Following the 2010 Spending Review, the NFC was advised that its funding would reduce by 19% over the period to 2014-15. The budget allocation for 2011-12 was set at £3 158 million (Administration £0 388m, Programme £2.770m), excluding a depreciation allowance The NFC has been advised that its budget for 2012-13 will be as indicated in the SR10 settlement i e £3 007 million (Administration £0 368 million, Programme £2 639 million), excluding a depreciation allowance The Company has, however, been advised that there may be changes to SR10 indicative allocations beyond 2012-13

Business review and future developments

The priorities and targets for 2011-12 were detailed in the Business Plan agreed by the NFC Board and approved by Defra. These were consistent with the achievement of goals set out in the National Forest Delivery Plan 2009 - 2014 and also contributed to Defra's own Business Plan priorities Achievements for the year included

- 154ha of new Forest creation secured (Target range 140 – 160ha). Woodland cover across the Forest at the end of March 2011 was 9,588ha which equates to 19 2% of the area, representing good progress towards the eventual target of around one third,
- 34ha of nature conservation sites were created or brought into management (Target range 30 - 40ha),
- 129ha of new and / or planned public access secured (Target 110ha),
- The Hicks Lodge Cycle Centre, a joint project between the NFC and Forestry Commission, opened in June 2011,
- Volunteer survey work completed for The National Forest Way long distance trail, consultations undertaken with the County Councils and costed implementation plan produced;
- National Forest Wood Fair organised, in partnership with Leicestershire County Council, attracting 5,500 visitors (Target 7,000) and 143 exhibitors (Target 140) Visitor numbers were adversely affected by inclement weather;
- Engaged 20,232 people in Forest-related events and activities (Target 20,000),
- 44,110 children and adults engaged in environmental education sessions in the Forest (Target 38,000); and
- £145,568 income generated from donations/sponsorship (2010-11 £103,108)

A summary of the main achievements during the last five years is shown on page 6

The year has seen further close working with the National Forest Charitable Trust (NFCT) Land management and community engagement groups have been convened to explore options for collaborative working around the Heart of the Forest Park Implementation of the joint fundraising strategy has included piloting major supporter packages with three companies whilst the launch of the new 'Friends' scheme has been deferred until early 2012-13 The aspiration is to create an endowment fund for the long term benefit of the whole of the Forest and the success in fundraising of this partnership will be crucial in the years to come

The priorities for 2012-13 are detailed in the NFC's 2012 Business Plan, agreed with Defra, which can be viewed at www nationalforest org/about_us These include

- securing 180 – 200ha of new forest creation, 140 -160ha of public access and 60 – 75ha of biodiversity habitats;
- beginning implementation of The National Forest Way long distance trail,
- generating further income beyond grant in aid aimed at securing the long-term sustainable future of the Forest,
- further engaging local people in the management of woodlands and involving adults and children in Forest-related activity;
- promoting the tourism and visitor economy of the Forest; and
- preparing for the period from 2014 when the current Forest Strategy expires.

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 This limit may be exceeded with the agreement of Defra and at the end of March 2012 NFC landholdings totalled 309 6ha (31 March 2011 258.5ha)

In the first quarter of 2012-13, the NFC completed the third and final phase of acquisition of land at Normanton le Heath. The site, amounting to 116ha, was then disposed of to the Woodland Trust which had designated it to be its Flagship Diamond Jubilee Wood

Research and Development

The research budget was reduced in 2011-12. £17,621 was spent (2010-11: £42,344) with the main areas of activity being

- Testing the eligibility of woodlands in The National Forest under the Woodland Carbon Code
- Annual statistical analysis of the economic impact of tourism on the Forest area
- Group visit campaign evaluation survey
- Tree provenance trials work with Forest Research

Losses, special payments and gifts

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

Payment of Creditors

The standard term of payment for supplier contracts is 30 days from receipt and agreement of a valid invoice This is embedded in all contracts with suppliers, with any exceptions agreed as part of contractual negotiations.

The Prime Minister stated in the House of Commons in October 2008, that the Government, to aid the cash flow of suppliers, would commit to pay within 10 days, all valid invoices for small and medium enterprises This target was amended to 80% within 5 days in December 2009 From the beginning of 2011-12, the Company has aimed to pay undisputed invoices within 5 days and over 60% have been paid within this timescale 88% of invoices received were paid within 10 days (2010-11· 93%) No claims were received during the year from suppliers for late payment of invoices under The Late Payment of Commercial Debts (Interest) Act 1998

Consultation with Employees

The Company's pay and grading arrangements applied throughout the year were analogous to those of its sponsor Department No consultation was therefore required with staff as regards the annual salary review As a result of applying the terms of the salary review negotiated within core-Defra, no staff at Grade 7 or below employed by the NFC received a salary increase in July 2011, as was the case in 2010

The Company consults with all staff on operational matters and in the formulation of policy and targets During the course of 2010-11 staff were advised of proposals for an organisation restructure which resulted in five staff leaving on voluntary redundancy or early retirement terms in 2011-12

Sickness absence

Staff absence due to sickness equated to an average of 1 4 days per employee during the year (2010-11 7 0 days)

Equal Opportunities

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

Results for the year

The deficit (i e. total net comprehensive expenditure) for the year before accounting for the receipt of revenue grant in aid amounted to £3,108,537 (2010-11 deficit of £2,816,392)

Directors

The Directors of the Company as at 31 March 2012 are set out on page 1 Their initial appointment dates are as follows·

	Date of initial appointment
Sophie Churchill	1 February 2006
Roger Clarke	1 April 2011
Catherine Graham-Harrison	1 April 2011
Anthony Hams	1 April 2010
David Nicholls	1 April 2010
Robin Pellew	1 April 2007
Susan Warren	1 April 2007
Judith Webb	1 August 2007

Auditors

Mazars LLP were engaged to provide internal audit services to the NFC during the 2011-12 financial year The Comptroller and Auditor General is the statutorily appointed auditor of the Company's financial statements

Website

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

Sophie Churchill

Chief Executive/Accounting Officer
29 June 2012

Angela Beech

Secretary

National Forest - Summary of main achievements during the five years 2007-08 to 2011-12

	2007-08	2008-09	2009-10	2010-11	2011-12
New Forest creation					
Target	185-190ha	150-200ha	200-250ha	195 - 245ha	140 - 160ha
Outturn	119ha	121ha	204ha	195ha	154ha
Public access					
New full open access sites					
Target	200ha	125-185ha	150-185ha	125 - 150ha	110ha
Outturn	261ha	178ha	128ha	137ha	129ha
Nature conservation and cultural heritage habitat created or brought into management					
Target	35ha	50ha	50ha	35 - 50ha	30 - 40ha
Outturn	39ha	58ha	59ha	57ha	34ha
Number of people involved in Forest related activities					
Target	13,000	20,000	20,000	20,000	20,000
Outturn	21,000	23,200	25,000	20,000	20,232
Number of children and adults involved in environmental education activities					
Target	33,000	40,000	40,000	40,000	38,000
Outturn	38,000	41,000	35,800	37,000	44,110

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 2011-12 is detailed below in terms of salary, other payments, allowances and pension benefits This information is subject to audit.

The average number of employees, including Directors, employed was

	2011-12	2010-11
Directors (including Chief Executive)	8	9
Staff (includes full and part time posts)	15	18
	23	27

Staff costs, including Directors, totalled

	£	£
Salaries	619,635	743,616
Social security costs	49,496	53,628
Other pension costs	108,448	127,897
Redundancy and early retirement costs	6,567	89,000
	784,146	1,014,141

Remuneration of Non-Executive Board Members

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

Remuneration of Directors accords with senior civil service pay arrangements Salaries are reviewed annually on 1 April, with any uplift being linked to the recommendations of the Senior Salary Review Body and any directives and guidance issued by the Government No increase was applied with effect from April 2011, as was the case in 2010

Emoluments of Chair

In 2011-12, the Chair was remunerated on the basis of working 40 days a year This compares with an average of one day per week in 2010-11

		2011-12		2010-11	
		£	£'000	£	£'000
Name	Contract Expiry Date	Expenses	Remuneration	Expenses	Remuneration
Catherine Graham-Harrison	31 March 2014	1,100	10 - 15	-	-
Dinah Nichols	31 March 2011	-	-	2,500	15 - 20

*Expenses are shown to the nearest £100

Emoluments of non-executive Directors

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

		2011-12		2010-11	
Name	Contract Expiry Date	£ Expenses	£'000 Remuneration	£ Expenses	£'000 Remuneration
Russ Canning	31 March 2011	-	-	900	0 - 5
Roger Clarke	31 March 2014	200	0 - 5	-	-
Anthony Hams	31 March 2013	500	0 - 5	700	0 - 5
Valerie Le Vaillant	31 March 2011	-	-	2,600	0 - 5
David Nicholls	31 March 2013	200	0 - 5	300	0 - 5
Robin Pellew	31 March 2013	1,000	0 - 5	1,600	0 - 5
Susan Warren	31 March 2013	500	0 - 5	900	0 - 5
Judith Webb	31 March 2013	600	0 - 5	800	0 - 5

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)

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

In addition to her salary, the Chief Executive is entitled to an annual non-consolidated, non-pensionable bonus of up to 10% of her annual salary The bonus payable is based on the performance level attained and is made as part of the appraisal process operating within the Company The bonus reported for 2011-12 relates to performance in 2011-12 and the comparative bonus reported for 2010-11 relates to performance in that year The level of bonus payable is determined by the Chair, after consultation with fellow Directors The recommendation is agreed with Defra.

With effect from 1 April 2011, the contracted hours of employment of the Chief Executive reduced from 37 hours to 33 5 hours per week.

Emoluments of the Chief Executive

Name	Age	Start Date	Contract Expiry Date
Sophie Churchill	48	1 February 2006	31 January 2016

	2011-12 £'000	2010-11 £'000
Salary	60 - 65	65 - 70
Non-consolidated bonuses	5 - 10	5 - 10
Pension scheme contributions made by employer	10 - 15	15 - 20
	80 - 85	90 - 95

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

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, Civil Servants may be in one of four defined benefit schemes, either a final salary scheme (**classic, premium or classic plus**), or a whole career scheme (**nuvos**) These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year Pensions payable under **classic, premium, classic plus** and **nuvos** are increased annually in line with pensions increase legislation Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (**partnership** pension account)

Employee contributions are set at the rate of 1 5% of pensionable earnings for **classic** and 3 5% for **premium, classic plus** and **nuvos** Employer contributions in 2011-12 were set at one of four rates in the range of 16 7% to 24 3% Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service In addition, a lump sum equivalent to three years initial pension is payable on retirement For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service Unlike **classic**, there is no automatic lump sum **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium** In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership At the end of the scheme year (31 March) the members' earned pension account is credited with 2 3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with pensions increase legislation In all cases, members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12 5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution) Employers also contribute a further 0 8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement) The NFC has not, to date, made any contributions to a partnership pension account

Further details about the Civil Service pension arrangements can be found at the website http://www civilservice.gov uk/pensions

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

	2011-12 **£** Sophie Churchill
Salary, including performance pay (within the range)	65,000 - 70,000
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 31/3/12 (within range)	10,000 - 15,000
Total accrued related lump sum at age 60 at 31/3/12 (within range)	-
Cash equivalent transfer value (CETV) at 31/3/11 (nearest £'000)	143,000
Cash equivalent transfer value (CETV) at 31/03/12 (nearest £'000)	166,000
Real increase in CETV after adjustment for inflation and market investment factors (nearest £'000)	10,000

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

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

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time The benefits valued are the members' 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 pension benefits they have accrued in their former scheme The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total service, not just their current appointment CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken

The actuarial factors used to calculate CETVs were changed in 2011-12 The CETVs at 31/3/11 and 31/3/12 have both been calculated using the new factors, for consistency The CETV at 31/3/11 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors

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

Remuneration of the Executive

All staff below the level of Chief Executive are employed in substantive posts, subject to the completion of a satisfactory probationary period The terms of the pay review applied to staff at Grade 6 and below within core-Defra, on 1 July each year, are applied to staff employed by the NFC As a result, no salary increases were applied to NFC staff from 1 July 2011 as was the case in 2010.

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

Remuneration of the highest paid Director and the ratio between this and the median remuneration of the NFC's staff

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

The full time equivalent banded remuneration of the Chief Executive, who is the highest paid Director in the NFC, in the 2011-12 financial year was £75,000 - £80,000 (2010-11, £75,000 - £80,000) This was 2 22 times (2010-11, 2.19) the median remuneration of the workforce

In 2011-12, no employees received remuneration in excess of the highest paid Director, as was also the case in 2010-11

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

REMUNERATION REPORT (continued)

The change in the ratio in 2011-12 compared with 2010-11 is attributed to the median remuneration of the workforce in 2011-12 being 2% lower than the previous year following the organisation restructure implemented during 2011-12

Sophie Churchill
Chief Executive/Accounting Officer
29 June 2012

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

- Observe the Accounts Direction issued 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

A M Beech

Angela Beech
Secretary
29 June 2012

GOVERNANCE STATEMENT

As the designated Accounting Officer for the NFC, I have responsibility for the management and control of the resources used within the organisation This Governance Statement, a key document within the Company's Annual Report and Accounts, manifests how these duties have been carried out during 2011-12 This statement replaces the Statement on Internal Control which has featured in previous years' Report and Accounts

Governance Framework

Leadership is provided by the NFC Board, comprising eight Directors (seven Non-executive Directors and the Chief Executive) Directors adhere to a Code of Conduct which details the corporate responsibilities of the Board and the responsibilities of individual Board members The roles and responsibilities of the NFC Board include determining strategies and policies, agreeing the annual Business Plan and monitoring progress against priorities and objectives set, approving budgets and reviewing regular financial reports; overseeing risk management; agreeing terms of reference of sub groups and committees to the Board; and judging annual submissions to the Changing Landscapes Scheme (CLS) in relation to value for money and their contribution to the Forest Strategy

Another function of the Board is to approve proposals for any significant changes to the Company's organisation structure Such proposals were approved in October 2010 and the agreed restructure, which has seen the staff complement reduce from 18 2 full time equivalent (FTE) posts to 15 2 FTE posts, was implemented during 2011-12 As part of the proposals aimed at securing cost savings and maximising value for money, with effect from April 2011 the number of Non-executive Directors was reduced by one, the contracted hours of the newly appointed Chair, Catherine Graham-Harrison, were reduced compared with her predecessor and there has been a reduction in Board meetings from five to four a year Nevertheless the Board continues to exercise effective leadership

The NFC Chair was appointed by the Minister of State to whom she is accountable and with whom her objectives are agreed She undertakes performance reviews with each Non-executive Director During 2011-12 the Board undertook a review of its own effectiveness. This concluded that the Board was working well and fulfilling its remit Points to arise included

- that with such a small Board it was not possible to cover all relevant skills and have full representation relevant to the NFC's operations This will be further considered when recruiting new Directors to join the Board in 2013 when the contracts of five current Directors expire.

- that Board discussions, as determined by agendas and papers presented, should be at a more strategic, rather than operational, level.

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

The governance and sponsorship arrangements for the NFC are detailed in the Framework Document (formerly Management Statement/Financial Memorandum) Defra and the NFC will be complete this in early 2012-13 This document sets out the arrangements that enable Defra to monitor NFC performance and delivery, describes the controls that exist to safeguard propriety and regularity and specifies the roles and accountabilities of Defra and NFC personnel The document takes into consideration legislation and current best practice, including *Managing Public Money*, and other HM Treasury and Cabinet Office guidance

The NFC continually seeks to comply with good governance practice principles for Executive NDPBs published by the Cabinet Office This is illustrated by the NFC having a Framework Document, separate Codes of Conduct for staff and directors, a public Register of Directors' Interests, 'Declarations of Interest' as a standing agenda item at Board meetings, a Publication Scheme, performance reviews of Board and Director performance and effective internal controls and systems of financial management It also produces an annual Business Plan and publishes its Annual Report and Accounts

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

A key committee of the Board is the Audit and Risk Committee which comprises three Non-executive Directors In 2012, membership was strengthened by the appointment of an independent qualified accountant This addressed a weakness identified by the Board and when the Audit and Risk Committee assessed itself against a self-assessment checklist issued by the NAO. The Chief Executive, in her capacity as Accounting Officer, attends meetings. Minutes of meetings are circulated to all Directors, oral reports are given to the Board on business conducted and the Committee presents an annual report on its activities to the Board

The Audit and Risk Committee met three times during 2011-12 Its work included

- considering the risk assessment relating to the reorganisation approved by the Board The restructure included the removal of the Chief Officer Corporate Services post but a review of workloads and staffing requirements resulted in the postholder, a qualified accountant, being retained in a part-time advisory role

- receiving reports on work undertaken by internal audit (See below).

- considering the draft Report & Accounts for 2010-11, prior to approval by the NFC Board, and the draft Audit Completion Report issued by the NAO The accounts were certified by the Comptroller and Auditor General with an unqualified audit opinion Included in the NAO report were three recommendations, all categorised as being of a minor nature, which have been actioned by management

- reviewed drafts of the newly required Governance Statement and Sustainability Report

- fulfilled its role in relation to risk management (see below)

- considered the Company's Business Continuity Plan and received reports on its testing

- received the NAO's Audit Planning Report for the 2011-12 audit The most significant risk identified related to the accounting treatment of land to be disposed of in 2012-13 to the Woodland Trust

Another committee of the Board is the Land Policy Group (LPG), chaired by a Non-executive Director, which co-ordinates land acquisition activity, oversees utilisation of the available land related budget, advises the Board on strategic direction relating to land issues and ensures compliance with the Land Acquisition Policy agreed with Defra The LPG in its operations receives professional advice from a retained land agent. Specifically in 2011-12, the LPG considered:

- the phased acquisition of land at Normanton le Heath and recommended to the Board the disposal of the site in 2012-13 to the Woodland Trust which has earmarked the site to be its flagship Diamond Jubilee Woodland

- proposals for a new parkland/wood pastures grant scheme which was subsequently approved by the Board and piloted in-year

- land policy related questions to be considered as part of the forthcoming review of the Forest Strategy

In addition, there are themed working groups, Access & Recreation, Planning and Nature Conservation each chaired by Non-executive Directors and where membership comprises representatives from partner organisations. The terms of reference for each group are agreed by the NFC Board and minutes of meetings are copied to all Directors

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

(i) Board - 4 meetings held during 2011-12

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

(ii) Audit and Risk Committee - 3 meetings held during 2011-12

	Meetings attended
David Nicholls (Chair)	3
Roger Clarke	2
Judith Webb	2
Sophie Churchill	3

(iii) Land Policy Group - 3 meetings held during 2011-12

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

Another example of the NFC initiating and co-ordinating essential partnership working is in the area of tourism development. The National Forest Tourism Partnership has been established, chaired by the NFC Chief Executive, comprising representatives from public/private sector tourism related bodies where there are shared goals relating to the development of The National Forest as a sustainable tourism destination

An important aspect of governance is the ongoing development of long-term capacity to look after the Forest, in collaboration with the NFCT Joint fundraising activity is overseen by a committee comprising NFC and NFCT representatives and there is shared attendance at respective Board meetings

The NFC will be subject to a Triennial Review before 2014, the timing and terms of reference of which will be determined by Defra

Internal controls and the work of internal audit

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies and objectives, it can therefore only provide reasonable and not absolute assurance of effectiveness The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Company policies and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically

Internal audit has an important role to play in ensuring that effective systems of control are maintained At the outset of 2011-12, Mazars LLP, which operate in accordance with Government Internal Audit Standards, were re-appointed to provide internal audit services for a further three years An audit needs assessment was undertaken to determine an indicative programme of work to be carried out during this period This took into consideration strategic objectives, the contents of the risk register, findings from previous audits and views of senior management The agreed programme of audits for 2011-12 equated to 16 days of work and covered core financial systems, administration of the CLS, risk management, fundraising activities and working arrangements with the NFCT

Each audit undertaken concluded that there was substantial assurance in relation to controls in place Four recommendations arose from the audits, all of a housekeeping nature, which have been accepted by management A review of the eighteen recommendations arising from work undertaken during 2010-11 found that eleven had been implemented, two were in progress and the remaining five had not become due at the time of the audit review. 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 2012 the National Forest Company has adequate and effective risk management, control and governance processes to manage the achievement of the organisation's objectives'

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

Data handling

All staff sign copies of the Company's data handling policy, confirming that they will comply with its terms All staff have successfully completed the e-learning training course 'Protecting Information' via the National School of Government website and new staff joining the Company are required to do so within one month of taking up employment Staff are periodically reminded of their responsibilities and good practices when transferring data electronically or on removable media and of the need for safe disposal of classified waste

There were no significant lapses of data security during 2011-12

Risk Management

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

Individual Directors are allocated a governance role in respect of the highest scored risks whereby they liaise with the designated lead officer and seek assurance that the risk in question is being effectively managed and that the plan of action identified to mitigate the risk is being implemented

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

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

Risk management featured on the agenda of two of the four Board meetings held during 2011-12 In July 2011, the Board agreed that the existing Risk Policy remained appropriate and reviewed the highest scored risks as contained in the 2011-12 Risk Register Whilst some of these were the highest scored risks identified in previous years (e g those surrounding the securing of new forest creation, threats to continuity of funding and the ability of key partners to actively engage in programmes of activity), new high score areas of risk were identified (e g. joint working with the NFCT and following the organisation restructure the risk of too much work falling to a smaller team and a deterioration in systems of control) The following observations relate to areas of high risk identified

- There is pressure on traditional delivery partners, often impacting on resources available for creating the Forest with the NFC The Company has responded by focusing on projects and activity that are achievable, and engaging with new partners and structures It continues to demonstrate leverage and value for money through partnership working

- Forest creation rates are under pressure because of the finite amount of land available for planting, a buoyant agricultural and land market and a reducing budget The Company has responded by identifying new landowners, bringing forward new schemes and seeking acquisitions proactively

- Securing funds beyond grant in aid is challenging but necessary. The Company is working with the NFCT and others, with a long-term perspective to secure a sustainable future

In 2012-13, the 'Managing Risk of Financial Loss' toolkit produced by HM Treasury is to be applied to the payment of grants (annual value c£1m)

Strategy and planning

The creation of The National Forest accords with the objectives of the Forest Strategy for 2004 - 2014 which was reviewed at its mid-point when, after wide consultation, a Delivery Plan for 2009 - 2014 was produced. Consideration is being given to the production of the new strategy to cover the period beyond 2014 Directors and senior management have considered the key questions to be addressed, the relevance of national policy and shared thoughts on the production process, including partner and community consultation to be undertaken during 2012-13

The NFC produced its 2012-13 Business Plan adhering to a template provided by Defra The Plan summarises key corporate priorities, maps resources against these, details impact and output indicators, reports on how these priorities contribute to the delivery of Defra's strategic goals as detailed in its Business Plan and provides performance data relevant to assessing effectiveness and value for money

Performance management

Whilst as Accounting Officer I have overall responsibility for the achievement of corporate priorities and targets, delivery of many of these fall into the annual job plans of other staff Performance against these is assessed through the staff review system which includes an end of the year assessment of how the individual has performed which determines any entitlement to a performance related bonus

The National Forest is being created for public benefit and therefore the engagement and views of members of the public are welcomed. The Company has established procedures and arrangements for dealing with complaints and requests made under the Freedom of Information Act During the year ended 31 March 2012, 10 complaints were received (2010-11 10), most of which related to sites in the National Forest not owned by the NFC All complaints were responded to within the specified timescale.

Conclusion

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

Sophie Churchill

Sophie Churchill
Chief Executive/Accounting Officer
29 June 2012

SUSTAINABILITY REPORT

Introduction

This is the NFC's first Sustainability Report produced in accordance with Government Financial Reporting Manual (FReM) requirements and follows guidance set out in *HM Treasury Public Sector Annual Reports Sustainability Reporting Guidance*

Sustainable development has been at the heart of the National Forest's creation since the publication of the first National Forest Strategy in 1994 In 2007, the NFC collated evidence against 20 sustainable development indicators for a range of environmental, social and economic factors These indicators were chosen to measure the Forest's contribution to national sustainable development indicators and the UK Sustainable Development Strategy, as well as measuring progress against the objectives of the National Forest Strategy 2004 -14 More information about the indicators can be found on the website www.nationalforest org/about_us/sustainable_development php

This report concentrates on the operations of the NFC, a small delivery-focused organisation which strongly believes in applying sustainable development principles in its ways of working, aiming to achieve continuous improvement in its sustainability performance

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

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

About the data

Electricity is the only utility which is paid for directly and for which there is data obtained from meter readings and bills

Travel data includes official business travel by all staff and Directors Mileage relates to travel in staff/directors' vehicles

The Company recycles all of its non-confidential paper waste via North West Leicestershire's recycling operations but no data is provided in respect of quantities Data is, however, provided for the collection and disposal of confidential waste

Paper usage data is obtained via the supplier's online ordering system

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

Summary of CO2 emissions

	tCO2 Emissions		Units	
	2011-12	2010-11	2011-12	2010-11
Building energy consumption (SCOPE 2)	24 31	30 43	46,346 kw/h	55,819 kw/h
per head (FTE)	*1.52*	*1 60*	*2,897 kw/h*	*2,938 kw/h*
Total energy expenditure			£ 7,732	£ 9,168
per head (FTE)			*£ 483*	*£ 483*
Official Business Travel (SCOPE 3)	8 68	11 74	35,145 miles	49,499 miles
Total Emissions	32 99	42 17		
Waste (confidential paper recycling)			54 bags	15 bags
per head (FTE)			*3 38 bags*	*0 79 bags*
Paper use			130 reams	130 reams
per head (FTE)			*8 13 reams*	*6 84 reams*

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

- 2010-11 FTE average 19
- 2011-12 FTE average 16

Commentary on performance

- The NFC has achieved a 22% reduction in its total carbon emissions, from 42 17 tCO2 in 2010-11 to 32 99 tCO2 in 2011-12. This was largely attributed to the reduction in full time equivalent average number of staff, however the energy consumption per head reduced by 5%
- Carbon emissions related to business travel have reduced by 24%, from 11 74 tCO2 in 2010-11 to 8 68 tCO2 in 2011-12, again, largely attributed to the reduction in staff
- The volume of confidential waste increased significantly in 2011-12 following the office re-fit and a clear out of obsolete files
- Purchase of paper quantities has remained the same but with a reduced team the usage per head has increased by 16% During 2011-12 more in-house publications were produced rather than using more expensive commercial design and print services This increased the paper purchased but reduced the amount of printed copy bought.

Official Business Travel

Staff often have to travel to fulfil their duties Due to the rural location of the Forest, this usually means using their own vehicles, but wherever possible staff use public transport and car share Some members of staff have also undertaken fuel efficient driving training Other alternatives to travel are also encouraged e g use of telephone conferencing

Official Business Travel

	2011-12			2010-11		
	miles	tCO2e	£	miles	tCO2e	£
Staff mileage (inc Chief Executive)	20,185	6 78	9,312	22,449	7 80	9,182
Staff rail travel	4,817	0 17	3,005	9,791	0 55	4,036
Staff taxi	22	0 00	39	-		
Staff Air	582	0 04	55	457	0 14	81
Total Staff miles/tCO2/cost	25,606	6 99	12,411	32,697	8 49	£ 13,299
Directors' mileage	4,368	1.47	1,952	7,133	2 49	4,020
Directors rail	4,695	0 16	1,001	8,922	0 51	2,295
Directors Taxi	476	0 06	724	747	0 25	1,857
Total Directors' miles/tCO2/cost	9,539	1 69	£ 3,677	16,802	3 25	£ 8,172
Totals	35,145	8 68	£ 16,088	49,499	11 74	£ 21,471

ICT

Sustainability was a key factor in the decision to install a remote server in 2011-12 This enables staff to work more flexibly including working remotely and from home when appropriate

During 2011-12, 18 workstations were disposed of as a result of a planned replacement programme They were disposed of securely via a company which refurbishes equipment where possible to be reused by charities and other organisations

Sustainable procurement

Information on environmental policies of potential suppliers is requested and these are reviewed, where appropriate, as part of the tendering procedure when seeking to award contracts or place orders for goods and services During 2012-13 we will further embed sustainability into our procurement policies and processes

Publications

2011-12 has seen a significant increase in the number of downloads of Forest publications. People wanting information on the Forest are encouraged to visit the website, resulting in far fewer requests for hard copy information This is illustrated by a 90% reduction in the number of requests for hard copy visitor guides compared with the previous year

Where hard copy publications are produced, distribution lists are reviewed to ensure the appropriateness of recipients with a view to minimising print runs and distribution costs For example, after reviewing the distribution list for the 2010-11 Annual Report, the print run was reduced by 22% from 900 in the previous year to 700 We regularly review the need for hard copies and use them as effectively as we can, the Annual Report being an important communication tool for working with businesses and others

Promotion of Sustainability in The National Forest

The continuing creation of the National Forest, including as a leisure destination, has at its heart the development and promotion of a low carbon leisure infrastructure including trails and activities such as walking During 2012-13 work will commence on the implementation of The National Forest Way long distance trail, to be completed by 2014

The NFC has worked in partnership with the Forestry Commission on the construction of the Hicks Lodge Cycle Centre which opened in June 2011 Environmental considerations were a priority in design and build resulting in the Centre achieving BREEAM (Building Research Establishment Environmental Assessment Method) 'Excellent' rating and being awarded second place in the Environmental Sustainability category of the EMCBE (East Midlands Centre for Constructing the Built Environment) Constructing Excellence Awards 2011

The NFC has signed up to North West Leicestershire's Green Footprints Business Network along with many other local businesses to demonstrate their commitment to reduce their carbon footprint The Network meets quarterly and provides opportunities to share good practice and learn about useful environmental opportunities and contacts

Sophie Churchill

Sophie Churchill
Chief Executive/Accounting Officer
29 June 2012

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 2012 under the Government Resources and Accounts Act 2000 The financial statements comprise the Statement of Comprehensive Net Expenditure, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Reserves and the related notes The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union I have also audited the information in the Remuneration Report that is described in that report as having been audited

Respective responsibilities of the Directors and the auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the Report of the Directors to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate

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 recorded in the financial statements conform to the authorities which govern them

Opinion on regularity

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

Opinion on financial statements

In my opinion

- the financial statements give a true and fair view of the state of the National Forest Company's affairs as at 31 March 2012 and of its comprehensive net expenditure for the year 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.

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE MEMBERS OF THE NATIONAL FOREST COMPANY (continued)

Opinion on other matters

In my opinion

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

Matters for which I report by exception

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

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

Report

I have no observations to make on these financial statements

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

3rd July 2012

NATIONAL FOREST COMPANY

Statement of Comprehensive Net Expenditure

for the year ended 31 March 2012

	Note	2011-12 £	2010-11 £
Expenditure			
Staff costs	2	(784,146)	(1,014,141)
Depreciation	3	(6,829)	(5,757)
Other Expenditures	3	(1,839,608)	(2,776,159)
Loss on revaluation of land	7	(1,004,886)	(173,978)
		(3,635,469)	(3,970,035)
Income			
Other Income	5	529,782	1,135,436
Net Expenditure		(3,105,687)	(2,834,599)
Interest receivable	5	3,937	2,794
Net Expenditure after interest and before taxation		(3,101,750)	(2,831,805)
Tax on interest receivable	6	(787)	(587)
Net Expenditure after interest and tax		(3,102,537)	(2,832,392)
Other Net Expenditure			
Net (loss)/gain on revaluation of land through Revaluation Reserve		(6,000)	16,000
Total Comprehensive Net Expenditure		(3,108,537)	(2,816,392)

Statement of Financial Position

	Note	£	as at 31 March 2012 £	£	as at 31 March 2011 £
Non-current assets:					
Property, plant and equipment	7	2,946,016		3,018,762	
Trade and other receivables					
Amounts falling due after more than one year	9	139		6,980	
Total non-current assets			2,946,155		3,025,742
Current assets:					
Trade and other receivables					
Amounts falling due within one year	9	98,765		416,383	
Cash and cash equivalents	10	245,024		(103,696)	
Total current assets			343,789		312,687
Total assets			3,289,944		3,338,429
Current liabilities:					
Trade and other payables					
Amounts falling due within one year	11	(72,940)		(154,389)	
Total current liabilities			(72,940)		(154,389)
Non-current assets plus/less net current assets/liabilities			3,217,004		3,184,040
Non-current liabilities					
Other payables					
Amounts falling due after more than one year	11	(39,517)		(20,933)	
Total non-current liabilities			(39,517)		(20,933)
Assets less liabilities			3,177,487		3,163,107
Reserves					
Capital Reserve			2,858,250		2,953,250
Revaluation Reserve			31,750		37,750
General Reserve			287,487		172,107
			3,177,487		3,163,107

The notes on pages 28 to 36 form part of the accounts

The financial statements were approved by the Board on 29 June 2012 and signed on its behalf by.

Catherine Graham-Harrison, Chair

Sophie Churchill, Chief Executive/Accounting Officer

Statement of Cash Flows
for the year ended 31 March 2012

	Note	2011-12	2010-11
		£	£
Cash flows from operating activities			
Net expenditure		(3,101,750)	(2,831,805)
Loss on revaluation of land recognised in Statement of Comprehensive Net Expenditure		1,004,886	173,978
Corporation Tax paid		(587)	(1,163)
Decrease/(increase) in trade and other receivables		324,459	(57,417)
(Decrease)/increase in trade payables		(63,065)	115,322
Depreciation of property, plant and equipment		6,829	5,757
Movement on capital/revaluation reserves		(101,000)	1,036,000
Net cash outflows from operating activities		**(1,930,228)**	**(1,559,328)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(944,969)	(1,208,298)
Impairment of property, plant and equipment		976,886	251,978
Revaluation of property, plant and equipment		34,000	(94,000)
Net cash flows from investing activities		**65,917**	**(1,050,320)**
Cash flows from financing activities			
Grant in aid		2,213,031	2,579,948
Reserves		-	(438,246)
Net cash flows from financing activities		**2,213,031**	**2,141,702**
Net increase/(decrease) in cash and cash equivalents	10	**348,720**	**(467,946)**
Cash and cash equivalents at beginning of year		(103,696)	364,250
Cash and cash equivalents at end of year		245,024	(103,696)
Net change in cash and cash equivalent balances	10	**348,720**	**(467,946)**

Statement of Changes in Reserves
for the year ended 31 March 2012

	Capital Reserve	Revaluation Reserve	General Reserve	Total Reserves
	£	£	£	£
Balance at 31 March 2010	1,933,250	21,750	688,819	2,643,819
Changes in reserves 2010 -11				
Release through I&E	(173,978)		173,978	-
Release of reserves to I&E			(438,246)	(438,246)
Net gain on revaluation of property, plant and equipment		16,000		16,000
Deficit for the year			(2,832,392)	(2,832,392)
Reserve financing	438,246			438,246
Purchase of non-land property, plant and equipment			(14,320)	(14,320)
Total recognised income and expenditure for 2010-11	264,268	16,000	(3,110,980)	(2,830,712)
Grant in aid financing	755,732		2,594,268	3,350,000
Balance at 31 March 2011	2,953,250	37,750	172,107	3,163,107
Changes in reserves 2011-12				
Release through I&E	(1,004,886)		1,004,886	-
Release of reserves to I&E				-
Net loss on revaluation of property, plant and equipment		(6,000)		(6,000)
Deficit for the year			(3,102,537)	(3,102,537)
Reserve financing				-
Purchase of non-land property, plant and equipment			(35,083)	(35,083)
Total recognised income and expenditure for 2011-12	(1,004,886)	(6,000)	(2,132,734)	(3,143,620)
Grant in aid financing	909,886		2,248,114	3,158,000
Balance as at 31 March 2012	2,858,250	31,750	287,487	3,177,487

NOTES TO THE ACCOUNTS

Note 1

Statement of accounting policies

These financial statements have been prepared in compliance with the Companies Act 2006 They also take into consideration the accounting and disclosure requirements of the 2011-12 Government Financial Reporting Manual (FReM) issued by HM Treasury and the Accounts Direction issued by the Secretary of State for Environment, Food and Rural Affairs

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

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

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

IFRSs, IFRIC Interpretations and Amendments

Effective in these Financial Statements

All IFRSs, IFRIC Interpretations and Amendments to published standards, effective at 31 March 2012, have been adopted in these financial statements, taking into account the specific interpretations and adaptations included within the FReM The following have been taken into consideration when producing these Financial Statements

IAS 1 Presentation of Financial Statements
IAS 7 Statement of Cash Flows
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10 Events after the Reporting Period
IAS 16 Property, Plant and Equipment
IAS 17 Leases
IAS 19 Employee Benefits
IAS 20 Accounting for Government Grants and Disclosure of Government Assistance
IAS 24 Related Party Transactions
IAS 32 Financial Instruments Presentation
IAS 36 Impairment of Assets
IAS 39 Financial Instruments Recognition and Measurement
IFRS 7 Financial Instruments: Disclosures
IFRS 8 Operating Segments
IFRIC 4 Determining whether an arrangement contains a lease
IFRIC 9 Re-assessment of Embedded Derivatives

Effective for future financial years

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

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

Accounting convention

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

Property, plant and equipment

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

Landholdings are valued annually by an independent Chartered Surveyor in accordance with the RICS Valuation Standards (the 'Red Book') The last valuation was as at 31st March 2012 and was provided by Fisher German, Chartered Surveyors Landholdings in the Statement of Financial Position are shown at the valuations provided Where the valuation is higher than the purchase price paid, the increase in valuation is credited to a Revaluation Reserve Where land is valued at below the purchase price due to a change in market values then the loss on revaluation is charged to the Statement of Comprehensive Net Expenditure in the year of the revaluation. Similarly, where as a result of a proposed change of use there is impairment in the value of the land, the loss on impairment is charged to the Statement of Comprehensive Net Expenditure in the year of the impairment. 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.

Depreciation

Depreciation is provided evenly on the cost of furniture and fittings and information technology assets, to write them down to their estimated residual values over their expected useful lives Expectations are informed by past experience and reflect anticipated usage of such assets. Furniture and fittings have an expected useful life of between 3 and 10 years Information technology assets have an expected useful life of between 3 and 5 years No depreciation is charged in the year of acquisition of the asset but is charged in the year of disposal

Grant in aid and other income

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

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

Other income is analysed in Note 5 to the Financial Statements

Section 106 income

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

Capital Reserve

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

NOTES TO THE ACCOUNTS (continued)

Leases

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

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

Non controlling party grants

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

Related party transactions

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

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

Financial Instruments

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

Staff costs and pensions

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

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

NOTES TO THE ACCOUNTS (continued)

Note 2	2011-12	2010-11
	£	£
Staff numbers and related costs		
Costs of permanently employed staff, including Directors		
Salaries	619,635	743,616
Social security costs	49,496	53,628
Other pension costs	108,448	127,897
	777,579	925,141
Redundancy and early retirement costs	6,567	89,000
	784,146	1,014,141

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	2011-12	2010-11
The average number of employees, including Directors, employed was		
Directors (including Chief Executive)	8	9
Staff (full time equivalent)	15	18
	23	27

Note 2.1

Reporting of Civil Service and other compensation schemes – exit packages

Exit package cost Band	Number of Compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	-	-	-
£10,000 - £25,000	-	3	3
£25,000 - £50,000	-	1	1
£50,000 - £100,000	-	1	1
Total number of exit packages	-	5	5
Total resource cost	-	£149,992	£149,992

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year when the Company has a binding commitment to terminate the employment of an employee or group of employees before the normal retirement date At the end of March 2011, £89,000 was accrued in respect of known departure costs relating to staff leaving in 2011-12 The resource cost of £149,992 represents the full departure costs of all staff who left during 2011-12. Where the Company has agreed early retirements, the additional costs are met by the Company and not by the Civil Service pension scheme

There were no redundancies or other departures in 2010-11

NOTES TO THE ACCOUNTS (continued)

Note 3	2011-12	2010-11
Other Expenditure	£	£
Programme Expenditure		
Changing Landscapes Scheme	519,782	547,653
National Forest Tender Scheme	365,421	356,349
Cycle Centre project	305,774	873,016
Programme Development Fund	166,659	360,624
Site development and projects	79,488	177,647
Freewoods and Parklands (small scale woodland grants)	59,098	70,254
Running costs	292,558	309,815
Rentals under operating leases	26,786	35,214
Research expenditure	17,621	42,344
Fees payable to the Company's auditors for the audit of the Annual Accounts	13,250	9,000
Non cash item		
Amortisation of grant	(6,829)	(5,757)
	1,839,608	2,776,159
Depreciation	6,829	5,757
	1,846,437	2,781,916

Note 4	2011-12	2010-11
Grant in Aid		
Received in the year	3,158,000	3,350,000
Expenditure on fixed assets		
- Land	(909,886)	(755,732)
- Property, plant and equipment, excluding land	(35,083)	(14,320)
	2,213,031	2,579,948

Note 5	2011-12	2010-11
Other Income		
Woodland creation grants	165,356	2,894
Donations and sponsorship	145,568	103,108
Section 106 agreement	76,170	30,700
Tourism programme local authority contributions and advertising revenue	48,221	42,359
Sundry income	40,787	20,531
Cycle Centre project*	40,400	807,600
'Making Woods Work' funding from emda	8,280	61,244
East Staffordshire Borough Council contribution to land acquisition	-	50,000
Forestry Commission contribution to woodland economy partnership	5,000	17,000
	529,782	1,135,436
Bank interest receivable	3,937	2,794

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

NOTES TO THE ACCOUNTS (continued)

Note 6	2011-12	2010-11
Corporation Tax payable	787	587

Grant income and donations received by the Company are not subject to Corporation Tax Interest received of £3,937 (2010-11 £2,794) is, however, taxable at the rate of 20% (2010-11 21%), resulting in the above tax charge

Note 7
Property, plant and equipment

	Land	Furniture & Fittings	Information Technology	Total
	£	£	£	£
Cost or valuation				
At 1 April 2011	3,790,783	153,754	72,861	4,017,398
Additions during the year	909,886	32,280	2,803	944,969
Disposals/transfers during the year	-	(29,276)	(18,774)	(48,050)
Revaluation	-	-	-	-
At 31 March 2012	4,700,669	156,758	56,890	4,914,317
Depreciation or impairment				
At 1 April 2011	799,783	148,052	50,801	998,636
Charges in the period				
Depreciation	-	1,869	4,960	6,829
Impairment	976,886	-	-	976,886
Revaluation	34,000	-	-	34,000
Depreciation charged on disposals/transfers	-	(29,276)	(18,774)	(48,050)
At 31 March 2012	1,810,669	120,645	36,987	1,968,301
Net Book Value				
31 March 2012	2,890,000	36,113	19,903	2,946,016
Cost or valuation				
At 1 April 2010	2,580,805	156,249	59,162	2,796,216
Additions during the year	1,193,978	-	14,320	1,208,298
Disposals/transfers during the year	-	(2,495)	(621)	(3,116)
Revaluation	16,000	-	-	16,000
At 31 March 2011	3,790,783	153,754	72,861	4,017,398
Depreciation or impairment				
At 1 April 2010	625,805	148,678	47,534	822,017
Charges in the period				
Depreciation	-	1,869	3,888	5,757
Impairment	251,978	-	-	251,978
Revaluation	(78,000)	-	-	(78,000)
Depreciation charged on disposals/transfers	-	(2,495)	(621)	(3,116)
At 31 March 2011	799,783	148,052	50,801	998,636
Net Book Value				
31 March 2011	2,991,000	5,702	22,060	3,018,762

Note 8
Impairments

As a result of applying the accounting policies set out above, £976,886 (2010-11: £251,978) has been charged to the Statement of Comprehensive Net Expenditure as a result of impairment in the value of the land owned by the Company

Note 9	2011-12	2010-11
	£	£
Trade receivables and other current assets		
Amounts falling due within one year		
Prepayments and accrued income	89,480	397,325
VAT	7,617	8,618
Other receivables	1,668	10,440
	98,765	416,383
Amounts falling due after more than one year		
Prepayments and accrued income	-	5,173
Other receivables	139	1,807
	139	6,980
Total trade and other receivables	98,904	423,363

Note 10	2011-12	2010-11
Cash and cash equivalents		
Balance at 1 April	(103,696)	364,250
Net change in cash and cash equivalent balances	348,720	(467,946)
Balance at 31 March	245,024	(103,696)

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

Note 11	2011-12	2010-11
Trade payables and other current liabilities		
Amounts falling due within one year		
Corporation tax payable	787	587
Deferred income - government grants (capital)	16,499	6,829
Accruals and deferred income	55,654	146,973
	72,940	154,389
Amounts falling due after more than one year		
Deferred income - government grants (capital)		
- between two to five years	39,517	20,933

Note 12
Capital commitments

	2011-12	2010-11
	£	£
Contracted capital commitments at 31 March 2012 not otherwise included in these financial statements		
Land acquisition	238,944	-

Note 13
Commitments under operating leases

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

	2011-12	2010-11
	£	£
Obligations under operating leases comprise.		
Buildings, office accommodation lease		
Expiring within one year	25,012	5,942
Expiring later than one year and within five years	29,181	-
	54,193	5,942

Note 14
Other financial commitments

(i) Forest creation schemes

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

	2011-12	2010-11
	£	£
Not later than one year	326,781	381,381
Later than one year and not later than five years	503,285	314,852
	830,066	696,233

(ii) Early Retirement costs

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

	2011-12	2010-11
	£	£
Amounts falling due within one year	17,082	14,092
Amounts falling due after more than one year	37,343	54,425
	54,425	68,517

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

Note 15
Financial Instruments

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

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

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

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

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

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

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

Note 16
Related party transactions

The NFC is a Non-Departmental Public Body (NDPB) sponsored by Defra which is regarded as the Company's controlling related party. During the year, the Company received £2,213,031 (2010-11. £2,579,948) as financing, revenue grant in aid and £944,969 (2010-11 £770,052) capital grant in aid from Defra

In addition, the NFC received woodland grants from FC and made payments to them in respect of the Cycle Centre project

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

Note 17
Post balance sheet events

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

The Report of the Directors and Accounts have been authorised for issue on 3 JULY 2012 by the National Forest Company's Chief Executive and Directors