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THE NATIONAL
FOREST

...a forest in the making

Annual Report

2004-2005

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

Mission Statement:

Creating, through working partnerships and with community participation, a new 200 square mile multi-purpose forest for the nation in the Heart of England.

The National Forest is being transformed into a rich mosaic of land uses, framed by woodland, to the great benefit of the community, landscape and environment. As a result economic and social regeneration is being stimulated, providing new opportunities for recreation, leisure and tourism to the benefit of both urban and rural enterprise.

All photographs in this Annual Report were taken in The National Forest except that shown on page 4 which was taken at Lichfield Cathedral and features a National Forest based project.

Photography: All photographs were taken by Christopher Beech except:

Page 1 photo 1 - Steve Baker
photo 2 - Peter Allman/Harry McMahon
Page 3 photo's 1 & 4 - Steve Baker
Page 7 photo 2 - Steve Baker
Page 13 photo 1 - Steve Baker
photo 2 - Steve Baker
Page 14 photo 3 - Martyn Pitt
Page 19 Steve Baker

Front cover: Jackson's Bank, Needwood Forest, Staffordshire, which boasts an impressive display of bluebells – a National Forest Biodiversity Action Plan species.

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Chairman's Message:



1. The Chairman planting a tulip tree at Seale Wood, Overseal
2. Fallow deer at Calke
3. Bradgate Park, Leicestershire
4. Brown's Wood, Thornton with the M1 motorway in the background

This is my sixth and last Annual Report as Chairman and I take the opportunity to sketch out a context for the Company in the future. This Report will detail what has happened in 2004/05: in summary, it was a year of consolidation reflecting restricted resources from Government and uncertainty in the farming community.

Turning to the wider context, a decade is a small measure of time in the process of creating a new Forest for the nation. This is a cross-generational venture and needs to be recognised as such. I believe the Company has been successful and effective thus far in reaching our targets because:

- Defra (and its predecessors) have been consistently supportive in funding the Company at a level which has enabled it to gain local and regional credibility
- The Company has found a range of partners willing and able to help it deliver and who have found us easy to work with
- The organisational arrangements of a dedicated Company acting in a business-like way is a proven vehicle to achieve our goals
- The executive team employed by the Company is well-organised, highly competent and achieve

So, the message for the future: don't change a winning formula. I venture to say that there are few, if any, national or regional initiatives of any people who have successfully delivered their key targets so consistently over the last ten years.

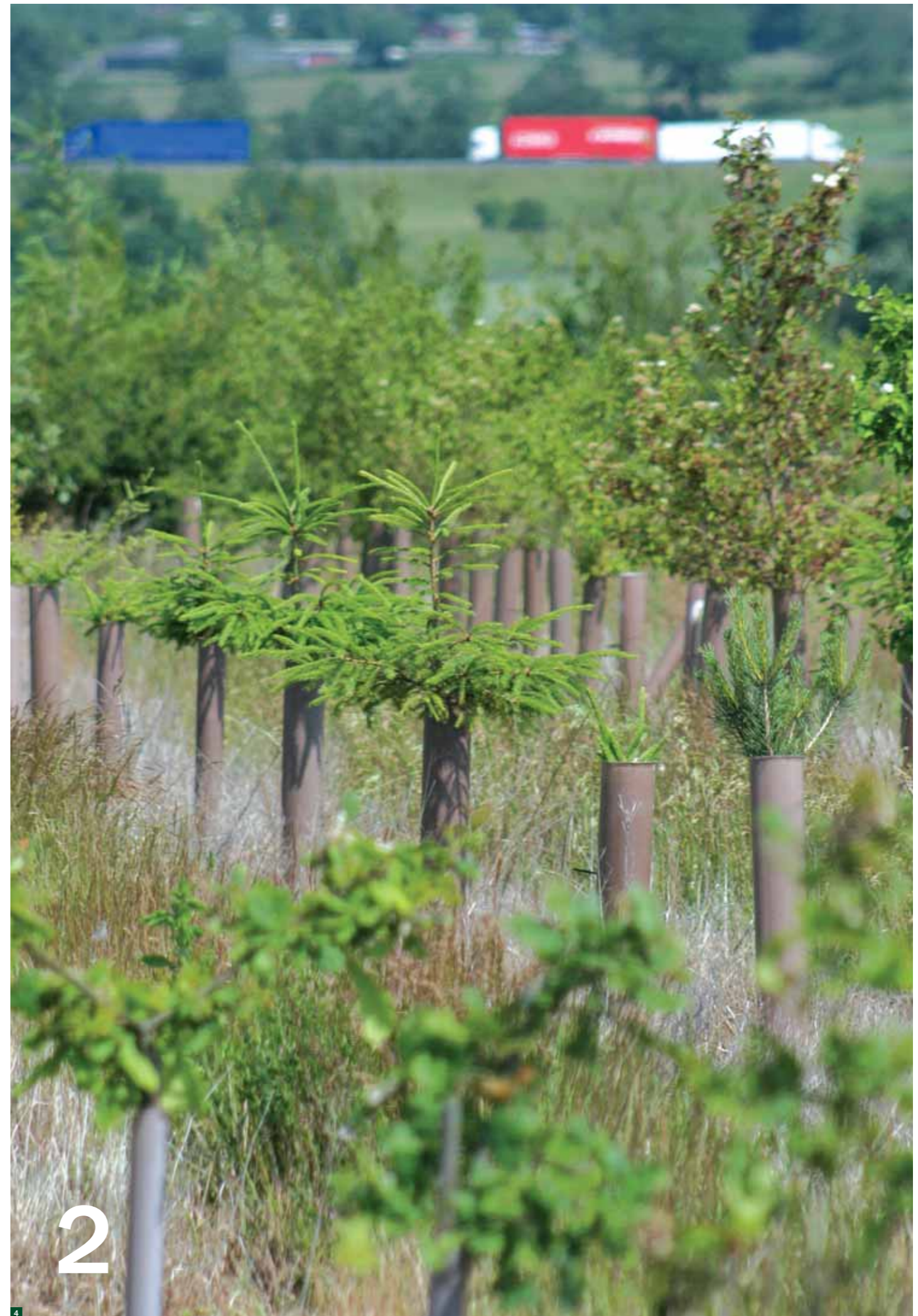
I also take this opportunity to thank those who have contributed to our progress. Defra, its Ministers and officials, has been key to providing the funds and offering help and advice where necessary. The Forestry Commission has also provided sustained support to our activities at all levels. Internally, my Board has challenged and questioned in a most constructive way for which I thank them. Two Board members retiring with me are Chris Hemming and Pat

Richards who have served their full six-year terms. I thank them particularly: Chris in her role as Chair of the Audit Committee and Pat for her advice on the pioneering work on the socio-economic impact of the Forest.

The core of the Company is the staff: they are a highly respected team. Mike Dewsnap, Clive Keble and Simon Evans as Chief Officers are real assets to the Company. Susan Bell who is also signing off her last annual report, has been a quite exceptional Chief Executive. She is the personification of the Forest and can take great credit as the principal architect of the largest single landscape change initiative in the UK and possibly Europe. Quite a feat.

Finally, I wish my successor, Dinah Nichols, and the Board continued success in creating the Forest.

Viv Astling OBE





It's our birthday

A whole year to party! The year 2005 marks the 10th anniversary of the establishment by Government of the National Forest Company (NFC) to spearhead the creation of a new multi-purpose forest for all in the heart of the country. Starting with its New Year card, the Company determined to celebrate throughout the calendar year its first thrilling decade: the enormous amount that has been achieved on the ground in that time and the many partners and communities involved in the process.



Chief Executive's Report:



A supplement entitled 'The First Ten Years' was produced with the National Forest newsletter - Forest Scene - that seeks to encapsulate the depth and breadth of the physical, social and economic transformation that is taking place and the excitement and desire to participate that it is generating. This supplement, which has been distributed to some 13,000 readers, is reproduced as an insert to this Annual Report.

media coverage resulting from the whole programme of NFC's activity throughout the year.

Increasingly the Forest is being recognised, by Defra and others as a fine example of sustainable development in practice. Its creation, and the methods being used to achieve it, are contributing to at least 22 of the Government's 68 new headline indicators of sustainable development. It is significant that the Forest has featured as a major exemplar in Defra's own video on the theme entitled *Bigger Picture*.

The tenth anniversary is providing many other opportunities for further spreading the word about what the Forest is all about, how it is progressing, its relevance to the wider political agenda and how the ideas that are being tested here could be usefully applied elsewhere. The media has certainly been interested and the Forest has featured in BBC Television's 'The British Isles: a Natural History' and Countryfile, The Guardian's Society section, as well as numerous local and regional press and broadcast media. This is in addition to the



1. Workman's Wood, Ibstock

2. TV personality, Kay Alexander, launching 'Tree Cheers' a real ale specially brewed by Burton Bridge Brewery to celebrate the NFC's 10th birthday

3. John Craven and his team revisiting the Forest to record BBC 1 television programme 'Countryfile'

4. Children performing at Lichfield Cathedral as part of the 'Songs of the Forest' programme run by Children's Music Workshop with support from the NFC

3



4

4



Chief Executive's Report (continued):



Comings and Goings

As the Chairman has already reported, this has been his last year at the NFC. His has been a remarkable tenure. Under his inspirational leadership, the Forest has gone from strength to strength. Not only has he overseen the creation of nearly 3,000 hectares of new Forest sites but he has raised the profile of The National Forest and all it is aiming to do, amongst the local community and beyond into the wider region and nationally. He has won very many friends personally and for the Forest. Everyone involved in the Forest is enormously appreciative of all he has contributed and all were delighted to see his efforts for the Forest and the West Midlands recognised with the award of an OBE in the Queen's Birthday Honours.

Once again the Company has proved very fortunate in attracting another exceptional Chair – Dinah Nichols, appointed to take up the reins in April 2005, has earned an impressive professional reputation. The environment and sustainable development have been at the core of her career and she rose to become Director General Environment in the Department of the Environment which in turn evolved into the present day Department for Environment, Food and Rural Affairs – a job she left in 2002. She is joined on the Board by two new non-executive directors, Valerie Owen, a chartered architect, town planner and surveyor and Russ Canning a chartered landscape architect and town planner.

This also marks my own final Annual Report for the NFC. I am due to leave the Forest in February 2006. Having been with the Forest since 1991, when I headed up the Countryside Commission's Development Team for the project, and with the Company since 1995 as its inaugural Chief Executive, this is obviously a time of very mixed emotions. Extraordinarily none of these involve regret! It has been a time of great excitement, fulfilment and satisfaction. Many, many people have expressed envy at my having 'the perfect job' – positive, creative and environmentally friendly. I can only agree with them!

I have also had the inestimable pleasure of working with some truly talented and committed people notably the small team here many of whom have been by my side for many years. We have worked together in harmony and affection and, in my view, to very great effect. The same goes for my excellent chairmen, Rodney Swarbrick and Viv Astling who have given unstintingly to the Forest cause and now Dinah Nichols who is embarking on that route. My warmest thanks go to them all, together with members of the Board, Ministers and officials at our sponsor Department, Defra, for their unwavering support and for having made this truly an experience of a lifetime. To that worthy band I would add the many, many partners including landowners, too numerous to mention who have willingly volunteered or been persuaded, badgered or cajoled into contributing to this great joint venture that is The National Forest. That I love it is obvious. Now I wish the Forest and all who continue the job of fulfilling the dream every possible success.

Susan Bell

Susan Bell OBE

1. Subscribers to the NFC's 'Plant a Tree' scheme planting trees at Staunton Harold, Leicestershire
2. Branston Water Park, Burton upon Trent
3. Jackson's Bank, Needwood Forest, Staffordshire



Table 1
Further Forest creation and enhancement of its environment and amenity
(Objective 1)

Target	Achieved
350 – 400 ha Forest Creation	✓
400 ha of new/planned public access	✓
130 ha of nature conservation/heritage	✓
Update National Forest Biodiversity Action Plan	✓

Review of the Year:



Table 2
Sustainable development of the Forest economy
(Objective 2)

Target	Achieved
Determine and initiate three-year programme	✓
Secure partnership funding	✓
Develop/improve visitor facilities and accommodation	✓
With local authority partners, run a visitor campaign	✓

The year got off to a rather sticky start with the news that for the first time in its history, the NFC's grant in aid, from Defra, was to be reduced by 11.6% – in line with many of its other sponsored bodies. Despite some significant savings in the running cost budget, this still meant that programme expenditure would have to suffer. At the same time the land market continued to be highly constrained by the uncertainties associated with the reform of the Common Agricultural Policy and the introduction of the new Single Farm Payment scheme.

The NFC Board, with the endorsement of Defra, therefore determined realistic yet still ambitious targets to fulfil its five major objectives for the year. All these headline targets have been achieved thereby setting on course the new Forest Strategy 2004 – 2014 launched by the Minister in March 2004 and contributing to Defra's own Five Year Strategy 'Delivering the Essentials of Life', launched in late 2004.



FURTHER FOREST CREATION AND ENHANCEMENT OF ITS ENVIRONMENT AND AMENITY (OBJECTIVE 1) see table 1

A total of 394 ha of Forest creation was achieved, well within the upper quartile of the 350 – 400 ha target range. This brings wooded cover to 16% towards the ultimate target of about one third of the area.

Fortunately, the Forestry Commission was able to make special provision for the Woodland Grant Scheme to continue for Tender Scheme winners, thus enabling Round 10 of the Scheme to be run and thereby convert 298 ha of new land to Forest purposes. Discussions with mineral companies and developers resulted in over 50 ha being achieved on restored and newly developed land. Land acquisitions proved very hard to come by but three were achieved amounting to 42 ha.

As a result of the new land, and the realisation of former commitments, public access increased by 448 ha against a 400 ha target. Since the Forest got underway, the area of open access land has more than trebled; a

particularly striking figure since the majority is on privately-owned land. Of the total of 5,022 ha of land now committed to new Forest sites, 80% provides some form of public access with a further 8% offering it when the sites are fully developed. In the year a further 45 km of linear access was added, too.

Nature conservation gained an additional 130 ha of habitat creation or management, achieved predominantly through the Tender Scheme. The year also saw the production of the 2nd edition of the Forest's Biodiversity Action Plan – a year early as many of the original targets had already been achieved or exceeded. Two new BAP species – the Barn Owl and Water Vole – were added to the existing six.

SUSTAINABLE DEVELOPMENT OF THE FOREST ECONOMY (OBJECTIVE 2) see table 2

The NFC can and does play a lead role on particular elements of the economy of the Forest area, notably the woodland economy, tourism development and promotion and, mainly through these, agricultural diversification.



Table 3
Enhancing the quality of the Forest environment and its management
(Objective 3)

Target	Achieved
Promote best practice	✓
Update the NFC's Guide for Planners and Developers	✓
Produce directory of contacts	✓
Influence planning and other policies affecting the Forest's development	✓

Review of the Year:



Woodland Economy

To provide an economic driver for woodland planting, beyond the initial grant incentives, and ensure the proper management of the resulting woods, be it for predominantly commercial or amenity purposes, a market is required for the product. In the early days this will be for relatively low-grade timber arising from thinnings and general woodland management. Effort has therefore been concentrated on the development of local markets for these, notably the stimulation of wood-fuel initiatives and the necessary business skills to support the new commercial initiatives.

A three year action programme covering market development, wood-fuel initiatives, woodland certification and management plans and training/business advice has been approved by the Board. This is being implemented and steered by a Woodland Economy Group chaired by an NFC Board member. Additional funds, amounting to £43,000, have been secured from the East Midlands Regional Development Agency's Strategic Sub-regional Partnerships and the Forestry Commission to back this work.

Visitor Economy

In order to realise greater economic benefit from the 5 million visitors who already come to The National Forest area there is an urgent need for appropriate overnight accommodation. The NFC has been the lead partner in promoting the building of a new youth hostel and camp site. A partnership is established, including the NFC, the Heart of the National Forest Foundation, the Youth Hostel Association and the Camping and Caravanning Club. The land has been purchased, planning permission gained but the remaining funding remains to be found.

Elsewhere in the Forest, timber cabins are being built at the Rosliston Forestry Centre in another partnership with Forest Enterprise,

South Derbyshire District Council and the business managers of the Centre.

Once again, the NFC has joined forces with the three core local authorities in the area to run a highly successful 'National Forest & Beyond' visitor campaign complete with attractive guides and special offers. Work continues to encourage and stimulate tourism-related businesses to raise the quality of their product and improve their marketing potential through use of the National Forest brand.

The two RDAs have contributed £65,000 to a major study into the visitor infrastructure throughout the Forest.

ENHANCING THE QUALITY OF THE FOREST ENVIRONMENT AND ITS MANAGEMENT (OBJECTIVE 3) see table 3

The overall quality of the Forest environment must be maintained and improved. Much effort has been devoted to the production of best practice guides and demonstrations. These relate to the proper management of sites and facilities that affect the overall quality of the Forest environment and its enjoyment. The quality of the visitor experience is also important and the annual Tourism Marketing Forum this year included workshops on the Disability Discrimination Act and catering for ethnic diversity.

The Company is not the local planning authority for the area, this responsibility rests with its six constituent local authorities. Nor is the NFC a statutory consultee. It is even more vital therefore, that the interests of the Forest are reflected in planning policy documents and in the numerous development proposals coming forward in the area. With the onset of a revised planning system it has been a particularly busy year for these issues. Comments have been submitted to national, regional and local planning policy documents as well as 25 planning applications of strategic importance to the Forest.



1. Rosliston Forestry Centre, Derbyshire
2. Workman's Wood, Ibstock. Planted with poplar in 2000 and selectively thinned in spring 2005 - a practical demonstration of the Forest's developing woodland economy



DEVELOPING AND PROMOTING THE FOREST'S SOCIAL AND EDUCATIONAL BENEFITS (OBJECTIVE 4) see table 4

By engaging with partners and local communities a wide-ranging programme of Forest-related events and activities has involved over 12,300 people this year.

Particularly noteworthy were:

- 37,000 schoolchildren enjoyed educational trips to special facilities at the Conkers Discovery Centre and Rosliston Forestry Centre
- Green Apple Award for the South Derbyshire Environmental Education programme, funded by Rolls-Royce through the NFC and run by the District Council
- 1,200 children from schools in areas experiencing deprivation in major nearby cities have taken part in tree planting and environmental education activities in a special National Forest programme in the Woodland Trust's *Tree for All* campaign

- In its final year of funding from the New Opportunities Fund, the STEPS, 'Walking the Way to Health' project in South Derbyshire was cited as an Example of Good Practice
- The STEPS programme formed the basis of a successful bid by South Derbyshire District Council to the Sports Council's Active England Fund
- 2,000 people participated in the healthy walking scheme this year
- Co-ordinated by the British Trust for Conservation Volunteers (BTCV) National Forest officer, supported by the NFC, nearly 2,600 volunteer days were held
- 2,000 children from 30 schools across the Forest were involved in workshops and performances as part of the 'Songs of the Forest' programme, run by London-based charity Children's Music Workshop

Work in the second year of the three-year LANDshapes project, funded by the Heritage Lottery Fund, included:

- launch of interactive archive and website
- commissioning of the National Trust to produce a book on the cultural and landscape heritage of The National Forest
- commissioning of David Nash, internationally renowned sculptor, to produce six wood sculptures interpreting the Forest's six landscape zones
- recording of 36 oral histories
- range of community events

New recreational opportunities included:

- work on a new horse-riding strategy for the Forest and grant aid for new cycling routes.
- a new medium-distance walk was developed to celebrate the NFC's 10th Birthday
- both the Access Pack and the Access for All packs have been updated

A project was started, to be developed over the next two years, to add 'landscape visualisation' capabilities to the GIS system, thereby assisting people to understand better the consequences of the Forest spreading and becoming more evident in the landscape.

A colourful educational poster illustrating how woodland in general, and the Forest in particular, are helping to mitigate the effects of global warming was produced with the financial support of Defra.

Review of the Year:

Table 4
Developing and promoting the Forest's social and educational benefits (Objective 4)

Target	Achieved
Develop environmental education programme	✓
Support for healthy living initiatives	✓
Support for volunteer activity	✓
Help deliver the Children's Music Workshop project	✓
Involve 12,000 people in Forest activities	✓
Develop recreation facilities for variety of users	✓
Develop 'landscape visualisation' techniques	✓
Research and explain the Forest's role in carbon sequestration	✓

1. BTCV volunteers working in the Forest
2. Children tree planting in The National Forest as part of the Woodland Trust's 'Tree for All' campaign
3. Children exploring at Conkers while on an environmental education visit



Table 5
Raising awareness of
The National Forest and
encouraging participation in
its creation (Objective 5)

Target	Achieved
Raise awareness of The National Forest amongst key influencers, the public and businesses	✓
Secure new corporate supporters	✓
Continue the Birmingham campaign	✓
Start an Ambassadors' Scheme	✓
Produce and commence implementation of new Tourism Strategy	✓

Review of the Year:



RAISING AWARENESS OF THE NATIONAL FOREST AND ENCOURAGING PARTICIPATION IN ITS CREATION (OBJECTIVE 5) see table 5

The fifth and final work area involved the on-going need to raise awareness of The National Forest amongst a range of key target audiences. This is to promote its exemplar role, to encourage more partnerships in its creation and to imbue a widespread sense of ownership, pride and responsibility. Some significant milestones triggered some very special events this year. The Rt Hon John Gummer MP, who was the Secretary of State for the Environment responsible for originally setting up the Company 10 years ago, paid a return visit to give out the awards to the winners of the Tender Scheme. His delight and enthusiasm for all that had happened in the meantime was infectious and inspiring. Another enthusiast was Sir Martin Doughty, Chairman of English Nature who launched the 2nd Edition of the Biodiversity Action Plan. As a result of an excellent lunch kindly hosted for the Forest by Lady Heseltine, one of the guests, Jonathon Porritt, renowned environmentalist and Chairman of the Commission for Sustainable Development, came to plant the 6 millionth tree in the Forest. On another highly memorable occasion Lord and Lady Corbett held a dinner to introduce new influential people to the Forest, this time in Birmingham.

The year saw the launch of the NFC's Business Benefits campaign by Sir Digby Jones, Director General of the CBI. The campaign aims to alert business of the opportunities to fulfil their corporate social responsibility through work with the Forest.

Opportunities for individual donors are provided through the Plant a Tree and Adopt a Tree schemes which generated nearly £19,000 over the year. The chance to come

and plant their tree themselves has proved enormously popular, attracting some 600 people from all over the country at each of the two special planting events held, with the welcome assistance of the Forestry Commission.

In the belief that 'Seeing is Believing' numerous visits and briefings are arranged each year. This year these have included senior Defra officials, notably the Permanent Secretary, Sir Brian Bender, Members of Parliament, RDA Chairman and officials, the Chair of the National Federation of Women's Institutes and Chief Executives of Birmingham City Council and the Woodland Trust.



In addition, members of the NFC staff give numerous national, regional and local talks and presentations.

To assist in this promotional role, an Ambassadors' Scheme has been started and 56 influential individuals from a wide range of backgrounds have accepted an invitation to become Forest Ambassadors.

The NFC's publications, website www.nationalforest.org and media relations work all continue to contribute to a growing awareness of The National Forest.

1. Trees planted on behalf of the top international cycle teams which competed in the Tour of Britain cycle race that passed through the Forest

2. The Rt Hon John Gummer speaking at the Tender Scheme awards event

3. Jonathan Porritt planting the six millionth tree ably assisted by Viv Astling





Looking forward to 2005/06:



The Company has been relieved and gratified to hear that its grant in aid from Defra has been restored to £3.7 million with an additional £0.5 million to be allocated to compensate for the reduction suffered in 2004/05.

As before, the NFC Board has agreed headline objectives and targets for the forthcoming year and these have been approved by Defra. In drawing up these priorities, consideration has been given to the changing political and legislative context within which the Forest is being developed. Essentially, though, they are consistent with continuing to deliver the aims and objectives of the new Forest Strategy 2004 - 2014 and with contributing to Defra's strategic priorities for promoting sustainable development.

Across all the specified areas of work the NFC is determined to:

- Observe the principles of sustainability
- Encourage social inclusion
- Work with and through partners
- Communicate objectives and achievements to a variety of audiences
- Monitor and record activity

The six key objectives for the year are:

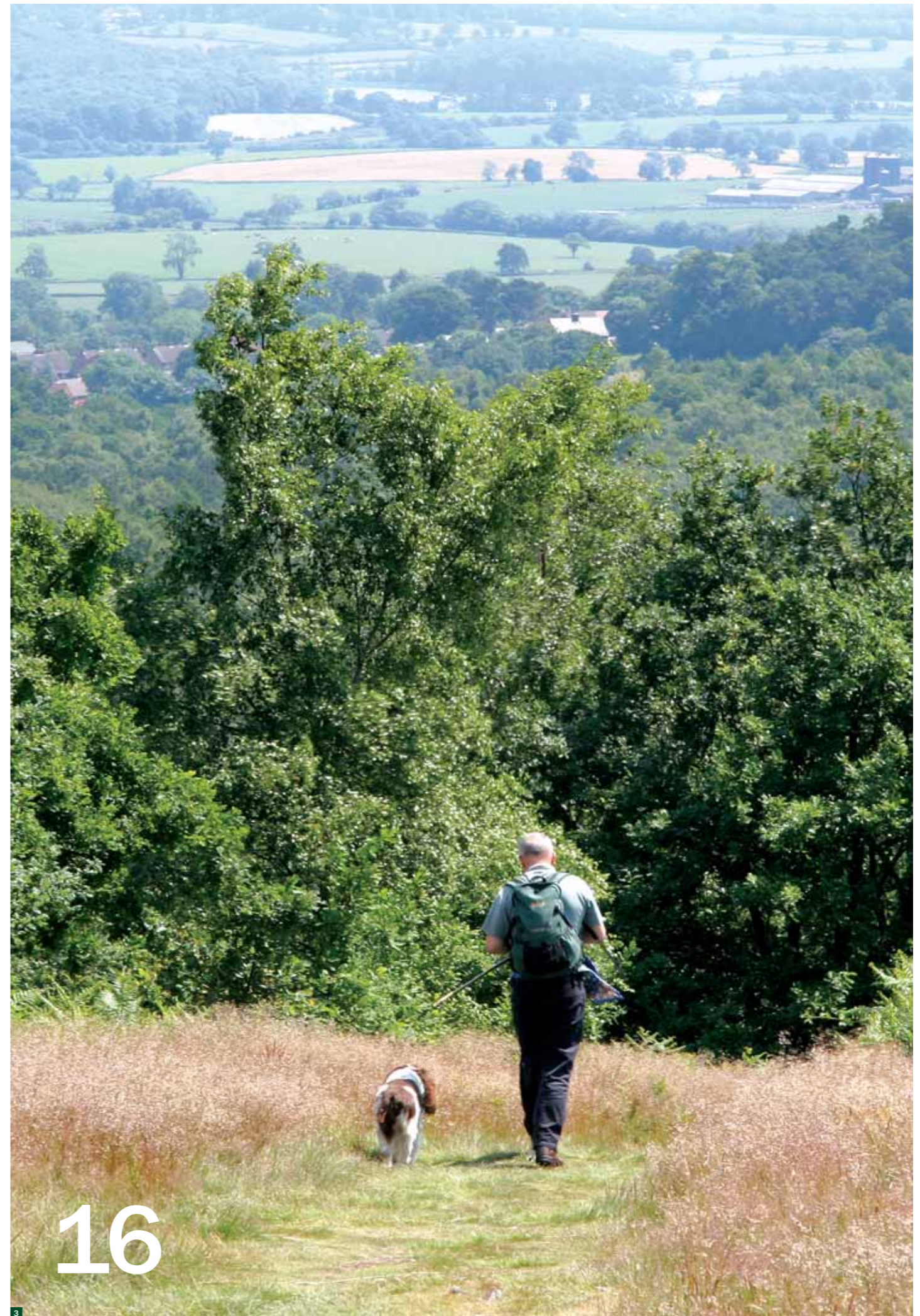
- To maintain momentum of National Forest creation in accord with the Forest Strategy 2004 - 2014 by securing 440 - 475 ha of National Forest creation and 130 ha of nature conservation.
- To promote woodland management through targeted grant aid and the dissemination of best practice and the development of a viable and varied market for wood products; and to promote business advice, support and training for rural diversification.
- To develop the Forest's access potential for a range of users, providing a further 420 ha of new/planned public access; and to ensure sites accessible to the public are welcoming and safe for their users; extend

partnership working to maintain and expand current and future community programmes; fulfil Year 3 commitments of the LANDshapes project; and continue to work with partners to promote the Forest as a quality visitor destination.

- To take forward a new Concordat with the Forestry Commission and implement the associated Action Plan; maintain and forge at least five new partnerships to achieve specific projects and activities in the Forest; and attract funding, engagement and participation in Forest creation from the public and private sectors and individuals.
- To ensure that the Forest is embedded in and accounted for in policy documents and strategies relating to the Modernisation of Rural Delivery programme, rural land use support schemes, RDA sustainability strategies and planning and development; and that the NFC is actively involved in major development strategies within its boundary; and there is good liaison with commercial developers to promote Forest objectives.
- To raise awareness, amongst a variety of audiences, of the creation of the Forest, its exemplary nature, its contribution to a number of wider Government policy objectives and as a test bed for new ideas - to stimulate understanding and involvement and ensure on-going support.

In short, in changing times the fundamental work of the National Forest Company will go on. The purpose, after all, is to create an inspirational and sustainable massive new asset for the nation.

1. Sue Anderson, the NFC's Community Liaison Officer, demonstrating the art of tree planting to an attentive audience of school children
2. Thornton Reservoir
3. Beacon Hill Country Park, Woodhouse Eaves



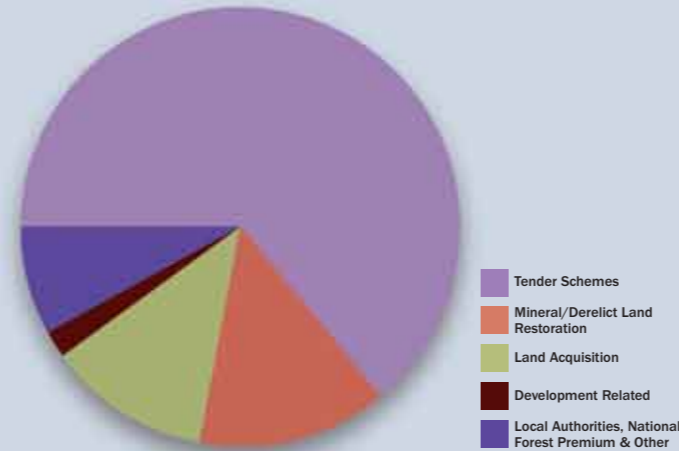
Growing *Achievements:*

National Forest as at
31 March 2005

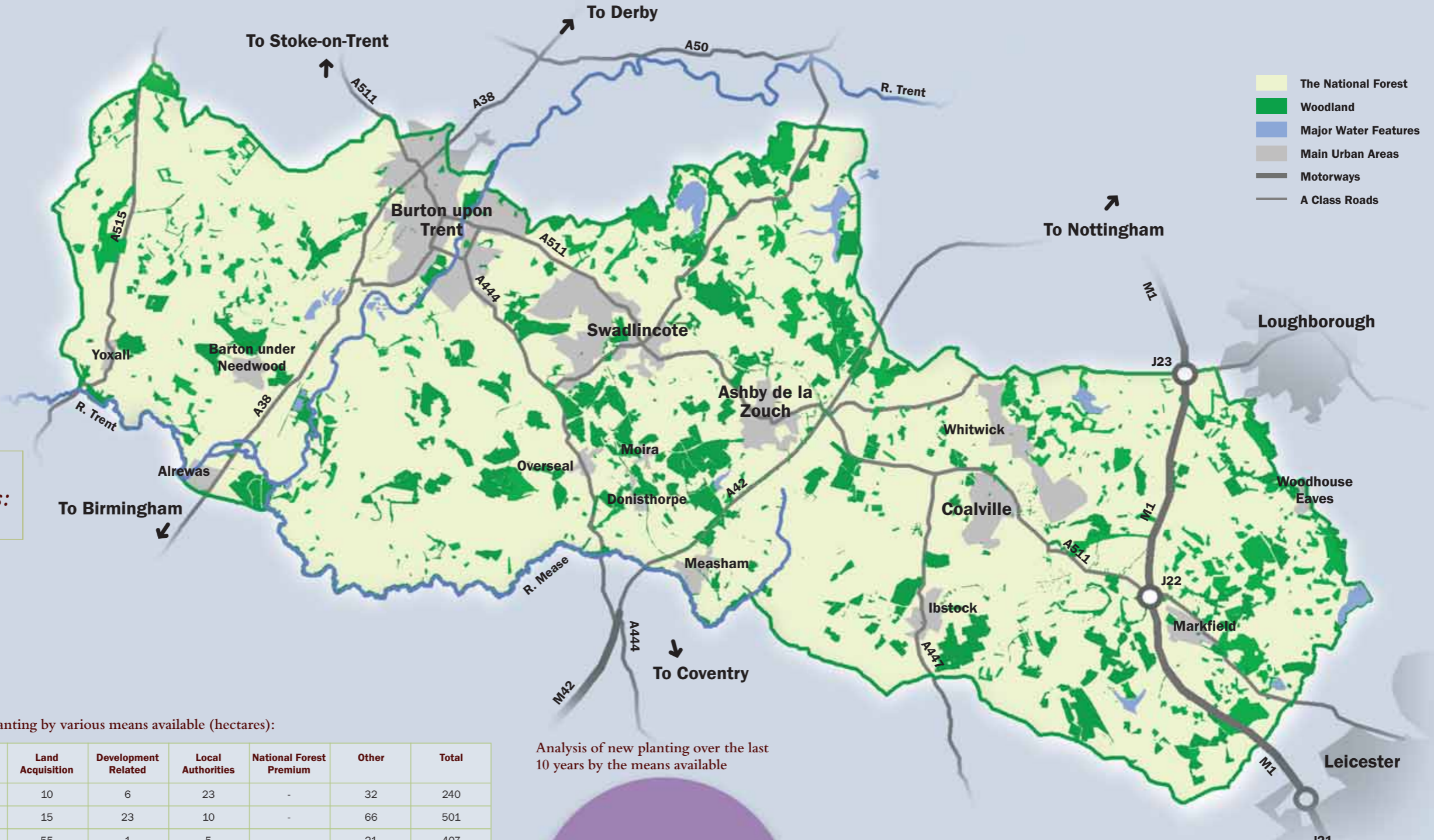
National Forest - Analysis of new planting by various means available (hectares):

Year	Tender Scheme	Mineral/Derelict Land Restoration	Land Acquisition	Development Related	Local Authorities	National Forest Premium	Other	Total
1995/96	144	25	10	6	23	-	32	240
1996/97	318	69	15	23	10	-	66	501
1997/98	212	113	55	1	5	-	21	407
1998/99	246	98	20	3	-	-	3	370
1999/00	242	91	94	13	2	25	13	480
2000/01	290	59	96	13	-	30	14	502
2001/02	417	25	93	7	-	19	14	575
2002/03	360	25	46	12	-	15	44	502
2003/04	299	58	49	15	-	1	28	450
2004/05	298	40	42	10	-	-	4	394
Total	2826	603	520	103	40	90	239	4421

Analysis of new planting over the last 10 years by the means available



Pre National Forest
Woodland cover in 1991



- The National Forest
- Woodland
- Major Water Features
- Main Urban Areas
- Motorways
- A Class Roads

17

18

Board of Directors:



From left to right: Viv Astling, Christine Hemming, Jean Tallantire, Oliver Johnson, Fiona Tilley, John Perry, Martin Glynn, Susan Bell. Not in the photograph: Patricia Richards.

Viv Astling OBE (Chairman):*

Former Chief Executive of Dudley Metropolitan Borough Council. Viv is Chairman of Birmingham International Airport's Consultative Committee and a member of Staffordshire County Council's Independent Remuneration Committee. He is a director of Midland Oak Skills & Technology Ltd and Dudley College Enterprises Ltd. He is also a Board Member and Trustee of the Midlands Arts Centre and of Artsites, Birmingham.

Susan Bell OBE (Chief Executive):

Chief Executive of the National Forest Company since it was established in 1995. Susan is a Director of the Heart of the National Forest Foundation, Trustee of the National Memorial Arboretum and a Director of the South Derbyshire Local Strategic Partnership. She is a Vice President of the Royal Forestry Society, a Member of the National Policy Committee of the Campaign for the Protection of Rural England (CPRE) and a Member of The Agricultural Forum. She is also an Honorary Fellow of The Institute of Chartered Foresters.

Martin Glynn:

Former National Operations Manager, Forestry Contracting Association who is now a self-employed consultant. Martin is a Council Member of the Institute of Chartered Foresters and Chair of its Educational Standards Committee and a member of its Professional Standards Committee. He is a Director of Gayle Mill Trust and a Member of the Forestry Commission Regional Advisory Committee, Yorkshire & The Humber Region. He is a listed Member, Heritage Lottery Fund National Directory of Expert Advisers.

Christine Hemming:*

Executive Director of Positive Action Training in Housing (West Midlands) Ltd. Christine is a Non-executive Director, South Birmingham Primary Care Trust, Vice Chair of Birmingham Children's Hospital NHS Trust and a Trustee of Birmingham Children's Hospital Charity.

Oliver Johnson:

Oliver is Chief Executive, The Wine Society.

John Perry MBE:

A planning consultant. John is Chairman of the Staffordshire Valuation Tribunal and Member of the Independent Monitoring Board for Her Majesty's Prison, Featherstone. He is Honorary Town & Country Planning Adviser, Offa's Dyke Association and a Trustee, John Sandy Trust. He is an examiner for Technical Membership, Royal Town Planning Institute.

Patricia Richards:*

Executive Director and Company Secretary, Automotive Skills. Patricia was formerly Chief Executive of North Nottinghamshire Training and Enterprise Council. She is a Governor, Portland College for the Disabled.

Jean Tallantire:

Jean is a Member, appointed by the Secretary of State, of the North York Moors National Park Authority. She is former Senior Regional Officer with the Sports Council, Yorkshire and Humberside.

Fiona Tilley:

Lecturer, School of the Earth & Environment, University of Leeds. Fiona is also an external examiner, Middlesex University Business School.

*Retired from the Board on 31 March 2005.

The following joined the NFC Board on 1 April 2005:

Chair - Diana Nichols, former Director General Environment, Department for Environment, Food and Rural Affairs. Dinah is a Commissioner/Board Member of The Crown Estate (Royal Appointment).

Non-executive Director - Russ Canning, a Chartered Landscape Architect and Town Planner.

Non-executive Director - Valerie Owen, a Chartered Architect, Town Planner and Surveyor.

The Directors present their report and the audited financial statements for the year ended 31 March 2005.

Principal activities

The Company is a company limited by guarantee, 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 the English Midlands.

Funding

Grant in aid is paid to the Company under Section 153 of the Environmental Protection Act 1990. In 2004/05 £3,271,000 was received, a reduction of 11.6% when compared with the £3.7 million received in 2003/04. However during the year a further £153,000 was received from Defra, primarily as a contribution to proposed land acquisitions.

Indication has been given that grant in aid for 2005/06 is to be restored to £3.7 million, the same allocation as that for 2003/04. In addition the Company is to be allocated an additional £0.5 million to compensate for the reduction suffered in 2004/05.

Business review and future developments

The NFC during 2004/05 achieved its headline targets set for the year as agreed by its Board and approved by Defra following the annual Corporate Plan meeting with the Minister. By achieving its goals, the Company has also contributed to Defra's own Five Year Strategy 'Delivering the Essentials of Life' launched in late 2004.

Activity during 2004/05, which contributes to the delivery of the aims and objectives of the new Forest Strategy 2004 - 2014 launched in March 2004, included:

- 394 ha of National Forest creation (Target range of 350 - 400 ha reflects the reduction in grant in aid experienced). This brings woodland cover across the Forest to 8,031 ha. This represents 16.1% of the area which is nearly half of the eventual one third target;
- 298 ha of the Forest creation achieved was new land delivered via the sixteen successful schemes to Round 10 of the National Forest Tender Scheme (Target range 275 - 300 ha);
- 42 ha was secured through three separate land acquisitions, deals that were achieved despite the prevailing difficulties with the land market where very little land was coming forward for acquisition (Target range 15 - 40 ha);
- 40 ha of mineral/derelict land restoration (Target 30 ha) was achieved. Discussions have also been held with the main mineral operators in the area to identify further opportunities for Forest related schemes;
- the drafting of a new three year Concordat with the Forestry Commission (FC) detailing proposals for further joint working and expected to be signed in early 2005/06;
- 448 ha of new public access has been secured (Target 400 ha). 280 ha was offered through the Tender Scheme with a further 168 ha secured from land previously committed to the Forest which became accessible during the year;
- 130 ha of nature conservation habitat was created, restored or brought into management (Target 130 ha);
- 7,680m of new hedgerow was planted (Target 10,000m) whilst over 4,000m was brought into proper management (Target 3,000m);
- the second edition of the National Forest Biodiversity Action Plan was launched by the Chairman of English Nature in August 2004;
- securing NFC Board approval for a 3 year action plan related to the development of the Forest's woodland economy. A new Woodland Economy Group has been established with membership drawn from the NFC and external partners and practitioners. Activity during the year has included support given to wood-fuel initiatives, woodland certification, acquisition of machinery, log production and timber felling and market development;
- implementation of the second year's activities associated with the NFC Board approved three year Marketing and Communications Strategy (2003-2006). Activity has included the production of promotional literature; undertaking a programme of talks and briefings; the launch of a 'Business Benefits' campaign aimed at engaging businesses in the Forest's creation thereby meeting their corporate social responsibilities; further efforts to raise awareness of, and support for, the Forest in Birmingham; a proactive media campaign; and the further development of the National Forest website www.nationalforest.org which has attracted a 90% increase in visits over the last year;
- working once again with three local authority partners on 'The National Forest & Beyond' visitor campaign;
- acting as the lead partner in promoting the building of a new hostel in the Forest, in association with the Youth Hostel Association and the Heart of the National Forest Foundation;

Report of the Directors:

- issuing best practice guidance on proper management of sites and facilities covering matters such as fire guidance, deer management and ragwort control;
- implementation of the second year's programme of activity for the 'LANDshapes' project, funded by the Heritage Lottery Fund, which is to record the cultural and physical history of The National Forest area. Activity has included the launch of the interactive archive and website; the commissioning of The National Trust to produce a book on the Forest's cultural and landscape heritage; the commissioning of an internationally renowned sculptor to produce six wood sculptures and various community events;

- continuing support for the British Trust for Conservation Volunteers (BTCV) Project Officer for The National Forest. Nearly 2,600 volunteer workdays were arranged during the year.

In the coming years activity will continue to focus on delivering the objectives as set out in the new National Forest Strategy. This includes:

- securing Forest creation, with associated public benefits, which contributes towards meeting the 4,000 – 5,000 ha target set for the 10 year period 2004 – 2014;
- encouraging appropriate management to maintain and enhance the high quality of the Forest environment and visitor facilities;
- liaising with the local authorities over implementation of the cross-Forest Urban Forestry Strategy for the Forest's four main towns;
- encouraging agricultural diversification and environmental land management;
- encouraging further reclamation of mineral works, derelict land and landfill sites;
- implementing the National Forest Biodiversity Action Plan;
- monitoring the Forest's contribution to UK sustainability commitments, including carbon sequestration and global warming;
- stimulating economic regeneration and the enhancement of built development through related landscaping;
- continuing the programme of activity aimed at raising awareness of The National Forest;
- promoting and marketing the Forest's many attractions for visitor enjoyment;
- encouraging greater private sector engagement in Forest-related projects linked to businesses fulfilling their corporate social responsibilities;
- assisting with the establishment and further development of locally

- based enterprises related to the Forest economy and support the development of National Forest products;
- improving public access and encouraging greater use of the Forest for learning and enjoyment;
- developing the horseriding and cycling amenities as identified in the Cycling and Horseriding Strategies;
- promoting community participation; social well-being and healthy living; environmental education; and voluntary participation;
- delivering the agreed outputs from the HLF 'LANDshapes' project;
- expanding the social inclusion programme;
- ensuring that the Forest is a test bed for new ideas and is recognised as an exemplar of sustainable development and best practice;
- producing, with necessary consultation, a Forest-wide Transport Strategy that encourages sustainable transport options;
- progressing, subject to securing the necessary funding, the development of the proposed youth hostel in the Forest;
- continuing to engage with the new planning system to ensure that the Forest is reflected in appropriate national, regional and local policy documents;
- undertaking or commissioning research as required and monitoring and recording progress and the impact of the Forest on the area.

Land Acquisition and Disposal

The Company is permitted to acquire land in accordance with its Land Acquisition Policy agreed with Defra and HM Treasury. This allows land to be acquired where it will secure significant National Forest objectives and represents good value for money. Following acquisition by the NFC, 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 will be 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 land. At the beginning of 2004/05 the Company continued to hold two sites, a 12 ha woodland site and a 60 ha nature conservation site (45 ha of which is the subject of a 25 year lease to Staffordshire Wildlife Trust). During the year the NFC acquired two further sites. A 22.7 ha site was acquired which it is proposed should be retained and developed by the Company to meet the needs of its community and business planting schemes. A further 8 ha site was acquired in March 2005 for which development options are being considered.

Research and Development

The NFC spent £36,861 on research during the year. This compares with £99,056 in the previous year. The research budget for 2004/05 was reduced as a consequence of the reduction in grant in aid receivable. The main areas of activity during 2004/05 were:

- completion of the research relating to wet woodlands;
- establishing landscape visualisation capabilities;
- research relating to Biodiversity Action Plan species, the barn owl and redstart;
- a review of how the Forest's creation is helping to mitigate the effects of global warming.

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 all undisputed invoices within 30 days of the invoice date. No claims were received during the year from suppliers for late payment of invoices under The Late Payment of Commercial Debts (Interest) Act 1998.

Freedom of Information Act 2000

The provisions of the Act came into force on 1 January 2005. The NFC has developed procedures to deal with requests for information that may be received. The Company continues to maintain and develop its Publication Scheme which has been approved by the Information Commissioner.

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 2004. The salary review negotiated within the sponsor Department 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.

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, 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 and dividends

The surplus for the year amounted to £160,436 (2004 surplus of £47,724).

Fixed Assets

The movement in the tangible fixed assets account is set out in note 10 to the financial statements.

Directors

The Directors of the Company are set out on page 19. Their appointment dates are set out below:

V Astling*	1 April 1999
S Bell	3 April 1995
M Glynn	1 April 2004
C Hemming*	1 June 1999
O Johnson	1 April 2004
J Perry	1 April 2001
P Richards*	1 June 1999
J Tallantire	1 April 2001
F Tilley	1 April 2004

*Viv Astling retired as Chairman at the end of March 2005. Christine Hemming and Patricia Richards retired as non-executive directors at the end of March 2005.

Report of the Directors:

- Over 12,300 people took part in Forest related events and activities such as tree planting, free tree schemes, creating Forest features and educational, environmental and arts initiatives (Target 12,000);
- a programme of environmental education involving more than 37,000 school pupils. There was also a special project 'Tree for All', working with The Woodland Trust, to bring children from schools in areas experiencing deprivation, in the cities surrounding the Forest and rural areas within it, to take part in tree planting and environmental education activities;
- continuing to support the STEPS 'Walking the Way to Health' project in South Derbyshire;
- working with the Children's Music Workshop, on the 'Songs of the Forest' project which has involved over 2,000 children from over 30 schools in workshops and performances since the project started in 2003; and

Report of the Directors:

Dinah Nichols was appointed as Chair and Russ Canning and Valerie Owen were appointed as non-executive directors with effect from 1 April 2005.

Auditors

Pritchard Wood were engaged to provide an internal audit service to the NFC during the 2004/05 financial year. Bentley Jennison were re-appointed as external auditors for the 2004/05 financial year.



S Bell Chief Accounting Officer



M Dewsnap Secretary

20 July 2005

Statement of Directors' Responsibilities:

We are required under company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company, and of the profit or loss of the Company for that year.

In preparing these financial statements we are required to:

- select suitable accounting policies and apply them consistently
- make reasonable and prudent judgements and estimates
- state whether applicable accounting standards have been followed, and give details of any departures
- prepare the financial statements on a going concern basis unless in our view the Company will be unable to continue in business.

We are also responsible for:

- keeping proper accounting records
- safeguarding the Company's assets
- taking reasonable steps for the prevention and detection of fraud.

By order of the Board



M. Dewsnap Secretary

20 July 2005

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 Government Accounting. The Company's aims and objectives are detailed in its annual Corporate Plan approved by the Company Board and submitted to Defra. This is the subject of a meeting each year with the Minister where the Company's key objectives and associated targets are discussed together with the factors affecting their achievement. Following the meeting in July 2004, the Minister wrote to the Company's Chairman confirming agreement of the objectives and targets set for 2004/05.

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Company policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Company for the year ended 31 March 2005 and up to the date of approval of the Annual Report and Accounts and accords with Treasury guidance.

The NFC's Risk Management Policy was first approved by the Company's Board in May 2003. The Policy was updated in July 2004 to acknowledge the Audit Committee's role in monitoring implementation of the agreed action plan aimed at addressing risks identified and detailed in the Risk Register. The revised Policy was approved by the NFC Board in July 2004. In accordance with the Policy:

- the NFC Board has responsibility for overseeing risk management within the Company;
- the Audit Committee has responsibility for reviewing the systems of internal control;

- the Chief Executive, as Accounting Officer, has responsibility for ensuring that effective systems of control are maintained and operated; and
- the executive supports, advises and implements policies approved by the Board and are committed to adopting good risk management practice.

The updated Risk Register was reviewed by the NFC Board in July 2004. Particular attention was paid to the top risks identified and the proposed action plans to be implemented to address them. The main risks identified related to the availability of land for Forest purposes, the level of grant in aid from Defra, reliance upon partners to assist with the delivery of Forest targets and reliance upon key NFC personnel.

Responsibility for the day-to-day administration of the risk management process is delegated to the Chief Officer Corporate Services who is the nominated Principal Finance Officer. A programme of planned maintenance is in place. This involves regular reviews by the senior executive of the Risk Register and the associated Action Plan aimed at addressing risks identified. The key risks and the action plans to be implemented to address them were also reviewed by the NFC's Corporate Affairs Group comprising the Company's Chairman, Chief Executive and Chief Officers at an away day held in September 2004. It is planned that the Risk Register will be updated and considered by the Audit Committee in July 2005 before being presented to the NFC Board in September 2005.

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 appointed internal auditors, Pritchard Wood, 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, Bentley Jennison, 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 in place.

The Company's Audit Committee, comprising three non-executive directors, met twice during the year ended 31 March 2005. As Accounting Officer, I regularly attend meetings of the Committee. The Chairman of the Audit Committee gives an annual report to the Board concerning internal control and in addition regular reports are provided by managers on action being taken to manage risks in their areas of responsibility including progress reports on key projects.

The Company's internal auditors operate in accordance with Government Internal Audit Standards. They submit regular reports which include the Head of Internal Audit's independent opinion on

Statement on Internal Control:

the adequacy and effectiveness of the Company's system of internal control together with recommendations for improvement. The opinion stated in the Annual Internal Audit Report for 2004/05 was that the NFC:

- has good and effective control processes;
- has good and effective risk management processes; and
- has good and effective governance processes.

No significant internal control problems were identified during the year.



Susan Bell Chief Executive/Accounting Officer - 20 July 2005



Dinah Nichols Chair - 20 July 2005

Independent Auditors' report
to the Houses of Parliament
and the members of the
National Forest Company

Auditors' Report:

We certify that we have audited the financial statements on pages 26 to 32. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on page 28.

This report is made solely to the Company's members and the Houses of Parliament, as bodies in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members and the Houses of Parliament those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, the Company's members as a body and the Houses of Parliament as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Directors and Auditors

As described on page 23, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards and Treasury directions made thereunder and for ensuring the regularity of financial transactions. The Company's directors are also responsible for the preparation of the Report of the Directors. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 and Treasury directions made thereunder, and whether 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. We also report if, in our opinion, the Report of the Directors is not consistent with the financial statements, if the Company has not kept proper accounting records, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

We review whether the statement on page 24 reflects the Company's compliance with Treasury's guidance "Corporate governance: statement on the system of internal financial control". We report if it does not meet the requirements specified by Treasury, or if the Statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes

examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, 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. In forming our opinion we have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the National Forest Company at 31 March 2005 and the surplus and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985 and directions made thereunder by Treasury; and
- 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.

Bentley Jennison

Registered Auditors
Chartered Accountants
Birmingham

20 July 2005

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	Note	2005 £	2004 £
Income			
- Grant in aid	2	3,175,828	3,646,987
- Other	3	305,219	376,987
Administrative expenses		(1,141,507)	(1,233,112)
Programme expenditure		(1,952,935)	(2,560,367)
Expenditure from donations and contributions received		(235,057)	(207,807)
Expenditure from reserve		(20,925)	-
Notional cost of capital	4	(33,344)	(25,392)
Operating surplus/(deficit) - continuing operations	5	97,279	(2,704)
Interest receivable and similar income	6	35,984	30,909
Surplus on ordinary activities before taxation		133,263	28,205
Tax on interest receivable	9	(6,171)	(5,873)
Surplus on ordinary activities after taxation		127,092	22,332
Notional cost of capital	4	33,344	25,392
Retained surplus for the year	14	160,436	47,724
Revenue reserve brought forward		533,342	485,618
Revenue reserve carried forward	14	693,778	533,342

All of the Company's activities are classed as continuing.
There were no recognised gains or losses in the year other than those included in the Income and Expenditure Account.

Income & Expenditure Account:

for the year ended
31 March 2005

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Balance Sheet
at 31 March 2005

	Note	2005		2004	
		£	£	£	£
Fixed assets					
Tangible assets	10		503,336		266,748
Current assets					
Debtors	11	132,164		108,031	
Cash at bank and in hand		595,796		477,313	
		727,960		585,344	
Creditors: amounts falling due within one year	12	(58,510)		(79,512)	
Net current assets/(liabilities)			669,450		505,832
Total assets less current liabilities			1,172,786		772,580
Creditors: amounts falling due after more than one year	13		(16,758)		(23,238)
Net assets			1,156,028		749,342
Capital					
Revenue Reserve	14		693,778		533,342
Capital Reserve	14		462,250		216,000
			1,156,028		749,342

The financial statements were approved by the Board on 20 July 2005 and signed on its behalf by
Dinah Nichols - Chair
Susan Bell - Chief Executive/Accounting Officer

Balance Sheet &
Cash Flow Statement:

Cash Flow Statement
for the year ended 31 March 2005

	Note	2005	2004
		£	£
Net cash inflow from operating activities	16	106,219	133,057
Returns on investment and servicing of finance			
Interest received		35,984	30,909
Taxation			
Corporation Tax paid		(5,873)	(4,996)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(17,847)	(138,013)
Proceeds from sale of tangible fixed assets		-	157,000
Increase in cash	17	118,483	177,957

1 Accounting policies

Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention.

Income

Income consists primarily of Grant in Aid from the Department for Environment, Food and Rural Affairs (Defra).

Tangible fixed assets and depreciation

Depreciation is provided evenly on the cost of tangible fixed assets, to write them down to their estimated residual values over their expected useful lives. The principal annual rates used for fixtures, fittings and computer equipment is based upon expected useful lives of between 3 and 9 years.

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. When the exit strategy and eventual proceeds are agreed, the difference between the cost of the land and the eventual disposal consideration, where lower, is charged to depreciation over the period for which the land is to be held. Where land is acquired and as a result of a proposed change of use there is a devaluation in the value of the land, the loss on revaluation is charged to the Income and Expenditure Account in the year of the revaluation. Where land is acquired which is retained but not depreciated, the cost of the land is credited to a Capital Reserve.

Modified historical cost accounting

The tangible fixed assets held by the Company comprise land, fixtures and fittings and computer equipment. The effect of revaluing these assets on a modified historical cost basis, as specified in Treasury guidance, is not considered material. No adjustment has therefore been made. The Company will review, on an annual basis, the effect of applying the principles of modified historical cost accounting.

Leased assets

Rentals payable under operating leases are charged to the Income and Expenditure Account as incurred.

Research

Research expenditure is charged wholly against revenue in the year in which the expenditure was incurred.

Government grants

Government grants used for capital expenditure (and other similar receipts) are credited to deferred income and released to the Income and Expenditure Account over the expected useful lives of the relevant assets.

Grants used for revenue expenditure are credited to the Income and Expenditure Account in the same period as the expenditure to which they contribute.

Defined benefit pension scheme

The Company operates a defined benefit pension scheme as an admitted body under the Principal Civil Service Pension Scheme (PCSPS). This is an unfunded multi-employer defined benefit scheme but the NFC is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2003. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk). For 2004/05, employer's contributions of £79,057 were payable to the PCSPS (2003/04 £73,902) at one of four rates in the range 12% to 18.5% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. From 2005/06, the salary bands will be revised and the rates will be in a range between 16.2% and 24.6%. The contribution rates reflect benefits as they accrue, not the costs as they are actually incurred, and reflect past experience of the scheme.

From 1 October 2002, scheme members may be in one of three statutory based "final salary" defined benefit schemes (**classic**, **premium** and **classic plus**). The Schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium and classic plus are increased annually in line with changes in the Retail Price Index. New entrants after 1 October 2002 may choose between membership of **premium** or joining a good quality "money purchase" stakeholder arrangement 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 and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable salary 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 but members may commute some of their pension to provide a lump sum. Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

The partnership pension account is a stakeholder pension arrangement. Employer contributions are age-related and range from 3% and 12.5% of pensionable pay. In addition, employer contributions of

Notes
on Financial Statements:

0.8% of pensionable pay is payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. The NFC has not, to date, made any contributions to a partnership pension account.

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 2.

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 18 to the Financial Statements.

2 Grant in Aid

	2005 £	2004 £
Received in the year	3,424,000	3,785,000
Expenditure on fixed assets	(248,172)	(138,013)
	<u>3,175,828</u>	<u>3,646,987</u>

3 Other operating income

Donations	70,038	48,356
Heritage Lottery Fund	75,247	75,311
Sundry income	129,934	95,445
Grants received	30,000	27,875
Land acquisition funding from Forestry Commission	-	130,000
	<u>305,219</u>	<u>376,987</u>

4 Notional cost of capital

Treasury guidance requires that as part of operating costs, to the extent that there is no real charge for it, the notional cost of capital be calculated. To this end the notional cost of

capital has been calculated at 3.5% of the average of total assets less total liabilities. An entry reversing this amount has also been made in accordance with the guidance.

5 Operating surplus/(deficit)

	2005 £	2004 £
The operating surplus/(deficit) is arrived at after charging/(crediting)	£	£
Auditors' remuneration	6,222	5,996
Depreciation of tangible fixed assets		
- normal depreciation	27,510	30,035
- exceptional depreciation	-	52,000
Government grants - capital		
- normal	(27,510)	(30,035)
- exceptional	-	(52,000)
Operating leases	36,200	36,200

In accordance with the Accounting Policies set out on page 28, when land is acquired, the difference between the cost of the land and the eventual sale proceeds is charged to depreciation over the period for which the land is to be held. In 2003/04 the NFC acquired one site at a cost of £127,000. Later in the

year the freehold of the site was transferred to Forest Enterprise for a consideration of £75,000. The difference between the purchase price and proceeds received of £52,000 was charged/credited as exceptional depreciation and amortisation in the year.

6 Interest receivable and similar income

	2005 £	2004 £
Bank interest receivable	<u>35,984</u>	<u>30,909</u>

7 Employees

Average monthly number of employees, including directors	Number	Number
Directors (including Chief Executive)	9	8
Staff	<u>17</u>	<u>16</u>
	<u>26</u>	<u>24</u>
Staff costs, including directors	£	£
Salaries	618,777	563,375
Social security costs	49,070	45,422
Other pension costs	<u>79,057</u>	<u>73,902</u>
	<u>746,904</u>	<u>682,699</u>

Directors' emoluments are disclosed in note 8.

Notes on Financial Statements:

8 Directors

		2005 £	2004 £		
Emoluments (including benefits in kind) of the Company's directors		<u>125,350</u>	<u>118,355</u>		
Emoluments of Chairman: (The Chairman is remunerated on the basis of working an average of one day per week.)					
		2005 £	2004 £		
Name	Contract Expiry Date	Taxable Benefits	Remuneration	Taxable Benefits	Remuneration
Viv Astling	31 March 2005	1,144	15,311*	1,408	15,011
*The Chairman directed £10,000 of this remuneration to support the zonal sculpture project forming part of the LANDshapes project.					
Emoluments of non-executive directors: (Non-executive directors are remunerated on the basis of working an average of one day per month.)					
		2005 £	2004 £		
Name	Contract Expiry Date	Taxable Benefits	Remuneration	Taxable Benefits	Remuneration
Martin Glynn	31 March 2007	654	2,807	-	-
David Goode	31 March 2004	-	-	867	2,752
Christine Hemming	31 March 2005	-	2,807	123	2,752
Oliver Johnson	31 March 2007	770	2,807	-	-
John Perry	31 March 2007	531	2,807	340	2,752
Patricia Richards	31 March 2005	265	2,807	448	2,752
Jean Tallantire	31 March 2007	1,719	2,807	791	2,752
Carol Thompson	31 March 2004	-	-	795	2,752
Fiona Tilley	31 March 2007	341	2,807	-	-
Emoluments of the Chief Executive, the highest paid director:				2005 £	2004 £
Name	Age	Contract Expiry Date			
Susan Bell	*	7 February 2006			
Salary				66,300	64,000
Non-consolidated bonus				6,400	6,220
Pension scheme contributions made by employer				<u>12,266</u>	<u>11,840</u>
				<u>84,966</u>	<u>82,060</u>

*consent to disclosure withheld

The only director qualifying for benefits under the pension scheme is the highest paid director.

Details are:	2005 £
Salary, including performance pay (within the range)	70,000 - 75,000
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)	2,500 - 5,000
Total accrued pension at age 60 at 31/3/05 (within range)	10,000 - 15,000
Total accrued related lump sum at age 60 at 31/3/05 (within range)	30,000 - 35,000
Cash equivalent transfer value (CETV) at 31/3/04 (nearest £'000)	193,000
Cash equivalent transfer value (CETV) at 31/3/05 (nearest £'000)	218,000
Real increase in CETV after adjustment for inflation and market investment factors (nearest £'000)	16,000

The Chief Executive is a member of the Principal Civil Service Pension Scheme. The benefits provided are summarised in Note 1 on the Financial Statements on page 28.

9 Taxation

	2005 £	2004 £
Corporation Tax	<u>6,171</u>	<u>5,873</u>

Grant income and donations received by the Company are not subject to Corporation Tax. Interest received is however taxable, resulting in the above tax charge.

Notes on Financial Statements:

10 Tangible assets

	Freehold Land £	Fixtures and fittings £	Computer equipment £	Total £
Cost or valuation				
At 1 April 2004	216,000	158,205	54,153	428,358
Purchased during the year	246,250	1,400	16,448	264,098
Disposals during the year	-	(1,052)	(2,096)	(3,148)
At 31 March 2005	<u>462,250</u>	<u>158,553</u>	<u>68,505</u>	<u>689,308</u>
Depreciation				
At 1 April 2004	-	139,485	22,125	161,610
Charges in the period	-	12,258	15,252	27,510
Depreciation charged on disposals	-	(1,052)	(2,096)	(3,148)
At 31 March 2005	-	<u>150,691</u>	<u>35,281</u>	<u>185,972</u>
Net Book Value 31 March 2005	<u>462,250</u>	<u>7,862</u>	<u>33,224</u>	<u>503,336</u>
Net Book Value 31 March 2004	<u>216,000</u>	<u>18,720</u>	<u>32,028</u>	<u>266,748</u>

Freehold land is not depreciated, being treated as a capital reserve. See note 14.

11 Debtors

	2005 £	2004 £
Prepayments and accrued income	108,551	77,547
Other taxation and social security	-	14,134
Other	23,613	16,350
	<u>132,164</u>	<u>108,031</u>

12 Creditors: amounts falling due within one year

	£	£
Corporation Tax payable	6,171	5,873
Other taxation and social security	2,051	-
Deferred income		
- government grants (capital)	24,328	27,510
Accruals and other deferred income	25,960	46,129
	<u>58,510</u>	<u>79,512</u>

13 Creditors: amounts falling due after more than one year

	£	£
Deferred income - government grants (capital) - between two to five years	<u>16,758</u>	<u>23,238</u>

14 Reserves

	Capital reserve £	Revenue reserve £
At 1 April 2004	216,000	533,342
Additions during the year	246,250	-
Surplus for the year	-	160,436
At 31 March 2005	<u>462,250</u>	<u>693,778</u>

Notes
on Financial Statements:

15 Financial commitments

	2005 £	2004 £
Operating lease commitments		
The payments which the Company is committed to make in the next year under operating leases are as follows		
Land and buildings, leases expiring between two to five years	<u>33,938</u>	<u>36,200</u>
Other financial commitments		
The Company is committed to make payments under the National Forest Tender Scheme as follows:		
Within one year	661,037	416,827
Two to five years	1,786,390	1,787,155
Over five years	54,872	200
	<u>2,502,299</u>	<u>2,204,182</u>

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

16 Reconciliation of operating (deficit)/surplus to net cash inflow from operating activities

	£	£
Operating surplus/(deficit)	97,279	(2,704)
Notional cost of capital	33,344	25,392
Depreciation of tangible assets	27,510	82,035
(Increase)/decrease in debtors	(24,133)	118,227
(Decrease) in creditors	(27,781)	(89,893)
Net cash inflow from operating activities	<u>106,219</u>	<u>133,057</u>

17 Analysis of changes in net funds

	At first day of year £	Cash flows £	At last day of year £
Cash in hand and at bank	<u>477,313</u>	<u>118,483</u>	<u>595,796</u>

18 Transactions with Directors

During the year ended 31 March 2004, a loan was made to Susan Bell, Chief Executive and a Director, under the terms of the scheme for car

loans to employees. As at 31 March 2005, the amount of loan outstanding amounted to £3,500 (2004: £7,700).

Notes
on Financial Statements:

FIVE YEAR REVIEW OF PERFORMANCE - Summary of main achievements during the five years 2000/2001 to 2004/2005

	2000/01	2001/02	2002/03	2003/04	2004/05
New Forest creation					
Target	500 ha	575 ha*	500 ha	450 ha	350 - 400 ha
Outturn	502 ha	575 ha	502 ha	450 ha	394 ha
Mineral works and derelict land restored					
Target	50 ha	40 ha	30 ha	25 ha	30 ha
Outturn	59 ha	25 ha	25 ha	58 ha	40 ha
Land acquisition					
Target	50 ha	80 ha	80 ha	70 ha	15 - 40 ha
Outturn	96 ha	93 ha	46 ha	49 ha	42 ha
Public access					
a) New linear access					
Target	45 km	45 km	45 km	45 km	45 km
Outturn	47 km	70 km	59 km	57 km	45 km
b) New full open access sites					
Target	330 ha	400 ha	460 ha	400 ha	400 ha
Outturn	334 ha	463 ha	505 ha	498 ha	448 ha
Nature conservation and cultural heritage habitat created or brought into management					
Target	150 ha	150 ha	160 ha	300 ha	130 ha
Outturn	162 ha	164 ha	340 ha	344 ha	130 ha
New hedgerows planted					
Target	5,000 m	3,000 m	3,000 m	10,000 m	10,000 m
Outturn	8,492 m	12,000 m	13,627 m	11,915 m	7,680 m

* Forest creation target for 2001/02 was increased from 500ha to 575ha.